

# **Environmental and Social Report 2018**

SHINKO ELECTRIC INDUSTRIES CO., LTD.



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# Message from the Management

The advance of globalization and burgeoning economic development are bringing a variety of benefits to our lives. On the other hand, environmental problems such as global warming and destruction of nature, as well as social issues such as widening disparity and abuse of human rights, are becoming increasingly serious. In today's world, expectations are mounting regarding the role companies should play in addressing these issues. At the same time, this is an era in which companies are assessed not only in terms of business performance but also from the perspective of their stance on environmental, social and governance (ESG) criteria and actions taken in regard to them.

Building on the elemental technologies it has cultivated thus far, the Shinko Group aims to enrich the lives of people and contribute to the development of society by providing customers with diverse products and services that meet the need for miniaturization, higher functionality, and the realization of safety and security. At the same time, in light of communication with stakeholders, the Shinko Group seeks to fulfill its social responsibility as a corporate citizen by carrying out diverse environmental protection activities and initiatives to address social issues.



As part of its responsibility as a manufacturer, the Shinko Group has established a group policy of pursuing harmony between the global environment and corporate activities, and has implemented diverse environmental protection measures over the years to ensure that a rich global environment is passed to the next generation. Given the recent increase in energy consumption in the manufacture of high-density products, we are required to carry out initiatives at every stage of operation, from development and design to procurement, manufacturing, distribution and recycling, to make efficient use of limited resources and water and reduce our environmental impact. While flexibly adopting new ideas, we will continue to focus on deepening and enhancing our efforts to lessen our impact on the environment.

We are also working actively to transform work styles so that employees—the Shinko Group's most valuable asset—can maximize their abilities through diverse and flexible work styles suited to their respective stages in life. When employees with their unique qualities and way of thinking stimulate each other, the Company can create organizational changes and enhance its structure. For this reason as well, we are seeking to achieve both work/life balance and higher productivity by providing a pleasant work environment for all employees, thus contributing to the continuous improvement of our corporate value. In FY2017, we established a Labor-Management Council on Transforming Work Styles, announced a Joint Labor-Management Declaration for Transforming Work Styles, and implemented a number of measures as part of activities carried out jointly by labor and management.

Going forward, we will continue to focus on diverse activities to ensure that we remain a company trusted by stakeholders and society at large. Toward this end, we will make certain that every Group employee understands the Shinko Way, which expresses our reason for existence, values and the principles that we follow in our daily activities. In this way, we aim to fulfill our corporate social responsibility and contribute to the sustainable growth of 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

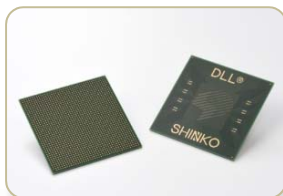
Shinko was established in September 1946. We began by recycling lamps for home use, expanded into lamps for telephone switchboards, and then moved into the field of semiconductors, developing into a comprehensive manufacturer of semiconductor packages.

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.

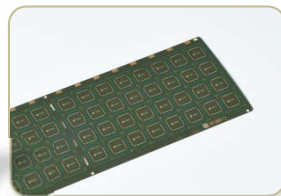
### ◆ PLASTIC LAMINATED PACKAGES

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 Packages



Plastic BGA Substrates

### ◆ COMPONENTS

We manufacture components such as ceramic electro static chucks for semiconductor manufacturing equipment and heat spreaders that disperse heat from high-performance ICs used in servers.

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



Ceramic Electro Static Chuck



Heat Spreaders

### ◆ 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 fine-pitched ICs, quad flat non-leaded packages (QFNs) suitable for smaller and thinner devices, lead frames with heat slugs, and riveting lead frames for automotive applications and power ICs requiring high heat dissipation.



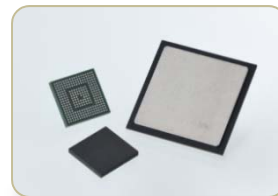
Super Fine-Pitched Lead Frames



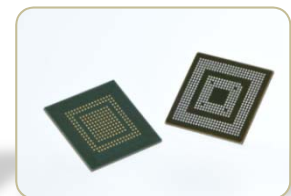
QFN-Type Lead Frames

### ◆ ASSEMBLIES

We undertake contract semiconductor assembly that meets the demand for high-performance, multi-functionality, and miniaturization. We offer flip-chip assemblies that achieve a reduction in size and thickness and deliver higher performance by using bumping, IC assemblies with embedded active and passive components, as well as modules mounted with passive components. They are used in such products as smartphones and automotive applications.



Flip-Chip Assemblies



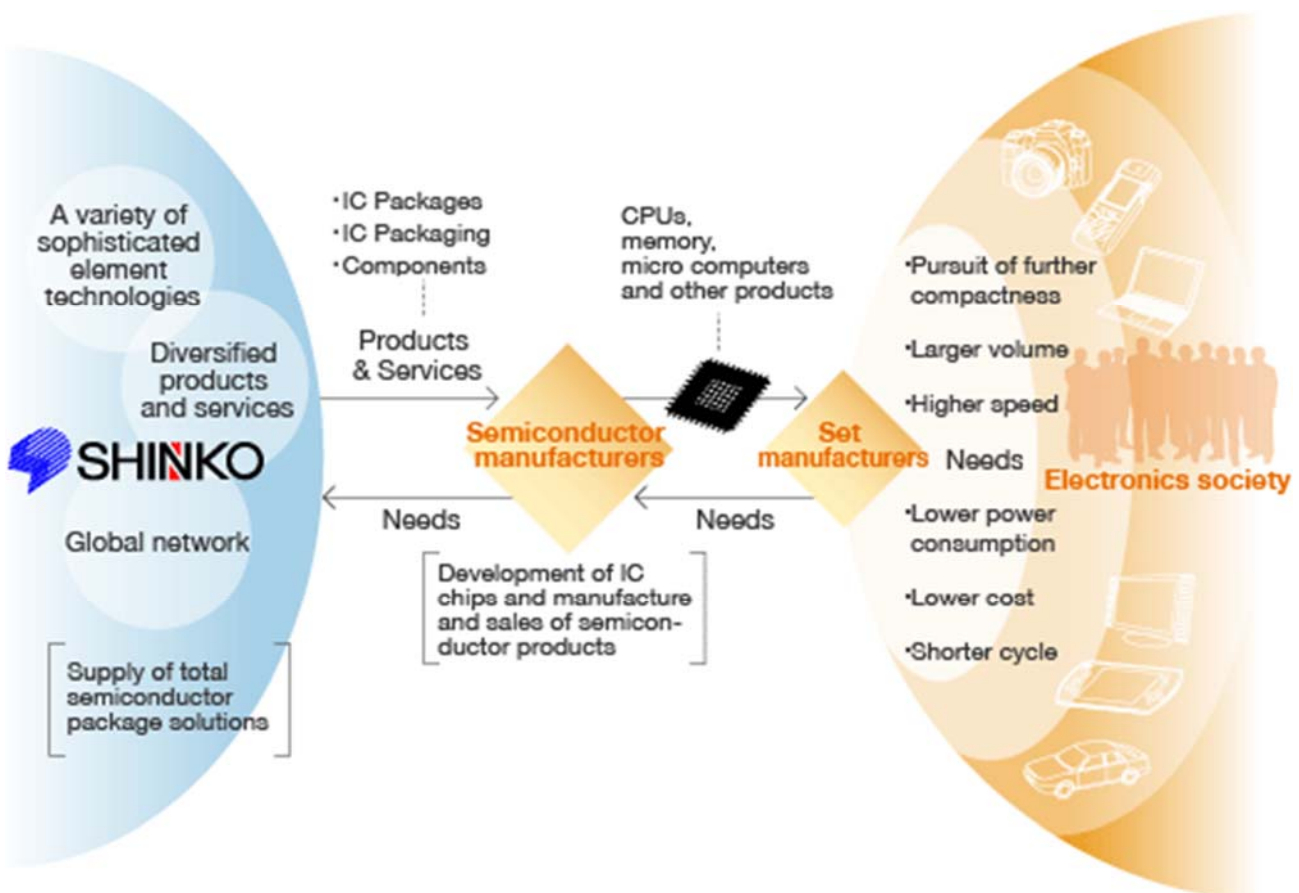
IC Assemblies with Embedded Active Components

## 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 their 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 enrich people's lives.



## Special Feature 1

# Initiatives to Reduce Water Use

The Shinko Group has made environmental protection a top management priority. Accordingly, we have made it our group policy, based on the philosophy of the Shinko Way, to contribute to the protection and improvement of the global environment by pursuing harmony between the global environment and corporate activities, through manufacturing. We carry out a range of activities in line with this policy.

Every three years, we establish an Environmental Protection Program and set out specific targets to achieve during the three-year period. We attempt to continuously address environmental issues through systematic actions taken by each site and department. In this special feature, we introduce initiatives to reduce water use as a representative example of the activities on which we are focusing in our current Environmental Protection Program.

Shinko has established the target of reducing its water use by 118,000 m<sup>3</sup>, an amount equivalent to 5% of the 2.36 million m<sup>3</sup> used in FY2014, by the end of FY2018. The Wakaho, Takaoka, and Arai plants have been working toward this goal since FY2016.

Thus far, we have implemented a variety of reduction measures, including through recycling of water used in the manufacturing process, further reduction of pure water for rinsing, and reduction by changing the manufacturing process.

Through these efforts, we reduced our water use by 88,100 m<sup>3</sup> (3.75% vs. a target of 3.3%) for the two years of FY2016 and FY2017.

Below is a description of the main reduction measures implemented.

### ◆ Reducing the supply of water to plating equipment (Figure 1)

The plating equipment rinses products with pure water after the plating process.

The Arai Plant tackled the issue of reducing the use of this pure water. It studied the cleanliness of product rinsing (in terms of quality) and switched from controlling the supply of pure water used for rinsing based on an upper control limit to a target value (the minimum quantity needed for rinsing). This measure reduced water use by 3,940 m<sup>3</sup>/year.

### ◆ Reducing water use in washers (Figure 2)

Besides implementing measures expected to achieve a large reduction, such as changing the supply of water to manufacturing equipment and recycling wastewater, we are working thoroughly to reduce water use, even if the quantity is small.

Although the magazine\* washer was designed to continually supply water, whether or not there were any magazines to wash, we modified it so that water is supplied only when magazines are moving through the washer, reducing water use by 140 m<sup>3</sup>/year.



Magazine washer

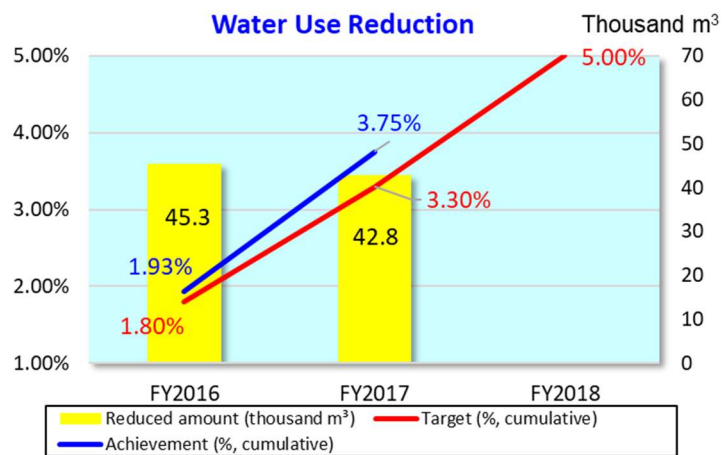


Figure 1

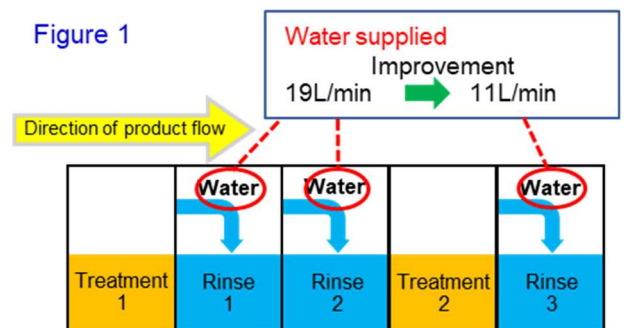
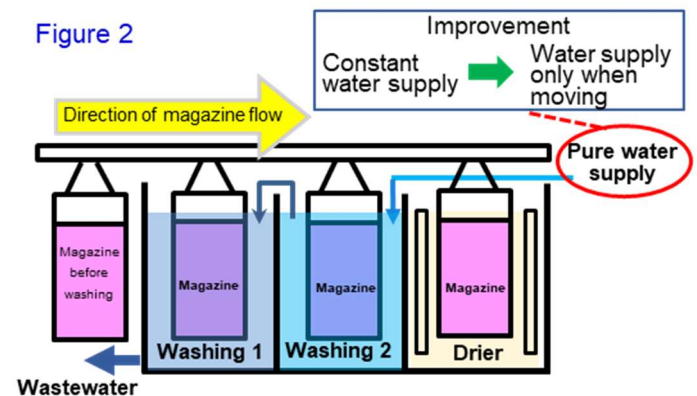


Figure 2



\* Magazine: A container for holding and moving product through manufacturing equipment

◆ Reducing water use in etching equipment (Figure 3)

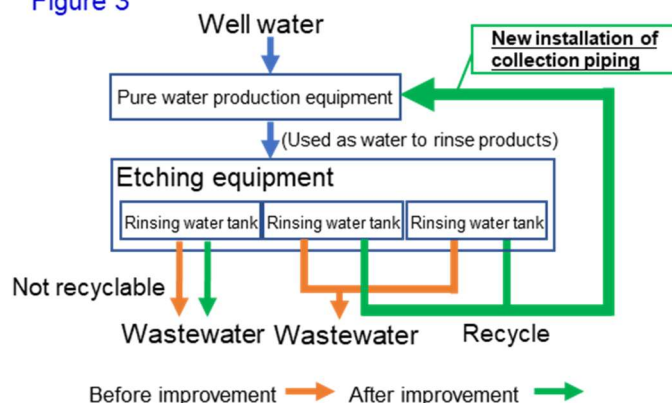
The treatment method for wastewater from rinsing tanks for etching equipment depends on how dirty the water is.

The Arai Plant checked the dirtiness of all the water 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 additional 7,387 m<sup>3</sup>/year.

◆ Recycling pure water for hand wash basins

The water that resulted after use of pure water at hand wash basins set up in the clean room was regarded previously as wastewater and not recycled due to the risk of contamination. An investigation of the water found a low level of contamination, and accordingly the flow was redirected from wastewater to recycling, reducing pure water use by 28 m<sup>3</sup>/year.

Figure 3



Pure water hand washbasins

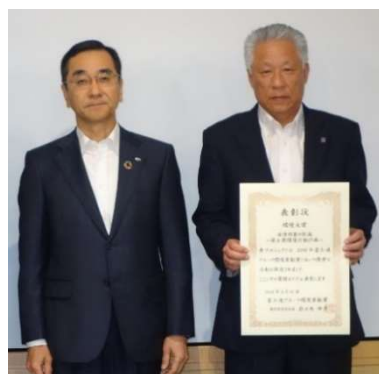
The mottos we use when considering the effective use of water resources in our plants are: “As much as possible, do not use water,” “Clean efficiently with little water,” and “Recycle water used.” Going forward, we will continue taking these mottos as reminders in our efforts to further reduce the use of water resources by devising and implementing effective reduction measures. At the same time, we will focus on enhancing and strengthening our environmental protection efforts group-wide as part of the social responsibility of a manufacturer.

Topic

◆ Shinko Wins the Grand Prize in the Fujitsu Group Environmental Contribution Awards

The Fujitsu Group Environmental Contribution Awards are presented each year to encourage employees to take initiatives related to the environment within the Fujitsu Group.

The presentation ceremony for FY2017 activities was held in June 2018. Shinko’s “Reduction of Water Use,” an initiative carried out as a company-wide project to reduce natural resources and energy, won the Grand Prize from a pool of 65 entries.



Environmental Contribution Awards

## Special Feature 2


# Providing a Pleasant Workplace Environment: Transforming Work Styles

Among the corporate values stated in the Shinko Way, the Shinko Group has declared that it will “create a dynamic corporate culture that promotes a balance between employees’ personal and professional lives.” Amid the continuing decline in the labor force and significant changes in the Company’s operating environment, the development of a workplace environment where employees can choose diverse and flexible work styles suited to their stage in life and the boosting of productivity have become pressing issues. Accordingly, Shinko is focusing on transforming work styles in pursuit of corporate development and growth as well as healthy, fulfilling lives for each and every employee.

### Joint Labor-Management Declaration

In April 2017, we established a Labor-Management Council on Transforming Work Styles and affirmed that labor and management would work together to transform work styles.

Later, after discussions between labor and management, the leadership announced a Joint Labor-Management Declaration on Transforming Work Styles in July 2017. The Shinko Group is now working as one to implement and achieve “work styles that do not take long hours as a given” and “diverse and flexible work styles.”



**Joint Labor-Management Declaration on Transforming Work Styles**

SHINKO ELECTRIC INDUSTRIES CO., LTD. is determined to contribute to the realization of a safe, secure and comfortable society as a company that provides total solutions in semiconductor post-processing. Toward this end, we will ensure the health and safety of all employees, who are the source of value creation, and will work to transform work styles, as outlined below, with the aims of creating an environment where all employees can maximize their abilities and fostering a corporate culture that respects diversity and supports growth.

July 31, 2017

Noriyuki Toyoki, Chairman and President, SHINKO ELECTRIC INDUSTRIES CO., LTD.  
Masakazu Koike, President, SHINKO ELECTRIC WORKERS UNION

Policy

- We will work at **Transforming Work Styles** by encouraging all employees to transform their mindset, rather than adhere to conventional practices, in pursuit of a balance between corporate development and growth and healthy, fulfilling lives for each and every employee.
- In carrying out **Transforming Work Styles**, we will **take the dual approach of “increasing productivity” and “achieving work-life balance”** and aim to create a dynamic corporate culture and establish workplace environments that are accepting of diversity and pleasant for all.
- We will make **Transforming Work Styles** one of the most important issues for management and carry out united initiatives for its realization.

### FY2017 Initiatives

#### ◆ Initiatives related to overtime work

##### (1) Lowering the limit on overtime work

- As a general rule, we cap the limit on overtime work per month at 75 hours, to prevent health problems. (As a general rule, the limit on overtime work per month is 45 hours for new hires.)
- Persons who have worked over a certain amount of hours must have their health checked with a medical questionnaire and interview with a nurse (public health nurse or registered nurse) and, if needed, an interview with an industrial doctor.



## (2) Ensuring that employees leave the office on time

- We have established Wednesdays and the second and fourth Fridays each month as days when everyone should leave the office on time. If someone must work overtime on those days, he or she is required to submit an application in advance through our employment management system.

## (3) Adoption of a work shift interval rule

- A work shift interval rule ensures that a certain period of rest is taken between one day's work and the next, regardless of busy or slow hours of a working day. Japan's Ministry of Health, Labour and Welfare is currently promoting the rule, which will be legislated (mandating efforts be made) in FY2019.
- To ensure health and safety, Shinko adopted the system ahead of its legislation, ensuring that employees have at least a nine-hour interval between one day's work and the next.



Labor-Management Council on Transforming Work Styles

## ◆ Initiatives related to leave

### (1) Establishment of rules to encourage the taking of annual leave

- We established a rule that employees should take at least one day of leave per month; we disseminate information on the rule and are working to encourage the taking of leave company-wide.
- We are also striving to create an environment where it is easy to take leave, such as by circulating within workplaces a table of planned annual leave taking to encourage the planning of days on which to take leave.

### (2) Elimination of the limit on the frequency of half-day annual leave

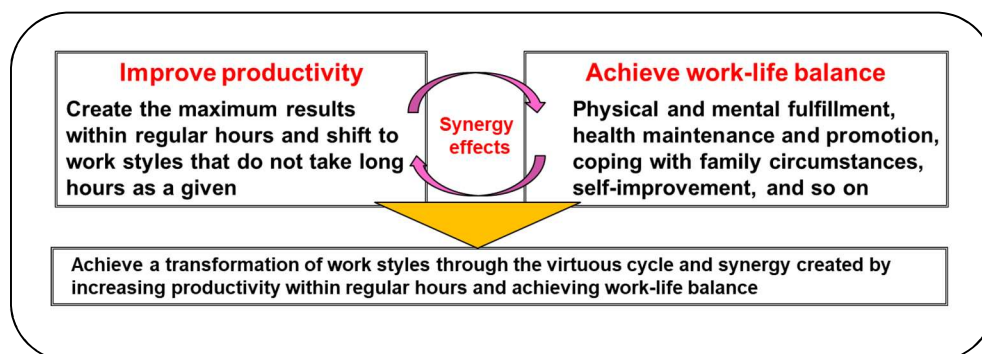
- Earlier, we limited the number of times half-day annual leave could be taken per year to 12 times (equivalent to six days). However, to make it easier for each person to take leave according to his or her life plan, we eliminated the limit, making it possible to take as much annual leave as one has in half-day units.

## Efforts on Establishment of Initiatives

We have implemented continual promotion activities aimed at establishing initiatives to transform work styles.

- We hold regular labor-management meetings to check the overtime and acquisition of leave situations as well as the progress of initiatives.
- We carry out awareness-building activities in rank-specific training and training sessions for managers.
- We disseminate information regarding initiatives on the intranet and disclose the overtime work situation by division.

Going forward, we will continue efforts aimed at transforming work styles based on the idea of "increasing productivity, promoting efficiency, reducing overtime, taking leave, and achieving work/life balance."



# 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.

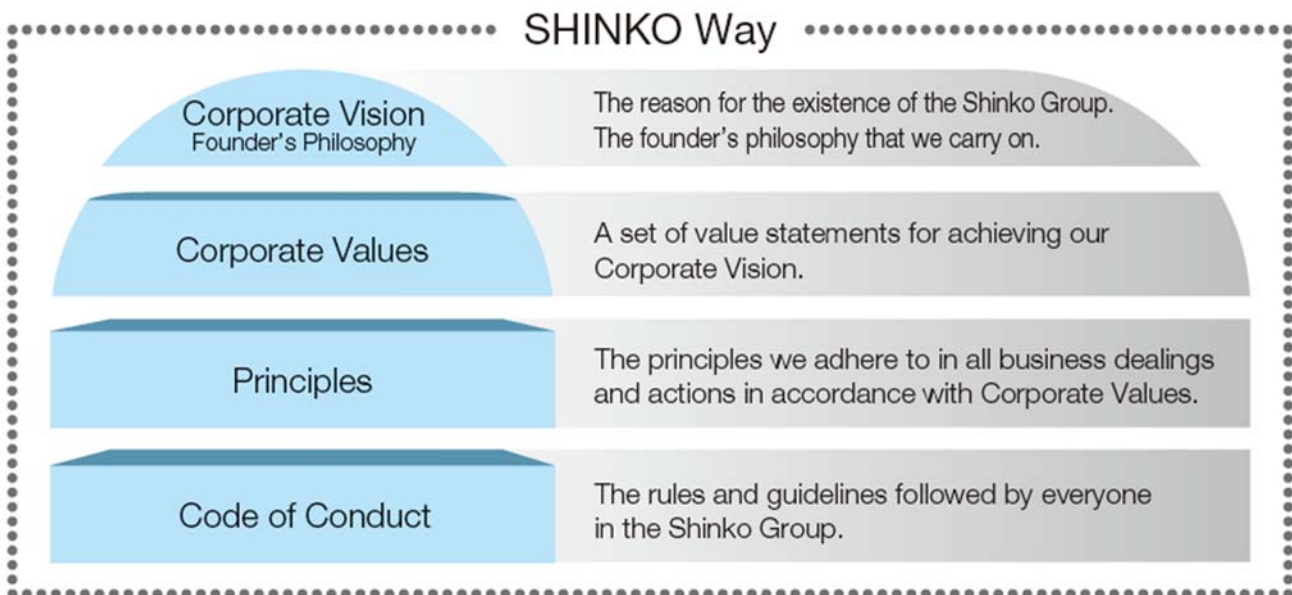
## The Shinko Way

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.

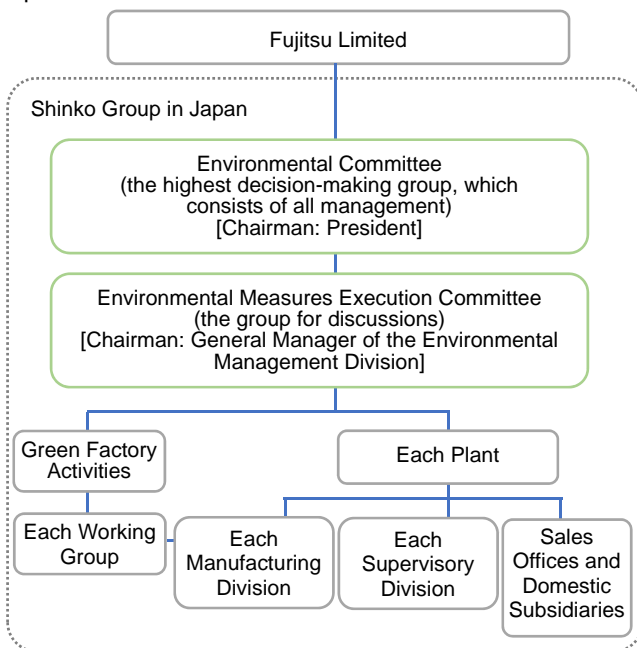


## Environmental Management

The Shinko Group in Japan has acquired ISO 14001 integrated certification as a member of the Fujitsu Group.

### ◆ Promotion System

We have established an Environmental Committee as the highest decision-making group consisting of all management as well as an Environmental Measures Execution Committee as a subordinate organization. In addition, we work to integrate activities to reduce environmental impact into our regular business operations.



### ◆ Environmental Audits

Every year Shinko conducts its own internal environmental audit, in addition to one conducted by the Fujitsu Group, to check the effectiveness of its environmental management system.

Through these internal audits, it was judged that our environmental management system is in conformity with ISO 14001:2015, which we applied fully from FY2017, and is functioning effectively.

Also, in FY2017, following these internal audits, the Fujitsu Group conducted a review of the ISO 14001 update and transition to ISO 14001:2015.

The review found that our system is in conformity with the standard's requirements and is functioning effectively. Accordingly, the certification organization (Japan Audit and Certification Organization for Environment and Quality) renewed our certification.

### ◆ Response to Environmental Laws and Regulations

We strive to comply with national environmental laws and regulations as well as prefectural and city regulations, pollution prevention agreements, industry guidelines, and environmental requests from customers.

In FY2017, the Shinko Group in Japan was subject to no instances of administrative guidance.

### ◆ 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 education to all employees as well as periodic environmental education adjusted for each type of work and rank.

As one example, training for newly appointed managers consists of education focusing on issues including the significance of management that keeps environmental conservation in mind, impressing such points as the fact that activities to reduce environmental impact lead directly to cost reduction.

### ◆ Raising of Environmental Awareness

Every month, employees are sent information such as familiar themes matched to the season and environmental challenges relevant to Shinko. On the issue of saving energy in particular, an Energy Saving bulletin (Japanese only) is published to share examples of initiatives within the Company.

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

## 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.

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

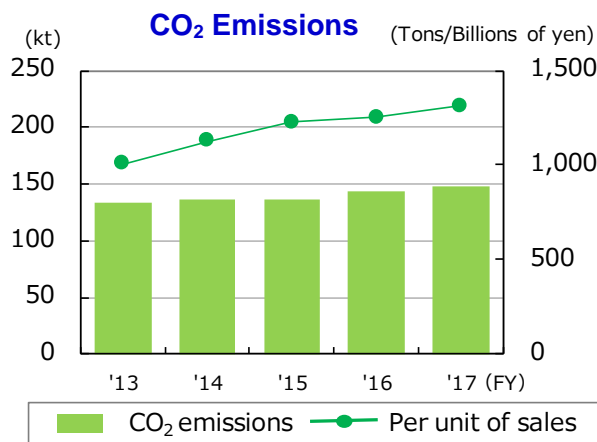
Item	Environmental Protection Program (Stage 8) target	FY2017 target	FY2017 results	Self-assessment*
Our Business Operations	<b>【Reducing CO<sub>2</sub> emissions from energy consumption】</b> · Hold CO <sub>2</sub> emissions from energy consumption to within a 17% increase from the results for FY2013 by the end of FY2018.	Hold growth in CO <sub>2</sub> emissions from energy consumption to the end of FY2017 to within 13.1% of the results for FY2013.	Held to within an 11.3% 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 FY2017 to 39.3% of the average level for FY2012–FY2014.	Held to within a 18.9% 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 FY2017 by an amount equivalent to 1.5% of that used in FY2014.	Implemented measures to reduce by amount equivalent to 1.8% 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 FY2017, CO<sub>2</sub> emissions as a result of energy usage came to 148,543 tons, up about 3.2% year on year. This result was due primarily to an increase in energy usage caused by a rise in production and an expansion of production facilities. 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 energy reduction activities in light of these trends.



### ◆ Resource and Energy-Reduction Projects

Our energy usage has been increasing year by year. To curb this expansion, we launched the Resource and Energy-Reduction Projects in FY2013. We are continuing activities aimed at the challenging goal of cutting energy usage to 61,000 tons of CO<sub>2</sub>, which is equivalent to half the amount in FY2012, by FY2020.

In the five years since we began activities, we succeeded in reducing CO<sub>2</sub> by the equivalent of 28,800 tons as the result of a number of initiatives.

#### <Examples of activities in FY2017>

- Implemented on-site 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
- Insulated heat-radiating equipment such as electric furnaces with thermal shielding sheets



On-site energy-saving review

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

#### <Conversion to LED lighting in plants>

Since FY2016, Shinko has stepped up efforts to switch the nearly 30,000 florescent bulbs in its facilities to LED lighting. In FY2017, we focused on switching the bulbs in production plants that operate 24 hours a day, where we can expect to see the energy saving effects.

Specs: 74 watt (two-bulb type) → LED 27 watt  
Number changed: Approx. 2,200 in FY2017

(Total changed: Approx. 6,000)

Effects: Electricity cost: Reduction of 9 million yen/year

CO<sub>2</sub> reduction: Reduction of 300 t-CO<sub>2</sub>/year

#### <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 input of new resources.

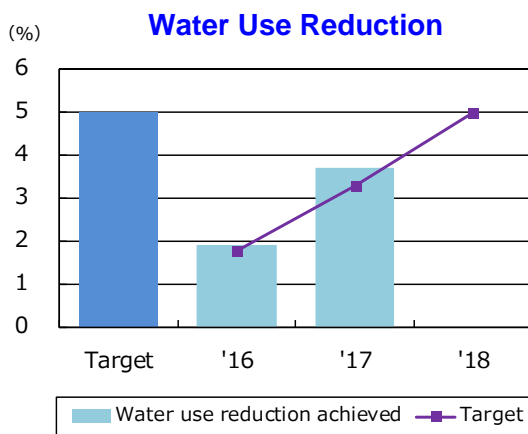
#### < Examples of reductions in raw materials >

- 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 indirect materials to reduce the use of new materials

## Reducing Water Use

### ◆ Results of Activities

In FY2017, we achieved a reduction in water use of 1.82% (42,800 m<sup>3</sup>) against a target of 1.5% (36,400 m<sup>3</sup>).



### ◆ Measures to Reduce Water Use

In FY2017, we strengthened our measures regarding pure water used for rinsing products. We reconsidered our manufacturing specifications and conducted a quality examination as part of efforts to reduce water use by changing the water supply for rinsing products and the manufacturing process (cutting the number of steps) and by stopping the water supply when manufacturing equipment is in standby mode.

We also focused on recycling water used in the manufacturing process. We recycle water that is not very dirty and work to introduce technology that turns dirty water into recyclable water, such as by passing it through a filtration device.

See Special Feature 1, "Initiatives to Reduce Water Use," on pages 5 to 6 for examples of the main reductions made.

## Reducing Waste

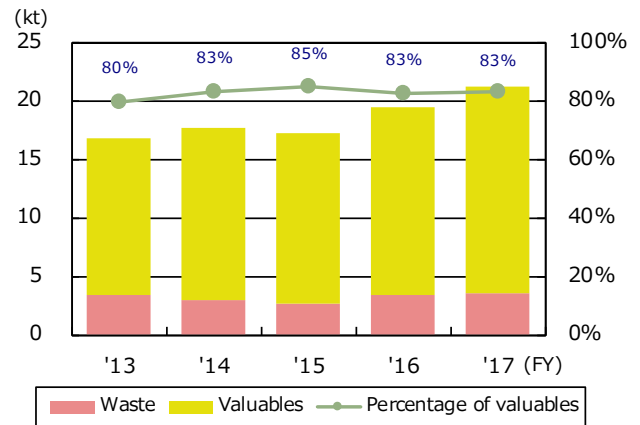
### ◆ Results of Activities

Gross output in FY2017 (amount of waste + valuable material) increased by 8.8% over the previous fiscal year due to growth in production. The amount of waste rose by 5.3% year on year, and the percentage of valuable material remained the same at 83%.

#### <Causes of the increase in waste>

- Growth in production
- Increase in waste liquids due to changes in chemicals used as a result of switch to next-generation products
- Classification of some valuable material as waste due to market changes

## Amounts of Waste and Valuables



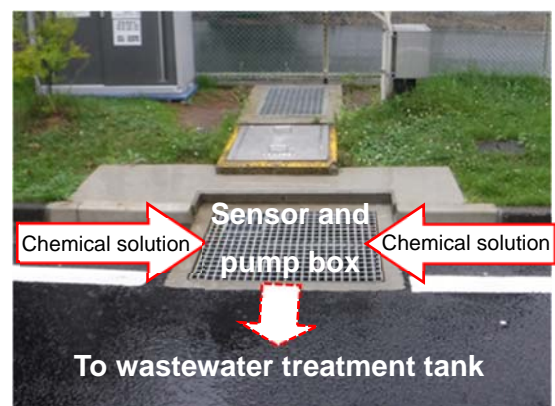
#### <Examples of waste reduction>

1. Reduction of debris and waste through process improvement
2. Elimination of a cleaning solvent through chemical changes
3. Extending the period of use of cleaning liquid, plating solutions, and recycling waste liquids
4. Extending the period of use of filters

## Environmental Risk Countermeasures

### ◆ Measures to Prevent the Leak of Chemical Solutions

There is concern about chemical solutions flowing outside plant premises in the event of a leak into an on-site gutter due to damage to chemical solution equipment. Accordingly, in FY2017 we installed sensors and submersible pumps in gutters company-wide as a measure to prevent the leak of chemical solutions. Should a chemical solution leak occur, a sensor will react, causing submersible pumps to automatically feed the liquid into a wastewater treatment tank, preventing it from flowing outside plant premises.



Measure to prevent leak of chemical solutions



### ◆ Renewal of Utility Equipment

We systematically update utility equipment at each plant in light of factors such as their age and energy efficiency.

In FY2017, we updated compressor equipment at the Arai Plant and the exhaust gas scrubber at the Takaoka Plant.

These updates avoid such risks as shutdown of utility equipment due to aging and have an energy saving effect from the installation of energy-efficient equipment.



Exhaust gas scrubber

### ◆ Plant Safety Management

Each plant's facilities management department conducts monthly comprehensive safety inspections to achieve compliance, environmental protection, and the prevention of accidents.

We also regularly conduct emergency response drills, protective equipment training, and construction safety patrols in an effort to reduce environmental risk and ensure safety management.



Emergency response drill

## Initiatives at Overseas Plants

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

### ◆ KOREA SHINKO MICROELECTRONICS CO., LTD. (KSM)

	FY2017 target	FY2017 results
Energy reduction	Hold CO <sub>2</sub> emissions from energy consumption below 62 t-CO <sub>2</sub> /billion won per year (emissions per unit of sales)	77.7 t-CO <sub>2</sub> /billion won (achievement rate: 74.7%)
	(Working to achieve this target based on the 10% reduction goal in the second five-year energy reduction plan)	
Water use reduction	Reduce water use by 5% compared to FY2016 and hold it below 204 t/million pieces per month (amount per unit of production)	130 t/million pieces [avg. for Nov. 2017–Mar. 2018] (achievement rate: 136.3%)
Waste reduction/recycling	Reduce generation of waste in FY2017 by 2% compared to FY2016 and hold it below 2.15 t/billion won per year (amount per unit of sales)	2.11 t/billion won (achievement rate: 101.9%)

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

	FY2017 target	FY2017 results
Energy reduction	Reductions in electricity use for air conditioning Hold below 4,343.09 MWh/year	4,052.11 MWh/year (achievement rate: 106.7%)
	Reductions in electricity use for air compressors Hold below 3,316 MWh/year	3,641.52 MWh/year (achievement rate: 90.2%)
	Switching to LED lighting Switch at least 720 bulbs/year	741 bulbs/year (achievement rate: 102.9%)
Water use reduction	Hold water use below 33.6 m <sup>3</sup> /million pieces per month (amount per unit of production)	32.65 m <sup>3</sup> /million pieces [FY2017 avg.] (achievement rate: 102.8%)
Waste reduction/recycling	Increase recycling rate for packaging materials to 56.5% or higher per month	37.46% [FY2017 avg.] (achievement rate: 66.3%)

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

With the tightening of laws in China, the application of imported goods and their packaging materials have been tightly controlled since January 2018. We are taking appropriate procedures in accordance with the relevant laws regarding components that SEW imports from Japan.

In FY2017, SEW underwent a renewal screening for the 2015 version of ISO 14001 and had its certification extension approved. At that time, it received an incentive payment from the Chinese government.

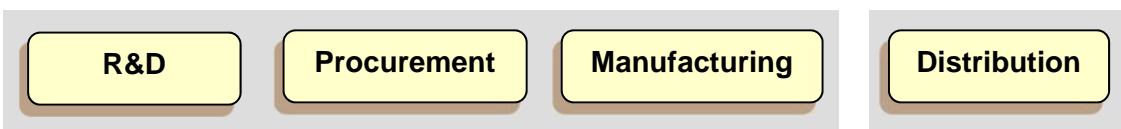
As SEW is a small company with few employees, it cannot carry out large-scale activities, but it will continue to focus on reducing waste and recycling.

## FY2017 Environmental Impact

### (INPUT)

<b>Energy</b>	3,203,717 GJ	<b>Materials</b>	18,200 tons
• Electricity	280,757 MWh	• Raw materials	15,251 tons
• Diesel	4 kl	• Chemical substances	2,949 tons
• Natural gas	16,366 km <sup>3</sup>	<b>Water</b>	
• Natural energy	46 MWh	• Input	3,315 km <sup>3</sup>
		• Recycling rate	50%

<b>Energy</b>
Diesel 894 kl



### (OUTPUT)

<b>Air</b>		<b>Water</b>	
•CO <sub>2</sub> (Scope 1)	34,275 tons-CO <sub>2</sub>	• Effluent	2,820 km <sup>3</sup>
•CO <sub>2</sub> (Scope 2)	114,268 tons-CO <sub>2</sub>	• BOD	202 tons
•Greenhouse gases besides CO <sub>2</sub> (Scope 1)	912.8 tons-CO <sub>2</sub>	<b>Discharge</b>	21,265 tons
• NOx	17 tons	• Valuables	17,683 tons
• SOx	0 tons	• Effectively used waste	3,566 tons
<b>Chemical substances</b>	6 tons	• Processed waste	16 tons
		• Effective utilization rate	99.9%

<b>Air</b>
CO <sub>2</sub> 2,363 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, semiprocessed goods, and parts 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 established 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, workplace management training to all managers, e-Learning and training in the workplace to all employees, and through active participation in human rights workshops held outside the Company. The in-house training addresses various human rights issues such as Buraku discrimination, workplace harassment, and human rights issues in business execution. In response to the diversification of human rights issues in recent years, in FY2017 we implemented new human rights training for all employees using an educational video, deepening understanding of human rights issues that are latent in the workplace.

During Human Rights Week in December each year, we post thought-provoking articles to our intranet, put up human rights posters in each plant, and conduct other activities to raise awareness of respect for human rights by creating environments where all employees can consider and discuss 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 consultation about human rights. In particular, we have also established consultation services in each plant for consultation about human rights, such as sexual harassment, to make it easy for employees to seek consultation. Additionally, we have established whistle-blowing helplines at sites outside Japan, and employees at all sites outside Japan can give reports to and seek consultation through these systems.

All employees working in the Shinko Group can use these consultation services and we have developed a system for quickly gathering information and responding appropriately in the case of a situation involving abuse of human rights.

The personal information and privacy of employees who make use of the consultation services are protected, enabling employees to seek advice on matters like relationships with coworkers, harassment, and troubles and questions concerning human rights. This ensures that the consultation services are able to help improve workplace environments.

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 motivation in work and life.

### ◆ 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 work-life balance. In July 2015, we received special certification in recognition of the higher standard of our initiatives among companies that have established an action plan based on Japan's Act on Advancement of Measures to Support Raising Next-Generation Children and been given approval to use the Next-Generation Approval Mark.

We are striving to improve working flexibility, such as through (1) a program for rehiring employees who had resigned to raise children, care for a family member, or due to the



transfer of a spouse, (2) a program for working short hours until the need to provide caregiving disappears, (3) a system of leave for infertility treatment, and (4) enhancement of time off for parenting and specified diseases as well as short working hours for child care in addition to (5) continual efforts to encourage everyone to take annual leave at the same time and to strengthen 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.

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 to promote gender equality within the firm. 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, in FY2017 we held a work-life balance seminar for male and female employees who are raising children. This aimed to raise awareness of the work/parenting balance and medium- to long-term career formation. In a seminar on career formation for 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 provided training in the significance of gender equality and prevention of harassment in the workplace during group training sessions for managers to raise their awareness, to promote the active participation of women.

We will continue to use such initiatives to promote women's active participation and 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**

## Initiatives Aimed at Social Issues

# 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. 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

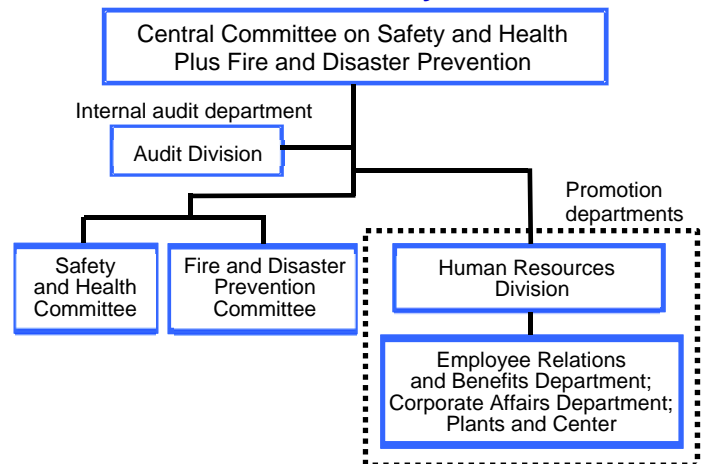


### Shinko Electric Industries Co., Ltd. Company-Wide Basic Policy on Safety and Health Plus Fire and Disaster Prevention

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 will 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.

## Safety and Health Plus Fire and Disaster Prevention Promotion System

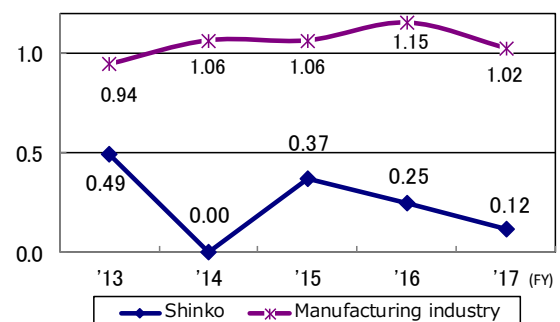


### ◆ Initiatives to Raise Employee Awareness of Safety and Health

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.

### 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	
工程・装置名	場所	種	種
作業内容	頻度		
リスク内容	危険性のある作業について、具体的に記入してください。(〇〇なめ、〇〇になる、〇〇な時〇〇になる等)		
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、具体的な記入をお願いします。		
			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 a Health Measurement Corner in rest areas. The Health Measurement Corner lends out pedometers and tape measures and 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.



Health Measurement Corner

### ◆ Mental Health Care

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

Also, 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 addition, we conduct annual stress checks with the aim of preventing (primary prevention) poor mental health and we provide general managers of divisions with feedback on group analysis results. We also promote active efforts to improve the workplace environment, including through skills development training for all managers.



Skills development training for improving the workplace environment

## 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 duties and the weight of their responsibilities 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 based on feedback from supervisors about the content of evaluations.

In FY2017, we provided evaluator training to persons in line for promotion to management in an effort to ensure fair evaluations and the appropriate administration of the management-by-objectives and objectives interview programs.

### ◆ 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 351 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 FY2017, in light of trainees' needs, we increased the locations where English business skills classes are held and decided that the Company would cover all the fees for the classes as part of our efforts to provide a learning environment that facilitates the improvement of trainees' skills.

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

### ◆ Supporting Abilities Development

Shinko provides general training and specialized training, including on-the-job training in the workplace to help employees improve their abilities and expertise and support their personal growth. We will strive to continually enhance our educational programs and improve each training session.

Furthermore, in FY2017 the average annual study time per employee was 10.0 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 to 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 jobs
- On-the-job training
- Statistics and quality systems training
- Environmental education, etc.



## Labor Relations

Since Shinko has adopted a union shop system, all ordinary employees are members of SHINKO ELECTRIC WORKERS UNION. The union participation rate is 90.8%.\* 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.

In FY2017, we issued a joint labor-management declaration for Transforming Work Styles and worked at balancing corporate development and growth with fulfilling, healthy lives for all employees by regularly sharing information about challenges to reduce overtime and encourage the taking of leave. Going forward, we will keep making sustained initiatives jointly to push forward with Transforming Work Styles.

Moreover, 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."

See Special Feature 2, "Providing a Pleasant Workplace Environment: Transforming Work Styles," on pages 7 to 8 for more about our Transforming Work Styles initiatives.

\* Union participation rate: The percentage of ordinary employees out of all regular employees (including managers)

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



Meeting with the mayor of Myoko, Niigata Prefecture (second from left)

#### ◆ 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 2017, a total of 141 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 our 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.

## ◆ Initiatives at Sites Outside Japan

### ■ KOREA SHINKO MICROELECTRONICS CO., LTD. (KSM)

Since its establishment, KSM (Korea) has maintained harmonious labor-management relations and focused on improvement of the working environment as a top-priority issue. It has also created employment and contributed to the local economy.

KSM marked its 30th anniversary in 2017 and, in recognition of its good labor-management relations and active social contribution activities thus far, it received the Grand Prize in the Industrial Harmony Awards from South Jeolla Province.



Industrial Harmony Awards presentation ceremony

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

Once a year, SEM (Malaysia) makes donations to an orphanage. In FY2017 it donated rice, cooking oil, and flour, in addition to money. Moreover, around 40 employees visited the orphanage and spent time with the children, through sharing meals together and other activities.



Visit to an orphanage

## 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 460 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 FY2017, 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 FY2017, the Kohoku Plant, Takaoka Plant, and SHINKO R&D Center conducted internships for one to two weeks as well as one-day internships to encourage students' interest in manufacturing and understanding of occupations.



Tour of the Arai Plant by students of a college of technology

## Initiatives to Protect the Local Environment and Volunteering

### ◆ Beautification Efforts around Plants

Each year, Shinko employees pick up trash and cut grass and dead branches along embankments and rivers around all of our plants, mainly during June, which is Environment Month.

In FY2017, a total of 291 employees participated in such beautification efforts.

Also, KOREA SHINKO MICROELECTRONICS CO., LTD. (KSM) conducts annual cleanups along the roads and a river near its plant.



Cleanup activities around plants being conducted by KSM

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

Taking advantage of the adopt-a-forest program promoted by Nagano Prefecture, we concluded an agreement in October 2014 to conduct maintenance in collaboration with Iizuna Town in forests owned by the town around Lake Reisenji. In FY2017, Shinko and the labor union co-organized forest maintenance work, including tree planting and clearing of undergrowth in June and October.



Tree planting in June

### ◆ 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 FY2017, we collected and donated items sufficient for about 913 saplings.



### ◆ Volunteering

In FY2017, employees volunteered in such activities as Myoko City Clean Partners (community beautification), Hakuba Village planting activities 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.

## 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 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. In FY2017, 1,909 employees took part in 40 kinds of training, given a total of 392 times to the relevant departments within the Company.



Quality basics training in each division

#### ◆ Quality Management System Certification

Shinko and its overseas manufacturing companies have certified ISO 9001 and/or ISO/TS 16949. We work to continually improve our quality management systems in an effort to further boost customer satisfaction.

Previously, Shinko established quality management systems at each manufacturing division. However, to strengthen our governance of quality, we established a company-wide system and acquired ISO 9001 integrated certification for the entire Company in February 2018.

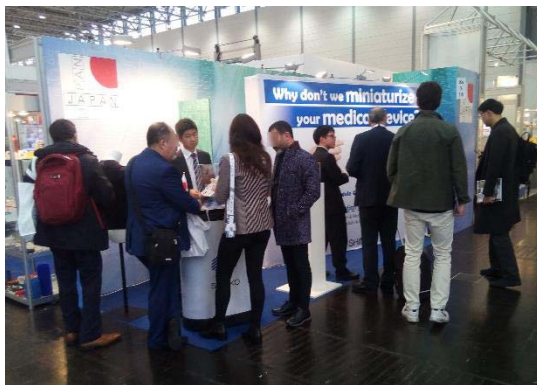
Note: See page 49 for the status of certifications.

## Exhibiting at Trade Shows

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

### ◆ COMPAMED 2017

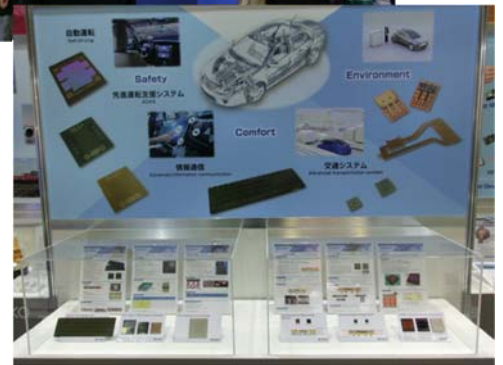
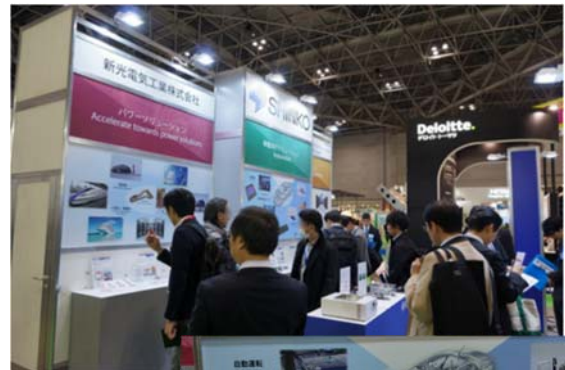
In November 2017, we exhibited for the third time in a row since our first exhibition in FY2015 at COMPAMED 2017 (an international trade show for medical device technology and parts) in Düsseldorf, Germany. We introduced such products as modules specialized for wearable devices in the medical field and welcomed many customers, including from major medical device manufacturers.



COMPAMED 2017

### ◆ WORLD OF IOT Held in conjunction with SEMICON Japan 2017

In December 2017, Shinko exhibited at WORLD OF IOT, held at Tokyo Big Sight, introducing our developed products such as next-generation packages for power electronics and products in mass production that are used in servers, PCs, and smartphones. More than 200 customers visited our booth during the three days.



WORLD OF IOT

## Initiatives for Safety and Reliability

### ◆ Security Trade Control

Shinko complies with laws and ordinances related to security trade control. We have established a Security Trade Control Compliance Program as internal rules for preventing violations and have implemented appropriate security trade control.

The status of Shinko's Security Trade Control Compliance Program (CP) is disclosed on the website of Japan's Ministry of Economy, Trade and Industry.

# 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; and 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 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 Responsible Business Alliance (RBA) Code of Conduct and promote understanding, compliance with, and spread of the RBA 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, and 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**

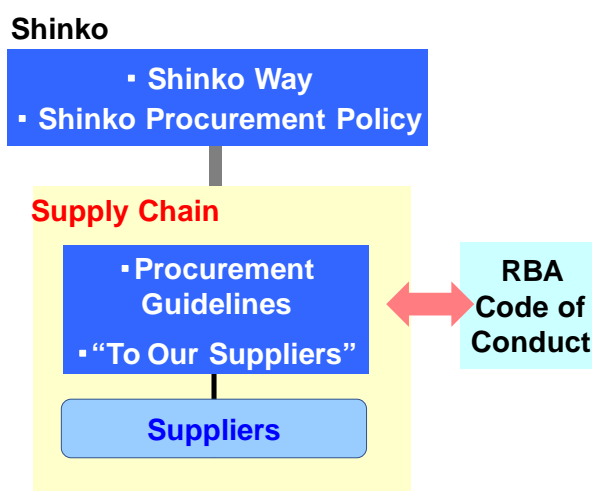
## ◆ Dialogue with Suppliers

Shinko has sent questionnaire surveys about corporate social responsibility conforming to the RBA Code of Conduct to our main suppliers every year. The questionnaire asks about each supplier’s compliance with the RBA Code of Conduct and their operation of management systems in the areas of labor, health and safety, the environment, and ethics. In FY2017 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 that there were no issues in terms of the RBA Code of Conduct and the relevant laws and regulations during the on-site inspections in FY2017.

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 (CMRT) established by the Responsible Minerals Initiative (RMI), 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 that there were no issues in the FY2017 survey.



## **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 our principle suppliers to establish environmental management systems (EMS) based on third party certification including ISO 14001, so that they will engage continuously in initiatives to reduce their environmental impact.

### **◆ Managing Chemical Substances in Products**

We ask suppliers to establish chemical substance management systems (CMS), 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 FY2017, we used an environmental survey shared by the Fujitsu Group to verify the status of activities at our 105 principal suppliers. The results showed that about 11% of our suppliers ask 168 secondary suppliers to reduce CO<sub>2</sub> emissions, confirming an increase of 20 suppliers from the previous year. 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.

\*Supplier Compliance Hotline (Japanese only)

<https://www.shinko.co.jp/procurement/complianceline.html>

### **◆ 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 adopted the structure of 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.

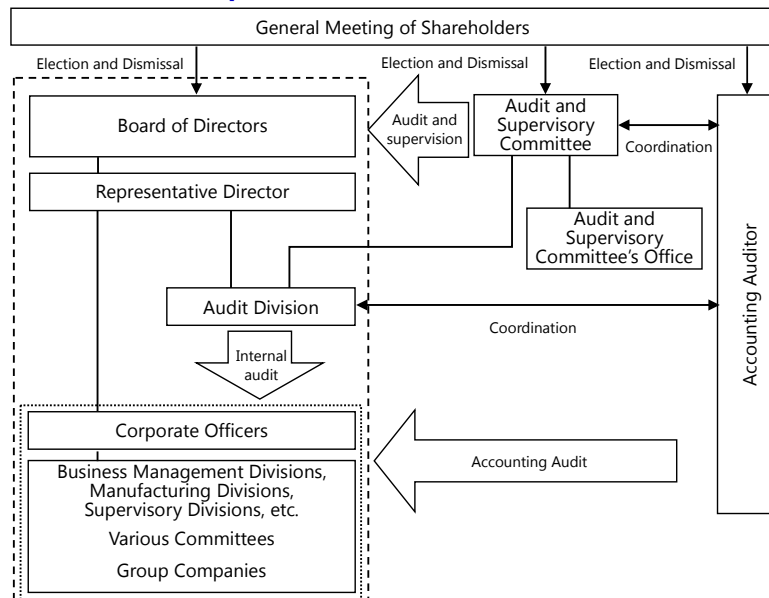
Moreover, we have introduced a corporate officer system with the goal of building a flexible business operational structure, by speeding up the decision making of the board of directors, strengthening the supervisory function, and clarifying authority and responsibilities.

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 operations and the 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 close 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 Shinko Group.

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

## ◆ Spreading Knowledge and Practice of the Shinko Way

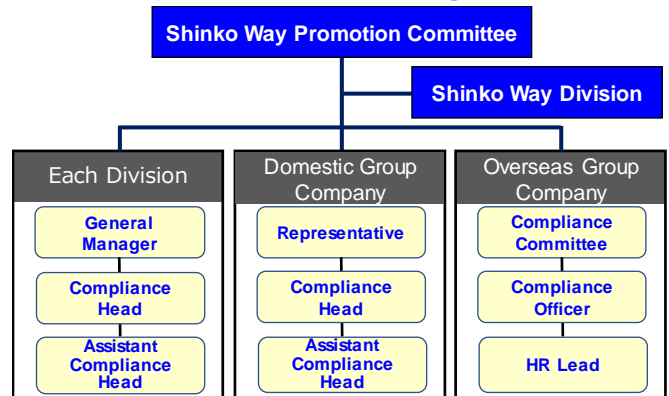
We have taken a variety of measures to further instill the Shinko Way and ensure that employees can always act in awareness of it. These measures have included distributing pamphlets on the Shinko Way and wallet-sized cards containing its main points to all employees, putting up posters in all workplaces,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

## ◆ Utilization of the Global Business Standards

The Global Business Standards (GBS) are compliance standards shared within the Fujitsu Group. The GBS give concrete shape to the Shinko Way Code of Conduct, which stipulates rules and guidelines that employees should follow.

The GBS are produced for uniform application in countries and regions around the world with different cultures, common sense, and legal systems. They serve as a guidebook in daily business activities, providing standards, explained in the local language, of behavior that each and every employee should follow, organized by specific issues.

## Compliance Promotion Organization



## Global Business Standards (GBS) contents

- 1 We respect human rights
  - 1.1 Respect for human rights
  - 1.2 Discrimination or harassment
  - 1.3 Creating a work environment that promotes trust and respect
- 2 We comply with all laws and regulations
  - 2.1 Respect and observance of laws and regulations
  - 2.2 Financial Reporting and Company Records
  - 2.3 Environment and Products
  - 2.4 Health and Safety
  - 2.5 International Trade
  - 2.6 Money Laundering
- 3 We act with fairness in our business dealings
  - 3.1 Fair Competition
  - 3.2 Bribery
  - 3.3 Dealing with Governments
  - 3.4 Fair and Ethical Purchasing
  - 3.5 Marketing and Advertising
  - 3.6 Political and Media Activity
- 4 We protect and respect Intellectual Property
  - 4.1 Protecting IP
  - 4.2 Respect for Third Party IP
- 5 We maintain confidentiality
  - 5.1 General Principles
  - 5.2 Protecting confidential Company information
  - 5.3 Protecting confidential Customer or Third Party information
  - 5.4 Handling personal data
- 6 We do not use our position in our organization for personal gain
  - 6.1 General Principle
  - 6.2 Conflicts of Interest
  - 6.3 Gifts and Entertainment
  - 6.4 Insider Dealing
  - 6.5 Protecting Company Assets

### ◆ Development of Regulations and Guidelines

To ensure compliance throughout the Shinko 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 light of changes in the external environment, including the tightening of laws and regulations in and outside Japan and growing risks, we establish and revise bylaws and guidelines as appropriate.

### ◆ 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 inform all employees about this system through compliance training, our intranet, posters, and distribution of wallet-sized cards printed with the contact information.

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. When a whistle-blowing report has been made, we conduct an appropriate investigation. If the investigation finds a problem in light of the Code of Conduct and the GBS, we implement corrections (including disciplinary action) and take measures to prevent a recurrence.

We also accept anonymous reports and requests for consultation when requested.

### ◆ Compliance Training

We systematically provide ongoing training to increase the awareness of compliance among all employees. In particular, we try to lower risk through a system that ensures all relevant personnel in the Shinko Group routinely and periodically receive training related to the field of laws and ordinances, which pose a high business risk.

In FY2017, we provided group training programs (a total of 17 times, attended by 609 people) on prevention of cartels to all relevant persons of the Shinko Group in Japan.

In Japan, we also provided seminars for officers and executives given by outside instructors, e-Learning on prevention of cartels and anti-bribery, and training on compliance in general.

Outside Japan, we provided e-Learning on prevention of cartels, anti-bribery, and security trade at all sites as well as group training programs at some sites.

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



Group training on compliance

## RBA Code of Conduct Initiative

The Shinko Group has carried out initiatives reflecting its high regard for the code of conduct of the Electronic Industry Citizenship Coalition (EICC).

In light of circumstances such as the increase in the number of companies joining the EICC from outside the electronic industry recently, the EICC expanded the eligibility of participant companies in 2016 and then changed its name to the Responsible Business Alliance (RBA) in October 2017. With this, it changed slightly the content and structure of the code of conduct, changing its name from the EICC Code of Conduct to the RBA Code of Conduct.

The Shinko Group continues to have a high regard for the code of conduct of the RBA. 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 to enhance our management system and practice the processes stipulated by this code of conduct.

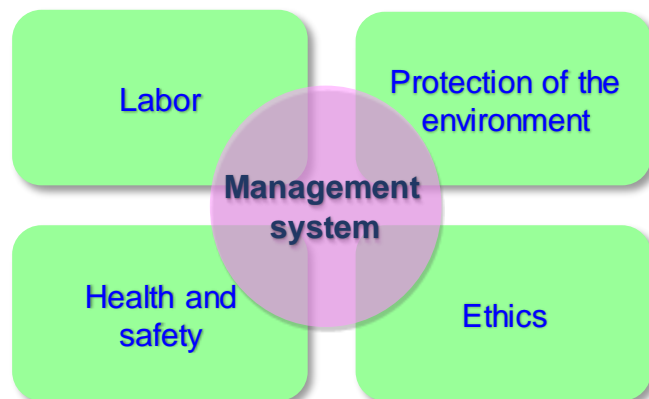
Specifically, we perform risk assessments of each section and checks on the extent of adherence to regulatory compliance and customer requests. Based on the results, a yearly target and an implementation plan are drawn up, and after review by top management, a range of measures are implemented.

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

These annual activities and the audit outcome are reported to and reviewed by top management, and their opinions are reflected in the following year's activities.

Furthermore, we ask our suppliers for their understanding with regard to the RBA 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.

Given that the Fujitsu Group joined the RBA in March 2017, the Shinko Group too plans to broaden the scope of its activities based on the RBA Code of Conduct.



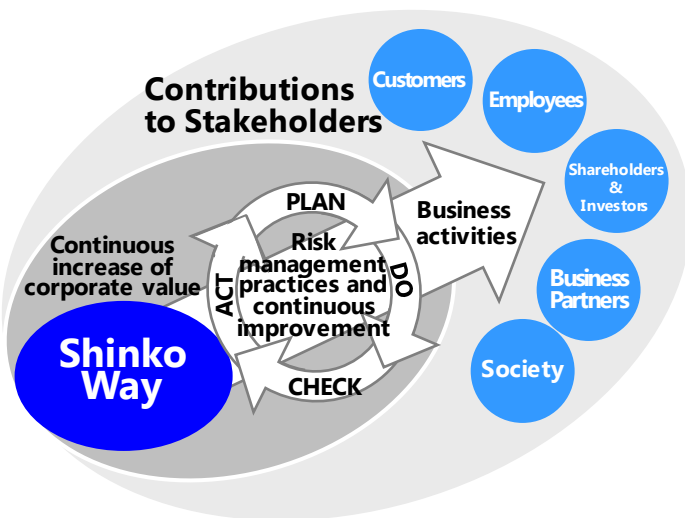
# Risk Management

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

We established a Risk Management Committee to promote risk management in every division and company of the Shinko Group. The company-wide risk manager is appointed as chairman of this committee and assumes all responsibility and authority for risk management throughout the 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, or 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 Shinko Group.

## Business Continuity Initiatives

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

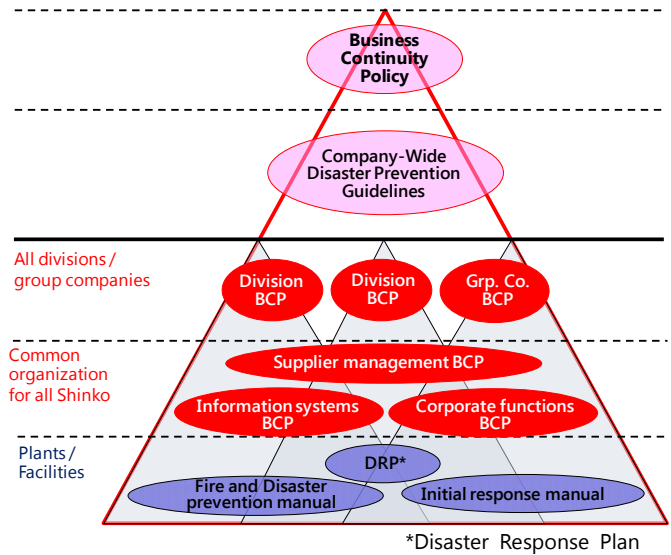
### ◆ Business Continuity Management (BCM)

To promote business continuity management (BCM), the Shinko Group has established the Shinko Group Business Continuity Policy as the basic policy for the Shinko 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 provide necessary proactive measures and training.

Furthermore, in FY2017 we carried out 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. We also conducted disaster response plan-based simulation exercises for the in-house fire brigade organizations at each plant to increase the effectiveness of the disaster response plan (DRP).

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



DRP-based simulation 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 a 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, employees' families and people in the surrounding area and preventing secondary disasters are made the highest priorities.
- 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 of a disaster.

### ◆ Initiatives to Strengthen the Disaster Prevention System and Response Capability

To prevent accidents and 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 supplies 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.

We have also reviewed and strengthened our disaster prevention stockpiles. In FY2017, we installed an antenna for satellite phones and introduced IP radios as measures to enhance the means of communication in an emergency. Furthermore, we improved our safety confirmation system and drilled all employees on its use in conjunction with disaster prevention drills, to quickly and assuredly confirm the safety of employees.

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

In addition to the disaster-prevention drills conducted simultaneously at all plants, each year we run simulations and drills that assume a variety of disasters and accidents (explosions, leaks, etc.) and also conduct regular training for the in-house fire brigade, and education to verify the efficacy of the disaster prevention system and strengthen our response capability.

We also conduct disaster prevention drills every year at each production site outside Japan in an effort to strengthen our response capability, so that every employee can quickly take precise initial responses in an emergency.

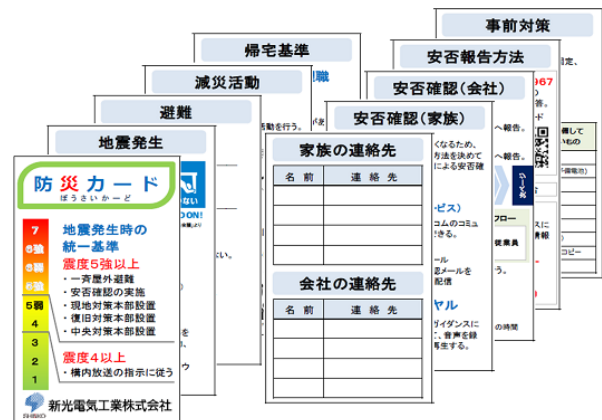


Disaster prevention drill at SHINKO ELECTRONICS (MALAYSIA) SDN. BHD.

## Topic

### ◆ Production of Disaster Prevention Cards

In FY2017, we produced and distributed to all employees Disaster Prevention Cards to ensure that every employee can act calmly and secure his or her safety during a disaster. The cards contain important disaster-prevention information such as rules of conduct immediately following the occurrence of a disaster and how to report safety, as well as a list for checking preparations on a routine basis. Employees always carry the cards, which are also designed for talking with their families about what to do in a disaster or other emergency.





## Information Security

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

At the Shinko Group, we regard the appropriate handling of many types of business information as fundamental to our corporate activity. In FY2017, we established an Information Security Policy as a company-wide policy based on the Shinko Way. We also developed related regulations including the Information Management Regulations and are working to ensure and improve information security.

### Information Security Policy

#### 1. Purpose

With deep recognition that information is the foundation for conducting business and of the risks in handling information, the Shinko Group addresses information security with the following purposes, to achieve its corporate values of “seeking to be a valued and trusted partner for our customers, and building mutually beneficial relationships with our business partners,” as expressed in the Shinko Way, and to ensure the “confidentiality” stipulated in our Code of Conduct as an important aspect of our social responsibility.

- (1) The Shinko Group will appropriately handle information received from individuals and organizations in its customers and business partners in the course of its business and will protect the rights and interests of those individuals and organizations.
- (2) The Shinko Group will appropriately handle trade secrets, technical information, and other valuable information in the course of its business and will protect the rights and interests of the Shinko Group.
- (3) The Shinko Group will appropriately manage information in the course of its business and will maintain its social function by providing a timely and stable supply of products and services.

#### 2. Principles of Initiatives

The Shinko Group will take the items below as the principles of its initiatives for information security.

- (1) The purpose of our information security will be to maintain the confidentiality, integrity, and availability of information handled, and we will devise information security measures to achieve this purpose.
- (2) We will clarify systems and responsibility, to implement information security measures appropriately and reliably.
- (3) To maintain our information security measures, we will develop processes at each stage in the cycle of planning, implementation, evaluation, and improvement to maintain and raise the level of our information security.
- (4) To implement information security measures appropriately and reliably, we will provide officers and employees with awareness building and training on information security to impress its importance and make sure that people take action.
- (5) To implement information security measures appropriately, we will consider the risks involved in handling information and the investments required for countermeasures.

#### 3. The Shinko Group’s Measures

To implement information security measures reliably based on the above purposes and principles of initiatives, the Shinko Group will develop and implement pertinent regulations.

### Information Security-Related Regulations System



## ◆ 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 prevent information leaks, we believe it is important for every employee to be fully aware that neglecting information security rules is a risk that could lead to serious security incidents. We therefore see to it that the rules are followed without exception and work to increase awareness of security. As part of our measures to raise employee awareness, we provide information security training through rank-specific training, e-Learning, and workplace training. In FY2017, we provided information management training to all employees of the Shinko Group in Japan (about 4,300 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 FY2017 and Our Targets for FY2018

### 1. Environmental and Social Efforts

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

Theme	Medium-term target	FY2017 target	FY2017 results	Level of achievement	FY2018 target
Promoting activities to lower our 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 13.1% over the base year</li> <li>Reductions in generation of waste Hold to an increase of 39.3% 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>	<ul style="list-style-type: none"> <li>Reductions in CO<sub>2</sub> emissions Held to an increase of 11.3%</li> <li>Reductions in generation of waste Held to an increase of 18.9%</li> <li>Reductions in use of water resources Implemented measures to reduce water use by 1.8%</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 13.8% over the base year</li> <li>Reductions in generation of waste Hold to an increase of 25.0% over the base year</li> <li>Reductions in use of water resources Implement measures to reduce water use by 1.3% 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 October)</li> <li>Conducted beautification activities at all plants (June–July)</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, and held dialogues with local governments</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	FY2017 target	FY2017 results	Level of achievement	FY2018 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>Promote initiatives that encourage adherence to the principles of the Corporate Governance Code</li> </ul>	<ul style="list-style-type: none"> <li>Dealt with unimplemented items (reduced from 3 to 1), 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; respond to code revisions</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>Examine and implement measures to enhance constructive dialogue</li> <li>Enhance disclosed information</li> </ul>	<ul style="list-style-type: none"> <li>Participated in an IR forum; made individual visits and responded to institutional investors</li> <li>Added and improved information on our IR website; complied with disclosure rules</li> </ul>	○	<ul style="list-style-type: none"> <li>Consider and implement measures to promote constructive dialogue with shareholders and investors</li> <li>Improve dissemination of information to shareholders and investors</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 management (BCM)</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 rank-specific education and company-wide BCM 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	FY2017 target	FY2017 results	Level of achievement	FY2018 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>Provided in-house English conversation classes, business skills classes, and correspondence/online classes, and sent employees to global competency training</li> </ul>	○	<ul style="list-style-type: none"> <li>Expand training programs for developing global-minded human resources</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>Provided compliance related e-Learning and education for relevant persons</li> <li>Checked risk through hearings at sites and 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	FY2017 target	FY2017 results	Level of achievement	FY2018 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 aimed at Transforming Work Styles</li> </ul>	<ul style="list-style-type: none"> <li>Established a Labor-Management Council, drew up and announced a Joint Labor-Management Declaration, promoted various initiatives, etc.</li> </ul>	○	<ul style="list-style-type: none"> <li>Strengthen initiatives on Transforming Work Styles</li> <li>Support female employees in forming a career and develop a working environment to promote active participation</li> </ul>
		<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>		
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 newly appointed managers' understanding of personnel systems</li> </ul>	<ul style="list-style-type: none"> <li>Conducted evaluator training for new managers and employees in line for promotion to a manager</li> </ul>	○	(Removed from targets but will continue activities)
		<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 in forming a career, a work-life balance seminar for employees who are raising children</li> </ul>	○	(Integrate into the above target, "Support female employees in forming a career and develop a working environment to promote active participation")
	Enhance training to develop human resources that will forge the future (from FY2018)	-	-	-	<ul style="list-style-type: none"> <li>Enhance training to develop human resources that will forge the future</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>Formulated targets and implemented activities based on management manual; strengthened management of protective equipment related to chemicals</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 / e-Learning), as well as patrols before consecutive holidays, traffic safety awareness raising campaigns and education, etc.</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>Specific health guidance, deterring long amounts of overtime, feedback trainings on stress checks, mental health training, etc.</li> </ul>		

## 5. Customers

Theme	Medium-term target	FY2017 target	FY2017 results	Level of achievement	FY2018 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>Fair trade and compliance</li> <li>Acquisition of products and services knowledge, promotion of development and nurturing of communication competence</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>Reviewed a Security Trade Control Compliance Program, conducted training for overseas sales companies and representative office</li> </ul>	○	<ul style="list-style-type: none"> <li>Increase compliance awareness through education and training for relevant departments on the security trade control system</li> </ul>

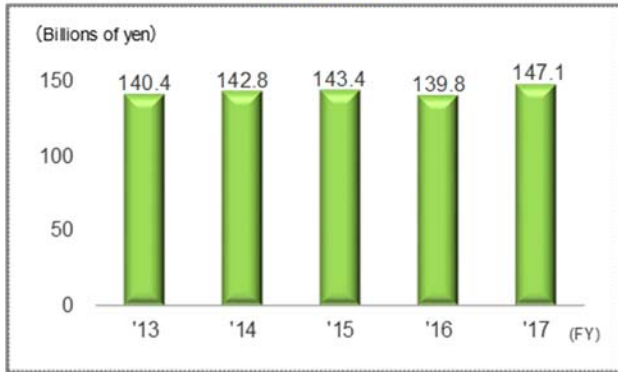
## 6. Suppliers

Theme	Medium-term target	FY2017 target	FY2017 results	Level of achievement	FY2018 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> <li>Give CSR questionnaires to main suppliers</li> <li>Check CSR situation for subcontractors working on the premises</li> <li>Develop mechanism to ensure new suppliers are aware of the procurement policy and evaluate them</li> </ul>	<ul style="list-style-type: none"> <li>Made sure all suppliers in and outside Japan were aware</li> <li>Examined an evaluation method and feedback, conducted feedback on questionnaire (100% response rate)</li> <li>Checked the situation on premises using the CSR questionnaire (twice yearly)</li> <li>Not addressed, so carried over to activities for the next fiscal year</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>Develop mechanism to ensure new suppliers are aware of the procurement policy and evaluate them</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 RMI 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 based on survey results and risk assessments, made improvement requests</li> </ul>	○	<ul style="list-style-type: none"> <li>Reduce risk through BCP surveys and drawing up of BCP</li> </ul>

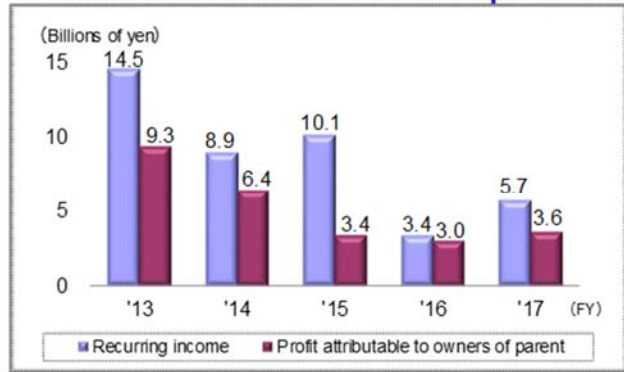
# Financial and Non-financial Data

## Consolidated Financial Highlights

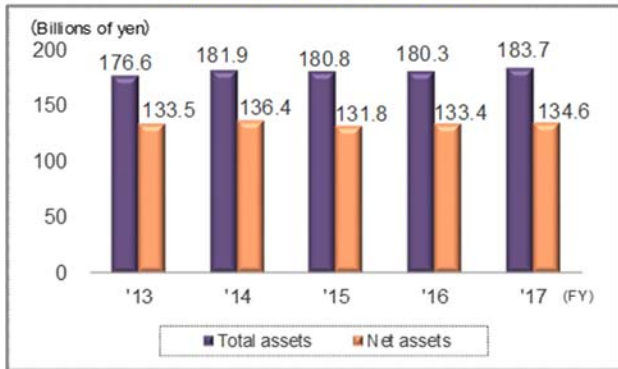
**Net sales**



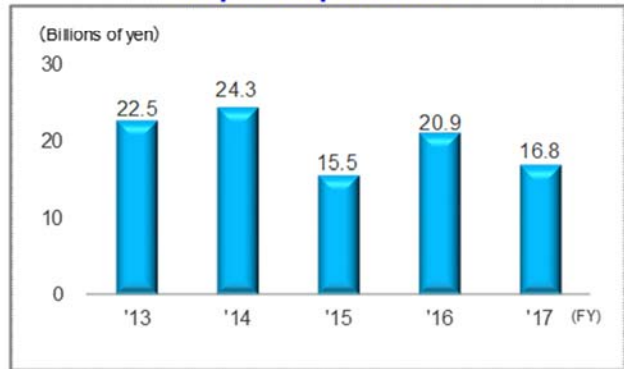
**Recurring income/  
Profit attributable to owners of parent**



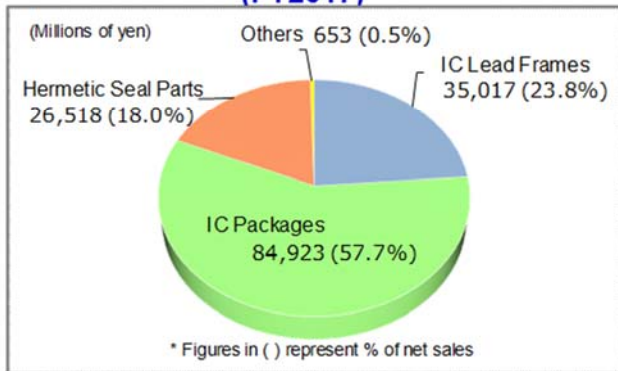
**Total assets/Net assets**



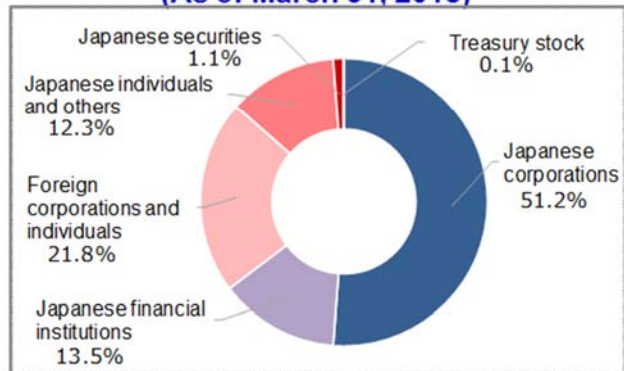
**Capital expenditure**



**Net sales by product category  
(FY2017)**



**Distribution of stock by type of shareholder  
(As of March 31, 2018)**



### ◆ 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)

		FY2015	FY2016	FY2017
Number of employees by region		4,880	4,848	4,785
	Japan (ratio)	85.1%	85.0%	84.9%
	Asia (ratio)	14.0%	14.1%	14.2%
	The Americas (ratio)	0.9%	0.9%	0.9%
Number of employees by Type of contract	Regular	4,880	4,848	4,785
	Non Regular*	240	263	295

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

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

		FY2015	FY2016	FY2017
Number of employees		4,070	4,037	3,987
Average age		44.3	44.8	45.2
Average years of service	Total	22.4	22.9	23.3
	Male	21.9	22.4	22.8
	Female	24.2	24.8	25.3
Number of employees by gender	Male	3,190	3,164	3,121
	Female	880	873	866
Ratio of female employees (%)		21.6%	21.6%	21.7%
Ratio of female managers (%)*		1.8%	2.1%	2.4%
Number of non-Japanese employees		6	6	6
Employment ratio of people with disabilities (%)**		2.26%	2.24%	2.25%

\*Including assignees to Group companies and contract employees.

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

### Employment (Shinko)

		FY2015	FY2016	FY2017
Number of persons newly hired		48	51	49

### Using Care Leave (Shinko)

		FY2015	FY2016	FY2017
Number of employees using child care leave	Total	38	28	19
	Male	3	1	0
	Female	35	27	19
Return to work ratio after child care leave (%)		100%	94%	100%
Continuous work ratio after child care leave (%)*		100%	100%	94%
Number of employees using family care leave	Total	1	2	2
	Male	0	1	1
	Female	1	1	1
Return to work ratio after family care leave (%)		-	100%	100%
Continuous work ratio after family care leave (%)*		-	-	100%
Number of employees taking Paternity leave		35	32	44

\*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	<0.005	<0.005
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	32	29

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

Item	Sewage discharge standards	Company standards	Results	
			Max.	Avg.
pH	5.0–9.0	5.2–8.8	8.0	7.3
BOD	600	540	220	133
Suspended solids	600	300	250.0	41.58
n-Hexane	5	4.5	<1	<1
Copper	3	1	0.06	0.03
Zinc	2	1	0.20	0.07
Soluble iron	10	5	0.04	0.04

### 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	<0.005	<0.005
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	84	44

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

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

Item	National standards	Nagano prefectural standards	Company standards	Results	
				Max.	Avg.
pH	5.8–8.6	5.8–8.6	6.0–8.4	7.5	6.9
BOD	160	30	27	25.0	7.84
Suspended solids	200	50	25	22.0	10.14
n-Hexane	5	5	2	<1	<1
Copper	3	2	1	0.67	0.32
Zinc <sup>*4</sup>	5	3	1.5	0.05	0.01
Soluble iron	10	10	3	0.16	0.07
Soluble manganese	10	10	3	0.22	0.09
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 FY2017, 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	86	38

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

Item	Sewage discharge standards	Company standards	Results	
			Max.	Avg.
pH	5.0–9.0	5.2–8.8	7.8	7.6
BOD	600	540	370	251
Suspended solids	600	200	84.0	63.40
n-Hexane	5	4.5	3.0	0.44
Copper	2	1.8	0.52	0.35
Zinc	3	1	<0.02	<0.02
Soluble iron	10	3	0.03	0.01
Soluble manganese	10	4	0.31	0.12
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	—	— <sup>*3</sup>	— <sup>*3</sup>
NOx <sup>*1</sup>	cm <sup>3</sup> /Nm <sup>3</sup>	(150)	120	— <sup>*2</sup>	— <sup>*2</sup>

□ 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	7.4
BOD	160	25	23	8.9	5.33
Suspended solids	200	50	32	13.0	5.25
n-Hexane	5	5	4	<1	<1
Copper	3	2	1	0.14	0.07
Zinc <sup>*4</sup>	5	5	1	0.06	0.06
Soluble iron	10	10	5	0.10	0.05
Soluble manganese	10	10	3	0.19	0.08
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	— <sup>*2</sup>	— <sup>*2</sup>

□ 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	6.8
BOD	160	160	80	7.50	4.93
Suspended solids	200	200	65	2	1.75
n-Hexane	5	5	2	<1	<1
Copper	3	3	1	0.02	0.01
Zinc <sup>*4</sup>	5	5	1	0.03	0.01
Soluble iron	10	10	3	0.15	0.09
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 (as of March 31, 2018)

### Quality Management System ISO 9001 & ISO/TS 16949

#### 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 (P-BGA).	Substrate for semiconductor devices	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 ISO 14001

- ◆ 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)

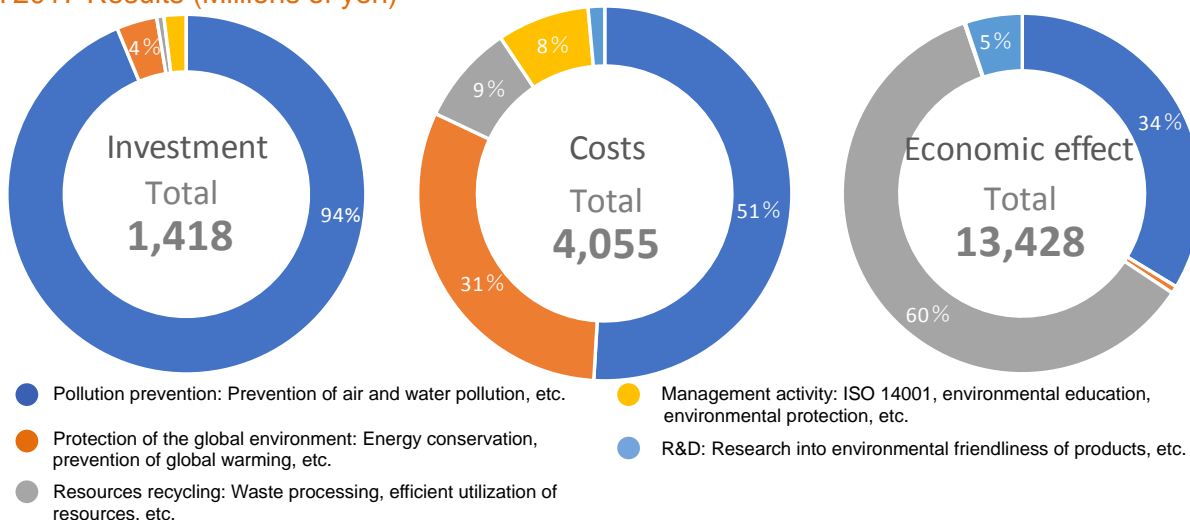
KOREA SHINKO MICROELECTRONICS CO., LTD. (Date certified: July 3, 2003)

SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD. (Date certified: February 14, 2009)

### Environmental Accounting

The Shinko Group in Japan prepares its 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).

- ◆ FY2017 Results (Millions of yen)



# 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, 2018)	
Fiscal Year	Ending March 31	
Listing Market	First Section of the Tokyo Stock Exchange	
Employees	Consolidated: 4,785 / Unconsolidated: 3,987 (as of March 31, 2018)	
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.

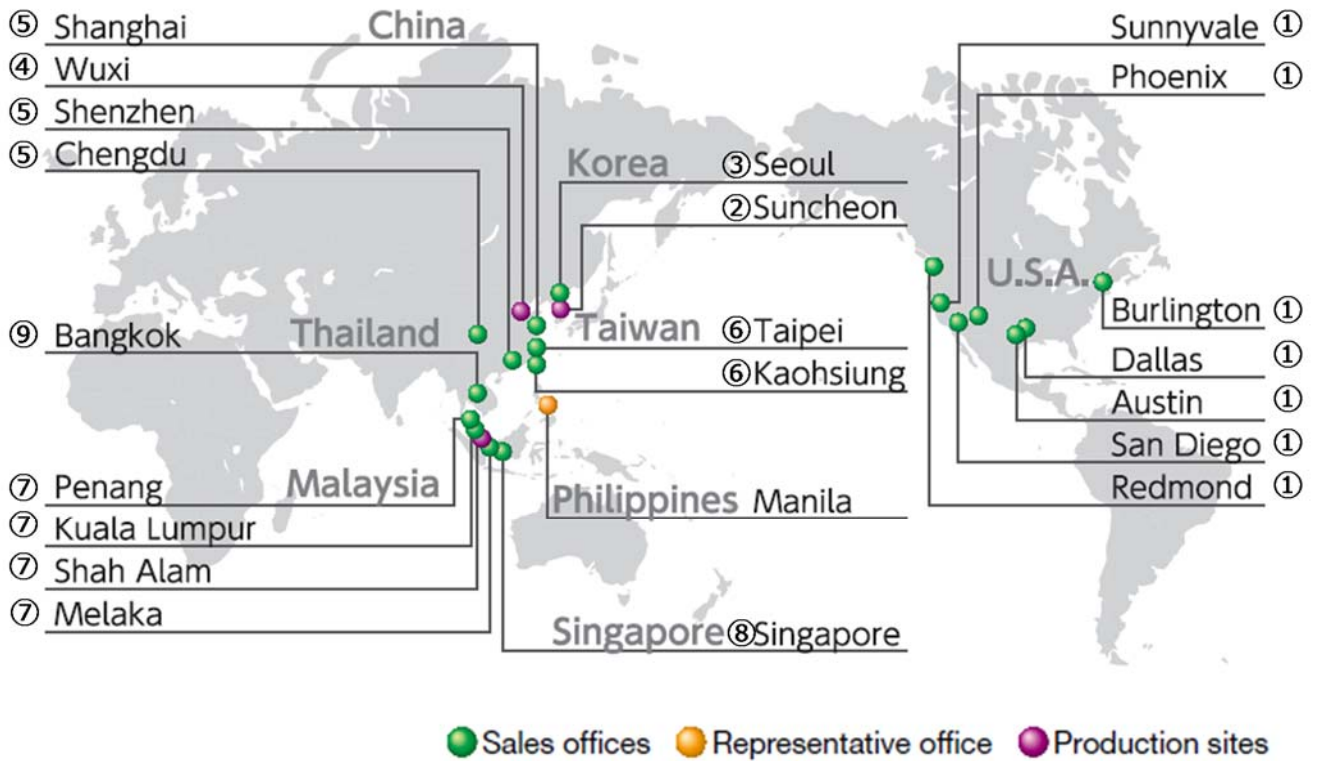
- \* SHINKO PARTS CO., LTD. (Nagano City, Nagano Prefecture)
- \* SHINKO TECHNOSERVE CO., LTD. (Nagano City, Nagano Prefecture)

### 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 assess the social issues we identified in terms of materiality from both the stakeholders' perspective and from our own business perspective, with reference to the GRI Sustainability Reporting Standards.

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.

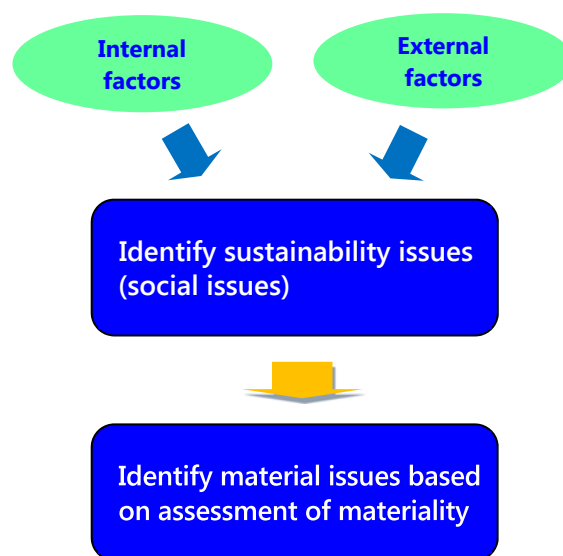
## 1. Identification of Sustainability Issues (social issues)

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 143 sustainability issues (social issues).

The identified issues were categorized and combined into seven fields and 72 items.

- ◆ International sustainability-related standards consulted
  - (1) GRI Sustainability Reporting Standards
  - (2) Responsible Business Alliance (RBA) Code of Conduct
  - (3) ISO 26000
  - (4) United Nations Global Compact

## Process for identifying material issues



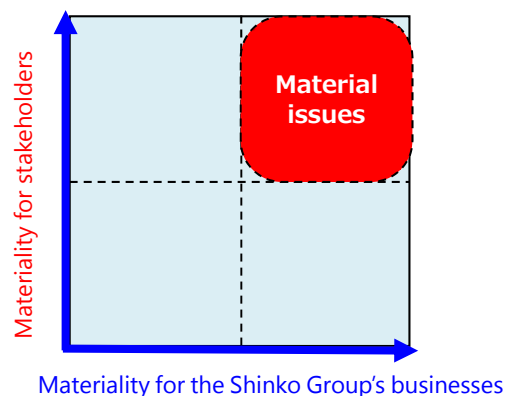
## 2. Identification of Material Issues based on Assessment of Materiality

The above seven fields and 72 items were assessed from the points of view of their materiality for stakeholders and for the businesses of the Shinko 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 23 items were identified as material issues.

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

## Positioning of material issues



## Assessment Indicators Used to Assess Materiality

Materiality for stakeholders	Materiality for the Shinko 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 Shinko 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, 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 our corporate value.

Through communication with our stakeholders to grasp their expectations and wishes and to better understand social issues, we have aimed to fulfill our social responsibility as a corporate group and contribute 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	We 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 and audits related to CSR/ RBA</li> <li>● Trade shows in Japan and overseas</li> <li>● Disseminating information using our 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>● Questionnaires related to CSR/ BCM 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>● Disseminating information using our 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	We aim to enhance corporate value by respecting diversity, while supporting employee efforts to achieve personal growth.	<ul style="list-style-type: none"> <li>● Labor Council and Labor-Management Council on Transforming Work Styles</li> <li>● Safety &amp; Health Committee</li> <li>● Internal whistle-blowing system</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 our environmental, social, and corporate governance efforts.

In addition to reporting on the year's initiatives, the Environmental and Social Report 2018 introduces our specific initiatives related to environmental protection activities and transforming work styles in the Special Feature section.

## Reference Guidelines

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

## Period Covered

FY2017 (focusing on initiatives from April 1, 2017 to March 31, 2018 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 2018

Next issue: September 2019 (previous issue: September 2017)

# Contact Information

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Environmental Management Division (Environmental Report)  
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Tel: +81 (26) 283-2955

# GRI Standard Comparison Table

## 1. General Disclosures

※ · · Indicator of the Core option

Topics		Pages	Corresponding Topics
<b>Organizational profile</b>			
102-1	※ Name of the organization	50	Corporate Outline
102-2	※ Activities, brands, products, and services	3 50	Overview of Products Corporate Outline
102-3	※ Location of headquarters	50	Corporate Outline
102-4	※ Location of operations	51	Shinko Group Business Locations
102-5	※ Ownership and legal form	33 46 50	Corporate Governance Consolidated Financial Highlights Corporate Outline
102-6	※ Markets served	3 4 51	Overview of Products The Shinko Group's Business Fields Shinko Group Business Locations
102-7	※ Scale of the organization	46 47 50 51	Consolidated Financial Highlights List of Employee Related Indicators Corporate Outline Shinko Group Business Locations
102-8	※ Information on employees and other workers	47	List of Employee Related Indicators
102-9	※ Supply chain	30-32	Promoting Social Responsibility in the Supply Chain
102-10	※ Significant changes to the organization and its supply chain	-	NA
102-11	※ Precautionary Principle or approach	15-16 36 37-41	Environmental Risk Countermeasures RBA Code of Conduct Initiative Risk Management
102-12	※ External initiatives	36	RBA Code of Conduct Initiative
102-13	※ Membership of associations	-	NA
<b>Strategy</b>			
102-14	※ Statement from senior decision-maker	2	Message from the Management
102-15	Key impacts, risks, and opportunities	2 37-41 42-45	Message from the Management Risk Management CSR Activity Management
<b>Ethics and integrity</b>			
102-16	※ Values, principles, standards, and norms of behavior	9-10 34-35	Our CSR Policy Compliance
102-17	Mechanisms for advice and concerns about ethics	19-20 34-35	Efforts Promoting Respect for Human Rights Compliance
<b>Governance</b>			
102-18	※ Governance structure	33	Corporate Governance
102-19	Delegating authority	33	Corporate Governance
102-20	Executive-level responsibility for economic, environmental, and social topics	33	Corporate Governance
102-21	Consulting stakeholders on economic, environmental, and social topics	53	Dialogue with Stakeholders
102-22	Composition of the highest governance body and its committees	33	Corporate Governance (Corporate Governance Report)
102-23	Chair of the highest governance body		(Corporate Governance Report)
102-24	Nominating and selecting the highest governance body		(Corporate Governance Report)



Topics		Pages	Corresponding Topics
102-25	Conflicts of interest	33	Corporate Governance (Corporate Governance Report)
102-26	Role of highest governance body in setting purpose, values, and strategy	9-10	Our CSR Policy
102-27	Collective knowledge of highest governance body	-	-
102-28	Evaluating the highest governance body's performance		(Corporate Governance Report)
102-29	Identifying and managing economic, environmental, and social impacts	37-41	Risk Management
102-30	Effectiveness of risk management processes	37-41	Risk Management
102-31	Review of economic, environmental, and social topics	37-41	Risk Management
102-32	Highest governance body's role in sustainability reporting	-	-
102-33	Communicating critical concerns	37-41	Risk Management
102-34	Nature and total number of critical concerns	-	-
102-35	Remuneration policies		(Corporate Governance Report)
102-36	Process for determining remuneration		(Corporate Governance Report)
102-37	Stakeholders' involvement in remuneration		(Corporate Governance Report)
102-38	Annual total compensation ratio	-	-
102-39	Percentage increase in annual total compensation ratio	-	-
<b>Stakeholder engagement</b>			
102-40	※ List of stakeholder groups	53	Dialogue with Stakeholders
102-41	※ Collective bargaining agreements	24	Labor Relations
102-42	※ Identifying and selecting stakeholders	9-10 53	Our CSR Policy Dialogue with Stakeholders
102-43	※ Approach to stakeholder engagement	52 53	Assessment of Materiality and Identification of Material Issues Dialogue with Stakeholders
102-44	※ Key topics and concerns raised	42-45 53	CSR Activity Management Dialogue with Stakeholders
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102-46	※ Defining report content and topic Boundaries	52	Assessment of Materiality and Identification of Material Issues
102-47	※ List of material topics	55-59	GRI Standard Comparison Table
102-48	※ Restatements of information	-	NA
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102-56	※ External assurance	-	NA

## 2. Topic Specific Disclosures

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

Topics		Pages	Corresponding Topics
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103-1	※ Explanation of the material topic and its Boundary	9-10 52 54	Our CSR Policy Assessment of Materiality and Identification of Material Issues Editorial Policy: Scope of the Report
103-2	The management approach and its components	11 19 21 28 30 38 40	Environmental Policy SHINKO Guiding Principles of Respect for Human Rights in Employment Shinko Electric Industries Co., Ltd. Company-Wide Basic Policy on Safety and Health Plus Fire and Disaster Prevention Quality Policy Shinko Procurement Policy Shinko Group Business Continuity Policy Information Security Policy
103-3	Evaluation of the management approach	13 42-45	The Environmental Protection Program (Stage 8) CSR Activity Management
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■ Economic Performance			
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201-2	Financial implications and other risks and opportunities due to climate change	37	Promoting Risk Management
201-3	Defined benefit plan obligations and other retirement plans		(Securities Report)
201-4	Financial assistance received from government	-	-
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202-2	Proportion of senior management hired from the local community	-	-
■ Indirect Economic Impacts			
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203-2	Significant indirect economic impacts	4	The Shinko Group's Business Fields
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204-1	Proportion of spending on local suppliers	-	-
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206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	-	-
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301-1	Materials used by weight or volume	18	FY2017 Environmental Impact
301-2	Recycled input materials used	-	-
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302-3	Energy intensity	-	-
302-4	Reduction of energy consumption	-	-
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Topics		Pages	Corresponding Topics
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303-1	Water withdrawal by source	18	FY2017 Environmental Impact
303-2	Water sources significantly affected by withdrawal of water	-	-
303-3	Water recycled and reused	5-6 15 18	Initiatives to Reduce Water Use Reducing Water Use FY2017 Environmental Impact
<b>Biodiversity</b>			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	-	-
304-2	Significant impacts of activities, products, and services on biodiversity	-	-
304-3	Habitats protected or restored	27	Initiatives to Protect the Local Environment and Volunteering
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-	-
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305-2	Energy indirect (Scope 2) GHG emissions	14 18	Global Warming Countermeasures FY2017 Environmental Impact
305-3	Other indirect (Scope 3) GHG emissions	-	-
305-4	GHG emissions intensity	14	Global Warming Countermeasures
305-5	Reduction of GHG emissions	14	Global Warming Countermeasures
305-6	Emissions of ozone-depleting substances (ODS)	-	-
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	18	FY2017 Environmental Impact
<b>Effluents and Waste</b>			
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