

# Environmental and Social Report 2017

SHINKO ELECTRIC INDUSTRIES CO., LTD.



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# Message from the Management

As typified by the rapid spread of the Internet of Things (IoT) and artificial intelligence (AI) and the diverse application of big data, innovation on a different order of magnitude from before is bringing major changes to economic activity and people's lives. On the other hand, a variety of social issues, including global warming, resource depletion, and the digital divide, are growing increasingly serious and complex throughout the world. To create a prosperous and sustainable society, today's companies must keep the fulfillment of their social responsibilities in mind when conducting business.

Given this environment, the Shinko Group aims to enrich the lives of people and contribute to the development of society through its diverse products and wide range of technologies. At the same time, the Group seeks to fulfill its social responsibility as a corporate citizen through business activities by adhering to the Shinko Way, which embodies the Group's philosophy, its reason for existence, and the values and principles that all Group employees follow.



In 2016, Shinko marked its 70th anniversary. Ever since its foundation, Shinko has consistently valued contribution to local communities and consideration for the environment in its corporate management.

The Shinko Group has engaged in community-based business activities, including employment and social contributions. At overseas sites as well, we conduct activities in light of the local situation, based on exchanges of opinions with local communities and local governments. In 2016 we expanded our social contribution efforts as we marked our 70th anniversary, and we will continue to enhance such activities according to the needs of the local community.

In addition, as part of its responsibility as a manufacturing company, the Shinko Group has made environmental protection one of the most important issues for management and has implemented diverse measures at sites in and outside Japan. In our recent activities, measures to counter increasing energy consumption in the manufacture of high-density products and strengthening of initiatives in the supply chain, including secondary suppliers, have become some of the issues. We will continue to step up our environmental protection activities in light of such issues.

Going forward, the Group's entire staff will continue to make united efforts to fulfill our social responsibility and boost our corporate value, to meet the expectations of our diverse stakeholders, including the customers, suppliers, shareholders, and community members who support the Shinko Group, and we will strive to remain a company that is trusted by society.

I hope that this report helps you to understand the Shinko Group's initiatives introduced herein, and we look forward to your further support and encouragement.

豊木 則行

Noriyuki Toyoki  
Chairman, President and Representative Director  
SHINKO ELECTRIC INDUSTRIES CO., LTD.

# The Shinko Group's Products and Business Fields

## Overview of Products

Shinko was established in September 1946. We began by recycling lamps for home use, expanded into lamps for telephone switchboards, and then moved into the field of semiconductors, developing into a comprehensive manufacturer of semiconductor packages.

The Shinko Group draws on the vacuum technology, metallic material processing technology and glass sealing technology that we cultivated in the lamp business, as well as the improved versions of these technologies, in developing and manufacturing our diverse lineup of semiconductor packages.

### ◆ PLASTIC LAMINATED PACKAGES

Our plastic laminated packages using organic resin materials were created to meet the need for high-speed and high-density packaging.

They are mainly used in MPUs in computers and servers as well as a range of microcomputers, memories, chipsets, ASICs, graphic accelerators, and automotive applications.



Flip-Chip Type Package



Plastic BGA Substrates

### ◆ COMPONENTS

Hermetic glass-to-metal seals with excellent electrical properties are used in semiconductor lasers and automotive sensors.

We also manufacture components such as ceramic electrostatic chucks for semiconductor manufacturing equipment and heat spreaders that efficiently disperse heat from IC chips.



Various Glass-to-Metal Seals



Ceramic Electro Static Chucks

### ◆ LEAD FRAMES

Our lead frames are highly versatile IC packages made with thin metal sheets. They are used in a range of microcomputers, memories, and ASICs. Our lineup includes super fine-pitched lead frames suitable for microchips, quad flat non-leaded packages (QFNs) suitable for smaller and thinner devices, lead on chips (LOCs) for memories, and lead frames with heat slugs for automotive applications and power ICs requiring high heat dissipation.



Super Fine-Pitched Lead Frames



QFN-Type Lead Frames

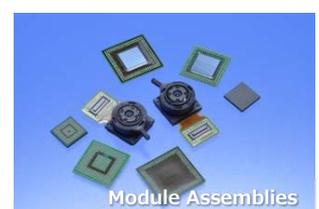
### ◆ ASSEMBLIES

We undertake contract semiconductor assembly that meet demands for high-performance, multi functionality, and miniaturization.

We offer flip-chip assemblies that are superior in terms of high-speed and miniaturization, IC assemblies with embedded active and passive components, as well as modules mounted with multi IC chips and passive components.



IC Assemblies with Embedded Active Components



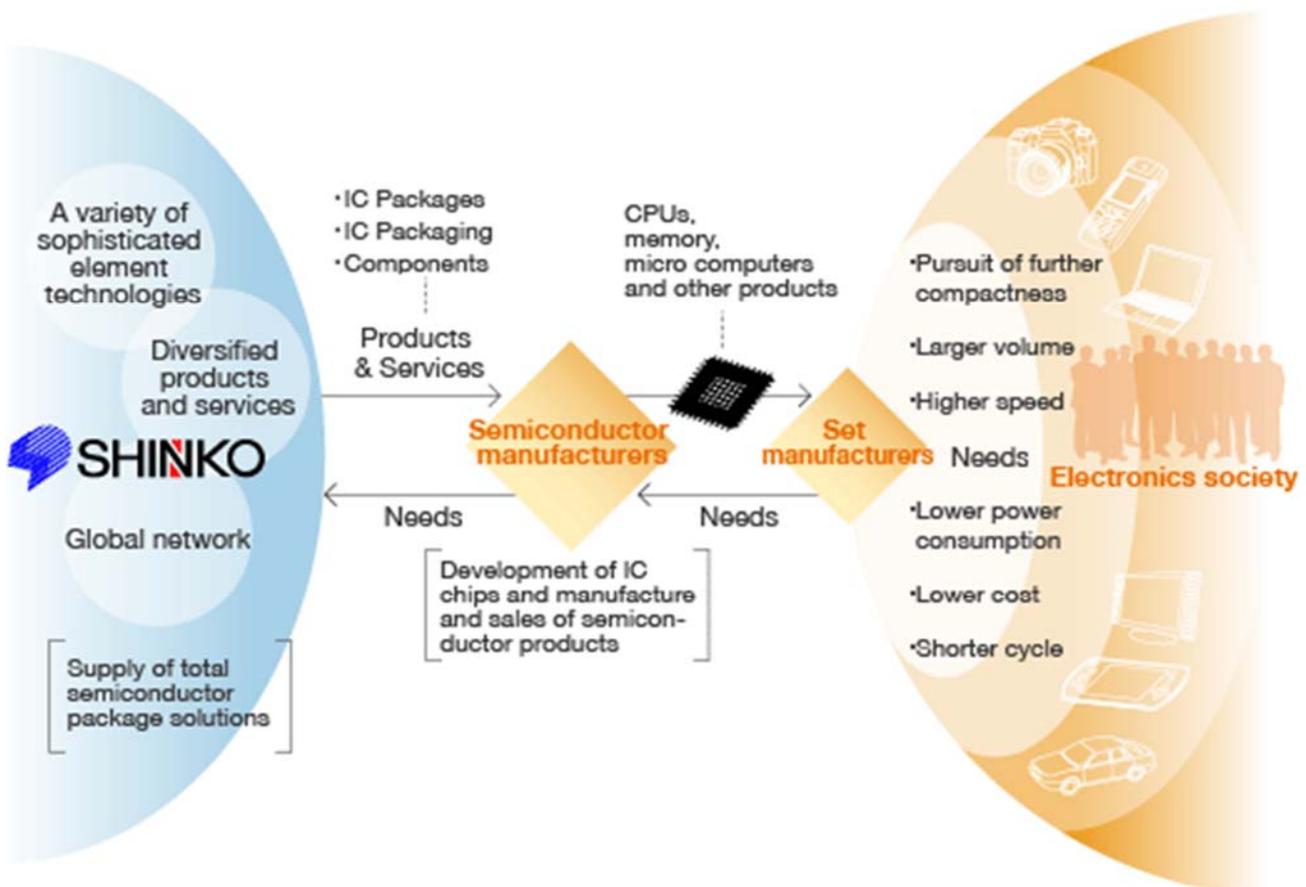
Module Assemblies

## The Shinko Group's Business Fields

### ◆ Interconnecting Our Future

Personal computers, mobile devices, digital appliances and other electronic products are indispensable in contemporary society, and their rapid dissemination supports people's abundant lives worldwide. A range of functions and information are compacted into IC chips, which serve as the "brain" for these products. These chips work only when they are connected electrically to other devices, and semiconductor packages—our mainstay products—have an important role in maximizing the potential functionality.

As an integrated manufacturer of semiconductor packages, the Shinko Group responds to needs such as more compactness and higher functionality that are requested by semiconductor and electronics manufacturers to contribute to manufacturing products that make people's lives more abundant.



**Special Feature**

# Initiatives at an Overseas Group Company

## KOREA SHINKO MICROELECTRONICS CO., LTD.

As part of the Shinko Group's global initiatives, our overseas group companies carry out a variety of activities according to their business and the local situation.

Below is an overview of the principal activities carried out by one of the overseas group companies: KOREA SHINKO MICROELECTRONICS CO., LTD. (KSM).

KSM will celebrate its 30th anniversary in December 2017. It has long focused on reducing energy (CO<sub>2</sub> emissions) as part of its efforts to protect the global environment. In addition, it has engaged in many other activities from the perspective of running a community-based business, including social contribution activities and initiatives to promote the active participation of women.

### Environmental Protection Activities

#### ◆ Reduction of Energy Consumption (CO<sub>2</sub> Emissions)

KSM has actively been carrying out efforts to cut energy (CO<sub>2</sub> emissions). Since FY2010, it has been implementing such activities under five-year plans.

During the first five-year plan, from FY2010 to FY2014, it commenced activities under the high goal of reducing CO<sub>2</sub> emissions per unit of sales by 50% compared to a base year (the average for FY2005 to FY2009). Since it dared to take on the high goal of a 50% reduction, it came up against many issues, including frustration in identifying improvement projects along the way. Nevertheless, it implemented as many as 242 improvement projects through company-wide efforts during the five years, resulting in major results. Unfortunately, the goal of halving emissions was not reached, but a 37% reduction compared to the base year was achieved. What is more, some of the diverse improvement projects created secondary effects, such as a reduction in the cost of finished goods due to less time spent using production equipment and increase of higher production volume. Such outcomes were the result of long-term effort to improve the operation of production equipment, during which time tests and evaluations were carefully conducted many times to ensure that there were no effects on product quality.

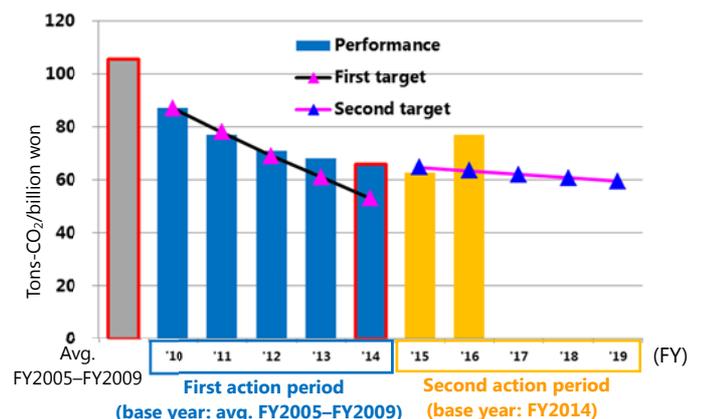
KSM is continuing its efforts to reduce energy under its second five-year plan, which began in FY2015.



- ◆ Established: December 1987
- ◆ Location: Suncheon-si, Jeollanam-do, Republic of Korea
- ◆ Business: Manufacture and sale of glass-to-metal seals and other products



### CO<sub>2</sub> Emissions per Unit of Sales



**Results of the First Five-Year Plan (Final Year: FY2014)**

- CO<sub>2</sub> emissions per unit of sales: 66 t-CO<sub>2</sub>/billion won
- Compared to base year: 37% reduction

Emissions per unit of sales in FY2016 were greater than the previous fiscal year due in part to a substantial shift in the business environment (unforeseen at the time of planning) after the start of activities under the second five-year plan.

Going forward, KSM will continue to focus on achieving its goal in FY2019, the final year of the second plan, by thinking outside the box and drawing further on its ingenuity, in an effort to identify improvement projects.

### Voice on the Ground

Gyusam Chae  
 Manager, Environmental  
 Management Section, KSM



We had a hard time at first, but we racked our brains and succeeded in reducing power use with equipment such as boilers and cooling machines and in improving the efficiency of external utility systems. We will keep making reduction efforts to contribute to protection of the global environment.

## Social Contribution Activities

### ◆ Beautification Efforts around the Plant

Each spring and fall, KSM conducts beautification activities around its plant, including along a river. In September 2016, about 30 employees joined in this activity, picking up trash along the river and about 2 km of roads near the industrial park where the company is located. In March 2017, participants picked up trash and cleared weeds as a river cleanup activity near the plant.

### ◆ Donation of Chairs to the Local Government

In 2013, the city of Suncheon, where KSM is located, hosted the International Garden Exposition Suncheon Bay Korea, Republic of Korea's first international garden expo on the themes of nature and the ecosystem. In commemoration of this expo, KSM donated chairs for community residents and tourists to relax. Some 4.4 million people visited the expo, and KSM received a commendation from the city for its services.



Beautification activity near the plant

## Harmonious Coexistence with Local Communities

### ◆ Commendation for Job Creation and Good Labor-Management Relations (City of Suncheon and Joint Labor-Management-Civilian-Government Conference)

KSM has worked to establish smooth labor-management relations and improve the working environment as top-priority issues. Moreover, in cooperation with local universities and high schools, it contributes to job creation in the community and strives to provide equal employment opportunities. In 2014, the company was commended by the city of Suncheon and the city's Joint Labor-Management-Civilian-Government Conference (a council composed of workers, companies, city residents, and government) in recognition of its contribution to employment stabilization and development of the local economy.



Commendation from the City of Suncheon

## Respecting Human Rights

### ◆ Initiatives to Promote Active Participation of Women

Ever since its establishment, KSM has worked to create a better workplace environment for women, including equal employment and promotion opportunities for men and women and support for the Women's Department in the Labor Union. These activities have been highly rated by the regional administration. In May 2016, an employee who contributed to these efforts received a commendation from Republic of Korea's Minister of Employment and Labor as a representative of KSM.



Commendation from Republic of Korea's Minister of Employment and Labor

# Our CSR Policy

Since its establishment, the Shinko Group has set the highest value on the practice of better manufacturing, with customers taken as the starting point of our ideas and actions; the development of human resources; the thorough practice of economizing; the pursuit of dreams; and community contribution.

In May 2010, we established the Shinko Way based on this philosophy, which has been put into practice over the years by our employees.

The Shinko Group's CSR embodies the practice of the Shinko Way. And it is through such practice of the Shinko Way, together with our consistent functioning as a corporate group, that we can mobilize the power of each employee and continuously expand our corporate value.

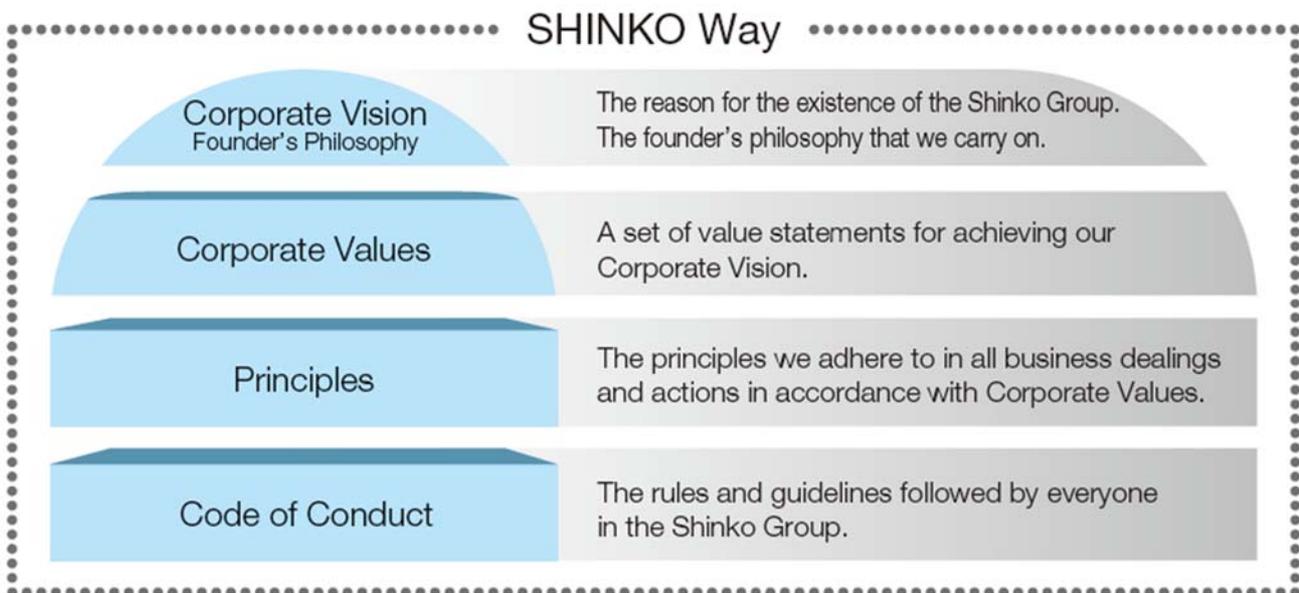
## The Shinko Way

The Shinko Way embodies the philosophy of the Shinko Group, our reason for existence, values and the principles that we follow in our daily activities.

By practicing the Shinko Way, we strive to work in harmony with all stakeholders including customers, business partners, shareholders/investors, the local community and employees. Our aim is to enrich the lives of people all over the world and contribute to the development of society through manufacturing.

### ◆ The Elements of the Shinko Way

The Shinko Way comprises four core elements:



**Corporate Vision**

Technology Leadership	The Art of Manufacturing	Long Term Vision	Global Outlook	Responsibility to Individual
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**Founder's Philosophy**

Economizing	Innovation by manufacturing site	"Dreams in one hand, and a soroban in the other."	Responsibility to Individual
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**What we strive for:**

Society and Environment	In all our actions, we protect the environment and contribute to society.
Profit and Growth	We strive to meet the expectations of customers, employees and shareholders.
Shareholders and Investors	We seek to continuously increase our corporate value.
Global Perspective	We think and act from a global perspective.

**What we value:**

Employees	We respect diversity and support individual growth.
Customers	We seek to be their valued and trusted partner.
Business Partners	We build mutually beneficial relationships.
Technology	We seek to create new value through innovation.
Quality	We enhance the reputation of our customers and the reliability of social infrastructure.

Global Citizenship	We act as good global citizens, attuned to the needs of society and the environment.
Customer-Centric Perspective	We think from the customer's perspective and act with sincerity.
Firsthand Understanding	We act based on a firsthand understanding of the actual situation.
Spirit of Challenge	We strive to achieve our highest goals.
Speed and Agility	We act flexibly and promptly to achieve our objectives.
Teamwork	We share common objectives across organizations, work as a team and act as responsible members of the team.

- We respect human rights.
- We comply with all laws and regulations.
- We act with fairness in our business dealings.
- We protect and respect intellectual property.
- We maintain confidentiality.
- We do not use our position in our organization for personal gain.

# Consideration of the Environment

To contribute to the creation of a sustainable environment for future generations, the Shinko Group has made environmental protection a top management priority. We conduct our business activities in a well-planned and sustainable manner.

## Environmental Policy

We have defined our responsibilities toward the global environment in an Environmental Policy, so that we can contribute to a healthy environment and rich society that will be handed down to future generations.

### Environmental Policy

Based on the philosophy of the Shinko Way, we contribute to the protection and improvement of the global environment by pursuing harmony between the global environment and corporate activities, through manufacturing.

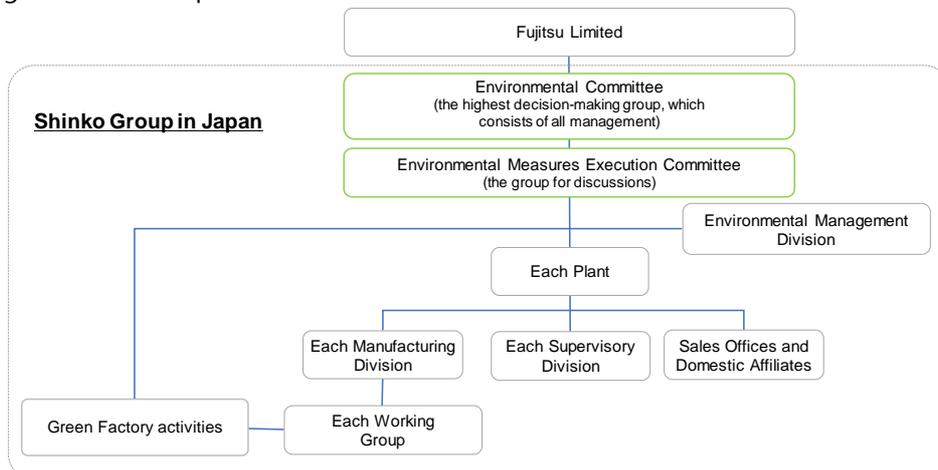
#### Guiding Principles

1. Accept that environmental challenges are fundamental to business continuity, and reduce our environmental impact.
2. Seek to reduce risk to human health and the environment.
3. Make every effort to perform our social responsibility by observing environmental regulations and standards in Japan and abroad.
4. Strive for continuous improvement of our environmental management system in order to enhance environmental performance.
5. Encourage our employees to contribute to global environmental conservation by tackling climate change, preserving biodiversity and using resources effectively.

We set environmental objectives to achieve this environmental policy, and this policy and the objectives are reviewed at least once a year.

## Promotion System

The Shinko Group in Japan has acquired ISO14001 certification through the Fujitsu Group's integrated certification. We have set targets for each manufacturing division and work to reduce the environmental impact as part of our regular business operations.



## Maintaining and Improving Our Environmental Management

### ◆ Environmental Education

To encourage each and every employee to always act with the environment in mind and to continue to act as a good corporate citizen, the Shinko Group in Japan provides general employee education every two years to all employees as well as education focusing on specialized technology and skills to environmental affairs personnel every year.

Moreover, during an education program for new hires, we explain global environmental problems and trends, Shinko's environmental protection activities, and individual initiatives that the new hires are expected to practice immediately after being assigned to a workplace.

### ◆ Raising of Environmental Awareness

Every month, employees are sent information on familiar ecological themes matched to the season, specialist topics such as trends in legislation that affect regulated chemical substances used in electrical and electronic products (for example, the RoHS Directive), environmental challenges relevant to Shinko, and targets that must be achieved. On the issue of saving energy in particular, with the joint aims of sharing information and revitalizing resource and energy-reduction projects, an easy-to-understand Energy Saving News bulletin is published five times a year, containing explanations of keywords and specific actions to be taken when an energy-saving item is discovered.

In addition, to avoid disseminating only general information on the environment department's website, we have created a page where employees can freely submit requests and opinions and shared information.

### ◆ Response to Environmental Laws and Regulations

To ensure proper compliance with environmental laws and regulations, we regularly obtain the latest information on pollution prevention agreements, industry guidelines, and environmental requests from customers, in addition to national laws and regulations and prefectural and city regulations. We implement quarterly checks on the state of compliance. Also, during internal environmental audits we check to make sure there are no omissions in our understanding of applicable laws and

regulations and the status of compliance is confirmed in an appropriate manner.

In FY2016, the Shinko Group in Japan was subject to one instance of administrative guidance and took corrective action. We will strive to further improve our management system.

### ◆ Shinko Internal Environmental Audits

Within Shinko, departments that are subject to auditing are divided into the two categories of departments subject to internal audit and departments subject to self-check, with departments in each category coming under internal audit every other year. During internal audits, the internal auditors visit the department in question and conduct checks, but the self-check method, which consists of responses on checklist sheets, is an approach that encourages autonomous improvement by pushing the department to discover its own problems and its own points of improvement.

In FY2016, legal compliance was cited as a major issue and internal audits were carried out on 41 departments and self-checks on 55 departments, out of a total of 96. There were two findings of "minor shortcoming" and three findings of "observation required," but corrective action and operational improvements were implemented.

No major problems were found in the internal audits or self-checks, and it was judged that the PDCA cycle for the environmental management system was functioning reliably.

### ◆ Fujitsu Group Internal Environmental Audits

In FY2016, the Fujitsu Group conducted internal environmental audits on our head office and all five plants, checking matters such as the performance of our environmental management system, legal compliance, observance of the Fujitsu Group Environmental Protection Program (Stage 8), and proper plant operation and management.

The auditors identified one finding for observation required. Corrective actions and operational improvements were carried out.

## ◆ Management Review Results

### A summary of actions taken in FY2016 following the FY2015 management review

Comments during the FY2015 review	Actions taken in FY2016
<p>1. In FY2016, the Environmental Protection Program (Stage 8) begins. While developing environmentally friendly business operations, we will carry out activities appropriate to the Company based on Fujitsu Group plans.</p>	<p>We revised the Environmental Policy to make it more reflective of Shinko. We achieved CO<sub>2</sub>, waste, water, and green procurement targets under the Environmental Protection Program (Stage 8).</p>
<p>2. We will promote energy-efficient activities, focused primarily on resources and energy reduction project activities, incorporate energy savings from the design stage, and move ahead with the implementation of measures such as waste heat recovery and the use of LEDs that lead to clear results. We will also pay careful attention to controlling discharges of waste and effluent.</p>	<p>We carried out measures as planned. We contributed to the reduction of wastewater drainage by promoting water recycling.</p>
<p>3. This year, the 70th anniversary of our founding, we will take an even more active part in social contribution activities, including environmental protection initiatives that focus on the local environment, and in doing so contribute to local communities.</p>	<p>We increased the number of times we carried out beautification activities around our plants, but the total number of hours spent in social contribution activities decreased from FY2015 due to a decline in requests for plant tours.</p>
<p>4. The revised ISO standard requires the unification of business goals and environmental goals. We accept that environmental challenges are fundamental to business continuity and develop environmentally friendly business operations.</p>	<p>We clarified company-wide environmental issues, set targets tied to business goals, and took action.</p>

### Results of the FY2016 management review

(Comments from the environmental management supervisory manager)

- (1) It is essential to give attention to environmental issues for the purpose of business continuity. We will ensure both the conduct of business activities and the pursuit of environmental targets.
- (2) As it is the interim year in the Environmental Protection Program (Stage 8), we will further promote activities that lead to achievement of the targets toward the final year.
- (3) We will further promote energy-efficient activities, focused primarily on the Resources and Energy-Reduction Project Activities, including efficient use of water resources, and will implement measures that lead reliably to results.
- (4) To truly reduce the environmental impact, we will formulate plans that are environmentally friendly right from the design/process stage.

## The Environmental Protection Program (Stage 8)

The Environmental Protection Program (Stage 8) sets out environmental goals for FY2016 to FY2018. The Shinko Group in Japan established specific targets to achieve in a range of fields during these three years. Our principal new targets are specific numerical targets aimed at reducing water use and the extension of green procurement activities among secondary suppliers.

\* Self-assessment: ○ = Target achieved × = Target not achieved

Item	Environmental Protection Program (Stage 8) target	FY2016 target	FY2016 results	Self-assessment*
Our Business Operations	<b>【Reducing CO<sub>2</sub> emissions from energy consumption】</b> ・ Hold CO <sub>2</sub> emissions from energy consumption to within a 17% increase from the results for FY2013 by the end of FY2018.	Hold growth in CO <sub>2</sub> emissions from energy consumption to the end of FY2016 to within 13.5 % of the results for FY2013.	Held to within an 8.1% increase from the results for FY2013.	○
	<b>【Reducing waste】</b> ・ Hold growth in generation of waste to the end of FY2018 to 25% of the average level for FY2012–FY2014.	Hold growth in generation of waste to the end of FY2016 to 19.1% of the average level for FY2012–FY2014.	Held to within a 12.6% increase from the average for FY2012–FY2014.	○
	<b>【Reduction in water use】</b> ・ Implement measures to reduce water use by the end of FY2018 by an amount equivalent to 5% of that used in FY2014.	Implement measures to reduce water use by the end of FY2016 by an amount equivalent to 1.8% of that used in FY2014.	Implemented measures to reduce by amount equivalent to 1.9% of that used in FY2014.	○
	<b>【Promoting green procurement】</b> ・ Promote initiatives to reduce CO <sub>2</sub> emissions in the supply chain. ① Submit requests and support to 100% of primary suppliers that have secondary suppliers ② Perform surveys of 100% of applicable suppliers ③ Survey response rate: 90%	Promote initiatives to reduce CO <sub>2</sub> emissions in the supply chain. ① Submit requests and support to 100% of primary suppliers that have secondary suppliers ② Perform surveys of 100% of applicable suppliers ③ Survey response rate: 90%	① Requests submitted and support provided to primary suppliers that have secondary suppliers: 100% ② Surveys performed on applicable suppliers: 100% ③ Survey response rate: 100%	○
Operations Management	<b>【Controlling chemical substances】</b> ・ Hold emissions of chemical substances below the average for FY2012–2014.	Continue efforts.	Continued efforts.	○
	<b>【Social contribution activities】</b> Efforts as a good corporate citizen ・ Support increases in social contribution activities conducted by employees together with society.	Continue efforts and ascertain numbers.	Continued efforts and ascertained numbers.	○
	<b>【Cooperating with society】</b> ・ Support efforts to resolve social and environmental challenges such as biodiversity.	Continue efforts.	Continued efforts.	○

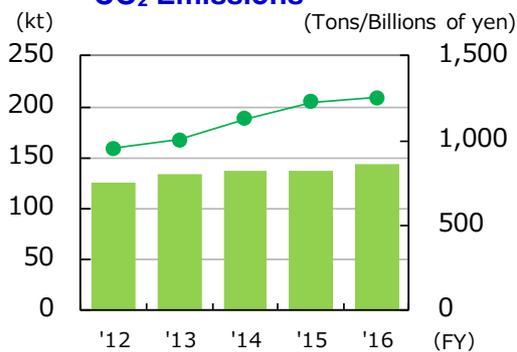
Matters subject to goals management under the Environmental Protection Program define the scope of environmental management systems (EMS) initiatives.

## Global Warming Countermeasures

### ◆ Results of Activities

In FY2016, CO<sub>2</sub> emissions as a result of energy usage came to 143,961 tons, up about 5% year on year. This result was due primarily to an increase in energy usage caused by a rise in production. However, in recent years there have been trends toward higher-density products, greater complexity in the manufacturing process caused by a more diversified product lineup, and a shift toward products with a high energy density, such as in the use of electric furnaces. At present, we are focusing on activities in light of these trends.

### CO<sub>2</sub> Emissions



■ CO<sub>2</sub> emissions    ● Per unit of sales

### ◆ Resource and Energy-Reduction Projects

In FY2013 we reviewed our energy-saving activities up to that point, and as a result launched the Resource and Energy-Reduction Projects, continuing our activities with a focus on the challenging goal of cutting energy usage in half by FY2020.

In the four years since we began activities, we succeeded in reducing CO<sub>2</sub> by the equivalent of 22,000 tons as the result of a number of initiatives.

#### <Examples of activities in FY2016>

- Implemented energy-saving review meetings and patrols of manufacturing areas that involve all relevant employees, including officers
- Tighter focus on energy-saving design for new manufacturing equipment
- Conversion to low-energy equipment in manufacturing processes



On-site energy-saving review

Here we present a specific activity that is currently under way.

#### <Recovering and using waste heat>

We have been strengthening our efforts to recover waste heat since FY2015. These activities have reduced the energy previously needed for heating by using heat exchangers to recover heat energy, mainly in the form of warm water and air discharged from manufacturing equipment, and using it to heat water supplied to a plant.

In FY2016, we focused on company-wide horizontal deployment and began recovering and using waste heat in all manufacturing divisions.

Number of systems: 19

Effects: Reduction of 20 million yen/year and 600 t-CO<sub>2</sub>/year



Waste heat recovery heat exchanger

#### <Other major measures>

- Upgrading to high-efficiency equipment (refrigerating equipment and air compressors, etc.)
- Converting manufacturing equipment to use standby modes (operating only when actually processing products)

## Raw Material Reduction Initiatives

Products of the Shinko Group are created with the use of energy and raw materials, and they are shipped in packaging. The energy and materials used up to this point in defective items and debris generated during processing are wasted. We aim to improve yields to reduce this waste as much as possible. In addition, we are working on recycling resources that have been used once, to reduce the new resources committed.

#### <Case studies of reductions in raw materials>

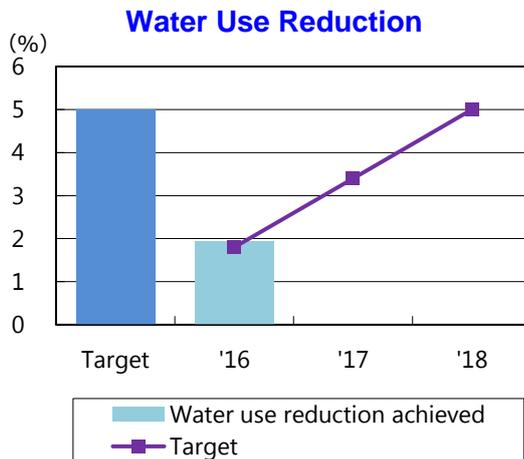
- Improving yields through reductions in debris and lower defect rates
- Using process waste liquids as neutralizing agents for effluent, thus cutting the use of neutralizing chemicals
- Discontinuing use of a cleaning solvent by changing the chemicals applied to components
- Extending the life of jigs and tools and changing their time for replacement
- Recycling use of indirect materials to reduce the use of new materials

## Reducing Water Use

### ◆ Achievements

The Environmental Protection Program (Stage 8) includes the new issue of “reducing water use.” The manufacturing department and utility management department launched a project to reduce water use with the target of a 5% reduction (118,000 m<sup>3</sup>) from FY2014 water use at the Wakaho, Takaoka, and Arai plants (2,360,000 m<sup>3</sup>). We started by investigating such things as the water use of each piece of equipment and how dirty the wastewater is. In FY2016, we achieved a reduction of 1.93% (45,300 m<sup>3</sup>) against a target of a reduction of 1.8% (approx. 43,200 m<sup>3</sup>).

The specific measures we took included recycling wastewater discharged from manufacturing equipment and reducing the amount of water used for rinsing products.



### ◆ Recycling Wastewater

“Do not use water.” “Clean efficiently with little water.” “Recycle water used.” These are the keywords we use when thinking about the effective use of water resources.

We recycle all water that is not very dirty and also make efforts to introduce technology that turns dirty water into recyclable water, such as by passing it through a filtration device.

In FY2016, we recycled 46% of the water used in the manufacturing process.

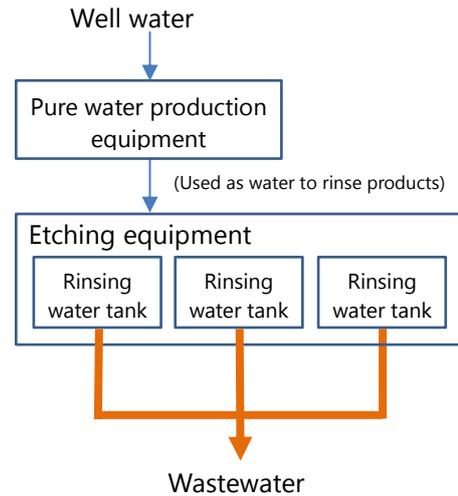
Below is an example of an initiative to recycle wastewater.

#### <Reducing water use in etching equipment>

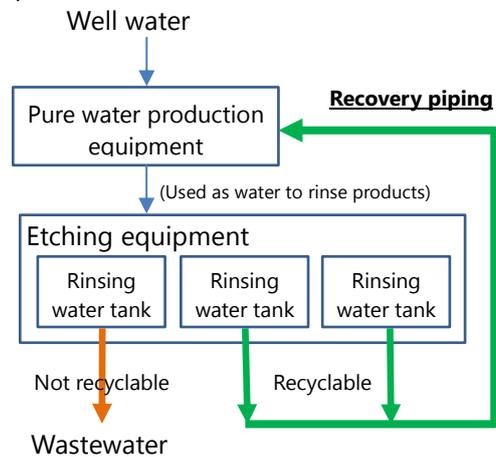
The treatment method for wastewater from rinsing tanks for etching equipment depends on how dirty the water is.

The Arai Plant checked how dirty all the water is for its etching equipment and reconsidered the treatment methods for the wastewater. The results showed that the wastewater from two rinsing tanks was recyclable. Accordingly, the plant connected piping to recover the wastewater and feed it to pure water production equipment for recycling. This reduced water use by an amount equal to 7,387 m<sup>3</sup> per year.

(Before Improvement)



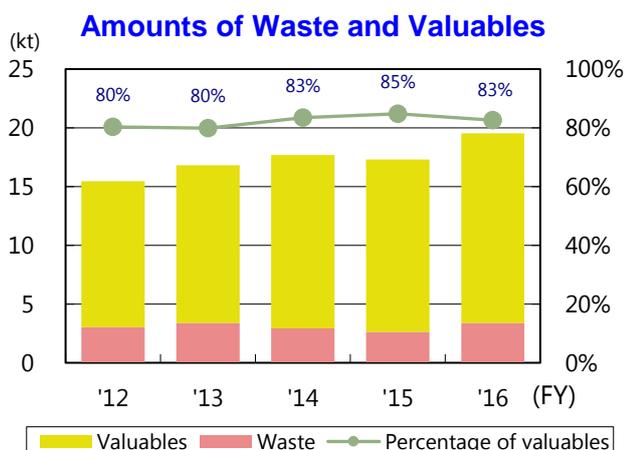
(After Improvement)



## Reducing Waste

### ◆ Achievements

Gross output in FY2016 (amount of waste + valuable material) increased by 13% over the previous fiscal year. The amount of waste rose by 29%, bringing the percentage of valuable material down to 83% (down 2% year on year). The amount of waste increased mainly as a result of difficulty in performing in-house treatment of wastewater containing chemicals due to generation changes in products and as a result of items that had been regarded as valuable material becoming waste due to changes in the market.



### <Examples of waste reduction>

1. Reduction of discarded product debris through process improvement
2. Elimination of cleaning solvent waste through chemical changes

## Environmental Risk Countermeasures

### ◆ Safety Measures for Chemical Solution Equipment

To prevent the leak of chemical solutions due to equipment aging, we update equipment early in light of the results of periodic inspections and the age of equipment such as piping and tanks. In FY2016, we updated the plating pre-treatment equipment at the Takaoka Plant in an effort to prevent the leak of chemical solutions and improve work safety.



Plating pre-treatment equipment

### ◆ Renewal of Utility Equipment

We systematically update utility equipment at each plant in light of factors such as their age and energy efficiency. In FY2016, we updated refrigeration equipment at the Arai Plant and wastewater treatment equipment at the Takaoka Plant. These updates have an energy saving effect and resolved the capacity shortage in supplying and treatment.



Updated wastewater treatment equipment

### ◆ Plant Safety Management

Each plant's facilities management department conducts monthly comprehensive safety inspections. These inspections are conducted with a view toward compliance, environmental protection, and the prevention of accidents.

We also periodically conduct emergency response training with the aim of reducing environmental risk and ensuring safety management.



Emergency response training

### ◆ Helping Persons Who Cannot Return Home During a Large-Scale Disaster

In FY2016, the Kohoku Plant installed equipment to supply the necessary lifelines needed as an evacuation shelter for people who cannot return home during a large-scale disaster. It is now possible to obtain the needed electrical power from emergency generators and turn on the lights during a power outage and to use toilets when the water service is disconnected.

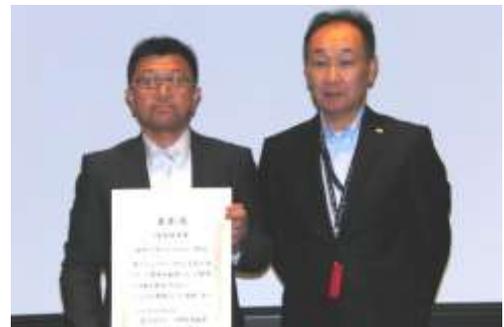


Emergency power generator

## Topics

### ◆ Shinko Wins an Award for Environmental Excellence, a Fujitsu Group Environmental Contribution Award

In June 2017, the Fujitsu Group held a presentation ceremony for the Fujitsu Group Environmental Contribution Awards, which are intended to encourage employees to take initiatives related to the environment. Shinko's "Creation of New Energy from Wastewater," an initiative carried out as a company-wide project to reduce natural resources and energy, won an Award for Environmental Excellence.



Environmental Contribution Awards ceremony

### ◆ Kyogase Plant Commended by the Niigata Prefecture Environmental Protection Association

In July 2016, the Niigata Prefecture Environmental Protection Association commended the Kyogase Plant as a Business Facility of Environmental Protection Excellence. The commendation recognized the plant's installation of a mega-solar system on its premises in 2013 as well as the results achieved by employees who have worked actively to reduce environmental impact, including reduction of CO<sub>2</sub> emissions and waste, measures against VOCs, reduction of chemical use, and the switching of fluorescent lights to LED lighting.



Certificate of Commendation as Business Facility of Environmental Protection Excellence (Kyogase Plant)

## Initiatives at Overseas Plants

At the Group's overseas plants, we have also rolled out a range of activities suitable for the conditions in each country and region.

### ◆ SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD. (SEW)

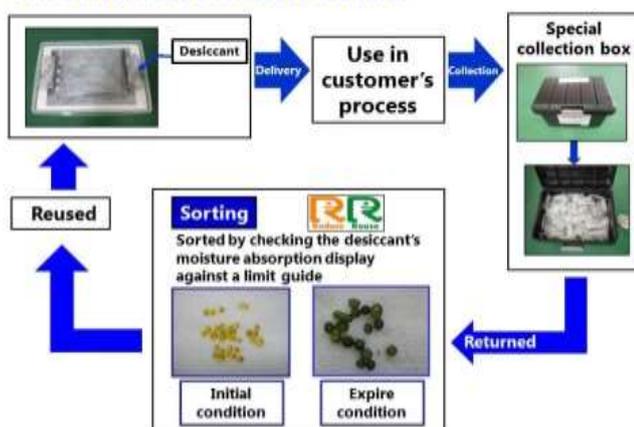
SEW (China) has worked to reduce and reuse packing materials such as interleaf paper in the past. Now it has also made efforts to reuse desiccants packed with products for moisture prevention.

The general method to reuse desiccants is to heat them to drive off moisture. However, this method entails costs and time for the heating work in a heating oven and the installation of ventilation facilities. In addition, since the transportation time from SEW to customers' facilities is about three hours, the desiccants are exposed to outside air for only a short time and so retain sufficient absorbency after use. Taking note of this fact, SEW decided to reuse the desiccants as is.

SEW changed to a desiccant in which the amount of moisture absorbed is discernable through color changes. It then made a usage limit color guide to ensure that desiccants have enough absorbency. Customers cooperate by putting unneeded desiccants into a special collection box. Back at SEW, they are sorted according to the color guide and reused.

As a result, the recovery rate and reuse rate, excluding some indirect materials that are damaged in packaging and transportation, rose from 90% to 98% by weight.

#### Recovery and reuse of desiccants



### ◆ SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. (SEM)

As part of its efforts to reduce energy, SEM (Malaysia) has been working to reduce electricity use for air conditioning since 2012.

The company gradually switched air conditioning for its manufacturing plant, office, cafeteria and other areas from large water-cooled air conditioning system to individual air-cooled air conditioners. As a result, in FY2016, electricity use for air conditioning per product output fell 9.9% compared to FY2015.

The large air conditioning system it used to employ cooled the plant and office together. This was done by creating cool air all at once in a large water-cooled refrigerator and using a large air conditioner to blow the cool air to each location over a wide area.

This system sends cool air even to unneeded places to cool the entire building. In addition, it did not allow fine control. For example, the office would become too cold because the cooling temperature was set for the plant, where the temperature tends to rise when manufacturing equipment is running.

In contrast, individual air-cooled air conditioners can be installed where needed and can be set and used as suited to each location. This eliminated cooling loss at unneeded locations and the problem of overcooling other locations.

As a result, by FY2016, SEM reduced its electricity use for air conditioning per product output by 21.4% compared to the period before the initiative began.

Note: See the Special Feature (pp. 5–6) for activities at KOREA SHINKO MICROELECTRONICS CO., LTD. (KSM).

## FY2016 Environmental Impact

### (INPUT)

<b>Energy input</b>	3,106,435 GJ	<b>Materials input</b>	16,672 tons
• Electricity	273,263 MWh	• Raw materials	13,937 tons
• Heavy oil	0 kl	• Chemical substances	2,735 tons
• Diesel	2 kl	Water input	3,255 km <sup>3</sup>
• Natural gas, LPG	15,634 km <sup>3</sup>	Water recycling rate	46%
• Natural energy	47 MWh		

<b>Energy input</b>
Diesel 847 kl



### (OUTPUT)

<b>Emissions into the air</b>		<b>Emissions into the water</b>	
•CO <sub>2</sub> (Scope 1)	32,739 tons-CO <sub>2</sub>	• Effluent	2,832 km <sup>3</sup>
•CO <sub>2</sub> (Scope 2)	111,218 tons-CO <sub>2</sub>	• BOD	257 tons
•Greenhouse gases besides CO <sub>2</sub> (Scope 1)	791.8 tons-CO <sub>2</sub>	<b>Discharge</b>	<b>19,545 tons</b>
• NOx	19 tons	• Valuables	16,143 tons
• SOx	0 tons	• Effectively used waste	3,388 tons
<b>Chemical substances</b>	<b>5 tons</b>	• Processed waste	14 tons
		• Effective utilization rate	99.9%

<b>Emissions into the air</b>
CO <sub>2</sub> 2,239 tons-CO <sub>2</sub>

INPUT	
Energy	Amount of energy such as electricity, heavy oil, and natural gas related to production operations
Natural energy	Amount of electricity generated from solar power
Raw materials	Amount of raw materials used in products
Chemical substances	Amount of PRTR-subject substances handled
Water input	Amount of new water input to plants, etc.
Water recycling rate	(Water use – Water input) / Water use
Energy (distribution)	Amount of transportation energy used to deliver products to customers in Japan

OUTPUT	
CO <sub>2</sub>	Emissions of carbon dioxide associated with consumption of energy used at plants, etc. (computed based on the Fujitsu Group GHG Protocol) / Scope 1 is emission of CO <sub>2</sub> from heavy oil, gas, diesel, and Scope 2 is from electricity
Greenhouse gases besides CO <sub>2</sub>	Greenhouse gases besides CO <sub>2</sub> (CH <sub>4</sub> , CF <sub>4</sub> , and SF <sub>6</sub> ) emitted from plants, etc., according to the Global Warming Potential (GWP) measure (Scope1)
NOx	Amount of NOx emitted from boilers at plants, etc.
SOx	Amount of SOx emitted from boilers at plants, etc.
Effluent	Amount of water discharged from plants, etc., to sewerage and rivers, etc.
BOD	Amount of BOD (biochemical oxygen demand; an indicator of organic pollution in rivers) discharged in effluent from plants, etc.
Chemical substances	Emissions of PRTR-subject substances
Discharge	Gross discharge of unneeded material from plants, etc.
Valuables	Amount of discharge sold as valuable resources
Effectively used waste	Amount of discharge sent for recycling
Processed waste	Amount of discharge discarded through simple incineration and burial (including waste not subject to zero emissions calculations)
Effective utilization rate	(Valuable + effectively used waste) / Discharge
CO <sub>2</sub> (distribution)	Emissions of CO <sub>2</sub> associated with consumption of transportation energy used to deliver products to customers in Japan

\* Target of the Input and Output is the Shinko Group in Japan.

## Respecting Human Rights and Diversity

Employees are the Shinko Group's most valuable asset. We respect the human rights and the diversity of employees and aim to create a workplace where everyone can work with an energetic spirit. This workplace is characterized by statements such as the following: "Employees with different personalities and values all should respect each other's diversity and draw on their individuality to maximize their abilities," and "All employees should continue to spark innovation and create new knowledge and technology through uninhibited discussion from diverse points of view." We aim to create workplaces that accept differences, including gender, age, disabilities, nationality, and values, where every employee can work together energetically. We will also promote business through management plans based on a people-friendly approach and are committed to being an organization wherein all employees are strongly motivated, have ample opportunities for advancement and work with pride and confidence.

### Efforts Promoting Respect for Human Rights

The first item in the Code of Conduct within the Shinko Way, which expresses the values common across the Shinko Group, is "We respect human rights." This is an explicit statement of our corporate stance of acting on the basis of a spirit of respect for human rights in all business operations. We strive to ensure that all Group employees show this spirit in their actions.

We uniformly use Global Business Standards (GBS) as guidelines for the Code of Conduct in terms of employee actions, and we share the concept of respect for human rights throughout the Shinko Group worldwide.

The Shinko Group has stipulated the SHINKO Guiding Principles of Respect for Human Rights in Employment. We continue to work for equal employment opportunities, respect for human rights, elimination of discrimination, and the prohibition of forced labor and child labor.

### ◆ Promoting Human Rights Education

Shinko promotes awareness of human rights throughout the year by providing rank-specific training on human rights and through active participation in human rights training sessions held by local governments. In FY2016, we continued to provide workplace management training to all managers, with the aim of creating workplaces where people respect each other's human rights.

Furthermore, we provided e-Learning and training in the workplace to all employees. All of the approximately 4,300 employees of the Shinko Group in Japan received the training, for a completion rate of 100%. In rank-specific training, we try to raise awareness of respect for human rights, mainly through discussions, and create environments where all employees think about and talk with each other about human rights.

We also provide training about the protection of personal information and privacy as well as fair recruitment to managers and staff members involved in human resources management and recruitment, and encourage care to avoid violating human rights.

### SHINKO Guiding Principles of Respect for Human Rights in Employment

With a view to realizing our growth and profits, respect for human rights must be an integral part of our business culture. SHINKO is committed to creating a culture in which employees respect the dignity and worth of individuals.

To this end, SHINKO will strive to foster respect for human rights in all the countries and regions where we operate our business while providing an environment that encourages employees to understand and realize importance of human rights.

#### 1. Equal Employment Opportunity and Respect for Human Rights

SHINKO strives to provide equal employment opportunities.

SHINKO is committed to treat our employees with no illegal discrimination based on race, color, religion, creed, sex, social status, lineage, physical or mental disability, sexual orientation and any other legally protected category that is unrelated to the legitimate interests of SHINKO.

#### 2. Compliance with Employment Laws and Regulations

SHINKO adheres to the applicable laws and regulations of the countries and regions in which it operates in treating our employees.

#### 3. Prohibition of Forced Labor/Child Labor

SHINKO will not use any form of forced or compulsory labor.

SHINKO will not use child labor.

#### 4. Work Environment

SHINKO strives to achieve and maintain a healthy and safe work environment that motivates its employees.

### ◆ Human Rights Consultation Services

Shinko has established internal and external Corporate Ethics Helplines for employees to consult about actual or suspected transgressions of human rights or corporate ethics, or when they face difficulty in making a judgment.

In particular, we have established human rights consultation services in each plant for consultation about human rights, such as sexual harassment. We have developed a system for quickly gathering information and responding appropriately in the case of a situation involving abuse of human rights.

Additionally, we have introduced and have been operating whistle-blowing helplines at sites outside Japan, and employees at all sites outside Japan can give reports to and seek consultation through these systems.

We distribute cards and put up posters with information on how to use the helplines to ensure that all employees working in the Shinko Group outside Japan can use them.

Going forward, we will continue to create systems and provide guidelines to enable smooth communication in the workplace and encourage the use of human rights consultation services, in order to discover and address problems early.

## Creating a Dynamic Corporate Culture

By combining the talents of employees, each with their own unique qualities and way of thinking, our corporate value increases. We, therefore, respect the diversity of our employees and strive to create workplaces that are pleasant for all, to improve each employee's well-being by working.

### ◆ Balance between Employees' Personal and Professional Lives

We have long promoted respect for diversity, based on our Corporate Values, "Employees: We respect diversity and support individual growth." We have also worked continuously to support a work-life balance. We were twice certified, in 2007 and 2013, by the Nagano Labor Bureau as a general business that conforms to standards based on the Act on Advancement of Measures to Support Raising Next-Generation Children, and we have received the Next-Generation Approval Mark.

In July 2015, we received special certification in recognition of our higher standard of initiatives.



In FY2016, we continued efforts from FY2015 to support a better balance between work and childcare. We achieved this through measures to improve working flexibility such as establishing days on which everybody takes annual leave at the same time, and strengthening restrictions on overtime. These kinds of initiatives have resulted in women having a longer average number of service years than men at Shinko. This average is at a high level even on a nationwide basis. Also in FY2016, we established a program for rehiring employees who had resigned to raise children, care for a family member, or resigned due to the transfer of one's spouse.

Going forward, we will continue to enhance systems and foster a corporate culture that enables employees with certain conditions such as childcare or family care to play an active role, no matter which life stage they are at.

### ◆ Initiatives to Promote Active Participation by Women

Shinko had until recently implemented diversity seminars in rank-specific training, promoting dissemination within the firm of gender equality. Based on a business owner action plan drawn up in March 2016 with the Act to Advance Women's Success in Their Working Life coming into effect, we held a seminar to support career formation for employees returning to work after taking maternity or childcare leave. In a seminar on forming a career aimed at younger employees, employees in their second year at the company learned to be aware of forming their future careers, with a focus on the foundation of gender equality.

We also held group training sessions for managers to raise their awareness with the aim of promoting the active participation of women. Going forward, we will continue to use such initiatives to achieve our targets.

## Excerpt of the Action Plan Based on the Act to Advance Women's Success in Their Working Life

### Action Plan (April 1, 2016–March 31, 2020)

#### <Target>

**Double the number of women in managerial roles by 2020 (compared to 2015)**

#### <Initiatives>

- Hold seminars on career formation for younger employees
- Hold seminars on career formation for employees returning to work after taking maternity or childcare leave
- Raise managers' awareness with the aim of promoting the active participation of women

## Health and Safety at Work, and Labor

In line with the Corporate Values of the Shinko Way, the Shinko Group provides environments where employees can work safely and comfortably, and strives to ensure employee safety. Shinko has put in place a company-wide safety and health plus fire and disaster prevention promotion system. And we have adopted a management system approach to pursue continual improvements in the level of health-safety and disaster prevention. As part of this, all employees participate actively in health, safety, and disaster prevention initiatives. Shinko also supports employees as they enhance their skills and expertise in the course of work and achieve personal growth through the challenge of pursuing goals.

### Creating Safe and Comfortable Working Environments



#### Shinko Electric Industries Co., Ltd. Company-Wide Basic Policy on Safety and Health Plus Fire and Disaster Prevention

Ensuring employee safety and health is a top-priority issue for us, and we put the protection of safety as well as mental and physical health first in all our business operations. In accordance with the following policy, we will make concerted, company-wide efforts to participate actively in safety and health initiatives as well as fire and disaster prevention initiatives, to create accident-free, safe, and comfortable working environments.

1. We will promote safety and health initiatives as well as fire and disaster prevention initiatives in accordance with laws, regulations, and requirements related to safety and health as well as fire and disaster prevention.
2. To create workplaces with a high sensitivity to safety, we will raise the safety awareness of each and every employee and also push and strengthen our 5S program of workplace optimization (sort, set in order, shine, standardize, and sustain), which is the foundation of safety and health.
3. In addition to identifying and assessing dangers and causes of harm in the workplace and continuously striving to strengthen and promote risk reduction activities, we seek to take preventive measures against disaster and to fundamentally improve safety by actively promoting the visualization of residual risk.
4. We will strive to create comfortable working environments and maintain and promote health, to relieve employees' fatigue and stress and prevent lifestyle-related diseases.
5. We have established a fire and disaster prevention system based on "Company-wide Disaster Prevention Guidelines" and we provide necessary and sufficient education and training to employees on an ongoing basis, with the aim of minimizing casualties in the event of a disaster.

### ◆ Initiatives to Raise Employee Awareness of Safety and Health

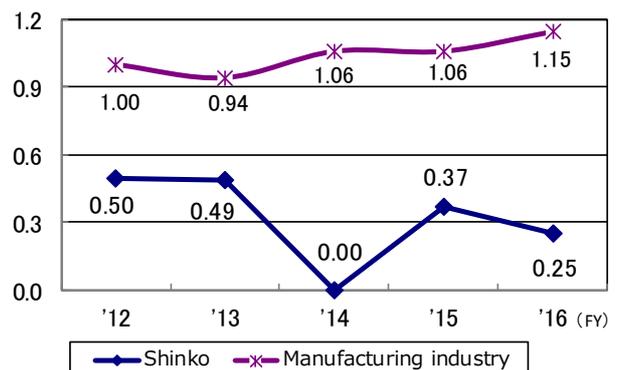
In addition to providing everyday safety guidance in the manufacturing workplace, Shinko conducts safety and health training for all employees once a year as well as periodic emergency drills, based on a yearly plan.

In conjunction with nationwide activities such as the national Safety Week in July and Occupational Health Week in October, we encourage all employees to participate in initiatives such as the solicitation of safety and health slogans. Through such initiatives, we are striving to boost the safety and health awareness of all employees.



Safety and Health Education for New Employees

### Frequency Rate of Industrial Accidents\* (Shinko)



\*Number of accidents requiring off-time from work ÷ Total working hours × 1,000,000

### ◆ Autonomous Safety Initiatives in the Manufacturing Workplace

Based on our safety and health system and fire and disaster prevention management system, Shinko has established goals for the entire company and each plant, and we are working to create safe, secure, and comfortable working environments.

In particular, in addition to safety patrols conducted at each manufacturing site, workers use risk identification sheets to document risks, reveal and assess potential risks, and carry out efforts to rectify dangerous points.

リスク抽出表			
従業員No.	氏名	所属	年 月 日
工程・装置名	場所	種	層
作業内容	頻度		
リスク内容	危険性のある作業について、具体的に記入してある。(〇〇なので〇〇になる、〇〇な時に〇〇になる等)		
リスク低減対策案	リスクを軽減するための対策について、具体的な記入してある。		
			所属長

Risk identification sheet used to document risks in the manufacturing workplace

### ◆ Hygiene Management, Health Management, and Health Promotion Initiatives

Shinko is committed to creating workplaces where employees can work safely and comfortably. Accordingly, in addition to regular monitoring of the work environment (noise, luminance, and heatstroke indicators), we have industrial doctors and nurses (public health nurses or registered nurses) perform the following actions.

- In addition to statutory general and special health examinations, we provide health examinations focused on lifestyle-related diseases according to age (with a 100% examination rate) in an effort to detect and treat diseases early. Industrial doctors and nurses provide health advice as needed to persons whose exam results indicate findings, to manage employee health.
- We issue a regular Health Room Newsletter based on analyses of health examination results and provide information related to health promotion to foster self-care awareness among each and every employee.
- We have established the Health Measurement Corner in rest areas that lends pedometers and tape measures. The Health Measurement Corner offers health measurement devices such as body composition analyzers, blood pressure

gauges, and Smokerlyzers that employees are free to use.

Our employee cafeterias also offer low-salt, low-fat, healthy, balanced meals in an effort to help employees maintain and increase their health.

### ◆ Mental Health Care

Industrial doctors and nurses consult with employees about mental health care at the Health Room in each plant.

Mental health education with the goal of raising awareness of mental-health issues is implemented according to rank, such as managerial, mid-career and new-hire employees. We work on preventive measures for mental illness among employees while promoting both self-care and managerial care to detect and treat issues at an early stage. In FY2016, we introduced stress checks with the aim of preventing (primary prevention) poor mental health. In addition, we provided general managers of divisions with feedback on group analysis results for each division and are working to improve the workplace environment, namely stress reduction in each division.

### ◆ Initiatives for Transforming Work Styles

Excessive long work hours are a risk that could cause employee health problems. We have developed our efforts on an ongoing basis to eliminate constant, long work hours, to protect the mental and physical health of employees. These efforts include designating every Wednesday as well as the second and fourth Fridays of the month as no-overtime days and thoroughly managing limits on overtime work.

In FY2016, we continued to establish days on which all employees take leave at the same time, to encourage the taking of leave, and to work to reduce working hours, such as by lowering the limit on overtime.

Furthermore, we held briefings for managers on working time management, created opportunities to deepen understanding of relevant laws and systems, and conducted management training to instill our measures. We also established a Labor-Management Council on Transforming Work Styles and committed to continual discussions between labor and management, to achieve a balance between company development/growth and healthy, fulfilling lives for each and every employee. The discussion resulted in a joint labor-management declaration on a policy and goals as the first step toward united initiatives for the realization of Transforming Work Styles.

## Developing and Utilizing Human Resources

Shinko has adopted personnel systems based on a fair and open compensation structure for job responsibilities, with each person's responsibilities and their weight clearly defined, regardless of academic background, age, years of service, or gender.

Moreover, we actively promote the development and utilization of valuable human resources by improving training programs and various measures, to maximize the abilities of each and every employee.

### ◆ Personnel Systems Based on Fair Evaluation and Fair Pay

We believe that true fairness means appropriately evaluating and rewarding outcomes when an employee maximizes his or her abilities, embraces the challenge of pursuing goals, and contributes to our objectives and performance. Shinko enforces the personnel system of basing treatment of employees on job responsibilities and the outcomes of work, not on personal factors such as continued service and academic background.

In addition, we encourage the pursuit of more challenging goals through management-by-objectives and objectives interview programs. We regard these as opportunities for the development of subordinates through communication between subordinates and their supervisors.

### ◆ Supporting the Active Participation of Elderly Workers

In 1992, ahead of relevant legislation, Shinko introduced a post-retirement rehiring system, to make use of the knowledge, techniques, and skills cultivated by employees over many years. Since April 2006, when the Act on Stabilization of Employment of Elderly Persons was amended, we have expanded the original system to provide opportunities for active participation to retirees who wish to continue working after reaching the mandatory retirement age of 60 and who have a great drive to exercise their abilities. Thus far, a total of 284 employees have made use of this system.

### ◆ Supporting the Learning of English

Shinko supports the learning of English by employees, to develop human resources who can take charge of global business.

In addition to correspondence training courses for English and in-house business English conversation classes, we provide English business skills classes and subsidize the fees for these educational initiatives.

In FY2016, we increased the length of each business English conversation class, making it possible to work intensively in classes, to suit the needs of students. We also offered several English business skills classes tailored to students' levels and objectives, to support individuals wishing to improve their skills.

We will continue enhancing our programs to strengthen employees' global business skills.

### ◆ Supporting Abilities Development

Shinko uses on-the-job training (OJT) in the workplace as the basis of human resources development and supplements it with general training and specialized training.

Furthermore, in FY2016 the average annual study time per employee was 9.3 hours. (However, this excludes on-the-job training and education in the workplace.)

#### ■ General Training

- This includes rank-specific training (new employees, mid-career employees, managers)
- Training delivered to outside educational institutions, etc.
- Internationalization training (English conversation classes, dispatching at outside classes, etc.)
- Promotion of self-development, etc.

#### ■ Specialized Training

- This includes group training to acquire specialized knowledge and skills needed in specific departments and job
- OJT
- Statistics and quality systems training
- Environmental education, etc.

## Labor Relations

All ordinary employees of Shinko are members of the Shinko Labor Union, and the union participation rate is 91.1%. Based on labor-management agreements with the labor union, labor and management representatives hold the Labor Council on a periodic basis (or whenever needed) to explain management policies and business conditions and hold discussions about various employment conditions.

We have also established the collective bargaining rights of the union and work with the union to resolve various issues. As part of the initiatives, labor and management have shared information regularly about issues such as working hours and the taking of leave, and have worked together to shorten overtime, encourage the taking of leave and improve other conditions.

In each business location, a Safety and Health Committee formed from representatives from labor and management meets once a month to report on and discuss workplace issues in an effort to create a safe and pleasant workplace.

We will continue working together to create pleasant workplaces based on healthy labor-management relations, with the aim of "progress without limits."

## Initiatives Aimed at Social Issues

# Contributing to Local Communities

The Shinko Group takes a leading role in sustaining the well-being of society through our business activities.

We have developed deep roots in communities and engage in social activities in harmony with these local communities.

The Kurita Sogo Center lies like an urban oasis at a location close to the Nagano Station. The center is a place that can present the Company's history to future generations, but it has also become a rich natural environment where community members and employees can relax.

This expansive green space also plays the role of a temporary evacuation site for the surrounding area, and is deeply intertwined with the lives of local people.



28th Nagano City Good Landscape Award Winner (2015)

## Coexistence and Dialogue with Local Communities

### ◆ Social Contributions Deeply Rooted in Local Communities

The Shinko Group aims to coexist harmoniously with local communities through its business operations, in addition to which it has, since its founding, worked to create and maintain stable employment.

Through these activities, the Group seeks to remain a widely trusted company that is needed by society and that contributes to the local activities of communities.

### ◆ Participating in Local Events

Each August, employees participate in the Nagano Binzuru Festival held in Nagano City and the Arai Festival in Myoko City.

In 2016, a total of 144 employees participated as dancers, interacting with local residents.

In addition, each plant sponsors and cooperates with local events held throughout the year.

### ◆ Communication with Community Members

Shinko tries to take the lives of community members into consideration in our business operations. Accordingly, we investigate feedback and requests from the community and strive to promptly take responsive measures. In addition, we host plant tours to explain to community residents our business

operations and our initiatives to reduce the environmental impact

These were opportunities for important communication leading to a better understanding of Shinko.

In the years ahead, we will continue to aim for coexistence in harmony with local society as a community-based company.



Plant tour of the Wakaho Plant for community members

## ◆ Initiatives at Sites Outside Japan

### ■ SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD. (SEW)

In July 2016, SEW (China) received a Personnel Stability Award from the Labor Department of Wuxi. This award, which is given to companies with a low annual turnover, recognized the stability of employment at SEW in the previous year.

### ■ SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. (SEM)

The industrial park where SEM (Malaysia) is located holds quarterly meetings of the Industrial Park Management Committee with the participation of companies, government agencies, the city council, police, and public utilities. SEM also participates in the meetings, exchanging opinions on a wide range of issues including views related to industry and community infrastructure.



Industrial Park Management Committee

## Supporting Youth Development

### ◆ Supporting the Hokushin Scholarship Foundation

Shinko's co-founder and former president Takekio Mitsunobu donated the retirement money he received when he stepped down as a director, as well as company stock that he held, to establish the Hokushin Scholarship Foundation, a public interest incorporated foundation.

Based on former president Mitsunobu's belief that the establishment of a high-tech prefecture starts with human resources development, the foundation has thus far granted scholarships to a total of 441 engineering and medical students who are either from Nagano Prefecture or studying at a university in Nagano Prefecture (including exchange students).

Shinko helps run the foundation by serving as its secretariat.

### ◆ Plant Tours and Internships

Shinko provides opportunities for learning to nearby schools through plant tours. In FY2016, the Kohoku Plant, Takaoka Plant, and Arai Plant provided tours from elementary school students to university students.

We also provide internships in the hope that they will become an effective foothold for students who will lead the next generation to establish their outlook on work and discover their abilities.

In FY2016, students underwent practical training at the Kohoku Plant, Takaoka Plant, and SHINKO R&D Center.



Plant tour for senior high school students at Arai Plant

## Initiatives to Protect the Local Environment and Volunteering

### ◆ Participation in a Tropical Rainforest Restoration Project

SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. (SEM) has actively participated in the Fujitsu Group's tropical rainforest restoration project in Borneo, site of one of the world's three great rainforests. This restoration project, which has been active continuously since 2002, aims to preserve an ecosystem that can provide a habitat to a vast number of living creatures. A survey was carried out to ascertain the state of tree planting and cultivation of saplings, providing an understanding of the state of the tropical rainforest and related issues, as well as a feeling that the issues are a problem deeply connected to our lives.



### ◆ Collecting and Donating Pre-Paid Cards

Shinko collects used pre-paid cards, stamps, and other items, which we donate to funds for tree planting. From July 2005, when we started this effort, until the end of FY2016, we collected and donated items sufficient for about 883 saplings.



### ◆ Volunteering

In FY2016, employees volunteered in such activities as Myoko City Clean Partners (community beautification), coastal cleanups along the Sea of Japan and a wheelchair marathon held in Nagano City. Additionally, Shinko has an accumulated paid leave program that allows employees to accumulate and take up to 20 days of paid leave for specific purposes, including volunteering at public organizations.

## Social Contribution Activities to Commemorate the 70th Anniversary of Our Founding

### ◆ Participating in an Adopt-a-Forest Program

Taking advantage of the adopt-a-forest program promoted by Nagano Prefecture, we have conducted maintenance in collaboration with Iizuna Town in forests owned by the town around Lake Reisenji. In FY2016, as a project marking our 70th anniversary, Shinko and the labor union co-organized tree planting in June and clearing of undergrowth in November. More than 120 people—employees and their families—joined in these events. The participants planted a total of 800 mountain cherry, magnolia and oak saplings along the lakeside promenade. In the upper section of the promenade, a new bower was built to offer a place of rest to those strolling and taking therapeutic walks in the woods.



Left photo: Tree planting in June

Right photo: Bower in November

### ◆ Beautification Efforts around Plants

Each year, Shinko carries out beautification activities around all of our plants, mainly during June, which is Environment Month. In FY2016, we expanded the scope to pick up litter around trunk roads and community roads, as well as cutting the grass and tidying up dead branches and the like along rivers in June and October. Around 600 people took part in the activities at all our plants.

## Contributing to Customers and to Society Through Technology and Manufacturing

The Shinko Group has focused on developing and manufacturing superior products that meet customers' expectations, aiming to be No. 1 in *monozukuri* (the art of manufacturing) in the industry and to offer the best quality in the world. We always make customers the starting point of our ideas and actions, aiming to be a trusted business partner of our customers around the world by contributing to their success and growing together with them.

### Supporting Customer and Societal Trust with Quality

The Shinko Group seeks to contribute to the development of society and enrich people's lives through manufacturing. In pursuit of this goal, we focus on providing products that offer satisfaction to customers and earn their trust. The Shinko Group regards quality as fundamental to our business operations, and we work unceasingly each day to maintain and enhance quality.

#### ◆ Quality Policy

We contribute to our customers' success by continually providing products and services with high customer value based on our Quality Policy.

#### Quality Policy

**Our Quality Policy: to contribute to the success of the customer by sincerely offering high valued products and services that are based on continuously improving our R&D and manufacturing capability.**

**To accomplish this, all employees will act on the following guiding principles.**

#### Guiding Principles

1. When using our technology inputs to develop business and value for the customers, always consider the customers and market place direction.
2. Pursue and share objective fact recognition that lead to activities based on true cause.
3. To improve Quality, Cost, and Delivery as well as added value and productivity, seamlessly collaborate to break the barriers between organizations to strengthen sales, development, manufacturing, supply and support.

#### ◆ Quality Basics Training to Improve Product Quality

Customer and market needs change rapidly. To accurately grasp these changes and to anticipate them, the Shinko Group believes that it is important to approach our manufacturing from the customer's point of view. In addition, to further increase customer satisfaction, we provide quality basics training to relevant departments on a continual basis. Trainers certified within the Company conduct group training on topics such as quality management systems, statistical process control techniques, and quality engineering and provide support linked directly to practical work. Data analysis using statistical process control techniques in particular is used frequently in the proper operation of our quality management system.



Quality basics training in each division

#### ◆ Quality Management System Certification

The Shinko Group has certified ISO 9001 and/or ISO/TS 16949 quality management systems at manufacturing divisions of Shinko and its overseas manufacturing companies. The Group works to continually improve its quality management system in an effort to further boost customer satisfaction. Note: See page 46 for the status of certifications.

## Exhibiting at Trade Shows

To take the opportunity to capture a sense of customer and market needs, and to explain in an easy-to-understand format primarily our newer products and technologies, we exhibit at trade shows both in Japan and overseas. In this way, we incorporate feedback from customers into our product and technology development as well as our marketing activities.

### ◆ Electronica 2016

In November 2016, we exhibited at Electronica 2016 (the 27th International Trade Fair for Electronic Components, Systems and Applications) held in Munich, Germany. There we introduced Shinko's products and items in development related to power solutions.



Electronica 2016

### ◆ COMPAMED 2016

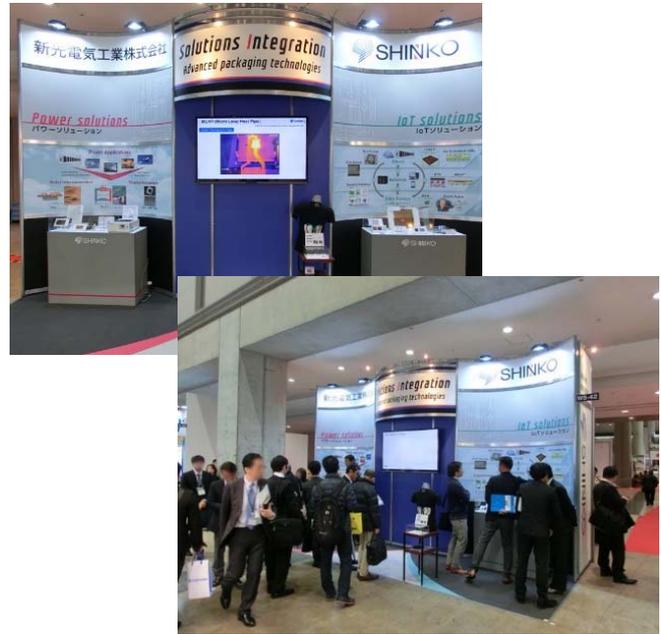
In November 2016, continuing from the previous year, we exhibited at COMPAMED 2016 (an international trade show for medical device technology and parts) in Düsseldorf, Germany. We introduced products in which the Shinko Group's packaging technology had been applied to the medical field, and welcomed many customers from around the world to the Shinko Group's booth.



COMPAMED 2016

### ◆ IC Packaging Technology Expo

In January 2017, the Shinko Group exhibited at the 18th IC Packaging Technology Expo held at Tokyo Big Sight, mainly introducing products in development related to two themes: "IoT solutions" and "power solutions." More than 200 customers visited our booth during the three days.



18th IC Packaging Technology Expo

## Initiatives for Safety and Reliability

### ◆ Development of an Internal System

Shinko has developed a system to ensure the safety of product cargo, shipping facilities, and transportation to customers outside Japan and has been approved by the customs authority as an AEO\* exporter. Moreover, through internal audits we ensure reliable internal organizations, management and supervision of contractors, a contact system with customs and internal organizations, and a training system to provide products under a high level of safety.

\*Authorized Economic Operator (AEO) Program:

A program under which the customs authority provides relaxation and simplification of customs procedures to business operators that have developed a cargo safety management and legal compliance system, to ensure safety and facilitate international logistics.

# Promoting Social Responsibility in the Supply Chain

The Shinko Group sees our suppliers as invaluable contributors, enabling us to add value to the products we provide to our customers. Shinko, together with its suppliers and the supply chain as a whole, promotes procurement activities that take into account protection of the global environment; compliance; respect for human rights, labor, health and safety; assurance of safety and quality of products and services; maintenance and promotion of information security; fair trade and corporate ethics.

## Shinko Procurement Policy

We strive to build long-term relationships of trust with our suppliers, acting as good business partners that enhance each other's capabilities for mutual prosperity and productive coexistence together. With regard to the procurement of goods, materials, software, services and the like, we develop our procurement activities in accordance with the Shinko Procurement Policy drawn up by us.

### Shinko Procurement Policy (Excerpt)

1. Coexistence with suppliers
2. Fair trade (fair, transparent, proper evaluation and selection)
3. Compliance with laws and social norms
4. Protection of the global environment

## CSR-Conscious Procurement Activities

### ◆ Procurement Guidelines

In line with growing recognition of the importance of corporate social responsibility, Shinko has established the Procurement Guidelines based on the Shinko Way and our Procurement Policy, to promote corporate social responsibility in our own business operations as well as throughout the supply chain. We follow these guidelines ourselves and ask suppliers to follow them as well, to promote procurement in line with societal responsibility.

In addition, we comply with the Electronic Industry Citizenship Coalition (EICC) Code of Conduct and promote understanding, compliance with, and spread of the EICC Code of Conduct among suppliers.

## Procurement Guidelines

1. **Protection of the global environment**
  - Promote the procurement of materials that have minimal environmental impact.
  - Promote thorough management procedures for chemical substances.
2. **Compliance**
  - Comply with laws and regulations in Japan and overseas, as well as social norms.
3. **Respect for human rights, labor, health and safety**
  - Respect the human rights of each individual.
  - Do not commit unfair discrimination or acts that infringe human rights.
  - Implement a pleasant working environment for the health and safety of employees.
  - Do not use child labor or forced labor.
4. **Assurance of safety and quality of products and services**
  - Assure the safety and quality of products and services.
5. **Maintenance and promotion of information security**
  - Provide appropriate protection for our own information and information systems and those of third parties.
6. **Fair trade and corporate ethics**
  - (1) **Fair trade**
    - Respect free, fair and transparent competition and do not conduct transactions through unfair means.
  - (2) **Protection of confidential information**
    - Manage the confidential information of the Company and third parties, as well as personal information, in an appropriate fashion and in accordance with laws, regulations and rules.
  - (3) **Protection of intellectual property**
    - Understand that intellectual property is a valuable management asset, respect the intellectual property of other companies while protecting the rights of our own.
  - (4) **Prohibition of bribes**
    - Do not bribe public officials or use a business position to commit acts of bribery, extortion or embezzlement.

## ◆ Sharing Our Procurement Guidelines

### —“To Our Suppliers”—

To disseminate our Procurement Guidelines in our supply chain, we provide on our procurement website a document entitled “To our suppliers” that contains the items we wish to promote. In addition, we ask suppliers, including those located overseas, to understand and cooperate with us in a written request to honor the procurement guidelines.

#### “To Our Suppliers” (Excerpt)

1. **Green procurement**
2. **Business continuity planning**
3. **Excluding antisocial forces**
4. **Conflict minerals**
5. **Corporate social responsibility**

## ◆ Dialogue with Suppliers

Shinko has sent questionnaire surveys about corporate social responsibility conforming to the EICC Code of Conduct to our main suppliers every year. The questionnaire asks about each supplier’s compliance with the EICC Code of Conduct and their operation of management systems in the areas of labor, health and safety, the environment, and ethics. In FY2016 we sent a questionnaire to suppliers as usual, including those outside Japan. We have conducted these questionnaire surveys from FY2013 and have confirmed on an ongoing basis the progress made by suppliers.

We have also sent these questionnaire surveys to all suppliers to whom we contract some processes within our plants every year and have conducted on-site inspections of work sites twice a year based on the surveys. We confirmed no issues on the EICC Code of Conduct and the relevant laws and regulations during the on-site inspections in FY2016.

Going forward, we will continue striving to promote social responsibility throughout the supply chain through various dialogues with suppliers, including monitoring based on questionnaire surveys, interviews and on-site inspections.

## Supply Chain CSR Promotion System



## Addressing Conflict Minerals

Shinko strives to avoid procurement of minerals produced in the Democratic Republic of Congo and adjoining countries that are closely connected to human rights infringements and labor problems and that could become a source of funds for armed groups. These minerals are tantalum, tin, gold, and tungsten.

When dealing with this matter, we first identify the applicable suppliers and purchased goods. Then, using the survey form (Conflict Mineral Reporting Template) established by the EICC, we check and survey the procurement route and perform risk confirmation and evaluation for the applicable minerals, all the way back to the upper reaches of the supply chain. Based on the outcome of the above, we take initiatives on an annual basis to avoid the risk of procuring conflict minerals.

Specifically, by means of this survey, we request on an ongoing basis that the applicable suppliers procure 100% of their metals and minerals from smelting operators certified as Conflict-Free Smelters (CFSs) by third parties such as auditing companies, going all the way back to the upper reaches of the supply chain. In this way, we aim to achieve procurement route transparency for the applicable minerals and avoid the procurement of minerals that constitute a source of funding for armed groups. We confirmed no issues in the survey of FY2016.

## Business Continuity Management

The strengthening of business continuity management throughout the supply chain is essential to maintain a stable supply of products and services needed by customers even during contingencies such as large-scale disasters.

Shinko has sent questionnaire surveys about business continuity management to our main suppliers of raw materials and components every year.

The survey confirms each supplier's status of development of their business continuity plans (BCPs), the establishment of recovery time objectives, the inventory status of products, and problems with manufacturing sites and access to raw materials in the event of a contingency as well as their establishment of backup systems. We then ask suppliers to cooperate in strengthening their business continuity management by enhancing their BCPs and decentralizing sites.

In addition, as our own initiatives, we make sure to maintain several suppliers for primary raw materials and components to reduce procurement risks.

## Green Procurement

As a member of the Fujitsu Group we promote green procurement—which takes into consideration the protection of the global environment—throughout the supply chain, including our suppliers, we do this by using designs and careful selection of materials that take into account energy-saving from the product development stage.

### ◆ Establishment of Environmental Management Systems (EMS)

We ask main suppliers from whom we purchase materials to establish EMS above a certain level, so that they engage continuously in initiatives to reduce the environmental impact.

### ◆ Managing Chemical Substances in Products

We ask suppliers to establish chemical substance management systems (CMSs), to ascertain the chemical substances contained in products and ensure compliance with laws and regulations. As a specific initiative, we periodically conduct CMS audits of raw material suppliers to strengthen the management of chemical substances contained in products in the supply chain.

### ◆ Promoting Cuts in CO<sub>2</sub> Emissions with Suppliers

As part of our activities within the Fujitsu Group, we respond to climate change caused by global warming by asking our suppliers to take initiatives continuously to cut CO<sub>2</sub> emissions.

During Stage 8 of the Environmental Protection Program (FY2016–FY2018), we made a new request to suppliers for calling on their suppliers (secondary suppliers from Shinko's point of view) to reduce CO<sub>2</sub> emissions.

In FY2016, we used an environmental survey shared by the Fujitsu Group to verify the status of activities at our principal 96 suppliers. The results showed that about 12% of our suppliers ask secondary suppliers to reduce CO<sub>2</sub> emissions. We analyzed suppliers' replies, provided them with feedback on activity trends as a reference for future activities, and asked that they step up their own activities and expand initiatives to their suppliers.

Going forward, we will continue making efforts to promote reductions in CO<sub>2</sub> emissions throughout the supply chain.

## Compliance

### ◆ Supplier Compliance Hotline

Shinko has established a Supplier Compliance Hotline for whistle blowing in the event our employee has committed, or is suspected of having committed, an act in procurement operations that violates compliance.

In addition, we prohibit unfair treatment of the whistle blower and the supplier for their actions.

### ◆ Training Procurement Personnel

Shinko provides education and training opportunities for personnel in the Procurement Division to ensure that they understand well the Shinko Way, the Shinko Procurement Policy, the Procurement Guidelines, the Subcontract Act, and other laws relevant to procurement such as the Worker Dispatching Act. We also provide training on matters such as anti-bribery to promote understanding of laws and regulations and the acquisition of pertinent knowledge as part of our ongoing efforts to ensure compliance.

# Corporate Governance

Shinko works unceasingly to enrich its system of corporate governance to ensure management transparency, and to facilitate swift and appropriate decision making in response to changing situations.

With the aim of strengthening the audit and supervisory functions and further enhancing corporate governance, based on resolutions adopted at the 81st Ordinary General Meeting of Shareholders, Shinko moved to a company with audit and supervisory committee, in which a majority of the committee members are outside directors. After this transition, the audit and supervisory system has been centered around the supervision of execution of duties by the board of directors, including directors serving as members of the audit and supervisory committee, in addition to audits and supervision by the audit and supervisory committee

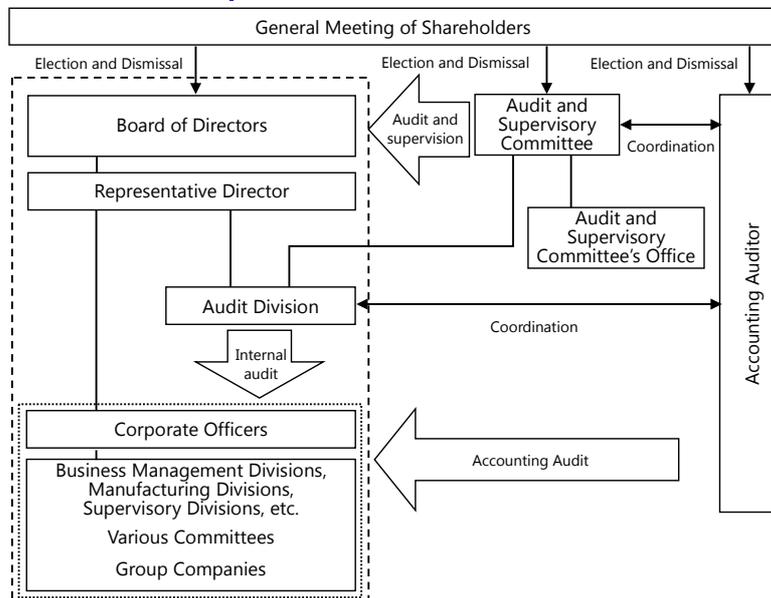
Moreover, we have introduced a corporate officer system with the goal of building a flexible business operational structure, by speeding up the decision making of the board of directors, strengthening the supervisory function and clarifying authority and responsibilities.

Based on this structure, we have striven to further bolster corporate governance and improve the efficiency of corporate management.

- The Board of Directors decides basic policy, matters specified by laws and regulations, and the articles of incorporation as well as important management issues, and supervises the status of business execution. It meets once a month, and extraordinary meetings are convened when necessary.

- A corporate officers' meeting, consisting of directors and corporate officers, is held monthly to deliberate and report on general management, including reporting the status of each division and group company.
- In addition to investigating the status of the operations and financial status of Shinko in accordance with the audit policy and the audit plan, the Audit and Supervisory Committee audits the execution of duties by the directors and others through the attendance of the committee members at important meetings, including those of the Board of Directors, and by receiving reports from directors who are not members of the Audit and Supervisory Committee, corporate officers, an internal auditing division and so on.
- We have chosen Ernst & Young ShinNihon LLC as our accounting auditor and established the Audit Division as an internal auditing division.
- The Audit and Supervisory Committee, the accounting auditor, and the Audit Division strengthen management transparency and compliance by increasing the effectiveness of their audit function through coordination and cooperation with each other, including the sharing of information and opinions.

**Corporate Governance Structure**



# Compliance

To remain a company that is trusted by stakeholders and needed by society, it is more important than ever that directors, officers and employees (hereinafter referred to as “employees”) comply completely with laws in their daily conduct and undertake fair and proper business operations with integrity. Accordingly, the Shinko Group practices thorough compliance based on the Code of Conduct of the Shinko Way.

## ◆ Compliance Promotion System

Shinko has established the Shinko Way Promotion Committee and the Shinko Way Division to strengthen our corporate governance and compliance systems.

By operating this committee, the Shinko Way Division promotes the dissemination and instilment of the Shinko Way, which lays out the principles of behavior for the Shinko Group’s employees, and carries out initiatives to ensure that the Shinko Way is practiced throughout the Group.

Furthermore, in each division of Shinko and in domestic and overseas Group companies, we are conducting initiatives to strengthen compliance throughout the Group, having first prepared a promotion system for each division and company.

## ◆ Spreading Knowledge and Practice of the Shinko Way

We have taken a variety of measures to further instill the Shinko Way and ensure that employees can always act in awareness of it. These measures have included distributing pamphlets on the Shinko Way and wallet-sized cards containing its main points to all employees, putting up posters in all workplaces, and adding reminders on the Shinko Way in annual training and messages from top management given to all employees.

Additionally, the Shinko Group utilizes the Global Business Standards (GBS), which are compliance standards shared within the Fujitsu Group all over the world, as a guide to daily business behavior. The GBS give concrete shape to the Shinko Way Code of Conduct, which stipulates what the employees should follow.

## ◆ Development of Regulations and Guidelines

To ensure compliance throughout the Group, we established Compliance Regulations and General Compliance Guidelines. Subsequently, we developed bylaws and guidelines in areas that have an especially large impact on business, such as compliance with antimonopoly and competition laws, anti-bribery, and responses to antisocial forces.

In FY2016, we developed various guidelines related to anti-bribery, including the giving of gifts to and hospitality for government officials, for sites outside Japan. In Japan, meanwhile, we revised the relevant guideline in light of trends such as the tightening of bribery regulations in foreign laws and regulations.

## Compliance Promotion Organization



### ◆ Internal Whistle-Blowing System

The Shinko Group has established a Corporate Ethics Helpline in Japan, with points of contact in and outside the company, so that employees can make whistle-blowing reports or seek consultation on compliance. We have also developed an environment outside Japan that gives access to a whistle-blowing system operated by outside organizations.

We ensure that all employees know the contact information for these systems, including by printing them on the Shinko Way wallet-sized cards and posters put up in facilities.

Furthermore, we have set up a Supplier Compliance Hotline to take whistle-blowing reports from suppliers.

Moreover, we do not allow whistle-blowers to be treated unfavorably because they used the whistle-blowing system to make a report or seek consultation, and we take great care in handling information so that whistle-blowers are not identified.

We also accept anonymous reports and requests for consultation.

### ◆ Compliance Training

We systematically provide ongoing training to increase the awareness of compliance among each employee.

In FY2016, we provided group training programs (attended by 201 people) on anti-bribery to all relevant persons of Shinko Group in Japan. In Japan, we also provided training on prevention of cartels and compliance in general.

Outside Japan, we provided group training programs (attended by 108 people at 11 sites) on prevention of cartels and anti-bribery at all sites in Asia.

In the years ahead, we will continue to implement various training programs in an effort to foster compliance awareness and reduce risk throughout the Group.



Group training on compliance at a site in Asia

### EICC Code of Conduct Initiative

Shinko has a high regard for the code of conduct of the Electronic Industry Citizenship Coalition (EICC). To improve compatibility with the standards stipulated by the code of conduct in the four sections of labor, health and safety, the environment and business ethics, we are working unceasingly to enhance its management system and practice the processes described in this code of conduct.

Specifically, we perform risk assessments of each section and checks on the extent of adherence to regulatory compliance and customer request items. Based on the results, a yearly target and an implementation plan is drawn up, and after review by top management, a range of measures are executed.

Adherence to the management system and regulatory compliance, compatibility with standards and the state of the implementation of the plan are audited, and adjustments are made to correct the system as necessary.

Activities conducted during the year and the outcome of the audit are reviewed by top management, and their opinions are reflected in the activities for the following year.

Furthermore, we ask our suppliers for their understanding with regard to the EICC code of conduct, and we are working on initiatives to promote the code of conduct throughout the supply chain as a whole by encouraging them to base their activities on the code.



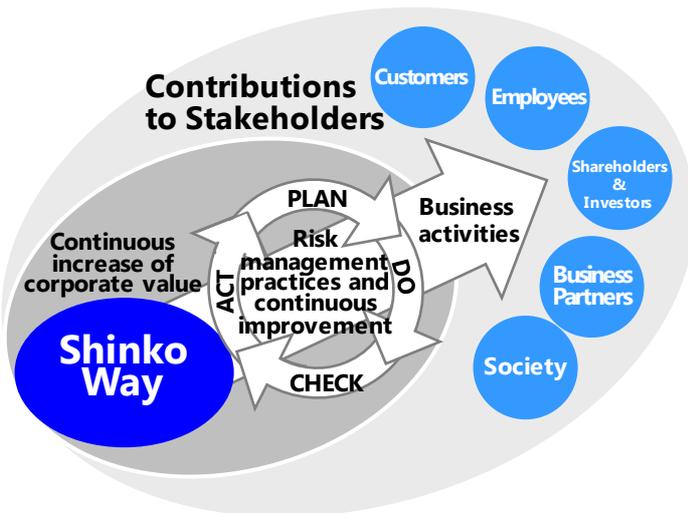
# Risk Management

The Shinko Group's goal is to enhance corporate value by means of our business operations and, in doing so, make contributions to all our stakeholders, including customers and local communities. We believe that one of the most important issues facing management is to properly understand risks that could influence our ability to achieve this goal, take preventive measures against them, minimize their impact when they occur and prevent recurrence. Accordingly, we are building risk management systems for the entire Group, grounded in the Shinko Way, and will run the systems and continually improve them.

## Promoting Risk Management

To promote risk management in every division and company of the Shinko Group, the Risk Management Committee has been established. The company-wide Risk Manager is appointed as chairman of this committee and assumes all responsibility and authority for risk management throughout Shinko Group, while each division is assigned its own division risk manager. Working as one—from the twin angles of preventing the occurrence of potential risk and dealing with risks that have arisen—we are building a system to encourage risk management.

### Our Concept of Risk Management



### Risk Management System Chart



### ◆ Risk Assessment throughout Business Operations

To properly understand and deal with the risks that affect the Shinko Group, a survey of potential risks is conducted annually. The potential risk survey identifies, analyzes and assesses the risks that could occur within each division and group company, then we seek countermeasures to avoid or mitigate their influence, while enabling a prompt response if risks arise.

### Risk of Business, etc.\*

1. Abnormal fluctuations in financial position, operating results or cash flows
2. Dependence on specific business partners, products or technologies, etc.
3. Occurrence of unique legal restrictions, trade practices or important cases of litigation
4. Disasters such as earthquakes, occurrence of accidents, infectious diseases such as new strains of influenza
5. Leaks of confidential or personal information

\* The items listed in risk of business, etc., do not include all risks faced by the Group.

## Business Continuity Initiatives

In times of unexpected disaster or serious accident, the Shinko Group makes protecting the lives of employees, employee families and people in the surrounding area and preventing secondary disasters its highest priority. While bearing in mind contributions to the public good, the Group will take the actions necessary to preserve the continuity of customers' important businesses.

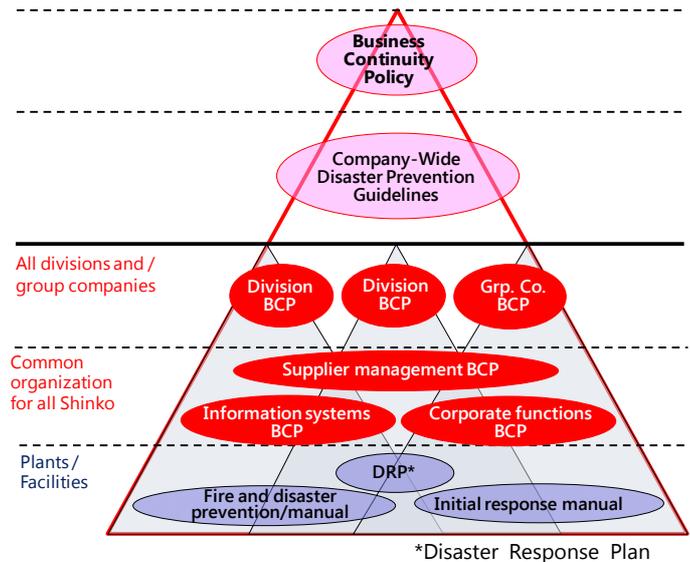
### ◆ Business Continuity Management (BCM)

To promote business continuity management (BCM), the Shinko Group has established the Shinko Group Business Continuity Policy as the basic policy for the Group. Based on Shinko-Wide Disaster Prevention Guidelines, each division has drawn up a business continuity plan (BCP) to determine the initial response necessary to restart and continue, within the required time, operations that are important to the organization even after unexpected situations have occurred, and to prepare countermeasures ahead of time.

Furthermore, in FY2016, we provided mock disaster exercises, based on the scenario of a large earthquake with a maximum intensity of 6 on the Japanese scale of 0–7, to division risk managers and plant managers.

Going forward, we will continuously take actions, such as implementation of the countermeasures, education, training, assessments, improvements and review by the management, for the BCP to be practical in each workplace.

## Promotion System for BCM



Mock disaster exercise

## Shinko Group Business Continuity Policy

### ■ Basic philosophy

The Shinko Group works continually on initiatives to improve its ability to respond to and recover from any kind of risk, so that even in the event of unexpected natural disasters or serious accidents we can continue important operations, execute our social responsibility as a company, and achieve a stable supply of high-performance, high-quality products and services to meet customer demand.

### Guiding principles (normal conditions)

- Each division decides which important operations should continue even after unexpected events as well as recovery time objective, and systematically puts in place measures to achieve this.
- Procedure manuals are created for recovery and continuation of business in case of an unexpected event, and systematic training is carried out.
- Changes in the business environment and the outcomes of training are reviewed at regular intervals, and based on the results the countermeasure plan and recovery procedure manuals are revised and improved.

### Guiding principles (in unforeseen circumstances)

- Protecting the lives of employees, employee families and people in the surrounding area and preventing secondary disasters is made the highest priority.
- While bearing in mind contributions to the public good, we will take the actions necessary to preserve the continuity of customers' important businesses.
- We will establish emergency communications with stakeholders as quickly as possible and work to provide appropriate information.

## Company-Wide Disaster Prevention

Shinko has drawn up Company-Wide Disaster Prevention Guidelines that determine the basic thinking for a company-wide disaster prevention system in preparation for an unforeseen large-scale disaster. Based on the guidelines, each plant has drawn up a plant fire and disaster prevention manual and a disaster response plan that take into account the special characteristics of the location and the facility, and we are moving ahead to build a system that enables effective action during the initial stages.

### ◆ Implementation of Company-Wide Disaster Prevention Drill

Each year, to verify the efficacy of the disaster prevention system and strengthen our response capability, we run simulations and drills that assume a variety of disasters, accidents (explosions, leaks, etc.) as well as conducting regular training and education for the in-house fire brigade.

Also in FY2016, we made our first attempt at implementing disaster-prevention drills simultaneously at all plants and conducted a communications drill using an emergency means of communication between the central disaster management headquarters and the on-site disaster management headquarters at each plant.



Central disaster management headquarters in an all-plant disaster-prevention drill

### ◆ Implementing Disaster Preparedness Self Checks at Each Plant

To minimize damage to human life and property in the event of a disaster, the fire and disaster prevention manuals, disaster response plans, disaster prevention organization operations, and maintenance conditions of disaster prevention stocked items and facilities at each of Shinko's plants are inspected as part of a disaster prevention self-inspection according to a prescribed checklist of items. In FY2016, we reviewed and strengthened our disaster prevention stockpiles.

## Information Security

Due to advances in ICT, in recent years there is a growing risk of leaks of confidential information, and it is the duty of companies to implement thorough information security measures.

In the Shinko Group, we regard the appropriate handling of many types of business information as fundamental to our corporate activity and, in addition to putting in place regulations such as information management regulations, we strive to thoroughly observe rules for dealing with information.

### ◆ Handling of Many Types of Information

#### ■ Handling Internal Information

During the execution of its business, a variety of confidential information routinely flows through and is stored within the Shinko Group. This information is given appropriate handling in accordance with prescribed rules and procedures on accessing, using and disclosing it externally.

#### ■ Handling of Customer and Third-party Information

With regard to the confidential information obtained from third parties such as customers and suppliers, the Shinko Group fulfills its duty of confidentiality by respecting the conditions prescribed in its contracts with such third parties pertaining to the use of the information, how it is managed and the period of retention.

#### ■ Handling of Personal Information

The Shinko Group appropriately manages and uses the personal information that it gathers and accumulates during the course of its business in accordance with the relevant laws and regulations of each country.

### ◆ Information Security Education

To facilitate and understand the importance of information security, inculcating the rules and raising awareness, we have implemented in-house rank-specific training and e-Learning for information security education. In FY2016, we provided e-Learning and a comprehension test on information system security to all holders of a company email address in Japan (about 2,800 people) and achieved a 100% completion rate.

Going forward, we will continually implement education and instruction to encourage behavior that is routinely and strongly aware of the need for information security and to raise awareness among employees.

# CSR Activity Management

## Our Results for FY2016 and Our Targets for FY2017

### 1. Environmental and Social Efforts

Level of achievement: ○ = Target achieved; △ = Target nearly achieved

Theme	Medium-term target	FY2016 target	FY2016 results	Level of achievement	FY2017 target
Promoting activities to lower the environmental impact	Development of activities from FY2016 to FY2018 in accordance with the Environmental Protection Program (Stage 8)	<ul style="list-style-type: none"> <li>Reductions in CO<sub>2</sub> emissions Hold to an increase of 13.5% over the base year</li> <li>Reductions in generation of waste Hold to an increase of 19.1% over the base year</li> <li>Reductions in use of water resources Implement measures to reduce water use by 1.8% of amount used in base year</li> <li>Green procurement                             <ul style="list-style-type: none"> <li>Make requests and provide support to 100% of primary suppliers that have secondary suppliers</li> <li>Perform surveys on 100% of applicable suppliers</li> <li>Survey response rate: 90%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Reductions in CO<sub>2</sub> emissions Held to an increase of 8.1%</li> <li>Reductions in generation of waste Held to an increase of 12.6%</li> <li>Reductions in use of water resources Implemented measures to reduce water use by 1.9%</li> <li>Green procurement                             <ul style="list-style-type: none"> <li>Requests made and support provided to primary suppliers that have secondary suppliers: 100%</li> <li>Surveys performed on applicable suppliers: 100%</li> <li>Survey response rate: 100%</li> </ul> </li> </ul>	○	<ul style="list-style-type: none"> <li>Reductions in CO<sub>2</sub> emissions Hold to an increase of 8.7% over the base year</li> <li>Reductions in generation of waste Hold to an increase of 38.6% over the base year</li> <li>Reductions in use of water resources Implement measures to reduce water use by 1.5% of amount used in base year</li> <li>Green procurement                             <ul style="list-style-type: none"> <li>Make requests and provide support to 100% of primary suppliers that have secondary suppliers</li> <li>Perform surveys on 100% of applicable suppliers</li> <li>Survey response rate: 90%</li> </ul> </li> </ul>
Promoting reductions in environmental and safety risk	Reduce environmental and safety risk by promoting hazard prediction (HP) activities and strengthening plant patrols	<ul style="list-style-type: none"> <li>Promote HP activities</li> <li>Reduce environmental and safety risk</li> </ul>	<ul style="list-style-type: none"> <li>Implemented HP during maintenance work (all plants)</li> <li>Implemented inspections based on annual comprehensive safety inspection plans</li> </ul>	○	<ul style="list-style-type: none"> <li>Promote HP activities</li> <li>Reduce environmental and safety risk</li> </ul>
Initiatives to protect the local environment	<ul style="list-style-type: none"> <li>Conduct environmental volunteering</li> <li>Conduct beautification activities around plants and in the community</li> </ul>	<ul style="list-style-type: none"> <li>Conduct environmental volunteering co-sponsored by labor and management through an adopt-a-forest program in Iizuna Town</li> <li>Conduct environmental beautification activities at all plants</li> </ul>	<ul style="list-style-type: none"> <li>Iizuna Town adopt-a-forest program Conducted tree planting, etc. twice a year (June and November)</li> <li>Beautification activities at all plants Conducted twice a year (June–July and October)</li> </ul>	○	<ul style="list-style-type: none"> <li>Conduct environmental volunteering co-sponsored by labor and management through an adopt-a-forest program in Iizuna Town</li> <li>Conduct environmental beautification activities at all plants</li> </ul>
Coexistence and dialogue with local communities	Engage with local communities through participation in local events and plant tours, etc.	<ul style="list-style-type: none"> <li>Engage with members of local communities through participation in local events and contribute to community revitalization</li> <li>Engage with local communities through plant tours</li> </ul>	<ul style="list-style-type: none"> <li>Gave support to various local events, participated in summer festivals</li> <li>Provided plant tours for neighborhood residents and students</li> </ul>	○	<ul style="list-style-type: none"> <li>Engage with members of local communities through participation in local events and contribute to community revitalization</li> <li>Engage with local communities through plant tours</li> </ul>

## 2. Profit and growth / Shareholders and investors

Theme	Medium-term target	FY2016 target	FY2016 results	Level of achievement	FY2017 target
Enhancing corporate value through strengthened governance	Reinforce the corporate governance system by centering it on adherence to the Corporate Governance Code	<ul style="list-style-type: none"> <li>Review organizational design (shift to a company with audit and supervisory committee)</li> <li>Promote initiatives that encourage adherence to the principles of the Corporate Governance Code</li> </ul>	<ul style="list-style-type: none"> <li>Shifted to a company with audit and supervisory committee, made adjustments entailed in the shift</li> <li>Dealt with unimplemented items (reduced from 9 to 3), enhanced initiatives in line with the principles of the Code</li> </ul>	○	<ul style="list-style-type: none"> <li>Promote initiatives that encourage adherence to the principles of the Corporate Governance Code</li> </ul>
Enriching our dialogues with shareholders and investors	Examine and implement measures to put in place systems that facilitate constructive dialogue with shareholders and investors	<ul style="list-style-type: none"> <li>Reinforce cooperative framework between involved departments within the company</li> <li>Examine and implement measures to enhance dialogue</li> </ul>	<ul style="list-style-type: none"> <li>Appointed and ensured cooperation among persons responsible for PR/IR coordination between involved departments within the company</li> <li>Renewed IR website, exhibited at IR forums for individual investors</li> </ul>	○	<ul style="list-style-type: none"> <li>Examine and implement measures to enhance constructive dialogue with shareholders and investors</li> <li>Enhance disclosed information</li> </ul>
Risk management	<ul style="list-style-type: none"> <li>Strengthen preventive measures for all kinds of risks, enhance ability to respond at times of risk and to deal with and recover from risks when they occur</li> <li>Reinforce disaster prevention systems across the whole company</li> <li>Promote business continuity management (BCM)</li> </ul>	<ul style="list-style-type: none"> <li>Understand important risks and consider and review countermeasures beforehand</li> <li>Establish emergency response systems, ensure safety through continuous education and training for employees</li> <li>Bolster countermeasures for safety of buildings and equipment</li> <li>Raise employees' risk awareness, firmly establish business continuity planning (BCP)</li> </ul>	<ul style="list-style-type: none"> <li>Conducted potential risk survey and management review</li> <li>Conducted simultaneous self-defense fire-fighting and evacuation drill across the company and other training</li> <li>Reinforced buildings' earthquake resistance, prevented communal use equipment and production equipment from falling over</li> <li>Conducted company-wide BCP education, mock disaster training, and rank-specific education</li> </ul>	○	<ul style="list-style-type: none"> <li>Understand important risks and consider and review countermeasures beforehand</li> <li>Establish emergency response systems, ensure safety through continuous education and training for employees</li> <li>Bolster countermeasures for safety of buildings and equipment</li> <li>Raise employees' risk awareness, promote business continuity management (BCM)</li> </ul>

## 3. Global

Theme	Medium-term target	FY2016 target	FY2016 results	Level of achievement	FY2017 target
Providing opportunities and active support for competence development	Nurture human resources who can play an active role at a global level	<ul style="list-style-type: none"> <li>Strengthen education to enhance English skills</li> </ul>	<ul style="list-style-type: none"> <li>Strengthened English-related education                             <ul style="list-style-type: none"> <li>In-house English conversation classes (October to March)</li> <li>Business skills classes (November to December)</li> <li>Sent employees to global competency training</li> </ul> </li> </ul>	○	<ul style="list-style-type: none"> <li>Strengthen education to enhance English skills</li> </ul>
Strengthening overseas compliance system framework	Reduce risk and reinforce compliance framework by promoting the Global Compliance Program (GCP)	<ul style="list-style-type: none"> <li>Examine and implement measures in line with the GCP (prepare rules, compliance education, etc.)</li> <li>Check and follow up on the risk situation, strengthen the checking system</li> </ul>	<ul style="list-style-type: none"> <li>Established various guidelines, provided education for relevant persons, distributed messages from top management, etc.</li> <li>Checked the risk and the compliance promotion situation, etc., implemented follow-up</li> </ul>	△	<ul style="list-style-type: none"> <li>Reinforce compliance in line with the GCP</li> <li>Understand risks, reduce risks by planning and implementing countermeasures</li> </ul>

## 4. Employees

Theme	Medium-term target	FY2016 target	FY2016 results	Level of achievement	FY2017 target
Creating a vibrant corporate culture that takes into account the work-life balance	Provide a workplace environment that enables employees to continue to grow by supporting a balance between work and childcare	<ul style="list-style-type: none"> <li>Promote initiatives to encourage active participation by women</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced the content of rank-specific education, raised awareness through manager training</li> </ul>	○	<ul style="list-style-type: none"> <li>Promote initiatives aimed at Transforming Work Styles</li> <li>Promote initiatives to encourage active participation by women</li> </ul>
		<ul style="list-style-type: none"> <li>Respond to diverse work patterns</li> </ul>	<ul style="list-style-type: none"> <li>Introduced a program for rehiring persons who resigned to raise children, care for family members, or because of the transfer of his or her spouse, etc.</li> </ul>		
Fair evaluation and fair pay	Strengthen the appropriate operation of personnel systems built on compensation structures that match the responsibility shouldered by each person	<ul style="list-style-type: none"> <li>Improve understanding among newly appointed managers of personnel systems</li> </ul>	<ul style="list-style-type: none"> <li>Conducted evaluation system training for new managers</li> </ul>	○	<ul style="list-style-type: none"> <li>Improve understanding among newly appointed managers of personnel systems</li> <li>Improve understanding among persons whose duties have changed of the discharging of duties according to one's role</li> </ul>
		<ul style="list-style-type: none"> <li>Improve understanding among persons whose duties have changed of the discharging of duties according to one's role</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced the content of rank-specific education</li> </ul>		
Providing opportunities and active support for competence development	Support younger employees in forming a career so as to allow a stream of female leaders and senior staff to emerge	<ul style="list-style-type: none"> <li>Bolster support of career continuation for female employees</li> </ul>	<ul style="list-style-type: none"> <li>Conducted seminars to support younger employees and employees returning to work from childcare leave in forming a career</li> </ul>	○	<ul style="list-style-type: none"> <li>Bolster support of career continuation for female employees</li> </ul>
Promoting health, safety and fire and disaster prevention activities, achieving a safe, comfortable and accident-free workplace	<ul style="list-style-type: none"> <li>◆ Thorough implementation of safe operation through systematic safety measures for equipment, etc., in addition to strengthening and promotion of autonomous health and safety activities</li> <li>◆ Creation of a comfortable workplace and maintaining / enhancing employee health</li> </ul>	<ul style="list-style-type: none"> <li>Promote health, safety and fire and disaster prevention activities that adhere to relevant health, safety and fire and disaster prevention laws, regulations and requirements</li> </ul>	<ul style="list-style-type: none"> <li>Conducted chemical substance risk assessments and stress checks, adopted the EICC management system</li> </ul>	○	<ul style="list-style-type: none"> <li>Promote health, safety and fire and disaster prevention activities that adhere to relevant health, safety and fire and disaster prevention laws, regulations and requirements</li> <li>Raise safety awareness among all employees, promote and reinforce our "5S" program</li> <li>Promote continuing risk reduction activities by identifying and evaluating dangers and causes of harm</li> <li>Reduce employee fatigue and stress and encourage prevention of lifestyle diseases</li> </ul>
		<ul style="list-style-type: none"> <li>Raise safety awareness among all employees, promote and reinforce our "5S" program</li> </ul>	<ul style="list-style-type: none"> <li>Conducted safety education programs throughout the company (traveling / web training), as well as patrols before consecutive holidays, traffic safety guidance and awareness raising campaigns</li> </ul>		
		<ul style="list-style-type: none"> <li>Promote continuing risk reduction activities by identifying and evaluating dangers and causes of harm</li> </ul>	<ul style="list-style-type: none"> <li>Carried out risk assessments (safety week, before major holidays, chemical substances), identified risks through patrols by members of the Safety and Health Committee</li> </ul>		
		<ul style="list-style-type: none"> <li>Reduce employee fatigue and stress and encourage prevention of lifestyle diseases</li> </ul>	<ul style="list-style-type: none"> <li>Implemented specific health guidance, held briefings on workplace management for managers, provided guidance on deterring long amounts of overtime, etc.</li> </ul>		

## 5. Customers

Theme	Medium-term target	FY2016 target	FY2016 results	Level of achievement	FY2017 target
Thoroughly grounding our activities in the customer's point of view and strengthening relationships of trust with customers	<ul style="list-style-type: none"> <li>◆ Acquisition of related knowledge by rebuilding the sales training program, promotion of development and nurturing of communication competence</li> <li>◆ Improvement of customer satisfaction based on customer satisfaction survey results</li> <li>◆ Fair trade and compliance (added in FY2017)</li> </ul>	<ul style="list-style-type: none"> <li>● Rebuild sales group training program, enhance sales skills</li> </ul>	<ul style="list-style-type: none"> <li>● Held related knowledge workshops, enhanced education for those being posted overseas, enhanced distribution of information for overseas sales companies</li> </ul>	○	<ul style="list-style-type: none"> <li>● Review management standards in security trade and ensure thorough control through education for relevant departments</li> </ul>
		<ul style="list-style-type: none"> <li>● Increase customer satisfaction by reconsidering how to analyze and use customer satisfaction surveys</li> </ul>	<ul style="list-style-type: none"> <li>● Re-examined customer ratings, enhanced internal reporting system, etc.</li> </ul>		

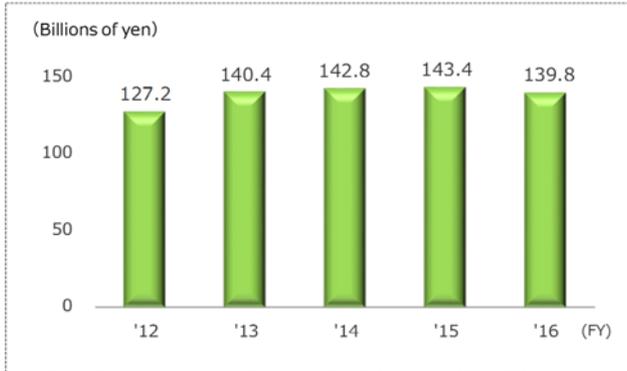
## 6. Suppliers

Theme	Medium-term target	FY2016 target	FY2016 results	Level of achievement	FY2017 target
Promoting CSR throughout the supply chain	Disseminate and thoroughly establish the Shinko Procurement Policy and procurement guidelines	<ul style="list-style-type: none"> <li>● Make sure suppliers are aware of the procurement policy</li> </ul>	<ul style="list-style-type: none"> <li>● Carried out a recognition survey for suppliers (recognition rate: 99.9% in Japan; 100% overseas)</li> </ul>	○	<ul style="list-style-type: none"> <li>● Make sure suppliers are aware of the procurement policy</li> <li>● Give CSR questionnaires to main suppliers</li> <li>● Check CSR situation for subcontractors working on the premises</li> <li>● Make sure new suppliers are aware of the procurement policy and evaluate them</li> </ul>
		<ul style="list-style-type: none"> <li>● Give CSR questionnaires to main suppliers</li> </ul>	<ul style="list-style-type: none"> <li>● Conducted a CSR questionnaire complying with the EICC Code of Conduct (100% response rate)</li> </ul>		
		<ul style="list-style-type: none"> <li>● Check CSR situation for subcontractors working on the premises</li> </ul>	<ul style="list-style-type: none"> <li>● Checked the situation regarding subcontractors working on premises using the CSR questionnaire (twice yearly)</li> </ul>		
Promoting conflict minerals surveys and due diligence	Implement surveys of conflict minerals used in purchased products, promote due diligence with regard to raw materials all the way upstream	<ul style="list-style-type: none"> <li>● Promote upstream surveys of raw materials using the EICC template and due diligence</li> </ul>	<ul style="list-style-type: none"> <li>● Conducted surveys, interviews, and risk assessments, made procurement improvement requests based on risk assessments</li> </ul>	○	<ul style="list-style-type: none"> <li>● Promote upstream surveys of raw materials using the EICC template and due diligence</li> </ul>
Promoting BCP surveys of purchased products and drawing up BCP	Implement BCP surveys for purchased products, promote drawing up of BCP	<ul style="list-style-type: none"> <li>● Reduce risk through BCP surveys and drawing up of BCP</li> </ul>	<ul style="list-style-type: none"> <li>● Conducted BCP surveys, interviews and risk assessments, made improvement requests based on risk assessments</li> </ul>	○	<ul style="list-style-type: none"> <li>● Reduce risk through BCP surveys and drawing up of BCP</li> </ul>

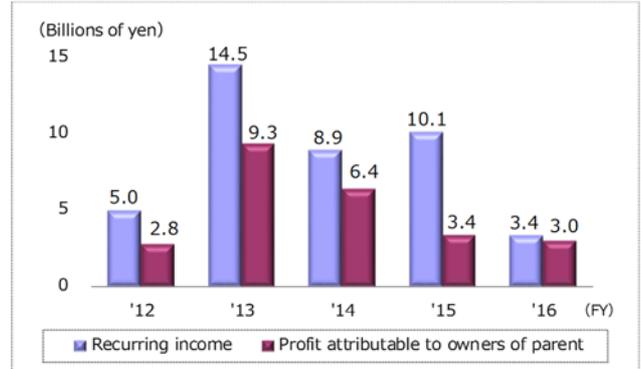
# Financial and Non-financial Data

## Consolidated Financial Highlights

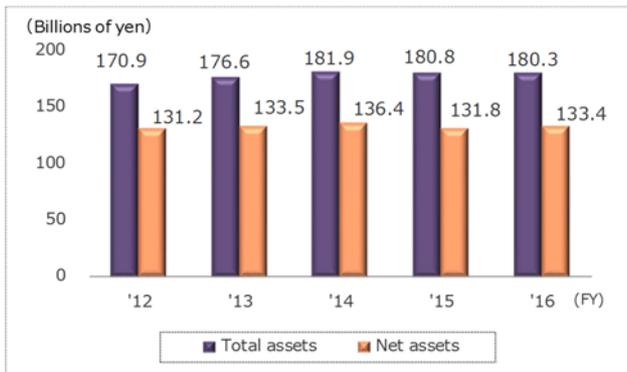
### Net sales



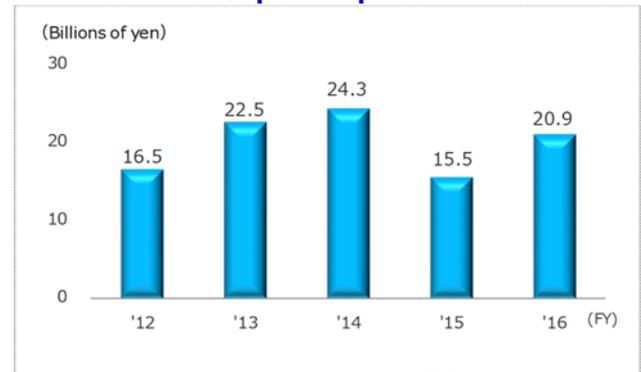
### Recurring income/ Profit attributable to owners of parent



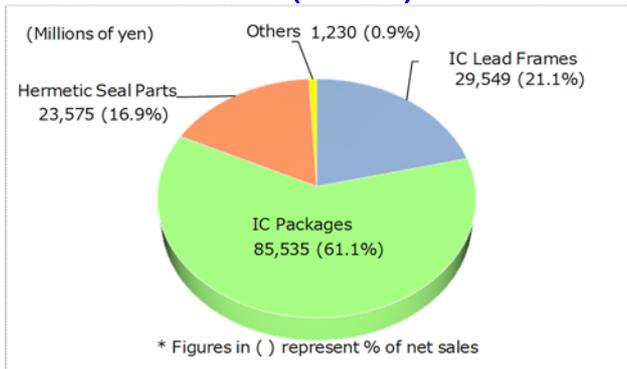
### Total assets/Net assets



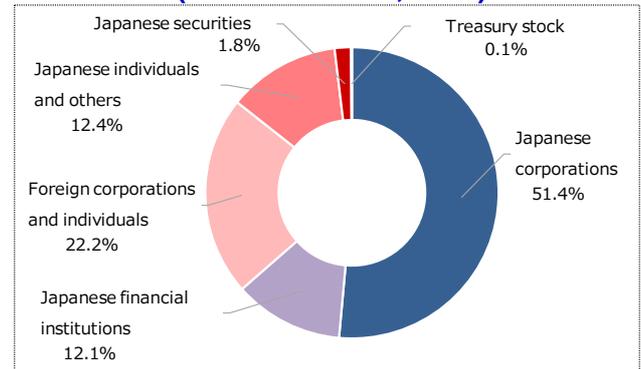
### Capital expenditure



### Net sales by product category (FY2016)



### Distribution of stock by type of shareholder (As of March 31, 2017)



## ◆ Business Performance and Financial Information

Shinko publishes reports such as the Securities Report, as well as a semiannual overview of business performance and our financial condition. These reports are made available on our website.

We are committed to disclosing operations and financial information in a timely and appropriate manner and to increasing management transparency, to give shareholders and investors an understanding of our efforts to boost corporate value and the results of these efforts.

## List of Employee Related Indicators

### Employees in Shinko Group (As of the end of March)

		FY2014	FY2015	FY2016
Number of employees by region (person)		4,905	4,880	4,848
	Japan (ratio)	85.7%	85.1%	85.0%
	Asia (ratio)	13.5%	14.0%	14.1%
	The Americas (ratio)	0.8%	0.9%	0.9%
Number of employees by Type of contract (person)	Regular	4,905	4,880	4,848
	Non Regular*	216	240	263

\*Including fixed term employees (contracted, part-time, etc.) and excluding dispatched workers.

### Diversity (Shinko) (As of the end of March)

		FY2014	FY2015	FY2016
Number of employees (person)		4,117	4,070	4,037
Average age (year)		43.8	44.3	44.8
Average year of service (year)	Total	21.8	22.4	22.9
	Male	21.3	21.9	22.4
	Female	23.6	24.2	24.8
Number of employees by gender (person)	Male	3,224	3,190	3,164
	Female	893	880	873
Ratio of female employees (%)		21.7%	21.6%	21.6%
Ratio of female managers (%)*		1.8%	1.8%	2.1%
Number of non-Japanese employees (person)		6	6	6
Employment ratio of people with disabilities (%)**		2.26%	2.26%	2.24%

\*Including assignees to the Group companies and contract employees.

\*\*Including employees of the Group companies in Japan and contract employees(counted in every June).

### Employment (Shinko)

	FY2014	FY2015	FY2016
Hiring (person)	42	48	51

### Using Care Leave (Shinko)

		FY2014	FY2015	FY2016
Number of employees using child care leave (person)	Total	36	38	28
	Male	1	3	1
	Female	35	35	27
Return to work ratio after child care leave (%)		100%	100%	94%
Continuous work ratio after child care leave (%)*		100%	100%	100%
Number of employees using family care leave (person)	Total	0	1	2
	Male	0	0	1
	Female	0	1	1
Return to work ratio after family care leave (%)		-	-	100%
Continuous work ratio after family care leave (%)*		50%	-	-
Paternity leave (person)		30	35	32

\*Continuous work ratio after child care leave and family care leave is the ratio of employees still at the company 12 months after returning to work.

## Environmental Data

### Kohoku Plant

□ Air Data for: Small through-flow boiler

Item	Unit	National standards	Company standards	Results	
				Max.	Avg.
Particulate <sup>*1</sup>	g/Nm <sup>3</sup>	(0.1)	0.02	— <sup>*2</sup>	— <sup>*2</sup>
SOx	Nm <sup>3</sup> /h	4.41	—	— <sup>*3</sup>	— <sup>*3</sup>
NOx <sup>*1</sup>	cm <sup>3</sup> /Nm <sup>3</sup>	(150)	130	66	47

□ Water quality Units: Hydrogen ion concentration (pH) and other (mg/l)

Item	Sewage discharge standard	Company standards	Results	
			Max.	Avg.
pH	5.0~9.0	5.2~8.8	7.8	7.22
BOD	600	540	220	118.17
Suspended solids	600	300	44	21.92
n-Hexane	5	4.5	<1	<1
Copper	3	1	0.05	0.03
Zinc	2	1	0.06	0.05
Soluble iron	10	5	0.06	0.03

### Takaoka Plant

□ Air Data for: Small through-flow boiler in Building C

Item	Unit	National standards	Company standards	Results	
				Max.	Avg.
Particulate <sup>*1</sup>	g/Nm <sup>3</sup>	(0.1)	0.03	— <sup>*2</sup>	— <sup>*2</sup>
SOx	Nm <sup>3</sup> /h	3.68	—	— <sup>*3</sup>	— <sup>*3</sup>
NOx <sup>*1</sup>	cm <sup>3</sup> /Nm <sup>3</sup>	(150)	130	72	41.2

Data for: Small through-flow boiler in Building K

Item	Unit	National standards	Company standards	Results	
				Max.	Avg.
Particulate <sup>*1</sup>	g/Nm <sup>3</sup>	(0.1)	0.03	<0.005	<0.005
SOx	Nm <sup>3</sup> /h	7.40	—	— <sup>*3</sup>	— <sup>*3</sup>
NOx <sup>*1</sup>	cm <sup>3</sup> /Nm <sup>3</sup>	(150)	130	22	18.4

□ Water quality Units: Hydrogen ion concentration (pH) and other (mg/l)

Item	National standards	Niigata prefectural standards	Company standards	Results	
				Max.	Avg.
pH	5.8~8.6	5.8~8.6	6.0~8.4	7.7	7.06
BOD	160	30	27	23	8.81
Suspended solids	200	50	25	19	12.18
n-Hexane	5	5	2	<1	<1
Copper	3	2	1	0.73	0.23
Zinc <sup>*4</sup>	5	3	1.5	0.09	0.03
Soluble iron	10	10	3	0.09	0.05
Soluble manganese	10	10	3	0.12	0.05
Chromium	2	1	0.5	<0.02	<0.02

Notes:

- \*1 Not applicable at the moment based on supplementary provisions in the enforcement regulations to the Air Pollution Control Act (Ordinance 31 of June 6, 1985)
- \*2 There are no measures in FY2016, because measures are taken once every three years.
- \*3 There are no measures because of gas fuel (without containing ingredients of sulfur).
- \*4 National and prefectural standards are provisional standards until December 10, 2021.

### Wakaho Plant

□ Air Data for: Small through-flow boiler

Item	Unit	National standards	Company standards	Results	
				Max.	Avg.
Particulate <sup>*1</sup>	g/Nm <sup>3</sup>	(0.1)	0.02	— <sup>*2</sup>	— <sup>*2</sup>
SOx	Nm <sup>3</sup> /h	5.5	—	— <sup>*3</sup>	— <sup>*3</sup>
NOx <sup>*1</sup>	cm <sup>3</sup> /Nm <sup>3</sup>	(150)	135	84	34

□ Water quality Units: Hydrogen ion concentration (pH) and other (mg/l)

Item	Sewage discharge standard	Company standards	Results	
			Max.	Avg.
pH	5.0~9.0	5.2~8.8	7.8	7.56
BOD	600	540	440	327
Suspended solids	600	200	79	62.91
n-Hexane	5	4.5	<1	<1
Copper	3	2.7	0.61	0.43
Zinc	2	1	0.03	0.01
Soluble iron	10	3	0.04	0.03
Soluble manganese	10	4	0.47	0.13
Chromium	2	0.4	<0.02	<0.02

### Arai Plant

□ Air Data for: Small through-flow boiler

Item	Unit	National standards	Company standards	Results	
				Max.	Avg.
Particulate <sup>*1</sup>	g/Nm <sup>3</sup>	(0.1)	0.02	— <sup>*2</sup>	— <sup>*2</sup>
SOx	Nm <sup>3</sup> /h	7.1	0.2	— <sup>*3</sup>	— <sup>*3</sup>
NOx <sup>*1</sup>	cm <sup>3</sup> /Nm <sup>3</sup>	(150)	120	53	27.5

□ Water quality Units: Hydrogen ion concentration (pH) and other (mg/l)

Item	National standards	Niigata prefectural standards	Company standards	Results	
				Max.	Avg.
pH	5.8~8.6	5.8~8.6	6.0~8.4	7.5	7.29
BOD	160	25	23	23	5.35
Suspended solids	200	50	32	12	6.09
n-Hexane	5	5	4	<1	<1
Copper	3	2	1	0.07	0.04
Zinc <sup>*4</sup>	5	5	1	0.02	0.02
Soluble iron	10	10	5	0.12	0.08
Soluble manganese	10	10	3	0.54	0.19
Chromium	2	2	0.5	<0.02	<0.02

### Kyogase Plant

□ Air Data for: Small through-flow boiler

Item	Unit	National standards	Company standards	Results	
				Max.	Avg.
Particulate <sup>*1</sup>	g/Nm <sup>3</sup>	(0.1)	0.03	— <sup>*2</sup>	— <sup>*2</sup>
SOx	Nm <sup>3</sup> /h	4.65	—	— <sup>*3</sup>	— <sup>*3</sup>
NOx <sup>*1</sup>	cm <sup>3</sup> /Nm <sup>3</sup>	(150)	130	20	18

□ Water quality Units: Hydrogen ion concentration (pH) and other (mg/l)

Item	National standards	Niigata prefectural standards	Company standards	Results	
				Max.	Avg.
pH	5.8~8.6	5.8~8.6	6.2~8.2	7.1	6.9
BOD	160	160	80	7.7	5.2
Suspended solids	200	200	65	3	1.5
n-Hexane	5	5	2	<1	<1
Copper	3	3	1	<0.02	<0.02
Zinc <sup>*4</sup>	5	5	1	0.03	0.02
Soluble iron	10	10	3	0.09	0.06
Soluble manganese	10	10	3	<0.02	<0.02
Chromium	2	2	0.5	<0.02	<0.02

## Status of Quality and Environmental Management System Certifications

### Quality Management System ISO9001 & ISO/TS16949

#### ISO 9001

Company	Product	Date certified
SHINKO ELECTRIC INDUSTRIES CO., LTD. LEADFRAME DIV.	Lead frame products	Dec. 28, 1994
COMPONENT DIV.	Glass-to-metal seals, Electrostatic chucks, etc.	Jun. 16, 1995
IC ASSEMBLY DIV.	Assembly products	Mar. 8, 1996
PLASTIC LAMINATED PACKAGE DIV.	Substrate for semiconductor devices	Jan. 10, 2003
PLASTIC LAMINATED PACKAGE DIV.	Substrates for semiconductors	Mar. 5, 2004
SHINKO ELECTRONICS (MALAYSIA) SDN. BHD.	Lead frame products	Dec. 29, 2003
SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD.	Lead frame products	Oct. 5, 2008
KOREA SHINKO MICROELECTRONICS CO., LTD.	Glass-to-metal seals, Ceramic surge arrester	Jun. 5, 1997

#### ISO/TS 16949

Company	Product	Date certified
SHINKO ELECTRIC INDUSTRIES CO., LTD. LEADFRAME DIV.	Lead frame products	Oct. 21, 2012
IC ASSEMBLY DIV.	Assembly products	Jul. 16, 2015
SHINKO ELECTRONICS (MALAYSIA) SDN. BHD.	Lead frame products	Dec. 12, 2014

### Environmental Management System ISO14001

- ◆ Sites in Japan (Sites Registered Under the Fujitsu Group Integrated ISO Certification / Date certified: September 12, 1995)

Head Office, Plants and Facilities

Head Office/Kohoku Plant, Wakaho Plant, Takaoka Plant, Arai Plant, Kyogase Plant, Aizu Branch, SHINKO R&D Center

Subsidiaries in Japan

SHINKO PARTS CO., LTD., SHINKO TECHNOSERVE CO., LTD.

- ◆ Production Sites outside Japan

SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. (Date certified: October 18, 2000)

KOREA SHINKO MICROELECTRONICS CO., LTD. (Date certified: July 3, 2003)

SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD. (Date certified: April 4, 2011)

## Environmental Accounting

The Shinko Group in Japan prepares our environmental accounting based on the Japanese Ministry of the Environment's Environmental Accounting Guidelines 2005 and the Fujitsu Group Environmental Accounting Guidelines (which includes estimated effects based on the Fujitsu Group's unique perspective).

- ◆ FY2016 Results

(Millions of yen)

Category	Main scope	Investment (YoY change*)	Costs (YoY change*)	Economic effect (YoY change*)
In business areas	Pollution prevention	293.9 (+80.7)	1,948.1 (+2.4)	2,677.4 (-498.1)
	Protection of the global environment	41.7 (-8.8)	1,149.8 (-69.8)	98.9 (-191.2)
	Resources recycling	0 (-)	329.7 (+30.8)	6,448.9 (-466.0)
Management activity	ISO 14001, environmental education, environmental protection, etc.	9.8 (+0.5)	331.5 (+36.9)	28.8 (+15.4)
R&D	Research into environmental friendliness of products, etc.	0 (-)	41.7 (+10.9)	739.0 (-20.0)
Total		345.4 (+72.4)	3,800.8 (+11.2)	9,993.0 (-1,159.9)

\*YoY change = FY2016 - FY2015

# Business Outline

## Corporate Outline

Corporate Name	SHINKO ELECTRIC INDUSTRIES CO., LTD.	
Head Office	80, Oshimada-machi, Nagano-shi, Nagano 381-2287, Japan	
President	Noriyuki Toyoki	
Date of Establishment	September 12, 1946	
Major Business Lines	Manufacturing and Sales of Plastic Laminated Package (PLP), Tape BGA, Lead Frame, Glass-to-Metal Seals, Electro Static Chuck, Surge Arrester and Multi-Chip Package (MCP) / IC Assembly and assembly of System Modules	
Capital	24,223 million yen (as of March 31, 2017)	
Fiscal Year	Ending March 31	
Listing Market	First Section of the Tokyo Stock Exchange	
Employees	Consolidated: 4,848 / Unconsolidated: 4,037 (as of March 31, 2017)	
Plants and Facilities	Head Office / Kohoku Plant (Nagano City, Nagano Prefecture) Wakaho Plant (Nagano City, Nagano Prefecture) Takaoka Plant (Nakano City, Nagano Prefecture) Arai Plant (Myoko City, Niigata Prefecture)	Kyogase Plant (Agano City, Niigata Prefecture) SHINKO R&D Center (Nagano City, Nagano Prefecture) Kurita Sogo Center (Nagano City, Nagano Prefecture) Aizu Branch (Aizuwakamatsu City, Fukushima Prefecture)
Sales Offices and Representative office	Tokyo (Shibuya-ku, Tokyo) Osaka (Osaka City, Osaka Prefecture) Sendai (Sendai City, Miyagi Prefecture) Nagano (Nagano City, Nagano Prefecture)	Nagoya (Nagoya City, Aichi Prefecture) Oita (Oita City, Oita Prefecture) Fukuoka (Fukuoka City, Fukuoka Prefecture) Manila Representative Office (Philippines)
Consolidated Subsidiaries	10 companies (Domestic: two companies, Overseas: eight companies)	
Affiliated Company	One company (Overseas)	



Head Office / Kohoku Plant



Wakaho Plant



Takaoka Plant



Arai Plant



Kyogase Plant

## Shinko Group Business Locations

\*Consolidated Subsidiaries

### Japan

SHINKO ELECTRIC INDUSTRIES CO., LTD.

- \* SHINKO PARTS CO., LTD. (Nagano City, Nagano Prefecture)
- \* SHINKO TECHNOSERVE CO., LTD. (Nagano City, Nagano Prefecture)

### North America

- \* SHINKO ELECTRIC AMERICA, INC. (U.S.A.) ①

### Asia

- \* KOREA SHINKO MICROELECTRONICS CO., LTD. (Korea) ②
- \* KOREA SHINKO TRADING CO., LTD. (Korea) ③
- \* SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD. (China) ④
- \* SHANGHAI SHINKO TRADING LTD. (China) ⑤
- \* TAIWAN SHINKO ELECTRONICS CO., LTD. (Taiwan) ⑥
- \* SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. (Malaysia) ⑦
- \* SHINKO ELECTRONICS (SINGAPORE) PTE. LTD. (Singapore) ⑧
- SHINKO MICROELECTRONICS (THAILAND) CO., LTD. (Thailand) ⑨



# Assessment of Materiality and Identification of Material Issues

When identifying material issues, we first referred to the global standard for sustainability information disclosure, namely version 4 of the GRI Sustainability Reporting Guidelines, then we assessed the social issues we identified in terms of materiality from both the stakeholders' perspective and from our own business perspective.

The validation of the identified material issues is checked and the issues are reviewed periodically.

In this report, we will give an account of not only the material issues that we identified but also details of those activities that we as a corporate group wish to communicate to our stakeholders.

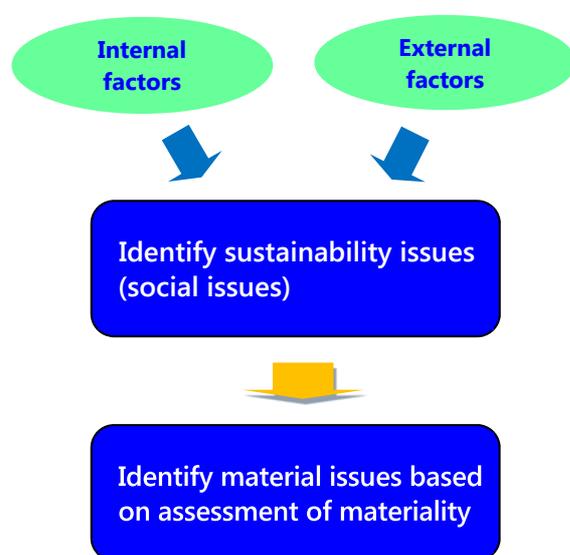
## 1. Identification of Sustainability Issues (social issues)

Based on internal factors (Corporate Values, management policies, etc.) and external factors (the major international sustainability-related standards, requests from stakeholders, etc.), we identified a list of 154 sustainability issues (social issues).

The identified issues were categorized and combined into seven fields and 71 items.

- ◆ International sustainability-related standards consulted
  - (1) GRI Sustainability Reporting Guidelines v.4
  - (2) Electronic Industry Citizenship Coalition (EICC) Code of Conduct
  - (3) ISO26000
  - (4) United Nations Global Compact

## Process for identifying material issues



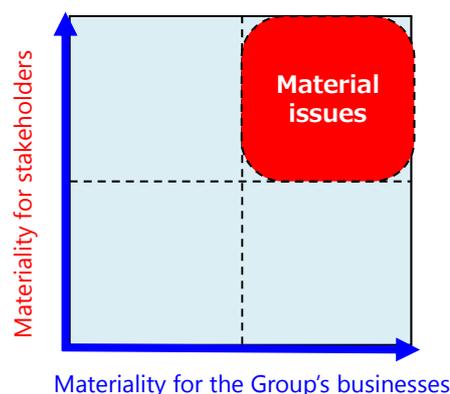
## 2. Identification of Material Issues based on Assessment of Materiality

The above seven fields and 71 items were assessed from the points of view of their materiality for stakeholders and for the businesses of the Group respectively (excluding issues related to management).

We performed an assessment of the materiality of these issues with reference to the following indicators. The outcome was that six fields and 24 items were identified as material issues.

Furthermore, relevant departments of Shinko checked the validation of the identified material issues.

## Positioning of material issues



## Assessment Indicators Used to Assess Materiality

Materiality for stakeholders	Materiality for the Group's businesses
Impact on stakeholders	Level of impact on corporate continuity and operations
Opinions of stakeholders and level of interest	Degree to which related to business philosophy and management policies
Materiality in international sustainability standards	Degree to which related to the Group's future ideal form
State of initiatives being taken by industry and industry peers	State of current CSR initiatives

# Dialogue with Stakeholders

The business of the Shinko Group is supported by a wide range of stakeholders, including our customers, suppliers, shareholders and investors, employees and local communities. What is asked of the Shinko Group is for us to live up to the expectations of all our stakeholders by working to achieve stable, long-term generation of profit and by continually enhancing corporate value.

Through communication with our stakeholders to grasp their expectations and wishes and to better understand social issues, we have aimed to fulfil our social responsibility as a corporate group and contributed to the sustainable growth of society.

Going forward, we seek to further enrich our dialogues with all our stakeholders, to improve our relationships of trust and to strengthen our initiatives on social issues.



## Principal Dialogues with Stakeholders

Stakeholders	Corporate Values in the Shinko Way	Dialogues (principal)	Main departments involved
Customers	Seek to contribute to the success of our customers and grow with them as an indispensable partner	<ul style="list-style-type: none"> <li>● Customer satisfaction surveys</li> <li>● Respond to customers' surveys related to CSR/ EICC</li> <li>● Trade shows in Japan and overseas</li> <li>● Broadcasting information using the website, etc.</li> </ul>	Sales department Overseas sales companies Manufacturing divisions
Suppliers	We strive to build long-term relationships of trust with our suppliers, acting as a good business partner for mutual prosperity and productive coexistence.	<ul style="list-style-type: none"> <li>● Disseminating the Procurement Guidelines</li> <li>● CSR-related questionnaires and inspections</li> <li>● Conflict minerals surveys</li> <li>● Supplier Compliance Hotline, etc.</li> </ul>	Procurement department
Shareholders/ Investors	In order to give shareholders and investors a better understanding of our initiatives to enhance corporate value and their outcomes, we disclose timely and appropriate information about our business operations and financial position.	<ul style="list-style-type: none"> <li>● General Meeting of Shareholders</li> <li>● Business Reports and Interim Financial Statements</li> <li>● Broadcasting information using the IR website</li> <li>● Dealing with inquiries</li> <li>● IR forum, etc.</li> </ul>	Public and investor relations department
Local Communities	By getting involved in local social contribution activities, we seek to coexist harmoniously and put down deep roots in local communities	<ul style="list-style-type: none"> <li>● Regular networking events with community residents</li> <li>● Plant tours (communities and nearby schools)</li> <li>● Participation in local events</li> <li>● Social contribution activities and volunteering</li> <li>● Dialogue with local governments, etc.</li> </ul>	Corporate affairs department Each plant and facility
Employees	Aims to enhance corporate value by respecting diversity, while supporting employee efforts to achieve personal growth	<ul style="list-style-type: none"> <li>● Labor Council</li> <li>● Safety &amp; Health Committee and Labor-Management Council on Transforming Work Styles</li> <li>● Corporate Ethics Helpline</li> <li>● Management-by-objectives and objectives interview programs</li> <li>● Internal newsletter and intranet, etc.</li> </ul>	Personnel department Corporate affairs department

# Editorial Policy

We publish an annual Environmental and Social Report to give our stakeholders an understanding of the Shinko Group's CSR initiatives, centered on environmental, social, and corporate governance efforts.

In addition to reporting on the year's initiatives, the Environmental and Social Report 2017 introduces part of our overseas group companies' initiatives of environmental protection and social contribution activities in the Special Feature section.

## Reference Guidelines

- GRI, *Sustainability Reporting Guidelines* (Version 4)
- Ministry of the Environment, *Environmental Reporting Guidelines* (Fiscal Year 2012 version)
- Ministry of the Environment, *Environmental Accounting Guidelines* (Fiscal Year 2005 version)

## Period Covered

FY2016 (focusing on initiatives from April 1, 2016 to March 31, 2017 and including some of our prior and most recent initiatives)

## Scope of the Report

As a general rule, the report focuses on initiatives and data for the Shinko Group as a whole. The scope is narrowed to individual cases regarding matters for which group-wide data are not available.

Shinko Electric Industries Co., Ltd. is referred to as "Shinko." The overall group of companies including Shinko Electric Industries Co., Ltd. is referred to as the "Shinko Group," and the overall group of companies in Japan including Shinko Electric Industries Co., Ltd. is referred to as the "Shinko Group in Japan."

## Date of Publication

September 2017

Next issue: September 2018 (previous issue: September 2016)

# Contact Information

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# GRI Guideline Comparison Table

We referred to version 4 of the GRI Sustainability Reporting Guidelines (G4) when preparing the Environmental and Social Report 2017. We selected the Core option as the option of the Guidelines.

## 1. General Standard Disclosures

※ • • Indicator of the Core option

General Standard Disclosures			Pages	Corresponding Topics
<b>Strategy and Analysis</b>				
G4-1	※	a. Statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability.	2	Message from the Management
G4-2		a. Description of key impacts, risks, and opportunities.	2 36-38 39-42	Message from the Management Risk Management CSR Activity Management
<b>Organizational Profile</b>				
G4-3	※	a. Name of the organization.	47	Corporate Outline
G4-4	※	a. Primary brands, products, and services.	3 47	Overview of Products Corporate Outline
G4-5	※	a. Location of the organization's headquarters.	47	Corporate Outline
G4-6	※	a. Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	48	Shinko Group Business Locations
G4-7	※	a. Nature of ownership and legal form.	33 43 47	Corporate Governance Consolidated Financial Highlights Corporate Outline
G4-8	※	a. Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	3 4 48	Overview of Products The Shinko Group's Business Fields Shinko Group Business Locations
G4-9	※	a. Scale of the organization, including: • Total number of employees • Total number of operations • Net sales (for private sector organizations) or net revenues (for public sector organizations) • Total capitalization broken down in terms of debt and equity (for private sector organizations) • Quantity of products or services provided	43 44 47 48	Consolidated Financial Highlights List of Employee Related Indicators Corporate Outline Shinko Group Business Locations
G4-10	※	a. Total number of employees by employment contract and gender. b. Total number of permanent employees by employment type and gender. c. Total workforce by employees and supervised workers and by gender. d. Total workforce by region and gender. e. Whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	44	List of Employee Related Indicators
G4-11	※	a. Percentage of total employees covered by collective bargaining agreements.	24	Labor Relations
G4-12	※	a. Describe the organization's supply chain.	30-32	Promoting Social Responsibility in the Supply Chain
G4-13	※	a. Any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: • Changes in the location of, or changes in, operations, including facility openings, closings, and expansions • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) • Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	33	Corporate Governance
<b>Commitment To External Initiatives</b>				
G4-14	※	a. Whether and how the precautionary approach or principle is addressed by the organization.	15 35 36-38	Environmental Risk Countermeasures EICC Code of Conduct Initiative Risk Management

General Standard Disclosures			Pages	Corresponding Topics
G4-15	※	a. Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	35	EICC Code of Conduct Initiative
G4-16	※	a. Memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization: • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic	-	NA
<b>Identified Material Aspects and Boundaries</b>				
G4-17	※	a. All entities included in the organization's consolidated financial statements or equivalent documents. b. Whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	47 48 51	Corporate Outline Shinko Group Business Locations Editorial Policy: Scope of the Report
G4-18	※	a. Process for defining the report content and the Aspect Boundaries. b. How the organization has implemented the Reporting Principles for Defining Report Content.	49	Assessment of Materiality and Identification of Material Issues
G4-19	※	a. All the material Aspects identified in the process for defining report content.	52-59	GRI Guideline Comparison Table
G4-20	※	a. The Aspect Boundary within the organization for each material Aspect.	51	Editorial Policy: Scope of the Report
G4-21	※	a. The Aspect Boundary outside the organization for each material Aspect.	51	Editorial Policy: Scope of the Report
G4-22	※	a. Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	-	NA
G4-23	※	a. Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	-	NA
<b>Stakeholder Engagement</b>				
G4-24	※	a. A list of stakeholder groups engaged by the organization.	50	Dialogue with Stakeholders
G4-25	※	a. The basis for identification and selection of stakeholders with whom to engage.	7-8 50	Our CSR Policy Dialogue with Stakeholders
G4-26	※	a. The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	49 50	Assessment of Materiality and Identification of Material Issues Dialogue with Stakeholders
G4-27	※	a. Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	39-42 50	CSR Activity Management Dialogue with Stakeholders
<b>Report Profile</b>				
G4-28	※	a. Reporting period (such as fiscal or calendar year) for information provided.	51	Editorial Policy: Period Covered
G4-29	※	a. Date of most recent previous report (if any).	51	Editorial Policy: Date of Publication
G4-30	※	a. Reporting cycle (such as annual, biennial).	51	Editorial Policy: Date of Publication
G4-31	※	a. Contact point for questions regarding the report or its contents.	51	Contact Information
<b>GRI Content Index</b>				
G4-32	※	a. 'In accordance' option the organization has chosen. b. GRI Content Index for the chosen option (see tables below). c. Reference to the External Assurance Report, if the report has been externally assured.	52-59	GRI Guideline Comparison Table
<b>Assurance</b>				
G4-33	※	a. The organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, the scope and basis of any external assurance provided. c. Relationship between the organization and the assurance providers. d. Whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	-	NA

General Standard Disclosures			Pages	Corresponding Topics
<b>Governance</b>				
<b>Governance Structure and Composition</b>				
G4-34	※	a. Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	33	Corporate Governance
G4-35		a. Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	33	Corporate Governance
G4-36		a. Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	33	Corporate Governance
G4-37		a. Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	-	-
G4-38		a. Composition of the highest governance body and its committees by: <ul style="list-style-type: none"> <li>• Executive or non-executive</li> <li>• Independence</li> <li>• Tenure on the governance body</li> <li>• Number of each individual's other significant positions and commitments, and the nature of the commitments</li> <li>• Gender</li> <li>• Membership of under-represented social groups</li> <li>• Competences relating to economic, environmental and social impacts</li> <li>• Stakeholder representation</li> </ul>	33	Corporate Governance (Corporate Governance Report)
G4-39		a. Whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	-	-
G4-40		a. Nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: <ul style="list-style-type: none"> <li>• Whether and how diversity is considered</li> <li>• Whether and how independence is considered</li> <li>• Whether and how expertise and experience relating to economic, environmental and social topics are considered</li> <li>• Whether and how stakeholders (including shareholders) are involved</li> </ul>		(Corporate Governance Report)
G4-41		a. Processes for the highest governance body to ensure conflicts of interest are avoided and managed. Whether conflicts of interest are disclosed to stakeholders, including, as a minimum: <ul style="list-style-type: none"> <li>• Cross-board membership</li> <li>• Cross-shareholding with suppliers and other stakeholders</li> <li>• Existence of controlling shareholder</li> <li>• Related party disclosures</li> </ul>	33	Corporate Governance (Corporate Governance Report)
<b>Highest Governance Body's Role in Setting Purpose, Values, and Strategy</b>				
G4-42		a. The highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	7-8 39-42	Our CSR Policy CSR Activity Management
<b>Highest Governance Body's Competencies and Performance Evaluation</b>				
G4-43		a. Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	-	-
G4-44		a. Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Whether such evaluation is independent or not, and its frequency. Whether such evaluation is a self-assessment. b. Actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organizational practice.	-	-

General Standard Disclosures			Pages	Corresponding Topics
<b>Highest Governance Body's Role in Risk Management</b>				
G4-45		a. The highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	36-38	Risk Management
G4-46		a. The highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	36-38	Risk Management
G4-47		a. Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	36-38	Risk Management
<b>Highest Governance Body's Role in Sustainability Reporting</b>				
G4-48		a. The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	-	-
<b>Highest Governance Body's Role in Evaluating Economic, Environmental and Social Performance</b>				
G4-49		a. Process for communicating critical concerns to the highest governance body.	36-38	Risk Management
G4-50		a. Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	-	-
<b>Remuneration and Incentives</b>				
G4-51		a. Remuneration policies for the highest governance body and senior executives for the below types of remuneration: • Fixed pay and variable pay: – Performance-based pay – Equity-based pay – Bonuses – Deferred or vested shares • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	-	-
G4-52		a. Process for determining remuneration. Whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	-	-
G4-53		a. How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	-	-
G4-54		a. Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	-	-
G4-55		a. Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	-	-
<b>Ethics and Integrity</b>				
G4-56	※	a. The organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	7-8 34-35	Our CSR Policy Compliance
G4-57		a. Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	19-20 34-35	Efforts Promoting Respect for Human Rights Compliance
G4-58		a. Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	19-20 32 34-35	Efforts Promoting Respect for Human Rights Compliance Compliance

## 2. Specific Standard Disclosures

### ■ • • Material Issues for the Shinko Group

Aspects	Specific Standard Disclosures		Pages	Corresponding Topics
<b>Category: Economic</b>				
	G4-DMA	a. Why the Aspect is material. Impacts that make this Aspect material. b. How the organization manages the material Aspect or its impacts. c. Evaluation of the management approach.	7-8 33 36 37 39-42 50	Our CSR Policy Corporate Governance Promoting Risk Management Business Continuity Initiatives CSR Activity Management Dialogue with Stakeholders
■ Economic Performance	G4-EC1	Direct economic value generated and distributed.	43	Consolidated Financial Highlights (Securities Report)
	G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	36	Promoting Risk Management
	G4-EC3	Coverage of the organization's defined benefit plan obligations.	-	(Securities Report)
	G4-EC4	Financial assistance received from government.	-	-
Market Presence	G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	-	-
	G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	-	-
■ Indirect Economic Impacts	G4-EC7	Development and impact of infrastructure investments and services supported.	26	Supporting Youth Development
	G4-EC8	Significant indirect economic impacts, including the extent of impacts.	4	The Shinko Group's Business Fields
Procurement Practices	G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	-	-
<b>Category: Environmental</b>				
	G4-DMA	a. Why the Aspect is material. Impacts that make this Aspect material. b. How the organization manages the material Aspect or its impacts. c. Evaluation of the management approach.	7-8 9 10-11 12 30-31 39-42	Our CSR Policy Environmental Policy/Promotion System Maintaining and Improving Our Environmental Management The Environmental Protection Program (Stage 8) CSR-Conscious Procurement Activities CSR Activity Management
■ Materials	G4-EN1	Materials used by weight or volume.	18	FY2016 Environmental Impact
	G4-EN2	Percentage of materials used that are recycled input materials.	-	-
■ Energy	G4-EN3	Energy consumption within the organization.	18	FY2016 Environmental Impact
	G4-EN4	Energy consumption outside of the organization.	18	FY2016 Environmental Impact
	G4-EN5	Energy intensity.	-	-
	G4-EN6	Reduction of energy consumption.	-	-
	G4-EN7	Reductions in energy requirements of products and services.	-	-
■ Water	G4-EN8	Total water withdrawal by source.	18	FY2016 Environmental Impact
	G4-EN9	Water sources significantly affected by withdrawal of water.	-	-
	G4-EN10	Percentage and total volume of water recycled and reused.	14 18	Reducing Water Use FY2016 Environmental Impact
Biodiversity	G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	-	-
	G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	-	-
	G4-EN13	Habitats protected or restored.	27	Initiatives to Protect the Local Environment and Volunteering
	G4-EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	-	-

Aspects	Specific Standard Disclosures		Pages	Corresponding Topics
■ Emissions	G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	13 18	Global Warming Countermeasures FY2016 Environmental Impact
	G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	13 18	Global Warming Countermeasures FY2016 Environmental Impact
	G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	-	-
	G4-EN18	Greenhouse gas (GHG) emissions intensity.	13	Global Warming Countermeasures
	G4-EN19	Reduction of greenhouse gas (GHG) emissions.	13	Global Warming Countermeasures
	G4-EN20	Emissions of ozone-depleting substances (ODS).	-	-
	G4-EN21	NOx, SOx, and other significant air emissions.	18	FY2016 Environmental Impact
■ Effluents and Waste	G4-EN22	Total water discharge by quality and destination.	18	FY2016 Environmental Impact
	G4-EN23	Total weight of waste by type and disposal method.	15 18	Reducing Waste FY2016 Environmental Impact
	G4-EN24	Total number and volume of significant spills.	10-11	Maintaining and Improving Our Environmental Management
	G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention <sup>2</sup> Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	-	-
	G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	-	-
Products and Services	G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	13	Global Warming Countermeasures Raw Material Reduction Initiatives Reducing Water Use Reducing Waste
			13	
14				
15				
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	-	-	
■ Compliance	G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	10-11	Maintaining and Improving Our Environmental Management
Transport	G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	18	FY2016 Environmental Impact
Overall	G4-EN31	Total environmental protection expenditures and investments by type.	46	Environmental Accounting
■ Supplier Environmental Assessment	G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	-	-
	G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	30-31 32	CSR-Conscious Procurement Activities Green Procurement
Environmental Grievance Mechanisms	G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	-	-
<b>Category: Social</b>				
<b>Sub-Category: Labor Practices and Decent Work</b>				
	G4-DMA	a. Why the Aspect is material. Impacts that make this Aspect material.	7-8 21-22	Our CSR Policy Creating Safe and Comfortable Working Environments Developing and Utilizing Human Resources CSR-Conscious Procurement Activities CSR Activity Management
		b. How the organization manages the material Aspect or its impacts.	23	
		c. Evaluation of the management approach.	30-31 39-42	
■ Employment	G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	44	List of Employee Related Indicators
	G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	-	-
	G4-LA3	Return to work and retention rates after parental leave, by gender.	44	List of Employee Related Indicators
■ Labor/ Management Relations	G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	-	-
■ Occupational Health and Safety	G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	24	Labor Relations
	G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	21-22	Creating Safe and Comfortable Working Environments

Aspects	Specific Standard Disclosures		Pages	Corresponding Topics
■ Occupational Health and Safety	G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	-	-
	G4-LA8	Health and safety topics covered in formal agreements with trade unions.	24	Labor Relations
■ Training and Education	G4-LA9	Average hours of training per year per employee by gender, and by employee category.	23	Developing and Utilizing Human Resources
	G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	20 23	Creating a Dynamic Corporate Culture Developing and Utilizing Human Resources
	G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	23	Developing and Utilizing Human Resources
■ Diversity and Equal Opportunity	G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	44	List of Employee Related Indicators
Equal Remuneration for Women and Men	G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	-	-
■ Supplier Assessment for Labor Practices	G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	-	-
	G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	30-31	CSR-Conscious Procurement Activities
Labor Practices Grievance Mechanisms	G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	-	-
<b>Sub-Category: Human Rights</b>				
	G4-DMA	a. Why the Aspect is material. Impacts that make this Aspect material. b. How the organization manages the material Aspect or its impacts. c. Evaluation of the management approach.	7-8 19-20 30-31 39-42	Our CSR Policy Efforts Promoting Respect for Human Rights CSR-Conscious Procurement Activities CSR Activity Management
Investment	G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	-	-
	G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	19-20	Efforts Promoting Respect for Human Rights
■ Non-discrimination	G4-HR3	Total number of incidents of discrimination and corrective actions taken.	-	-
■ Freedom of Association and Collective Bargaining	G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	-	-
■ Child Labor	G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	19-20 30-31	Efforts Promoting Respect for Human Rights CSR-Conscious Procurement Activities
	G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	19-20 30-31	Efforts Promoting Respect for Human Rights CSR-Conscious Procurement Activities
Security Practices	G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	-	-
Indigenous Rights	G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	-	-
Assessment	G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	-	-
■ Supplier Human Rights Assessment	G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	-	-
	G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	30-31	CSR-Conscious Procurement Activities
■ Human Rights Grievance Mechanisms	G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	-	-

Aspects	Specific Standard Disclosures		Pages	Corresponding Topics
<b>Sub-Category: Society</b>				
	G4-DMA	a. Why the Aspect is material. Impacts that make this Aspect material. b. How the organization manages the material Aspect or its impacts. c. Evaluation of the management approach.	7-8 25-26 30-31 39-42	Our CSR Policy Coexistence and Dialogue with Local Communities CSR-Conscious Procurement Activities CSR Activity Management
■ Local Communities	G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	5-6 25-26 50	Initiatives at an Overseas Group Company Coexistence and Dialogue with Local Communities Dialogue with Stakeholders
	G4-SO2	Operations with significant actual and potential negative impacts on local communities.	-	-
Anti-corruption	G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	36	Promoting Risk Management
	G4-SO4	Communication and training on anti-corruption policies and procedures.	34-35	Compliance
	G4-SO5	Confirmed incidents of corruption and actions taken.	-	-
Public Policy	G4-SO6	Total value of political contributions by country and recipient/beneficiary.	-	-
Anti-competitive Behavior	G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	-	-
Compliance	G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	-	-
■ Supplier Assessment for Impacts on Society	G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	-	-
	G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken.	30-31	CSR-Conscious Procurement Activities
Grievance Mechanisms for Impacts on Society	G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	-	-
<b>Sub-Category: Product Responsibility</b>				
	G4-DMA	a. Why the Aspect is material. Impacts that make this Aspect material. b. How the organization manages the material Aspect or its impacts. c. Evaluation of the management approach.	7-8 28 30-31 39-42	Our CSR Policy Supporting Customer and Societal Trust with Quality CSR-Conscious Procurement Activities CSR Activity Management
Customer Health and Safety	G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	28	Supporting Customer and Societal Trust with Quality
	G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	-	-
Product and Service Labeling	G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	-	-
	G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	-	-
	G4-PR5	Results of surveys measuring customer satisfaction.	-	-
Marketing Communications	G4-PR6	Sale of banned or disputed products.	-	-
	G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	-	-
■ Customer Privacy	G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	38	Information Security
■ Compliance	G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	-	-

