

# **Environmental and Social Report 2019**

SHINKO ELECTRIC INDUSTRIES CO., LTD.

# 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. The Shinko Group continuously increase corporate value through practice of the Shinko Way, together with our consistent functioning as a corporate group.

Through the provision of products and services to customers and society, we help to enrich the lives of people all over the world, and by practicing the Shinko Way, we aim to fulfill our social responsibility as a company and contribute to the development of society.

## Corporate Vision

**Technology Leadership:** Our company has adopted technological development as one of the most important guidelines of its management since its foundation. It aims to make great strides with the development and the accumulation of new technologies as its driving force.

**The Art of Manufacturing:** We aim to be the most excellent manufacturing company in the world by concentrating our wisdom and ideas towards the manufacturing site where profits are generated for the enterprise.

**Long Term Vision:** We aim for unlimited progress, while retaining enthusiasm for sustained creation and development in the field of electronics, which is advancing at a very quick pace.

**Global Outlook:** We promote business by meeting globally diversifying needs, while bearing in mind coexistence and co-prosperity in the international society as an international corporation.

**Responsibility to Individual:** Society and enterprises are comprised of groups of people that cannot coexist without good human relations. We will promote business through management plans based on a people-friendly approach.

## Founder's Philosophy

**Economizing**  
"Dreams in one hand, and a soroban in the other."

**Innovation by manufacturing site**  
**Responsibility to Individual**

## Corporate Values

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.

## Principles

**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.

## Code of Conduct

- 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.

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## Editorial Policy

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

### Period Covered

FY2018 (focusing on initiatives from April 1, 2018 to March 31, 2019 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. 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." SHINKO ELECTRIC INDUSTRIES CO., LTD. is referred to as "Shinko."

### Date of Publication

September 2019

Next issue: September 2020 (previous issue: September 2018)

### Reference Guidelines

- GRI, *Sustainability Reporting Standards*
- Ministry of the Environment, *Environmental Reporting Guidelines* (Fiscal Year 2018 version)
- Ministry of the Environment, *Environmental Accounting Guidelines* (Fiscal Year 2005 version)

## Contact Information

SHINKO ELECTRIC INDUSTRIES CO., LTD.

80, Oshimada-machi, Nagano-shi, Nagano 381-2287, Japan

Public & Investor Relations Department, Corporate Planning Division (Tel: +81 (26) 283-6450)

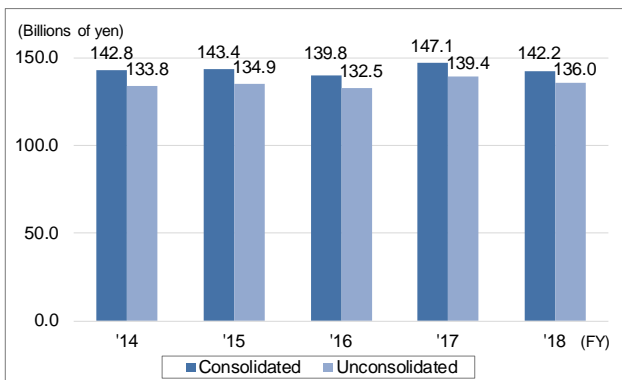
Environmental Engineering Department, Environmental Management Division (Environmental Report) (Tel: +81 (26) 283-2955)

# Shinko Group Outline

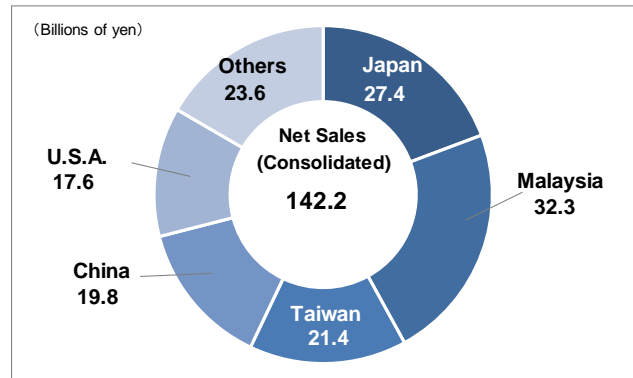
Corporate Name	SHINKO ELECTRIC INDUSTRIES CO., LTD.
Head Office	80, Oshimada-machi, Nagano-shi, Nagano 381-2287, Japan
Date of Establishment	September 12, 1946
Capital	24,223 million yen (as of March 31, 2019)
Fiscal Year and Listing Market	Ending March 31 First Section of the Tokyo Stock Exchange
Consolidated Subsidiaries (10 companies)	Domestic: two companies SHINKO PARTS CO., LTD. (Nagano City, Nagano Prefecture) SHINKO TECHNOSSERVE CO., LTD. (Nagano City, Nagano Prefecture) Overseas: eight companies KOREA SHINKO MICROELECTRONICS CO., LTD. (KSM: Korea) SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. (SEM: Malaysia) SHINKO ELECTRIC INDUSTRIES (WUXI) CO., LTD. (SEW: China) SHINKO ELECTRIC AMERICA, INC. (SEA: U.S.A.) SHINKO ELECTRONICS (SINGAPORE) PTE. LTD. (SES: Singapore) KOREA SHINKO TRADING CO., LTD. (KST: Korea) TAIWAN SHINKO ELECTRONICS CO., LTD. (TSE: Thailand) SHANGHAI SHINKO TRADING LTD. (SST: China)
Affiliated Company (One company)	SHINKO MICROELECTRONICS (THAILAND) CO., LTD. (SMT: Thailand)

## Net Sales

<Net Sales>

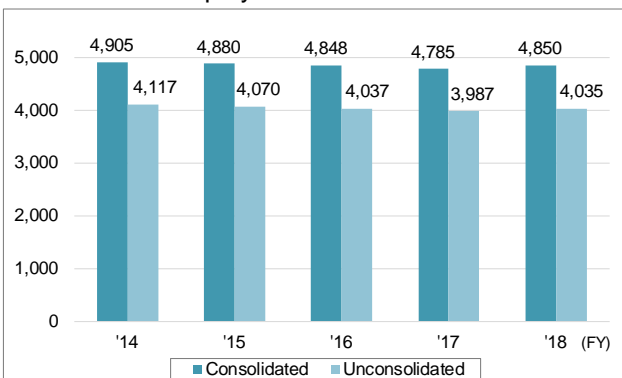


<Net Sales by Region (FY2018)>

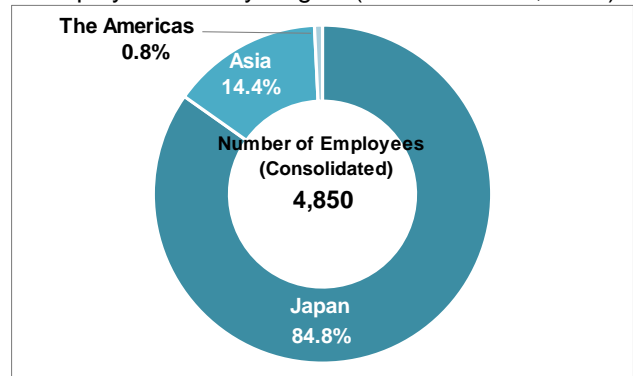


## Number of Employees

<Number of Employees>

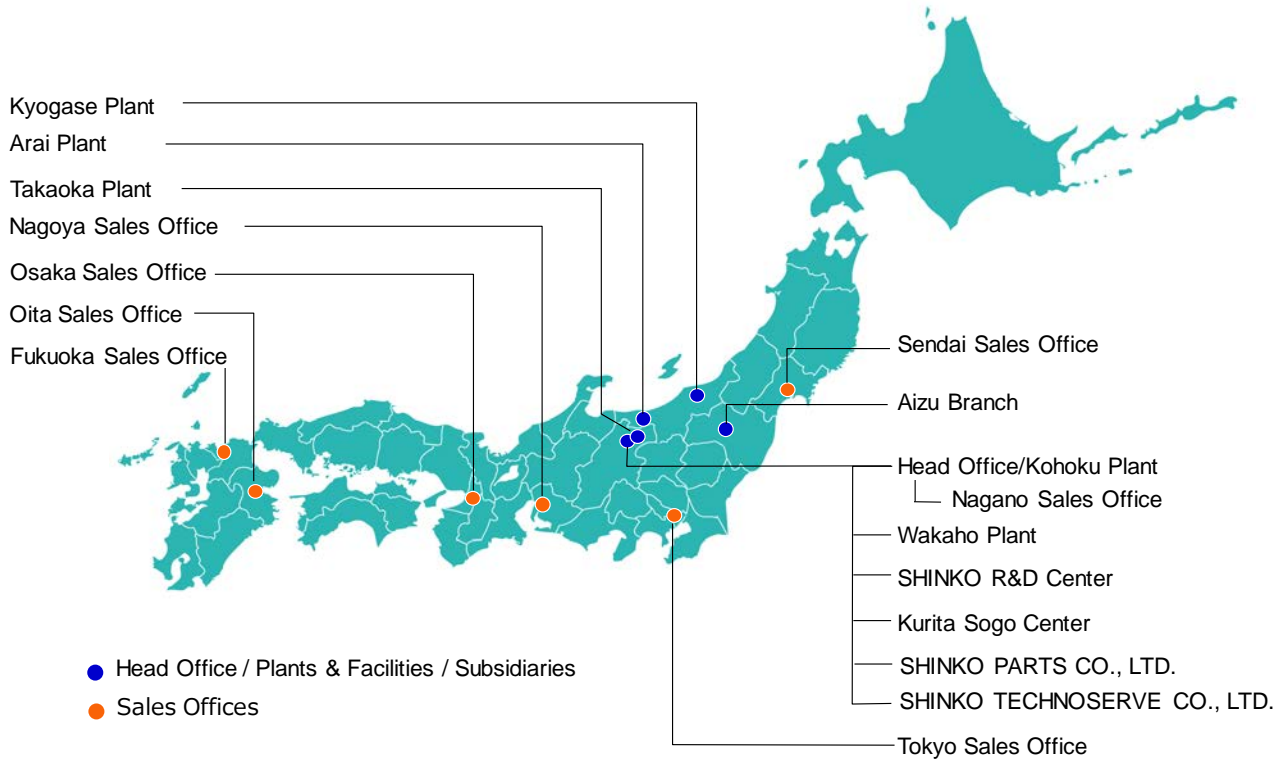


<Employee Ratio by Region (as of March 31, 2019)>

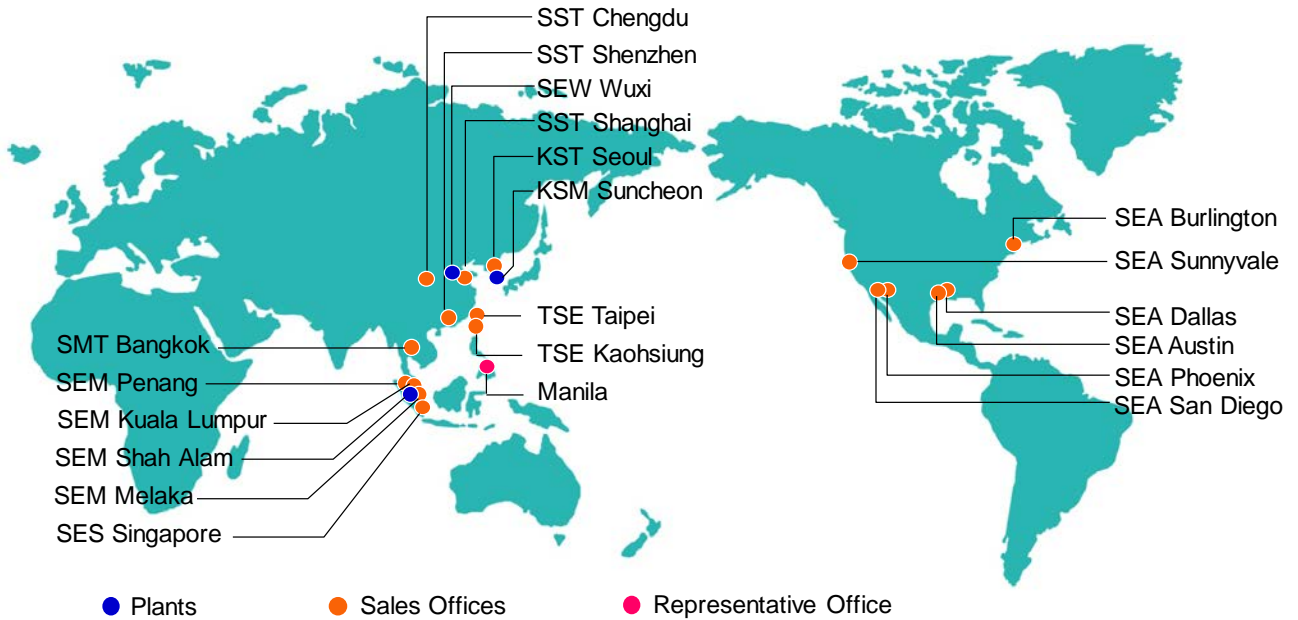


## Business Locations

### <Domestic Network>



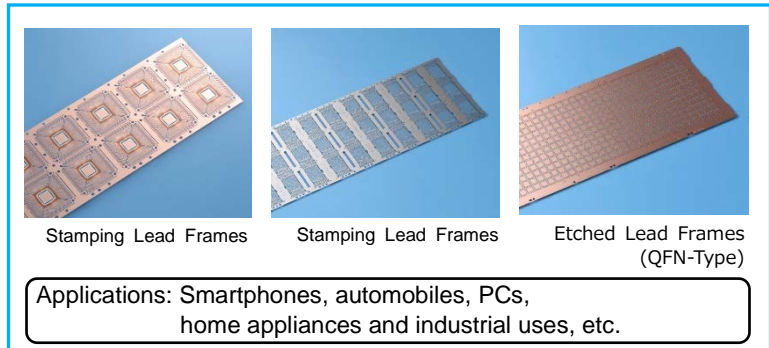
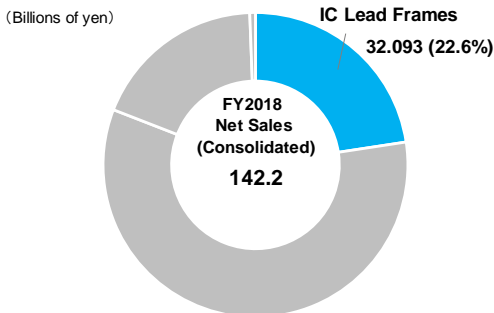
### <Global Network>



## Business Overview by Product Category

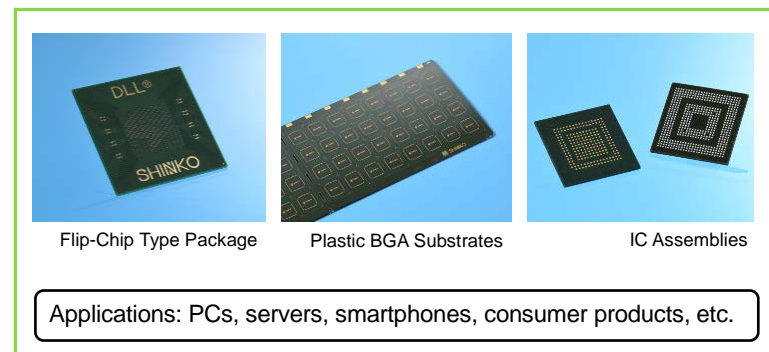
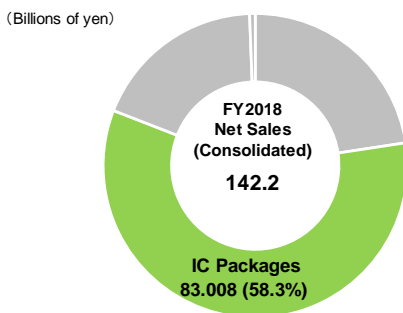
### IC Lead Frames

The IC Lead Frames segment consists of stamping lead frames and etched lead frames. Made of metal, lead frames are exceptionally reliable and extremely versatile.



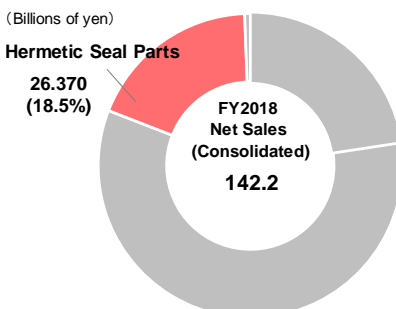
### IC Packages

The IC Packages segment includes such products as flip-chip type packages, plastic BGA substrates, heat spreaders, and IC assemblies. They are used in PCs, servers, smartphones and, in recent years, the automotive applications among other areas.



### Hermetic Seal Parts

The Hermetic Seal Parts segment consists of ceramic electro static chucks and glass-to-metal seals. Ceramic electro static chucks are used in semiconductor manufacturing equipment, while glass-to-metal seals' uses include automotive sensors and optical devices among others.



# Message from the President



Technological innovation driven by semiconductor advances is expected to bring big changes to our lives and society, including through markets related to IoT and AI, which are anticipated to become more widely used in the future, and the auto market, in which technology development is accelerating, including self-driving and EV (electric vehicles), supported by the practical implementation of the next-generation mobile communications standard (5G). In such a time of major economic and social change, the Shinko Group aims to enrich the lives of people by providing customers all over the world with diverse products built upon the elemental technologies it has cultivated since its founding and, moreover, to fulfill its social responsibility as a corporate citizen by actively addressing increasingly complex social challenges.

With stakeholders placing more diverse expectations onto companies in recent years, we have entered an era in which firms face greater evaluation and selection in terms of attitudes toward and action on ESG (environmental, social, and governance) factors such as initiatives against climate change and social issues as well as corporate governance in addition to financial factors. Also, things

such as the Sustainable Development Goals (SDGs) adopted at a UN summit and the Paris Agreement have further increased the roles and responsibilities that companies must assume to create a world of sustainable growth. The Shinko Group has operated its business with the intention of pursuing harmony between corporate activities and ESG objectives such as the reduction of environmental impacts. We see the attitude and activities of the Shinko Group as dovetailing with initiatives aimed at realizing the world imagined by the SDGs and the Paris Agreement, and we are determined to keep enhancing and deepening our activities in that regard.

In particular, the Shinko Group has made environmental protection a top management priority as a corporate social responsibility and has sought to contribute to the protection and improvement of the global environment through manufacturing. Further, in our Environmental Action Program (Stage 9) launched in 2019, we incorporated the perspective of the SDGs when establishing medium- to long-term environmental goals and recommitted the Group to the reinforcement of these activities.

Going forward, the entire Group will continue making efforts to reduce environmental impacts, thereby contributing to the global environment.

It is in the Shinko Group's DNA handed down from the time of its founding to contribute to local communities and the international community through its business activities. The "Shinko Way" sets out such a corporate philosophy, policies, and values to uphold. Through practice of the Shinko Way, we are dedicated to various ESG activities to ensure we remain a company that is trusted by society, while continually boosting our corporate value and contributing to the sound development 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.

*M. Fujita*

Masami Fujita  
President and Representative Director  
SHINKO ELECTRIC INDUSTRIES CO., LTD.

# Initiatives for SDGs

## Sustainable Development Goals (SDGs)

At the World Summit on Sustainable Development held at the United Nations Headquarters in September 2015, the members of the United Nations adopted The 2030 Agenda for Sustainable Development. Included in the agenda are Sustainable Development Goals (SDGs) that cover the period 2016 to 2030.

The SDGs consist of 17 goals and 169 targets to achieve a sustainable world. As a global issue shared by developing and developed countries alike, the SDGs aim to not leave anyone in the world behind.

Under the SDGs, the private sector is expected to play an important role in addition to the activities carried out by national and local governments, international organizations, community-based organizations, and educational institutions.








## Promoting SDGs Activities in the Shinko Group

In 1946, with the main aim of ensuring the local employment during the chaos of the postwar period, we launched business starting with the refurbishment/recycling of unusable lightbulbs. From that time until now, the Shinko Group has consistently carried out business operations that always take into account coexistence with local communities, consideration for the global environment, and respect for humanity.

Shinko was founded with the purpose of contributing to society and making effective use of resources. Our management philosophy and approach, from our beginnings up to today, have shared the same direction as the goals of the SDGs, including tackling climate change, securing sustainable forms of production and consumption, and promoting decent work.

The Shinko Group will continue to promote efforts to achieve the SDGs in order to deepen awareness of the role that the Group should play through communication with stakeholders and contribute to the realization of a sustainable society.

The Shinko Group's main initiatives for the SDGs are as follows.


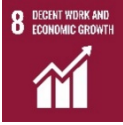



SDGs		the Shinko Group Initiatives
	Achieve gender equality	<ul style="list-style-type: none"> <li>◆ Promote the active participation of women (support career development, working environment improvements)</li> </ul>
	Promote sustainable economic growth, decent work	<ul style="list-style-type: none"> <li>◆ Human rights initiatives</li> <li>◆ Respect for diversity, promoting work-life balance</li> <li>◆ Create safe and comfortable workplaces</li> </ul>
	Ensure sustainable consumption and production patterns	<ul style="list-style-type: none"> <li>◆ Reduce raw material and water usage</li> <li>◆ Reduce waste</li> <li>◆ Control chemical substances</li> </ul>
	Take urgent action to combat climate change and its impacts	<ul style="list-style-type: none"> <li>◆ Reduce CO<sub>2</sub> emissions</li> <li>◆ Reduce resource and energy consumption</li> <li>◆ Promote green procurement</li> </ul>
	Protect terrestrial ecosystem and halt biodiversity loss	<ul style="list-style-type: none"> <li>◆ Participate in adopt-a-forest programs</li> <li>◆ Contribute to activities for tree planting through the donation of used pre-paid cards, etc.</li> </ul>








# CSR Activity Management




We set a target every year in accordance with the Corporate Values of the Shinko Way and develop our activities. Targets are set by promotion departments in light of factors including identified material issues.

## Our Targets and Results for FY2018

Shinko Way Corporate Values	Theme	FY2018 target	FY2018 results	SDGs
Society and Environment	Promoting activities to lower our environmental impact	<ul style="list-style-type: none"> <li>● Reduce CO<sub>2</sub> emissions Hold to an increase of 16.4% over the base year</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce CO<sub>2</sub> emissions Held to an increase of 12.6%</li> </ul>	    
		<ul style="list-style-type: none"> <li>● Reduce waste Hold to an increase of 48.9% over the base year</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce waste Held to an increase of 29.6%</li> </ul>	
		<ul style="list-style-type: none"> <li>● Reduce resource and water usage Implement measures to reduce water use by 1.3% of amount used in base year</li> </ul>	<ul style="list-style-type: none"> <li>● Reduce resource and water usage Implemented measures to reduce water use by 1.33%</li> </ul>	
		<ul style="list-style-type: none"> <li>● Promote green procurement                             <ul style="list-style-type: none"> <li>• Make requests and provide support to 100% of 1st tier suppliers that have 2nd tier 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>● Promote green procurement                             <ul style="list-style-type: none"> <li>• Requests made and support provided to 100% of 1st tier suppliers that have 2nd tier suppliers</li> <li>• Surveys performed on 100% of applicable suppliers</li> <li>• Survey response rate: 100%</li> </ul> </li> </ul>	
	Promoting reductions in environmental and safety risk	<ul style="list-style-type: none"> <li>● Promote hazard prediction (HP) activities</li> </ul>	<ul style="list-style-type: none"> <li>● Implemented HP activities during maintenance work (all plants)</li> </ul>	
		<ul style="list-style-type: none"> <li>● Reduce environmental and safety risk</li> </ul>	<ul style="list-style-type: none"> <li>● Implemented inspections based on annual comprehensive safety inspection plans</li> </ul>	
	Initiatives to protect the local environment	<ul style="list-style-type: none"> <li>● Conduct environmental volunteering cosponsored by labor union and management through the adopt-a-forest program in Iizuna Town</li> </ul>	<ul style="list-style-type: none"> <li>● Conducted tree planting, etc. at an adopt-a-forest program in Iizuna Town (June and October)</li> </ul>	
		<ul style="list-style-type: none"> <li>● Conduct environmental beautification activities at all plants</li> </ul>	<ul style="list-style-type: none"> <li>● Conducted beautification activities at all plants (June, September, and October)</li> </ul>	
	Coexistence and dialogue with local communities	<ul style="list-style-type: none"> <li>● Engage with members of local communities through participation in local events and contribute to community revitalization</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> </ul>	
		<ul style="list-style-type: none"> <li>● Engage with local communities through plant tours</li> </ul>	<ul style="list-style-type: none"> <li>● Provided plant tours for neighborhood residents and students</li> </ul>	
Profit and Growth Shareholders and Investors	Enhancing corporate value through stronger governance	<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>	<ul style="list-style-type: none"> <li>● Adherence to the principles of the Corporate Governance Code: Expanded initiatives, examined and disclosed responses to code revisions</li> </ul>	
	Enriching dialogues with shareholders and investors	<ul style="list-style-type: none"> <li>● Examine and implement measures to facilitate constructive dialogues with shareholders and investors</li> </ul>	<ul style="list-style-type: none"> <li>● Participated in IR forums; visited institutional investors to conduct one-on-one meetings</li> </ul>	
		<ul style="list-style-type: none"> <li>● Improve dissemination of information to shareholders and investors</li> </ul>	<ul style="list-style-type: none"> <li>● Enriched information on our IR website; complied with disclosure rules, etc.</li> </ul>	

Shinko Way Corporate Values	Theme	FY2018 target	FY2018 results	SDGs
Profit and Growth Shareholders and Investors	Risk management	<ul style="list-style-type: none"> <li>Understand important risks, and consider and review countermeasures, beforehand</li> </ul>	<ul style="list-style-type: none"> <li>Conducted potential risk survey and management review</li> </ul>	
		<ul style="list-style-type: none"> <li>Establish emergency response systems, and ensure safety through continuous education and training for employees</li> </ul>	<ul style="list-style-type: none"> <li>Conducted firefighting drill, emergency drill, and simultaneous self-defense firefighting and evacuation drill across the Company and other training</li> </ul>	
		<ul style="list-style-type: none"> <li>Bolster countermeasures for safety of buildings and equipment</li> </ul>	<ul style="list-style-type: none"> <li>Reinforced buildings' earthquake resistance, and prevented production equipment from falling over</li> </ul>	
		<ul style="list-style-type: none"> <li>Raise employees' risk awareness, firmly establish business continuity management (BCM)</li> </ul>	<ul style="list-style-type: none"> <li>Conducted company-wide BCM education and rank-specific education</li> </ul>	
Global Perspective	Provide opportunities and active support for skills development	<ul style="list-style-type: none"> <li>Expand training programs for developing globally aware human resources</li> </ul>	<ul style="list-style-type: none"> <li>Expanded in-house foreign language classes, sent employees to optional external training programs, and increased in-house TOEIC exams</li> </ul>	 
	Strengthen overseas compliance system	<ul style="list-style-type: none"> <li>Reinforce compliance in line with the Global Compliance Program (GCP)</li> <li>Understand compliance risks and implement countermeasures to reduce risks</li> </ul>	<ul style="list-style-type: none"> <li>Conducted group trainings for relevant staff and provided compliance related e-Learning at each site</li> <li>Identified risk through hearings at sites, and implemented countermeasures and follow-up activities</li> </ul>	
Employees	Creating a vibrant corporate culture that takes into account work-life balance	<ul style="list-style-type: none"> <li>Strengthen initiatives on Transforming Work Styles</li> </ul>	<ul style="list-style-type: none"> <li>Promoted activities by reducing long working hours, encouraging the taking days off, and relaxing requirements for various programs</li> </ul>	  
		<ul style="list-style-type: none"> <li>Supporting career development and improvement of working environments to encourage the active participation of women</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced the content of rank-specific training, raised awareness through manager training, and conducted seminars to support career development</li> </ul>	
	Providing opportunities and active support for skills development	<ul style="list-style-type: none"> <li>Enhance training to develop human resources that will lead in the future</li> </ul>	<ul style="list-style-type: none"> <li>Sent more employees to optional external training programs, and expanded rank-specific training that including the use of outside instructors</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>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>Promoted activities based on management manuals, conducted awareness-building and training on the handling of chemicals, and conducted employee education and inspections related to dangerous or hazardous work</li> </ul>	
		<ul style="list-style-type: none"> <li>Raise every employee's safety awareness, and promote and reinforce the 5S* program</li> </ul>	<ul style="list-style-type: none"> <li>Conducted safety education programs throughout the Company (on site inspections and e-Learning) as well as periodic patrols and inspections, traffic safety awareness raising campaigns, education, and guidance, 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, chemical substances, before major holidays), identified and mitigated risks, and took measures to prevent similar accidents</li> </ul>	
<ul style="list-style-type: none"> <li>Reduce employee fatigue and stress, and promote prevention of lifestyle diseases</li> </ul>		<ul style="list-style-type: none"> <li>Provided specific health guidance and feedback on stress checks, conducted workplace improvement skill development training, and reduced long amounts of overtime, etc.</li> </ul>		

\* 5S program: Sort, Set in order, Shine, Standardize, Sustain








Shinko Way Corporate Values	Theme	FY2018 target	FY2018 results	SDGs
Customers	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>● Increase compliance awareness through education and training for relevant departments on the security trade control system</li> </ul>	<ul style="list-style-type: none"> <li>● Conducted training for relevant departments and rank-specific training on the security trade control system</li> </ul>	
Business Partners	Promoting CSR throughout the supply chain	<ul style="list-style-type: none"> <li>● Make sure suppliers are aware of the procurement policy</li> </ul>	<ul style="list-style-type: none"> <li>● Made sure all suppliers in and outside Japan were aware</li> </ul>	  
		<ul style="list-style-type: none"> <li>● Give CSR questionnaires to main suppliers</li> </ul>	<ul style="list-style-type: none"> <li>● Gave CSR questionnaires and feedback to main suppliers (implementation rate: 100%)</li> </ul>	
		<ul style="list-style-type: none"> <li>● Confirm CSR compliance of subcontractors working on company premises</li> </ul>	<ul style="list-style-type: none"> <li>● Checked the situation on premises using the CSR questionnaire (twice yearly, implementation rate: 100%)</li> </ul>	
		<ul style="list-style-type: none"> <li>● Develop mechanism to ensure new suppliers are aware of the procurement policy and evaluate their compliance</li> </ul>	<ul style="list-style-type: none"> <li>● Not addressed, so carried over to activities for the next fiscal year</li> </ul>	
	Promoting conflict minerals surveys and due diligence	<ul style="list-style-type: none"> <li>● Promote upstream surveys of raw materials using the RMI<sup>*1</sup> template and conduct due diligence</li> </ul>	<ul style="list-style-type: none"> <li>● Implemented a questionnaire survey using the RMI template, conducted interviews and risk assessment based on the survey results, and made procurement improvement requests (100% procurement from CFS<sup>*2</sup>)</li> </ul>	
	Promoting BCP <sup>*3</sup> surveys of purchased products and formulating a BCP	<ul style="list-style-type: none"> <li>● Reduce risk through BCP questionnaire surveys and formulation of BCP</li> </ul>	<ul style="list-style-type: none"> <li>● Conducted BCP questionnaire surveys, interviews based on survey results and risk assessments, made improvement requests</li> </ul>	









\*1 RMI: Responsible Minerals Initiative

\*2 CFS: Conflict-Free Smelter

\*3 BCP: Business Continuity Plan

## Our Targets for FY2019

Shinko Way Corporate Values	Theme	FY2019 target	SDGs	
Society and Environment	Promoting activities to lower our environmental impact	<ul style="list-style-type: none"> <li>● Reductions in CO<sub>2</sub> emissions Hold below 154,924 t-CO<sub>2</sub></li> </ul>	  	
		<ul style="list-style-type: none"> <li>● Reductions in generation of waste Hold below 4,676 tons</li> </ul>		
		<ul style="list-style-type: none"> <li>● Reductions in usage of water resources Implement measures to reduce water usage by 0.5% of amount used in base year</li> </ul>		
		<ul style="list-style-type: none"> <li>● Green procurement (reductions in CO<sub>2</sub> emissions and maintenance of water resources)                             <ul style="list-style-type: none"> <li>· Perform environmental surveys on 100% of applicable suppliers</li> <li>· Survey response rate: over 90%</li> <li>· Make requests and provide support to 100% of 1st tier suppliers that have 2nd tier suppliers</li> </ul> </li> </ul>		
	Promoting reductions in environmental and safety risk	<ul style="list-style-type: none"> <li>● Promote hazard prediction (HP) activities</li> </ul>		
		<ul style="list-style-type: none"> <li>● Reduce environmental and safety risk</li> </ul>		
	Initiatives to protect the local environment	<ul style="list-style-type: none"> <li>● Conduct environmental volunteering cosponsored by labor union and management through an adopt-a-forest program in Iizuna Town</li> </ul>		
		<ul style="list-style-type: none"> <li>● Conduct environmental beautification activities at all plants</li> </ul>		
	Coexistence and dialogue with local communities	<ul style="list-style-type: none"> <li>● Engage with members of local communities through participation in local events and contribute to community revitalization</li> </ul>		
		<ul style="list-style-type: none"> <li>● Engage with local communities through plant tours</li> </ul>		
	Profit and Growth Shareholders and Investors	Strengthen corporate governance	<ul style="list-style-type: none"> <li>● Promote initiatives that encourage adherence to the principles of the Corporate Governance Code; disclose information</li> </ul>	
		Enriching dialogues with shareholders and investors	<ul style="list-style-type: none"> <li>● Promote constructive dialogues with shareholders and investors and enhance dissemination information.</li> </ul>	
Strengthen compliance		<ul style="list-style-type: none"> <li>● Strengthen protection of personal information</li> </ul>		
		<ul style="list-style-type: none"> <li>● Implement countermeasures to reduce compliance risks</li> </ul>		
Risk management		<ul style="list-style-type: none"> <li>● Conduct risk management</li> </ul>		
		<ul style="list-style-type: none"> <li>● Reinforce disaster prevention systems across the whole company</li> </ul>		
		<ul style="list-style-type: none"> <li>● Business continuity initiatives</li> </ul>		
		<ul style="list-style-type: none"> <li>● Strengthen information management</li> </ul>		

Shinko Way Corporate Values	Theme	FY2019 target	SDGs
Global Perspective	Providing opportunities and active support for skills development	<ul style="list-style-type: none"> <li>Expand training programs for developing globally aware human resources</li> </ul>	
	Strengthening overseas compliance system	<ul style="list-style-type: none"> <li>Reinforce compliance and understanding of compliance risks in line with the Global Compliance Program (GCP) and implement countermeasures</li> </ul>	
Employees	Creating a vibrant corporate culture that takes into account work-life balance	<ul style="list-style-type: none"> <li>Strengthen initiatives on Transforming Work Styles</li> <li>Support career development and improvement of working environments to encourage the active participation of women</li> </ul>	
	Providing opportunities and active support for skills development	<ul style="list-style-type: none"> <li>Enhance training to develop human resources that will lead in 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>Conduct health, safety, and fire and disaster prevention activities in accordance with the laws and regulations</li> </ul>	
		<ul style="list-style-type: none"> <li>Raise employees' safety awareness, and promote and reinforce the 5S*1 program</li> </ul>	
		<ul style="list-style-type: none"> <li>Conduct continual risk reduction activities</li> <li>Reduce employee fatigue and stress and promote prevention of lifestyle diseases</li> </ul>	
Customers	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>Increase compliance awareness through education and training for relevant departments on the security trade control system</li> </ul>	
Business Partners	Promoting CSR throughout the supply chain	<ul style="list-style-type: none"> <li>Make sure suppliers are aware of the procurement policy</li> </ul>	
		<ul style="list-style-type: none"> <li>Give CSR questionnaires to main suppliers</li> </ul>	
		<ul style="list-style-type: none"> <li>Confirm CSR compliance of subcontractors working on company premises</li> </ul>	
	Promoting conflict minerals surveys and due diligence	<ul style="list-style-type: none"> <li>Develop mechanism to ensure new suppliers are aware of the procurement policy and evaluate their compliance</li> </ul>	
Promoting BCP*3 surveys of purchased products and formulating BCP	<ul style="list-style-type: none"> <li>Promote upstream surveys of raw materials using the RMI*2 template and conduct due diligence</li> </ul>		
		<ul style="list-style-type: none"> <li>Reduce risk through BCP questionnaire surveys and formulation of BCP</li> </ul>	

\*1 5S program: Sort, Set in order, Shine, Standardize, Sustain

\*2 RMI: Responsible Minerals Initiative

\*3 BCP: Business Continuity Plan

## 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.

President and Representative Director  
SHINKO ELECTRIC INDUSTRIES CO., LTD.



## Environmental Management

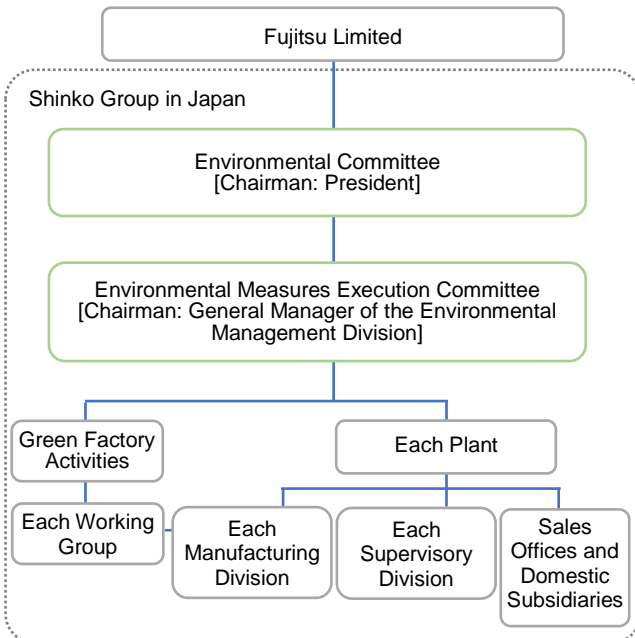
The Shinko Group in Japan has developed an environmental management system and employs the PDCA cycle in an effort to make continual improvements and enhance its environmental performance to practice eco-friendly business operations under its Environmental Policy. The Shinko Group in Japan has acquired ISO 14001 integrated certification as a member of the Fujitsu Group, and overseas manufacturing subsidiaries are certified by each company.

Below is a report on the activities of the Shinko Group in Japan.

### Promotion System

We have established an environmental committee chaired by the President to promote environmental management. As the highest decision-making body related to environmental measures, the committee drafts, deliberates, and decides matters concerning environmental management.

We have also established an environmental measures execution committee as a subordinate organization to the environmental committee that deliberates matters such as the progress of activities to achieve environmental goals. Based on this promotion system, we maintain and improve our environmental management system and work to integrate activities to reduce environmental impacts into our business operations.



### Identifying Environmental Challenges

To pursue even better, eco-friendly business operations, we clarify challenges and stakeholder requests related to the environment and perform an annual assessment of risks (deleterious impacts) and

opportunities (beneficial impacts).

We view the results as environmental challenges, reflecting them in our environmental management system plans, and take actions to resolve them.

### Environmental Audits

Every year we conduct our own internal environmental audit, in addition to one conducted by the Fujitsu Group, to check the effectiveness of our environmental management system and legal compliance.

The audits are conducted by internal environmental auditors, including environmental management system examiners (personnel qualified to examine ISO 14001 conformance). We continually improve our management system through the internal audits.

### 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

There were no legal violations or accidents having serious impacts on the environment in FY2018.

### Environmental Education

To encourage each and every employee to always act with the environment in mind and to continue to act as not only corporate activities but a good member living in society, the Shinko Group in Japan provides periodic environmental education to all employees. In FY2018, we incorporated content on the SDGs into educational materials in an effort to raise employee awareness leading to sustainable development.

We also provide environmental education adjusted for each type of work and hierarchy. 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. In energy saving activity, we publish news about on-site review meetings and examples of initiatives in an Energy Saving bulletin (Japanese language only) to share information 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 Action Program (Stage 8)

The Environmental Action 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. During the period covered by Stage 8, we were forced to change the targets for reducing waste due to an increase in waste caused by changes the processes and chemicals used. Nevertheless, all goals were achieved for the Environmental Action Program.

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

Item	Environmental Action Program (Stage 8) target	FY2018 target	FY2018 results	Self-assessment*
Our Business Operations	Reducing CO <sub>2</sub> emissions from energy consumption · 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 FY2018 to within a 16.4% of the results for FY2013	Held to within a 12.6% increase from the results for FY2013	○
	Reducing waste · Hold growth in generation of waste to the end of FY2018 to within a 62.1% increase from the average for FY2012–FY2014	Hold growth in generation of waste to the end of FY2018 to within a 48.9% increase from the average for FY2012–FY2014	Held to within a 29.6% increase from the average for FY2012–FY2014	○
	Reducing water usage · Implement measures to reduce water usage by the end of FY2018 by an amount equivalent to 5% of that used in FY2014	Implement measures to reduce water usage by the end of FY2018 by an amount equivalent to 1.3% of that used in FY2014	Implemented measures to reduce water usage by amount equivalent to 1.33% of that used in FY2014	○
	Promoting green procurement · Promote initiatives to reduce CO <sub>2</sub> emissions in the supply chain 1. Submit requests and support to 100% of 1st tier suppliers that have 2nd tier 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 1st tier suppliers that have 2nd tier suppliers 2. Perform surveys of 100% of applicable suppliers 3. Survey response rate: 90%	1. Requests submitted and support provided to 1st tier suppliers that have 2nd tier suppliers: 100% 2. Surveys performed on applicable suppliers: 100% 3. Survey response rate: 100%	○
Operations Management	Controlling chemical substances emission · Hold emissions of chemical substances below the average for FY2012–2014	Continue efforts	Continued efforts	○
	Social contribution activities Efforts as a good corporate citizen · Support increases in social contribution activities conducted by employees together with society	Continue efforts	Continued efforts	○
	Cooperating with society · Support efforts to resolve social and environmental challenges such as biodiversity	Continue efforts	Continued efforts	○

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



## The Environmental Action Program (Stage 9)

The Environmental Action Program (Stage 9) sets out environmental goals for FY2019 to FY2020. The Shinko Group in Japan established specific targets to achieve in a range of fields during two years. Through our activities to reduce environmental impact thus far, we have carried out initiatives that contribute to achieving the SDGs with the aim of creating a sustainable society. In addition, to engage in activities with an even greater focus on the SDGs, we have established Contributing to the achievement of the SDGs as the objective of our Environmental Action Program (Stage 9).

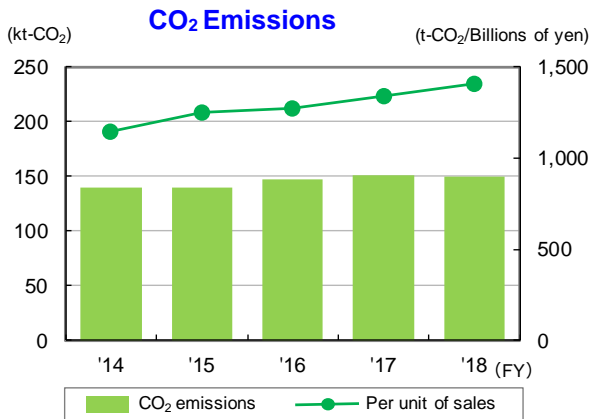
Item	Environmental Action Program (Stage 9) target	FY2019 target
Climate change	Reducing CO <sub>2</sub> emissions from energy consumption · Hold CO <sub>2</sub> emissions from energy consumption of our facilities to within 162,176 t-CO <sub>2</sub> by the end of FY2020	Hold CO <sub>2</sub> emissions from energy consumption in FY2019 to within 154,924 t-CO <sub>2</sub>
Resource circulating	Reducing waste · Hold generation of waste to within 4,715 tons by the end of FY2020	Hold generation of waste in FY2019 to within 4,676 tons
	Reducing water usage · Reduce water usage to 1% of that used in FY2017 by the end of FY2020	Implement measures to reduce water usage to 0.5% of that used in FY2017 by the end of FY2019
	Controlling chemical substances emission · Hold emissions of chemical substances below the average for FY2012–2014	Continue efforts
Supply chain	Promoting green procurement · Promote upstream initiatives in the supply chain to reduce CO <sub>2</sub> emissions and contribute to the maintenance of water resources 1. Perform surveys of 100% of applicable suppliers 2. Survey response rate: more than 90% 3. Submit requests and support for CO <sub>2</sub> reduction activities to 100% of 1st tier suppliers that have 2nd tier suppliers	Promote upstream initiatives in the supply chain to reduce CO <sub>2</sub> emissions and contribute to the maintenance of water resources 1. Perform surveys of 100% of applicable suppliers 2. Survey response rate: more than 90% 3. Submit requests and support for CO <sub>2</sub> reduction activities to 100% of 1st tier suppliers that have 2nd tier suppliers
SDGs	Contributing to the achievement of the SDGs · Contribute to the achievement of the SDGs through business activities	Contribute to the achievement of the SDGs through business activities

Matters subject to goals management under the Environmental Action Program define the scope of EMS initiatives.

## Global Warming Countermeasures

### Results of Activities

In FY2018, CO<sub>2</sub> emissions as a result of energy usage came to 150,072 tons, flat in recent years. In the future, we anticipate an increase in energy usage due to production system enhancements for next-generation flip-chip type packages and equipment investments for next-generation plastic BGA substrates, among other efforts. Based on this situation, we are focusing on energy reduction activities for existing and new equipment.



### Resource and Energy-Reduction Projects

In order to curb the amount of energy usage that increases year by year, we launched the Resources 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 six years since we began activities, we succeeded in reducing CO<sub>2</sub> by the equivalent of 34,400 tons as the result of a number of initiatives.

To strengthen our activities, we implemented on-site energy-saving review meetings and patrols of manufacturing areas that involve all relevant employees, including the President and officers. We aim to further reduce resources and energy and manufacture better quality products.

#### <Examples of activities in FY2018>

- Implemented on-site energy-saving review meetings and patrols of manufacturing areas that involve all relevant employees, including the president and officers
- Upgraded utility equipment to highly energy-efficient equipment
- Tighter focus on energy-saving design for new manufacturing equipment
- Reduced air-conditioning load through measures to prevent radiation and insulate heat from heat-radiating equipment (dryers, etc.)



On-site energy-saving review

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

#### <Upgrading of refrigerating equipment>

Cooling water used on production lines is made using refrigerating equipment. Due to aging of the refrigerating equipment installed at the Takaoka Plant, demand from production lines for cooling water had increased, for that reason the supply situation was tight. By upgrading the refrigerating equipment and revising the plant's supply system, we increased efficiency and stabilized the supply situation to each production line.

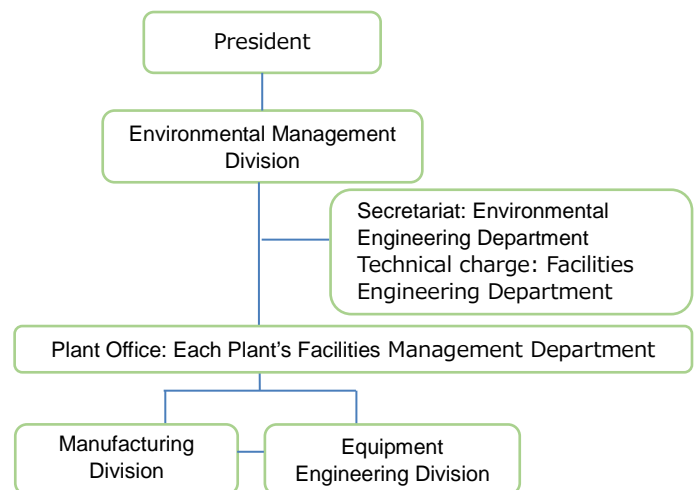
#### Effect

- Electricity cost: Reduction of 23 million yen/year
- CO<sub>2</sub> emission: Reduction of 720 t-CO<sub>2</sub>/year

#### <Other major measures>

- Efficiency improvement by reconsidering our manufacturing specifications
- Converting manufacturing equipment to use standby modes (operating only when actually processing products)
- Conversion to LED lighting in plants

#### Resource and Energy-Reduction Projects Structure



## 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 Usage

### Results of Activities

We carried out activities with the target of reducing its water usage by 118,000 m<sup>3</sup>, an amount equivalent to 5% used in FY2014, during 3 years from FY2016 to FY2018.

In FY2018, we reduced our water usage by 1.33% (31,300 m<sup>3</sup>, against the target of 1.3%, 29,900m<sup>3</sup>).

In three years, we reduced our water usage by 5.06% (119,000m<sup>3</sup>) and achieved our goal. (The Wakaho, Takaoka, and Arai plants were the target.)

### Measures to Reduce Water Usage

In FY2018, we strengthened the recycling of water used in the manufacturing process and the review of water supply for pure water for rinsing products. We also shut down equipment with a low utilization rate by concentrating products onto equipment with a high utilization rate, thereby further reducing water usage.

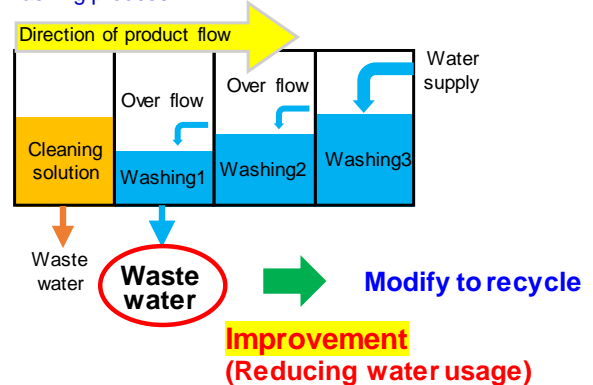
Here we present a specific activity that is currently under way.

### <Reducing water usage in circuit forming processes>

Wastewater from rinsing tanks in product washing process is usually sent to wastewater treatment. The Wakaho Plant investigated the degree of contamination of the wastewater in each rinsing tank, in order to consider water usage reduction in the washing process. The results showed that the wastewater from rinsing tanks for the circuit forming preprocessing process was recyclable with its low level of contamination. Accordingly, the plant

connected piping to recover the wastewater and feed it to pure water production equipment for recycling. This reduced water usage by an additional 2,893 m<sup>3</sup>/year.

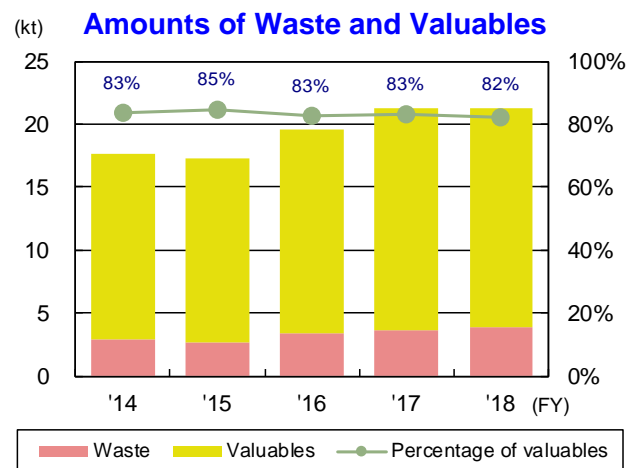
### Washing process



## Waste countermeasures

### Results of Activities

Gross output in FY2018 (amount of waste + valuable material) was 21,290 tons, of which valuable material was 82%. Gross output and valuable material were both nearly flat, but we anticipate increased waste in the future due to changes in chemicals used and expand production with the shift to next-generation products. Waste plastics are still the main items that end up as waste because they cannot be sold as valuables due to market changes. While this is a difficult situation, we will continue making efforts to reduce the output of waste.



### <Examples of waste reduction>

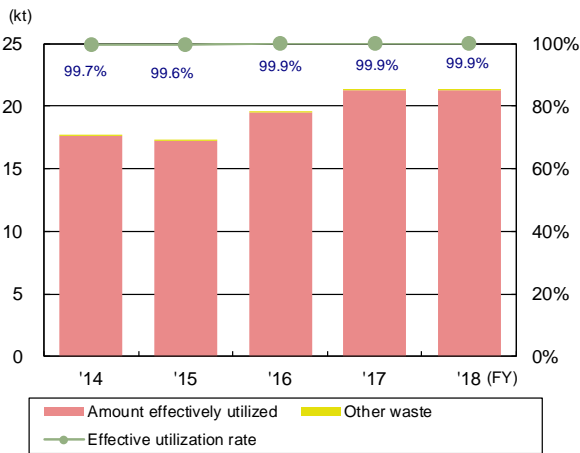
1. Reduction of debris and waste through process improvement
2. Elimination of a cleaning solvent through chemical changes
3. Extending the period of use of cleaning liquid, plating solutions, and recycling waste liquids.
4. Extending the period of use of filters.
5. In-house processing

### Effective Utilization of Waste

We achieved zero emissions, eliminating landfill and simple incineration (disposal that does not make effective use of waste heat during incineration or residues left after incineration) of waste in FY2003 and have maintained that status to help create a recycling-oriented society. With this, our rate of effective utilization of waste has remained steady at nearly 100% in recent years.

\* The effective utilization rate will not reach 100% since waste for which there is no effective utilization method and waste brought to local government-operated disposal sites that do not practice effective utilization (general waste from business activities) is not subject to zero emissions calculations.

#### Rate of Effective Utilization of Waste



### Proper Disposal of Waste

We consign waste to industrial waste disposal operators for proper disposal in accordance with the Waste Management and Public Cleansing Act and verify proper disposal through annual on-site inspections of disposal operators.

We also properly dispose of equipment containing PCBs possessed by the Shinko Group in Japan in accordance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

## Environmental Risk Measures

### Preparing for a Large-Scale Blackout

As part of our business continuity planning, in FY2018 we installed an emergency power generator in the Arai Plant in case of a large-scale blackout due to an accident or disaster. This will ensure power to the lights, fire alarm system, and servers during a blackout. The power can also be used for lighting and toilets in an evacuation shelter for persons having trouble getting home.



Emergency power generator

### Earthquake Countermeasures

In FY2018, our main activities focused on measures in the Kohoku Plant's employee cafeteria, which can serve as a secondary evacuation center during disasters. We

completed seismic strengthening work on the building and ceiling.



Aseismic frame in the ceiling



Cafeteria (Kohoku Plant)

### Safety Measures for Chemical Solution and Waste Liquid Equipment

We conduct periodic inspections to avoid leaks of chemical solutions and waste liquids due to aging equipment. We also upgrade old piping, tanks, and other equipment to ensure work safety. In FY2018, we upgraded waste liquid tank equipment at the Kohoku Plant.



Waste liquid tank

### Plant Safety Management

Each plant's facilities management department conducts monthly comprehensive safety inspections of each facility to achieve compliance, environmental protection, and the prevention of accidents. We also regularly conduct safety patrols of construction sites.

We also conduct emergency response training and protective equipment training in an effort to reduce environmental risks and ensure safety management.



Emergency response training

### Topic

#### Shinko wins the Environmental Excellence 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 FY2018 activities was held in June 2019. Our "Reduction of facility costs associated with the wet process," an initiative carried out, won the Environmental Excellence Prize from a pool of 64 entries.



Environmental Excellence Prize

## 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)

	FY2018 target	FY2018 results
Energy reduction	Hold CO <sub>2</sub> emissions from energy consumption below 60.7 t-CO <sub>2</sub> /billion won per year (emissions per unit of sales)	70.7 t-CO <sub>2</sub> /billion won (achievement rate: 83.5%)
	(Working to achieve this target based on the 10% reduction goal in the second five-year energy reduction plan)	
Water usage reduction	Reduce water usage by 2% compared to FY2017 and hold it below 127.4 t/million pieces per month (amount per unit of production)	219.5 t/million pieces (achievement rate: 27.7%)
Waste reduction/ recycling	Reduce generation of waste by 2% compared to FY2017 and hold it below 2.03 t/billion won per year (amount per unit of sales)	1.54 t/billion won (achievement rate: 124.1%)

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

	FY2018 target	FY2018 results
Energy reduction	Reduce electricity usage for air conditioning by 2% compared to FY2017 and hold below 4,284 MWh/year.	4,352 MWh/year (achievement rate: 98.4%)
	Reduce electricity usage for air compressors by 2% compared to FY2017 and hold below 4,159 MWh/year.	3,761 MWh/year (achievement rate: 109.6%)
	Reduce diesel fuel consumption by 2% compared to FY2017 and hold below 912,000 l/year.	888,000 l/year (achievement rate: 102.6%)
Water usage reduction	Hold water usage below 33.6 m <sup>3</sup> /million pieces per month (amount per unit of production)	24.5 m <sup>3</sup> /million pieces (achievement rate: 127.1%)
Waste reduction/ recycling	Increase recycling rate for packaging materials to 38.8% or higher per month	42.6% (achievement rate: 109.8%)

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

As SEW is a small company with few employees, it cannot carry out large-scale activities, but it is committed to reducing and recycling waste. SEW trains employees on topics such as environmentally controlled substances and environmental laws as well as conducts emergency response trainings in order to consistently conduct operations that do not impact the environment.

# 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. e-Learning implemented among all employees in FY2018 deepened understanding of various human rights issues including workplace harassment, the human rights of persons with disabilities and of foreigners, and Buraku discrimination. In an effort to foster an organizational culture free of harassment, e-Learning given to all managers also illuminated the trends of actual harassment examples and the roles of managers in handling and reporting harassment problems. 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 issues, 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 company rules clearly stipulate such matters as the protection of personal information and privacy when seeking consultation or blowing the whistle and the prohibition of unfair treatment of employees who seek consultation.

When employees contact the corporate ethics helplines for consultation about human rights or to report an issue, the call or e-mail is taken by a personnel department manager designated in advance as a person to handle consultations. If an investigation and response are deemed necessary, action will be quickly taken to check the facts with the relevant parties and to find a solution to the problem.

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

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." We strive to create workplaces that are pleasant for all employees.

### Balance between Employees' Personal and Professional Lives

We have also worked continuously to support a work-life balance. We received certification due to our action plan based on Japan's Act on Advancement of Measures to Support Raising Next-Generation Children and have been given approval to use the Next-Generation Approval Mark.

We are promoting initiatives to achieve flexible work styles, 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 shortened hours until the need to provide caregiving disappears, (3) a system of leave for infertility treatment, and (4) increased time off for parenting and specified diseases as well as shortened 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.

### Providing a Pleasant Workplace Environment: Transforming Work Styles

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. 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. 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."

We are continuously working to establish work styles that do not require long working hours by lowering the upper limit on overtime work, establishing upper working hours limit per week, lowering the limit on the maximum number of consecutive working days, requiring employees to leave the office on time every Wednesday and on the second and fourth Fridays each month, ensuring that a fixed period of rest through the adoption of a work shift interval rule, and grasp of manager's working hours among other measures. In addition, we are also working to promote taking days off through the establishment of rules to encourage the taking of annual leave, elimination of the limit on the frequency of half-day annual leave, establishment of the annual off acquisition date and other measures.

Going forward, we will continue transforming work styles in terms of both increasing productivity and achieving a work-life balance with the aim of creating a dynamic corporate culture and workplaces that are pleasant for all.



## Respect for Diversity

By combining the talents of employees, each with their own unique qualities and way of thinking, our corporate value increases. The Shinko Group respects the diversity of its employees and strives to foster a corporate culture wherein all employees can increase their own value and work with pride and confidence.

### Initiatives to Promote Active Participation by Women

According to our action plan based on the Act to Advance Women's Success in Their Working Life, in FY2018 we held a work-life balance seminar for male and female employees who are raising children. Employees who have children who enter elementary school in the next fiscal year were newly eligible to attend and discuss the experiences of male and female managers with childcare experience, health management of working parents and children and other topics. This aimed to raise awareness of the work/parenting balance and medium- to long-term career formation. Also, 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. In addition, we also provided education on the prevention of harassment in the workplace using e-Learning for raise the awareness of managers and promote the active participation of women.

We also implemented diversity seminars in rank-specific training to promote gender equality within the Company.

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 (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



Work-life balance seminar

### Acceptance of Personnel of Different Nationalities

Shinko is increasing the diversity of its workforce to encourage innovation. We hire international students and accept personnel working at Shinko Group sites outside Japan as well as overseas technical intern trainees.

In the case of foreign technical intern trainees, we provide in-house Japanese communication training and provide Japanese staff in the accepting departments with communication training led by foreign instructors. In this way, we provide support so that personnel with different cultures and languages can actively deepen relationships of trust beyond nationality.

Going forward, we will continue these efforts through the recruitment of diverse talent to foster a corporate culture wherein various personalities and ways of thinking are accepted and each person can make the most of his or her abilities.



Training for foreign technical intern trainees

### 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 435 employees have made use of this system.

## 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 FY2018, 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.

### Initiatives to Cultivate Global Human Resources

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

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

In FY2018, in light of the needs of employees engaged in coursework, we began offering a new Chinese language course, increased the number of courses for each class, and expanded the number of sites offering classes to actively enhance the learning environment for improving foreign language skills.

With an increase in employees engaged in training, we expanded opportunities to take the TOEIC test in the Company and extended the period of foreign language training.

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

### Supporting Abilities Development

In order to support the growth of all employees and to train core and global human resources, Shinko provides general training and specialized training, including on-the-job training in the workplace, and promoting the development of human resources who will lead the future through active dispatch of employees to external training and the use of external lecturers. We will continue to enhance our educational programs and improve all training sessions so that employees can improve their abilities and expertise and realize their own growth.

Furthermore, in FY2018 the average annual study time per employee was 15.4 hours. (However, this excludes on-the-job training and education in the workplace.)



Challenge resolution and leadership skill training

## 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 90.2%.\* 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 with negotiating respect each other's position, and work with the union to resolve various issues.

In FY2018, we worked at balancing corporate development and growth with providing fulfilling, healthy lives for all employees by regularly sharing information about initiatives to reduce overtime and encourage the taking of leave based on a joint labor-management declaration for Transforming Work Styles. Going forward, we will continue initiatives to move 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.

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

# 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.

## 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.

President and Representative Director  
SHINKO ELECTRIC INDUSTRIES CO., LTD.

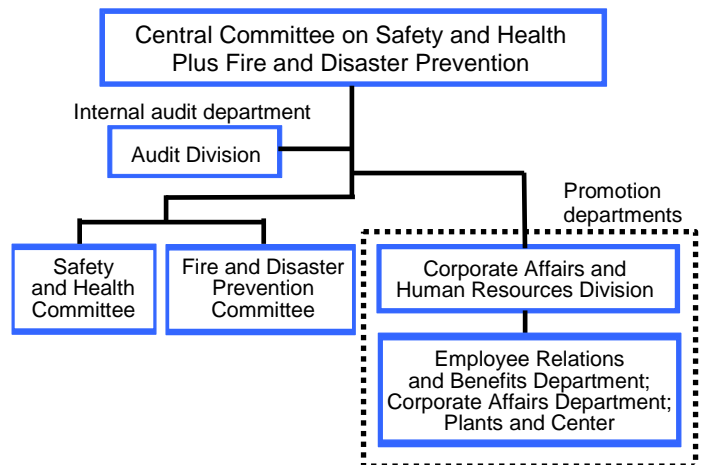
## Safety and Health Plus Fire and Disaster Prevention Promotion System

We have established a company-wide basic policy on safety and health plus fire and disaster prevention to promote these activities.

To promote these systems, each plant sets up a safety and health committee and a fire and disaster prevention committee to deliberate and implement plant-based initiatives related to safety and health as well as fire and disaster prevention. Plants also share information with each other about accidents that have occurred within the Company and countermeasures taken in an effort to prevent similar accidents.

We have also established a central committee on safety and health plus fire and disaster prevention, chaired by the President, to oversee each plant's activities, analyze accidents that have occurred, establish company-wide measures and goals related to safety and health plus fire and disaster prevention, manage the progress of measures, work through the PDCA cycle to verify the effects of measures and make improvements, and raise the level of safety and health.

## 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.



Safety and health education on-site

### Autonomous Safety Initiatives in the Manufacturing Workplace

We have established Risk Assessment Standards and conduct risk assessments when starting a new operation, when changing an operational method, and for all operations once a year to reveal and assess potential risks, and carry out efforts to rectify dangerous points. To systematically reduce the danger of identified risks, each plant manages the progress of corrections and reports to the central committee on safety and health plus fire and disaster prevention.

リスク抽出表				年	月	日
従業員名	氏名	所属				
工程・装置名		場所				
作業内容		頻度				
リスク内容	危険性のある作業について、具体的に記入していただき、(〇〇なので〇〇になる、〇〇しなると〇〇になる等)					
リスク低減対策案	リスクを低減するための対策について、具体的な記入していただき。					
						用番紙

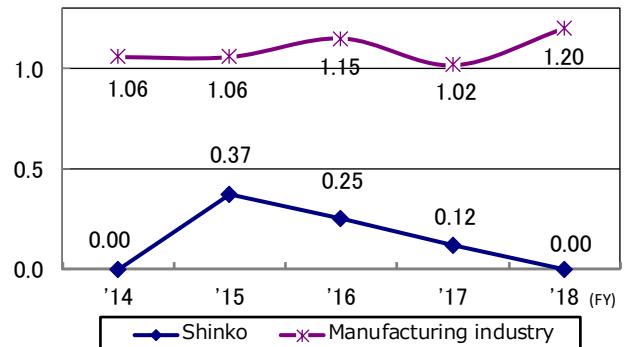
Risk identification sheet used to document risks in the manufacturing workplace

### Status of Occupational Accidents

Our occupational accident frequency rate remains

at a level below the nationwide average for the manufacturing industry, and in FY2018, we had no accidents resulting in death or residual disability nor any similarly serious accidents.

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



### 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.

### 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.

### Certified as an Outstanding Health and Productivity Management Corporation: White 500

In February 2019, Shinko was recognized as a White 500 company, which is a group of companies with outstanding health and productivity management jointly selected by Japan's Ministry of Economy, Trade and Industry (METI) and Nippon Kenko Kaigi. We place the highest priority on management issues involving employee safety and health maintenance and engaged in a variety of initiatives in support of these efforts. By verifying and assessing their results, we will maintain our pursuit of continuous improvements to increase the efficacy of these measures and tailor them to individual situations.



## 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.

#### 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.

### 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 2018, a total of 173 employees participated as dancers, interacting with local residents.

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



Dancing at the Nagano Binzuru Festival

**Initiatives at Sites Outside Japan**

Once a year, SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. (SEM: Malaysia) makes donations to an orphanage. In FY2018 it donated food and clothing, in addition to money. Moreover, around 40 employees visited the orphanage and spent time with the children.



Visit to an orphanage

**Supporting Youth Development**

**Plant Tours and Internships**

Shinko provides opportunities for learning to nearby schools through plant tours. In FY2018, the Kohoku Plant, Takaoka Plant, and Arai Plant provided tours from elementary school students to university students.

The Shinko Group also provides 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 FY2018, SEM (Malaysia) provided internships to college students majoring in chemistry or mechanical engineering.



Tour of the Arai Plant by junior high school students

**Participation in “Future View Nagano”**

In FY2018, Shinko participated in Future View Nagano, which was held in Nagano City. This event was first held in 2018 with the purpose of getting high school students—who are thinking about their future courses after graduation, such as whether to pursue higher education or find a job—to understand the connection between and expanding horizons of learning and work. Another purpose is to convey the attraction of local companies and jobs.

The theme of Shinko’s booth was “Explore the Inner Workings of Electronics!” We prepared samples of Shinko products on which were designed micro-scale circuit mazes for students to try and get through using a microscope. The comments from students included, “I was surprised at the detailed work, but it was fun to experience.”



Shinko’s booth at Future View Nagano

**Supporting Youth Development**

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 477 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.





## 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 FY2018, a total of 276 employees participated in such beautification efforts.

Also, KOREA SHINKO MICROELECTRONICS CO., LTD. (KSM: Korea) 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

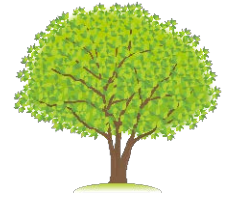
Taking advantage of the adopt-a-forest program promoted by Nagano Prefecture, we concluded an agreement in October 2014 to conduct maintenance in collaboration with Iizuna Town in forests owned by the town around Lake Reisenji. In FY2018, Shinko and the labor union co-organized forest maintenance work, including the planting of about 500 saplings 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 FY2018, we collected and donated items sufficient for about 952 saplings.



### Volunteering

In FY2018, 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.



Activities at Myoko City Clean Partners

# 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.

President and Representative Director  
SHINKO ELECTRIC INDUSTRIES CO., LTD.

### Company-wide Quality Assurance Division Established

Shinko had previously obtained ISO 9001 certifications in each manufacturing division separately. Last year, however, we combined the certifications of each manufacturing division and acquired ISO 9001 integrated certification for the entire of the Company.

To further strengthen our governance of quality, we established a quality assurance division in May 2018 with a view to promoting company-wide quality assurance activities. With this, we are striving to maintain and improve our company-wide quality management system by cooperating with the quality assurance departments in each

manufacturing division, strengthening management, fostering a quality-oriented mindset, and promoting the sharing of information.

### IATF 16949 Certification Acquired

With the publication of IATF 16949, a global standard to replace ISO/TS 16949 for quality management systems in the automotive industry, Shinko and SHINKO ELECTRONICS (MALAYSIA) SDN. BHD. underwent audit to transfer to IATF 16949 in 2018 and acquired 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 2018

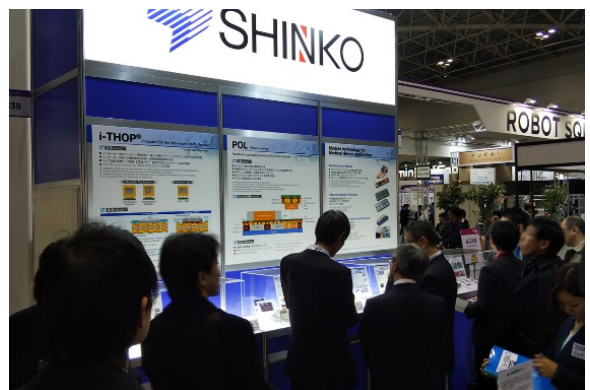
In November 2018, we exhibited for the fourth time in a row since our first exhibition in FY2015 at COMPAMED 2018 (an international trade show for medical device technology and parts) in Düsseldorf, Germany. We introduced such products as modules specialized for wearable devices in the medical field and the components for ultrasound transducer.



COMPAMED 2018

#### SEMICON Japan 2018

In December 2018, Shinko mainly exhibited our advanced solutions at SEMICON Japan 2018, held at Tokyo Big Sight, introducing our developed products such as next-generation packages for power electronics. More than 200 customers visited our booth during the three days.



SEMICON Japan 2018

#### 11th Int'l Automotive Electronics Technology Expo (CAR-ELE JAPAN)

Shinko exhibited at the International Automotive Electronics Technology Expo held at Tokyo Big Sight in January 2019. We mainly showcased our heat dissipation products for automobiles, attracting lots of interest from new customers in related fields.



11th Int'l Automotive Electronics Technology Expo

### 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.

We raise awareness of compliance through training given regularly to new hires, new managers, and employees involved with export products.

# 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 with coexistence with suppliers, fair trade, compliance with laws and social norms, and protection of the global environment.

\*Shinko Procurement Policy (Japanese only)

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

## CSR-Conscious Procurement Activities

### Procurement Guidelines

We promote procurement activities in line with societal responsibility at our company, and have established the Procurement Guidelines based on the Shinko Way and the Procurement Policy with growing recognition of the importance of corporate social responsibility 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 the supply chain, we have prepared a document entitled “To our suppliers” that contains the items we wish to promote and send it every year to all suppliers with whom we have ongoing transactions.

In FY2018, we sent the document to approximately 800 suppliers in and outside Japan, asking them to understand and cooperate with us in regards to the Procurement Guidelines.

“To Our Suppliers” contents

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

\* To Our Suppliers (Japanese only)  
<https://www.shinko.co.jp/procurement/index.html>

Dialogue with Suppliers

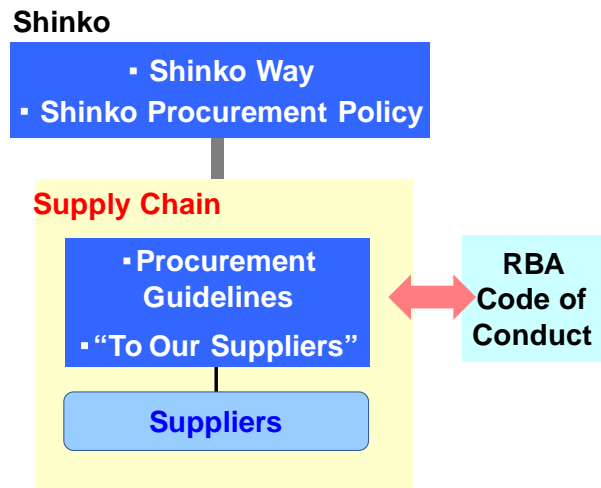
Shinko has sent questionnaire surveys about corporate social responsibility conforming to the RBA Code of Conduct to our main suppliers every year. The questionnaire confirms supplier compliance with the RBA Code of Conduct and their operation of management systems in the areas of labor, health and safety, the environment, and ethics. We continuously monitor the progress made by suppliers.

In FY2018 we sent a questionnaire to our main 36 suppliers as usual, including those outside Japan.

We also send these questionnaire surveys every year to all 11 suppliers to whom we contract some processes within our plants and, based on the survey results, we conduct on-site audits twice a year to confirm that there are no issues in the condition of work sites. We request improvements as needed. We confirmed that there were no issues in terms of the RBA Code of Conduct and relevant laws and regulations during on-site audits in FY2018.

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, on-site audits, and interviews.

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 Minerals 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.

In FY2018, we conducted a survey of 56 companies and confirmed that there were no problems.

## 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 System (EMS)

We ask our principle suppliers to establish environmental management system (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 approximately all 30 main suppliers of raw materials 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 initiatives, our auditors visit targeted suppliers or by documents to conduct audits of management conditions, regularly and ongoing basis. If there are any shortcomings, we request corrections and provide support for improvements. Through these activities, we have strengthened 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 Action Program (FY2016–FY2018), we requested that suppliers calling on their suppliers (secondary suppliers from Shinko's point of view) to reduce CO<sub>2</sub> emissions.

In FY2018, the final year of Stage 8 of the Environmental Action Program, we used an environmental survey shared by the Fujitsu Group to verify the status of activities conducted by our 98 principal suppliers. The results showed that about 9% of our suppliers ask 259 secondary suppliers to reduce CO<sub>2</sub> emissions, confirming an increase of 91 suppliers from the previous year.

In addition, 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

Within the drastically changing semiconductor market environment, 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. Furthermore, we place the highest priority on compliance and aim to improve and develop corporate value.

## Corporate Governance System

### Outline of Our Governance System

Shinko adopted the structure of a company with Audit and Supervisory Committee, in which a majority of the committee members are outside directors. The audit and supervisory system is 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

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. The Board of Directors is chaired by the President and Representative Director and consists of four directors who are not Audit and Supervisory Committee members and three directors who are Audit and Supervisory Committee members.

#### ■The Audit and Supervisory Committee

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. The Audit and Supervisory Committee consists of three members: one standing Audit and

Supervisory Committee member and two Audit and Supervisory Committee members who are outside directors. We have also established an Audit and Supervisory Committee's office as an organization for assisting the Audit and Supervisory Committee's duties.

In the process of the appointment/ dismissal, and determining the remuneration of directors who are not Audit and Supervisory Committee members, proposals are presented in advance to the Audit and Supervisory Committee, which considers such proposals and determines an opinion. In this way, we seek appropriate involvement and advice from independent outside directors.

#### ■Management Council

Management Council is generally held three times a month to deliberate and study important matters for management and to share information, etc. The Management Council consists of representative directors and directors who are also corporate officers.

#### ■Corporate Officers' Meeting

Corporate Officers' Meeting is held monthly to deliberate and report on general management, including the status of each division and group companies as well as the status of initiatives related to compliance and risk management. The Corporate Officers' Meeting is chaired by the President and Representative Director and consists of all corporate officers.

Additionally, meetings attended by and consisting of the relevant corporate officers and division managers are held regularly and as occasion demands regarding the status of profit and loss, sales, production, development, and other matters. In this and other ways, we have put in place a system that can respond flexibly and swiftly to a drastically changing semiconductor market environment, including by considering responses based on quick assessment of the situation and reflecting them in management decisions.

### Outside Directors

Shinko has two outside directors, both of whom are Audit and Supervisory Committee members. We have established the Independence Standards for Outside Directors as a standard for the independence of appointing outside directors. Two outside directors satisfy the requirements of these standards. We have submitted notification to the Tokyo Stock Exchange that our two outside directors have been designated as independent directors prescribed by the aforementioned exchange.

### Internal Audit and Accounting Audit Systems

The Audit Division, which is our internal auditing division, conducts internal audits based on our Internal Audit Regulation to make sure that all operations are carried out appropriately and effectively. The Audit Division periodically, and when necessary, reports internal audit plans and results to the Audit and Supervisory Committee so that the Committee can conduct its audits effectively. When the Audit Division receives instructions from the Committee about additional audits and investigations, in response to its report, it takes care of them as a priority.

The business management divisions submit reports and materials to the Audit and Supervisory Committee, Audit Division, and accounting auditor as needed and cooperate so that they can conduct their audits appropriately.

We have elected Ernst & Young ShinNihon LLC as our accounting auditor to conduct accounting audits, quarterly reviews, and internal control audits.

## Executive Remuneration

### Policy and Procedures for Determining Executive Remuneration

Shinko's remuneration for executives follows an objective remuneration system based on the internal rules and takes the Company's performance into consideration. Remuneration for directors who are not Audit and Supervisory Committee members is based on a specified level derived from executive remuneration survey data compiled by an external investigative agency. Such remuneration consists of fixed remuneration paid according to duties and role plus performance-based remuneration paid according to the level of achievement based on results—mainly the Company's ROE—as important indicators of profitability and efficient use of capital in management. The proportion of fixed remuneration to

performance-based remuneration is 50:50. Performance-based remuneration consists of a performance-based portion and bonuses paid together with fixed remuneration.

As directors who are Audit and Supervisory Committee members occupy a position independent from the execution of operations, they are paid fixed remuneration based on a specified level derived from executive remuneration survey data compiled by an external investigative agency.

The Board of Directors has resolved to determine and pay the amount of remuneration for directors who are not Audit and Supervisory Committee members using a specified calculation method based on the internal rules. The amount of remuneration for directors who are Audit and Supervisory Committee members is determined through discussion among the Audit and Supervisory Committee. The amount of remuneration for directors who are not Audit and Supervisory Committee members is considered in advance by the Audit and Supervisory Committee, which determines an opinion on the matter. Bonuses are paid after a resolution for the approval of a proposal on the payment of bonuses to directors put before the ordinary general meeting of shareholders each year.

### Amount of Remuneration for Directors (FY2018)

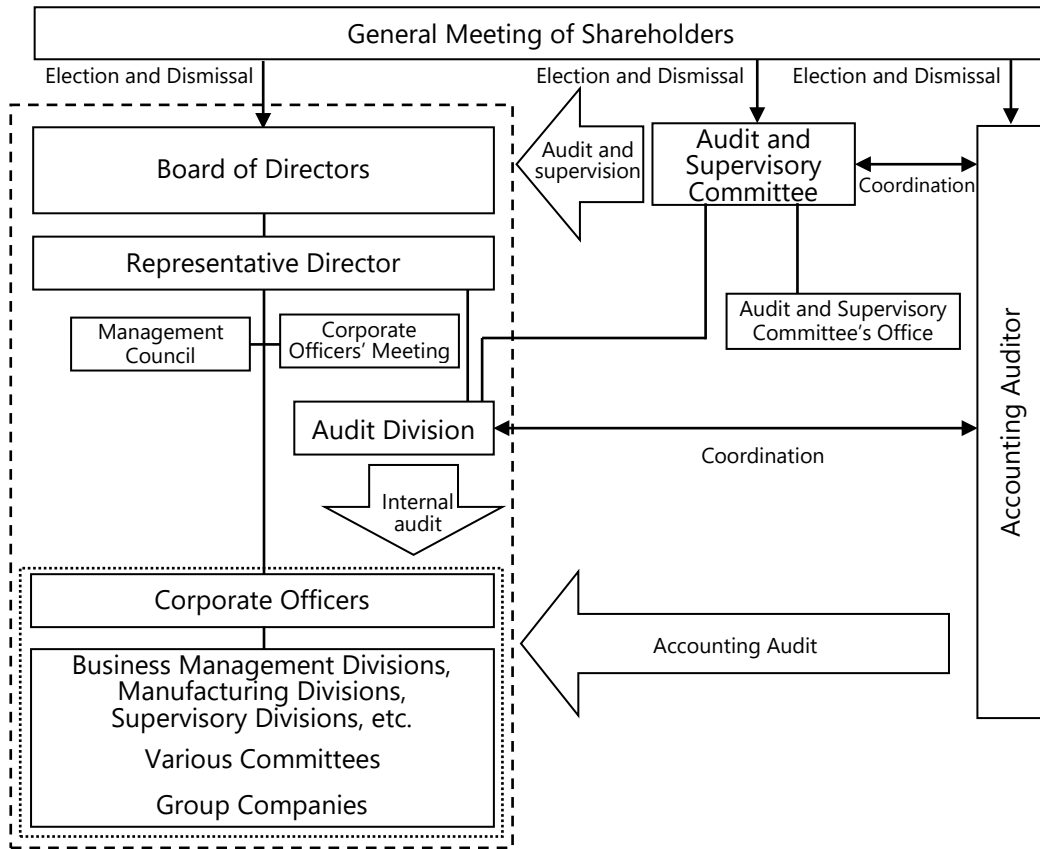
Category	Number of members	Amount
Directors who are not Audit and Supervisory Committee members	5	184 million yen
Directors who are Audit and Supervisory Committee members (Paid to outside directors)	5 (3)	38 million yen (12 million yen)
Total	10	223 million yen

\* The above number of members and amount of remuneration includes one director who was not an Audit and Supervisory Committee member and two directors who were Audit and Supervisory Committee members. All of them resigned at the conclusion of the 83rd ordinary general meeting of shareholders held on June 26, 2018.

\* The 81st ordinary general meeting of shareholders held on June 28, 2016, resolved that the amount of remuneration for directors who are not Audit and Supervisory Committee members is to be within 250 million yen per year and that the amount of remuneration for directors who are Audit and Supervisory Committee members is to be within 60 million yen per year.



### 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.

In August 2019, we established a legal, compliance & IP division to further strengthen compliance and risk management and promote the Shinko Way.

## Compliance Promotion System

Each division in Shinko and each Group company in Japan promotes compliance in the division or company, having appointed persons responsible for compliance.

At Group companies outside Japan, we are making efforts to promote compliance, having first prepared a promotion system for each company. In this way we are strengthening compliance throughout the Shinko Group.

## 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 provide standards, explained in the local language, of behavior that each and every employee should follow, organized by specific issues. They serve as a guidebook in daily business activities by explaining in detail wide-ranging compliance matters, including prevention of bribery and corrupt practices as well as compliance with competition law.

\*Global Business Standards (GBS)

[https://www.shinko.co.jp/environment/pdf/global\\_business\\_standards\\_english.pdf](https://www.shinko.co.jp/environment/pdf/global_business_standards_english.pdf)

## 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

The Shinko Group practices thorough compliance based on the Shinko Way Code of Conduct and Global Business Standards (GBS). To ensure compliance throughout the Shinko Group, we established Compliance Regulations and General Compliance Guidelines that stipulate basic matters on compliance. Moreover, 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 anti-corruption, and responses to antisocial forces.

In light of changes in the external environment, including the establishment and amendment of law systems in and outside Japan and growing risks, we establish and revise bylaws and guidelines as appropriate.

### 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 areas including bribery and corruption, and violation of competition laws, which pose a high business risk.

In FY2018, we provided group training programs (a total of 11 times, attended by 448 people) on the prevention of bribery and corruption to all relevant persons of the Shinko Group in Japan.

In Japan, we also provided e-Learning on the prevention of cartels and anti-bribery, rank-specific training on compliance in general, and training on the General Data Protection Regulation (GDPR) of the EU.

Outside Japan, we provided e-Learning on the 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 (overseas plant)

### 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 all employees can make whistleblowing 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.



Wallet-sized card with the contact information for helplines

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

Moreover, we also accept anonymous reports and requests for consultation through this system.

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.

Going forward, we will make sure everyone is informed about the internal whistle-blowing system, strive to encourage its use, and aim to foster an open organizational culture so as to prevent compliance violations and detect them early, should any occur.

## 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 strives to enhance its activities based on the RBA Code of Conduct at overseas production bases as well as domestic ones.



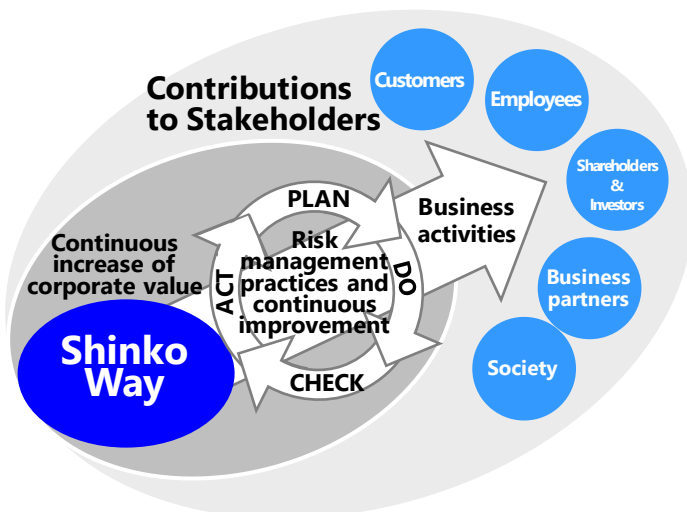
# Risk Management

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.

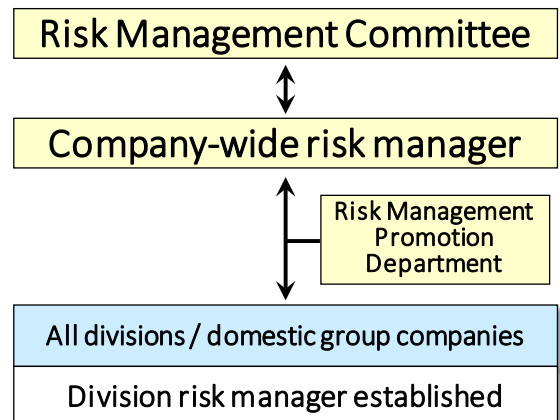
## Promoting Risk Management

The Shinko Group in Japan established a Risk Management Committee to promote risk management in every division and company of the Shinko Group in Japan. The president who is 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.

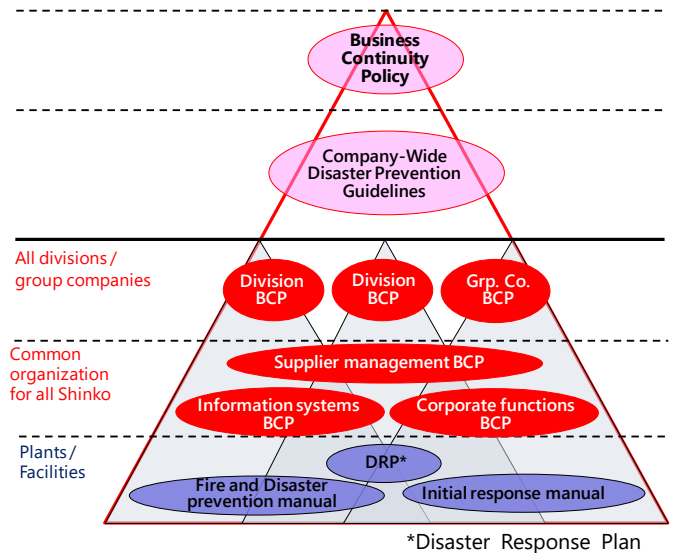
### Business Continuity Management (BCM)

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, we 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). In FY2018, we held discussions about more specific cases such as initial response procedures for nighttime and holidays disasters and toilet measures for disasters.

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



\*Disaster Response Plan



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.

Furthermore, we introduced our safety confirmation system and hold the drill for 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 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.



Night disaster drill at SHINKO ELECTRONICS (MALAYSIA) SDN. BHD.

## Topic

### Drill for People Having Difficulty Returning Home

It is anticipated that there will be many people having difficulty returning home due to bridge collapses, road conditions, and other situations immediately after a disaster such as a major earthquake. In FY2018, the Kohoku Plant conducted a drill for responding to people having difficulty returning home as part of its disaster prevention drills.

Realistic training scenarios, such as setting up a secondary evacuation center and apportioning stockpiled foodstuffs, brought specific issues and points for improvement into view. In the future, we will expand the scope of persons who participate in such drills and also roll them out to other plants.



Drill for people with difficulty returning home

## Information Security

Due to advances in Information and communication technology, in recent years there is a growing risk of leaks of personal information and confidential information, and it is the duty of companies to strengthen 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

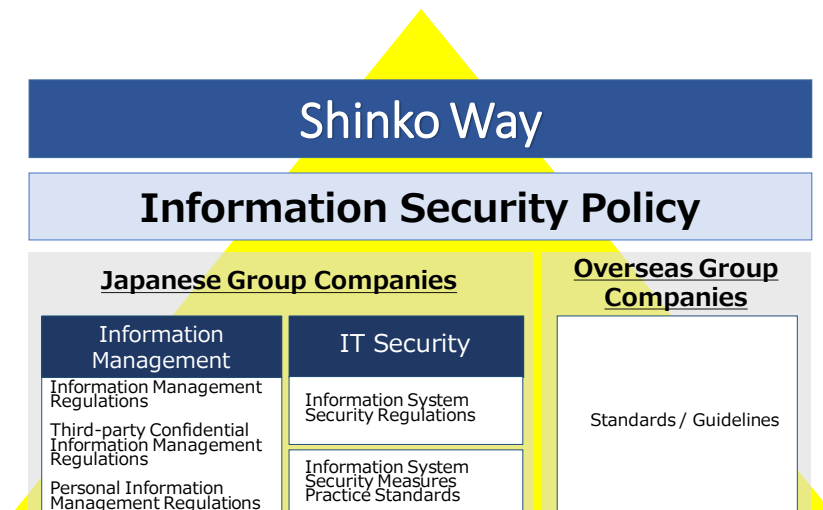
The Shinko Group will take the items below as the principles of its initiatives for information security.

- (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





**Appropriate Management of Information**

We have established Information Management Regulations as rules for handling information distributed within the Company, classify information, and manage and operate it appropriately. In addition, the classified information is rated from multiple viewpoints such as legal requirements, value, and importance, and the information is protected by taking security measures according to the rating.

**Information Protection by Information Protection Management System**

In order to properly protect third-party confidential information and our confidential information, we have set up appropriate management for information handled with businesses. We are also striving to strengthen information protection by establishing an information protection management system that checks the status of activities through regular information protection initiatives and internal audits.

**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 FY2018, we provided information management training to all employees of the Shinko Group in Japan (about 4,400 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.

**Protection of Personal Information**

Based on the philosophy of respecting individuality, we are deeply aware that it is our corporate social responsibility to handle personal information appropriately. We have established Personal Information Protection Policy and Personal Information Management Regulations to protect and respect personal information.

With regard to personal information used in business operations, we are striving for proper management and operation through the personal information protection management system.

In addition, we are strengthening the protection of personal information in order to properly respond to personal information protection laws overseas including the EU General Data Protection Regulation (GDPR). In FY2018, we conducted training for relevant staff and spread awareness of basic rules for GDPR.

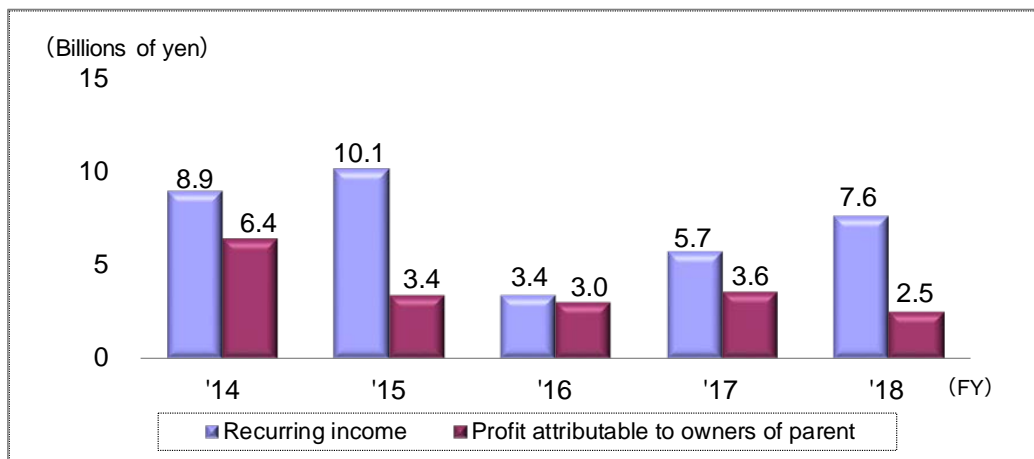
**Information Classification**

Information Classification			
Public Information		Refers to information made available to the public through public websites and catalogues.	
Confidential Information	Shinko Confidential Information	Internal-use-Only Information	Refers to information that must not be disclosed outside the Company. Internal rules and company newsletters are examples.
		Restricted Information	Refers to information that should not be known to unessential personnel, including personnel information, information on under development technologies, and customer lists.
	Third-party Confidential Information		Information contractually covered by a confidentiality obligation such as confidential information obtained from customers and other companies under non-disclosure agreements or license agreements.
			Personal information
Each of the categories of information at left—both public and confidential information—includes diverse personal information related to customers, suppliers, and employees.			

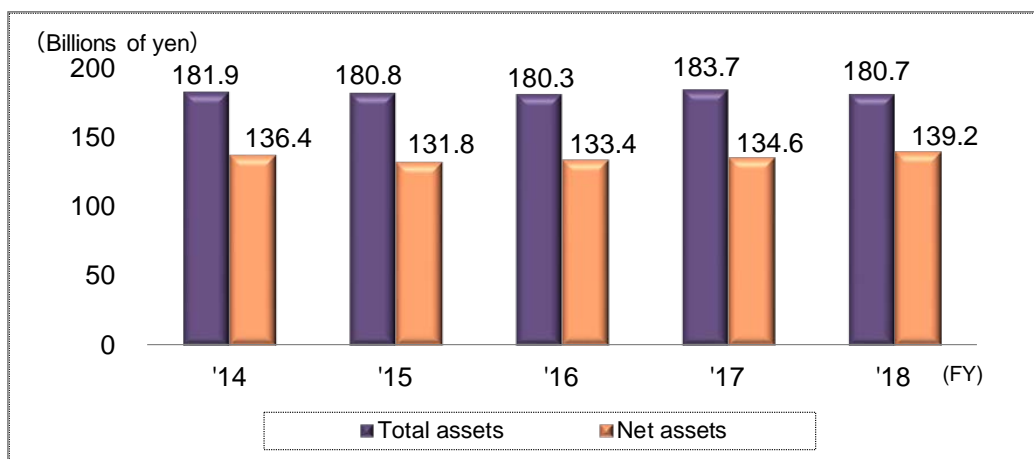
# Financial and Non-financial Data

## Consolidated Financial Highlights

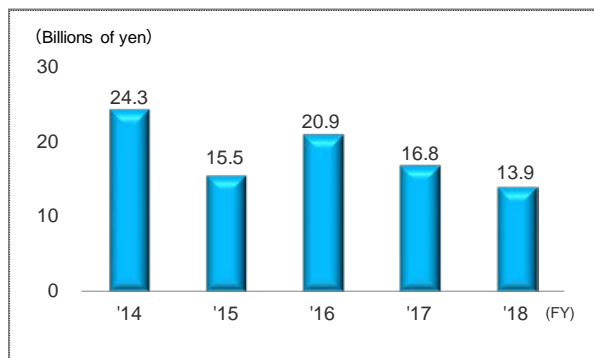
### Recurring income/Profit attributable to owners of parent



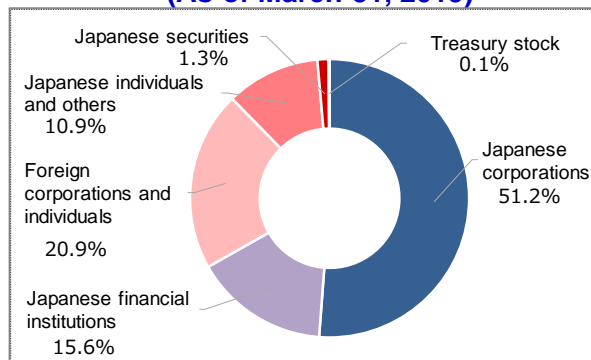
### Total assets/Net assets



### Capital expenditure



### Distribution of stock by type of shareholder (As of March 31, 2019)



## List of Employee Related Indicators

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

		FY2016	FY2017	FY2018
		4,848	4,785	4,850
Number of employees by region	Japan (ratio)	85.0%	84.9%	84.8%
	Asia (ratio)	14.1%	14.2%	14.4%
	The Americas (ratio)	0.9%	0.9%	0.8%
Number of employees by Type of contract	Regular	4,848	4,785	4,850
	Non Regular*	263	295	339

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

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

		FY2016	FY2017	FY2018
Number of employees		4,037	3,987	4,035
Average age		44.8	45.2	44.9
Average years of service	Total	22.9	23.3	23.0
	Male	22.4	22.8	22.3
	Female	24.8	25.3	25.2
Number of employees by gender	Male	3,164	3,121	3,160
	Female	873	866	875
Ratio of female employees (%)		21.6%	21.7%	21.7%
Ratio of female managers (%)*		2.1%	2.4%	2.6%
Number of non-Japanese employees**		6	8	20
Employment ratio of people with disabilities (%)***		2.24%	2.25%	2.37%

\*Including assignees to Group companies and contract employees.

\*\*Including assignees from Group companies and contract employees.

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

### Employment (Shinko)

		FY2016	FY2017	FY2018
Number of new graduate recruitment	Total	51	49	105
Number of mid-career recruitment	Total	3	18	83
Turnover rate of regular employees*		0.8%	1.4%	1.4%

\*Including retired worker

### Using Care Leave (Shinko)

		FY2016	FY2017	FY2018
Number of employees using child care leave	Total	28	19	29
	Male	1	0	2
	Female	27	19	27
Return to work ratio after child care leave (%)		94%	100%	100%
Continuous work ratio after child care leave (%)*		100%	94%	100%
Number of employees using family care leave	Total	2	2	1
	Male	1	1	0
	Female	1	1	1
Return to work ratio after family care leave (%)		100%	100%	-
Continuous work ratio after family care leave (%)*		-	100%	50%
Number of employees taking Paternity leave		32	44	39

\*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

### Environmental Measurement Data

#### Kohoku Plant

□ Air Data for: Small through-flow boiler

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

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

Item	Sewage discharge standards	Company standards	Results	
			Max.	Avg.
Hydrogen ion concentration	5.0–9.0	5.2–8.8	7.4	7.1
BOD	600	540	370	140
Suspended solids	600	300	210	59
n-Hexane	5	4.5	<1	<1
Copper	3	1	0.24	0.11
Zinc	2	1	0.94	0.25
Soluble iron	10	5	0.35	0.10

#### 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/m <sup>3</sup> N	(0.1)	0.03	— <sup>*2</sup>	— <sup>*2</sup>
SOx	m <sup>3</sup> N/h	3.68	—	— <sup>*3</sup>	— <sup>*3</sup>
NOx <sup>*1</sup>	cm <sup>3</sup> /m <sup>3</sup> N	(150)	130	— <sup>*2</sup>	— <sup>*2</sup>

Data for: Small through-flow boiler in Building K

Item	Unit	National standards	Company standards	Results	
				Max.	Avg.
Particulate <sup>*1</sup>	g/m <sup>3</sup> N	(0.1)	0.03	<0.005	<0.005
SOx	m <sup>3</sup> N/h	7.40	—	— <sup>*3</sup>	— <sup>*3</sup>
NOx <sup>*1</sup>	cm <sup>3</sup> /m <sup>3</sup> N	(150)	130	34	21

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

Item	National standards	Niigata prefectural standards	Company standards	Results	
				Max.	Avg.
Hydrogen ion concentration	5.8–8.6	5.8–8.6	6.0–8.4	7.7	7.37
BOD	160	30	27	24.0	8.0
Suspended solids	200	50	25	20	7
n-Hexane	5	5	2	<1	<1
Copper	3	2	1	0.52	0.19
Zinc <sup>*4</sup>	5	3	1.5	0.05	0.01
Soluble iron	10	10	3	0.26	0.11
Soluble manganese	10	10	3	0.13	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 FY2018, because measures are taken once every three years.
- \*3 Measurement is not required because the fuel does not contain 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/m <sup>3</sup> N	(0.1)	0.02	— <sup>*2</sup>	— <sup>*2</sup>
SOx	m <sup>3</sup> N/h	5.5	—	— <sup>*3</sup>	— <sup>*3</sup>
NOx <sup>*1</sup>	cm <sup>3</sup> /m <sup>3</sup> N	(150)	135	83	39

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

Item	Sewage discharge standards	Company standards	Results	
			Max.	Avg.
Hydrogen ion concentration	5.0–9.0	5.2–8.8	7.8	7.5
BOD	600	540	390	275
Suspended solids	600	200	74	50
n-Hexane	5	4.5	3.50	1.25
Copper	2	1.8	0.60	0.33
Zinc	3	1	<0.02	<0.02
Soluble iron	10	3	<0.02	<0.02
Soluble manganese	10	4	0.84	0.24
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/m <sup>3</sup> N	(0.1)	0.02	— <sup>*2</sup>	— <sup>*2</sup>
SOx	m <sup>3</sup> N/h	7.1	0.2	— <sup>*3</sup>	— <sup>*3</sup>
NOx <sup>*1</sup>	cm <sup>3</sup> /m <sup>3</sup> N	(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.
Hydrogen ion concentration	5.8–8.6	5.8–8.6	6.0–8.4	7.4	7.2
BOD	160	25	23	4.4	2.8
Suspended solids	200	50	32	14	5
n-Hexane	5	5	4	<1	<1
Copper	3	2	1	0.13	0.08
Zinc <sup>*4</sup>	5	5	1	0.03	0.03
Soluble iron	10	10	5	1.59	0.34
Soluble manganese	10	10	3	0.16	0.07
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/m <sup>3</sup> N	(0.1)	0.03	<0.01	<0.01
SOx	m <sup>3</sup> N/h	4.65	—	— <sup>*3</sup>	— <sup>*3</sup>
NOx <sup>*1</sup>	cm <sup>3</sup> /m <sup>3</sup> N	(150)	130	23	20

□ 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	7.6	7.1
BOD	160	160	80	5.6	3.9
Suspended solids	200	200	65	3	2
n-Hexane	5	5	2	<1	<1
Copper	3	3	1	0.04	0.02
Zinc <sup>*4</sup>	5	5	1	<0.02	<0.02
Soluble iron	10	10	3	0.16	0.09
Soluble manganese	10	10	3	0.04	0.01
Chromium	2	2	0.5	<0.02	<0.02

## Environmental Impact Data

INPUT	FY2016	FY2017	FY2018
<b>Energy (GJ)</b>	<b>3,106,435</b>	<b>3,203,717</b>	<b>3,174,950</b>
Electricity (MWh)	273,263	280,757	279,916
Diesel fuel (kl)	2	4	4
Gas (km <sup>3</sup> )	15,634	16,366	15,791
Renewable energy (MWh)	47	46	33
<b>Materials (tons)</b>	<b>16,672</b>	<b>18,200</b>	<b>16,548</b>
Raw materials (tons)	13,937	15,251	13,589
Chemical substances (tons)	2,735	2,949	2,959
<b>Water resources (km<sup>3</sup>)</b>	<b>3,255</b>	<b>3,315</b>	<b>3,488</b>
Municipal water (km <sup>3</sup> )	486	770	830
Ground water (km <sup>3</sup> )	2,769	2,545	2,658
Recycling rate (%)	46	50	50

(Glossary)

Renewable energy	Amount of electricity generated from solar power
Chemical substances	Amount of PRTR-subject substances handled
Recycling rate of water resources	(Total usage amount – Input of water resources)/Total usage amount

Distribution	FY2016	FY2017	FY2018
<b>Input energy</b>			
Diesel fuel (kl)	847	894	852
<b>Output air</b>			
CO <sub>2</sub> (t-CO <sub>2</sub> )	2,239	2,363	2,251

(Glossary)

Input	Energy	Amount of energy used for delivery of products to customers (Distribution in Japan)
Output	CO <sub>2</sub>	Emissions of CO <sub>2</sub> associated with consumption of transportation energy used to deliver products to customers (Distribution in Japan)

OUTPUT	FY2016	FY2017	FY2018
<b>Emissions into the air</b>			
CO <sub>2</sub> (Scope 1) (t-CO <sub>2</sub> )	32,739	34,275	36,146
Kohoku Plant	3,339	3,401	3,678
Wakaho Plant	10,355	10,259	9,958
Takaoka Plant	11,609	12,182	13,262
Arai Plant	6,345	7,206	8,056
Kyogase Plant	1,077	1,204	1,168
Others	14	23	24
CO <sub>2</sub> (Scope 2) (t-CO <sub>2</sub> )	111,218	114,268	113,926
Kohoku Plant	19,467	18,868	18,984
Wakaho Plant	27,528	26,810	27,956
Takaoka Plant	33,552	36,530	35,064
Arai Plant	25,235	26,375	26,515
Kyogase Plant	2,206	2,282	2,173
Others	3,230	3,403	3,234
Emissions of greenhouse gases not associated with energy consumption (Scope 1) (t-CO <sub>2</sub> )	792	913	889
NO <sub>x</sub> (tons)	19	17	15
SO <sub>x</sub> (tons)	0	0	0
<b>Chemical substances (tons)</b>	<b>5</b>	<b>6</b>	<b>5</b>
<b>Water</b>			
Drainage (km <sup>3</sup> )	2,832	2,820	2,777
Discharge to rivers	1,914	1,915	1,851
Discharge to sewage lines	918	905	926
BOD (tons)	257	202	225
<b>Waste (tons)</b>	<b>19,545</b>	<b>21,265</b>	<b>21,305</b>
Effectively used waste (tons)	19,531	21,249	21,280
Other waste (tons)	14	16	25
Specified hazardous industrial waste	0	0	0
Effective utilization rate (%)	99.9	99.9	99.9

(Glossary)

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: emission of CO <sub>2</sub> from heavy oil, gas, diesel; Scope 2 (location basis): emission from electricity
Emissions of greenhouse gases not associated with energy consumption	Emissions of greenhouse gases not associated with consumption of energy used at plant, etc. (computed based on GWP) (Scope 1)
NO <sub>x</sub>	Amount of NO <sub>x</sub> emitted from boilers at plant, etc.
SO <sub>x</sub>	Amount of SO <sub>x</sub> emitted from boilers at plant, etc.
Chemical substances	Emissions of PRTR-subject substances
BOD	Amount of BOD (biochemical oxygen demand; an indicator for measuring of organic pollution in rivers) discharged in drainage from plants, etc.
Effectively used waste	Waste that has been used effectively
Other waste	Waste that has been discarded through simple incineration and landfill (waste – effectively used waste)
Specified hazardous industrial waste	Other waste that needs to be managed according to its characteristics
Effective utilization rate (%)	Effectively used waste/total amount of waste

## Status of Environmental Management System ISO 14001 Certifications

### 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)

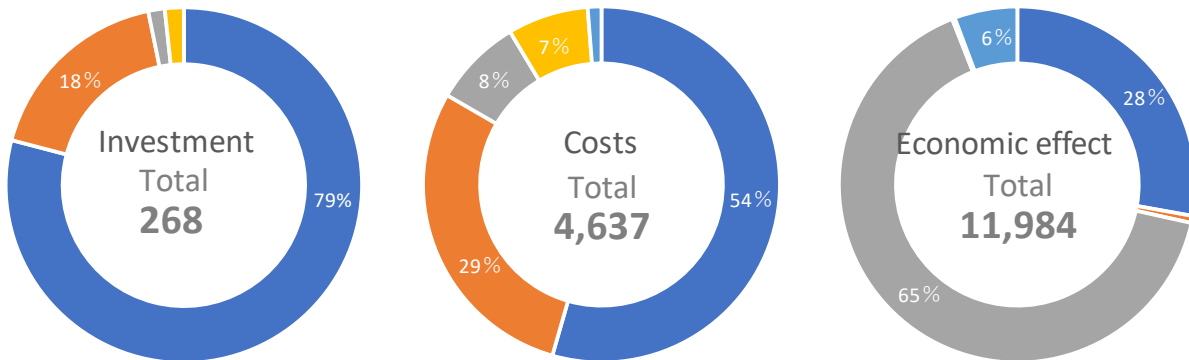
KOREA SHINKO MICROELECTRONICS CO., LTD. (Date certified: July 3, 2003)

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).

### FY2018 Results (Millions of yen)



● Pollution prevention: Prevention of air and water pollution, etc.

● Protection of the global environment: Energy conservation, prevention of global warming, etc.

● Resources recycling: Waste processing, efficient utilization of resources, etc.

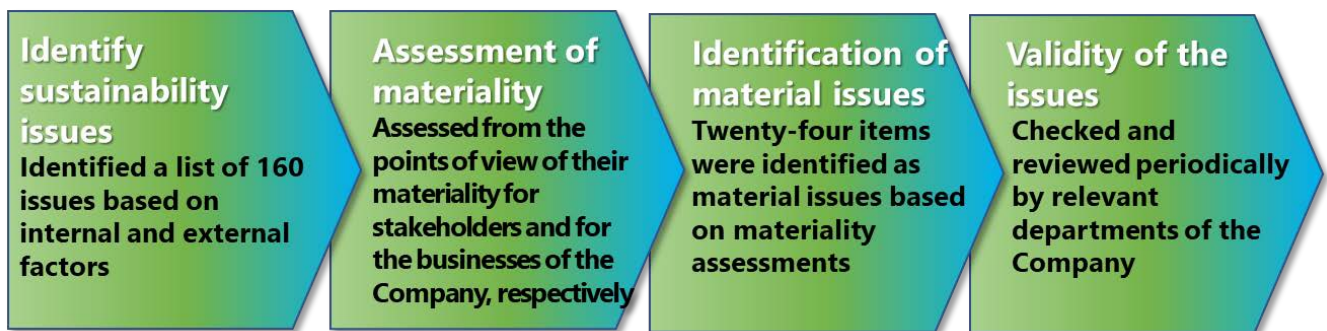
● Management activity: ISO 14001, environmental education, environmental protection, etc.

● R&D: Research into environmental friendliness of products, etc.

# Assessment of Materiality and Identification of Material Issues

When identifying material issues, we identify sustainability issues (social issues) within internal factors such as corporate values and management policies etc., and external factors such as major international standards and social demands, and establish them as processes for assessing the social issues identified in terms of materiality from both the stakeholders' materiality and from our own business materiality. The validation of the identified material issues is confirmed and the issues are reviewed periodically by relevant departments of the Company. Within the identify process for FY2019, we also refer to the SDGs when identifying sustainability issues.

## Process for identifying material issues



### ◆ International sustainability-related standards referenced

- (1) GRI Sustainability Reporting Standards
- (2) Responsible Business Alliance (RBA) Code of Conduct
- (3) ISO 26000
- (4) United Nations Global Compact
- (5) Sustainable Development Goals (SDGs)

## Identification of Material Issues based on Assessment of Materiality



# 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 on-site audits</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
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



# 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	3	Shinko Group Outline
102-2	※ Activities, brands, products, and services	5	Business Overview by Product Category
102-3	※ Location of headquarters	3	Shinko Group Outline
102-4	※ Location of operations	4	Business Locations
102-5	※ Ownership and legal form	3 38-40 49	Shinko Group Outline Corporate Governance Consolidated Financial Highlights
102-6	※ Markets served	4 5	Business Locations Business Overview by Product Category
102-7	※ Scale of the organization	3 4 49 50	Shinko Group Outline Business Locations Consolidated Financial Highlights List of Employee Related Indicators
102-8	※ Information on employees and other workers	50	List of Employee Related Indicators
102-9	※ Supply chain	35-37	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	19-20 27-29 43 44-48 54	Environmental Risk Measures Creating Safe and Comfortable Working Environments RBA Code of Conduct Initiative Risk Management Assessment of Materiality and Identification of Material Issues
102-12	※ External initiatives	43	RBA Code of Conduct Initiative
102-13	※ Membership of associations	-	*NA
<b>Strategy</b>			
102-14	※ Statement from senior decision-maker	6	Message from the President
102-15	Key impacts, risks, and opportunities	6 8-12 14 44-48	Message from the President CSR Activity Management Environmental Management Risk Management
<b>Ethics and integrity</b>			
102-16	※ Values, principles, standards, and norms of behavior	1 41-42	The Shinko Way Compliance
102-17	Mechanisms for advice and concerns about ethics	22-23 41-42	Efforts Promoting Respect for Human Rights Compliance
<b>Governance</b>			
102-18	※ Governance structure	38-40	Corporate Governance
102-19	Delegating authority	38-40	Corporate Governance
102-20	Executive-level responsibility for economic, environmental, and social topics	14 27-29 38-40 44	Environmental Management Creating Safe and Comfortable Working Environments Corporate Governance Promoting Risk Management
102-21	Consulting stakeholders on economic, environmental, and social topics	30-31 55	Coexistence and Dialogue with Local Communities Dialogue with Stakeholders
102-22	Composition of the highest governance body and its committees	38-40	Corporate Governance
102-23	Chair of the highest governance body	38-40	Corporate Governance
102-24	Nominating and selecting the highest governance body	38-24	Corporate Governance (Corporate Governance Report)

Topics		Pages	Corresponding Topics
102-25	Conflicts of interest		(Corporate Governance Report)
102-26	Role of highest governance body in setting purpose, values, and strategy	1 38-40	The Shinko Way Corporate Governance
102-27	Collective knowledge of highest governance body	-	-
102-28	Evaluating the highest governance body's performance	-	-
102-29	Identifying and managing economic, environmental, and social impacts	44-48 54	Risk Management Assessment of Materiality and Identification of Material Issues
102-30	Effectiveness of risk management processes	44-48	Risk Management
102-31	Review of economic, environmental, and social topics	44-48	Risk Management
102-32	Highest governance body's role in sustainability reporting	-	-
102-33	Communicating critical concerns	38-39 44-48	Corporate Governance System Risk Management
102-34	Nature and total number of critical concerns	-	-
102-35	Remuneration policies	39	Executive Remuneration (Securities Report)
102-36	Process for determining remuneration	39	Executive Remuneration (Securities Report)
102-37	Stakeholders' involvement in remuneration	39	Executive Remuneration
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	55	Dialogue with Stakeholders
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102-48	※ Restatements of information	-	*NA
102-49	※ Changes in reporting	-	*NA
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102-51	※ Date of most recent report	2	Editorial Policy: Date of Publication
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102-53	※ Contact point for questions regarding the report	2	Contact Information
102-54	※ Claims of reporting in accordance with the GRI Standards	56-60	GRI Standard Comparison Table
102-55	※ GRI content index	56-60	GRI Standard Comparison Table
102-56	※ External assurance	-	*NA

## 2. Topic Specific Disclosures

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

Topics		Pages	Corresponding Topics
<b>Management Approach</b>			
103-1	※ Explanation of the material topic and its Boundary	1 2 54	The Shinko Way Editorial Policy: Scope of the Report Assessment of Materiality and Identification of Material Issues
103-2	The management approach and its components	14 22-23 27-29 33 35-36 43 44-48 54	Environmental Management Efforts Promoting Respect for Human Rights Creating Safe and Comfortable Working Environments Supporting Customer and Societal Trust with Quality CSR-Conscious Procurement Activities RBA Code of Conduct Initiative Risk Management Assessment of Materiality and Identification of Material Issues
103-3	Evaluation of the management approach	54	Assessment of Materiality and Identification of Material Issues
<b>Economic</b>			
<b>■ Economic Performance</b>			
201-1	Direct economic value generated and distributed	49	Consolidated Financial Highlights (Securities Report)
201-2	Financial implications and other risks and opportunities due to climate change	17 44	Global Warming Countermeasures Promoting Risk Management
201-3	Defined benefit plan obligations and other retirement plans		(Securities Report)
201-4	Financial assistance received from government	-	-
<b>Market Presence</b>			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	-
202-2	Proportion of senior management hired from the local community	-	-
<b>■ Indirect Economic Impacts</b>			
203-1	Infrastructure investments and services supported	31	Supporting Youth Development
203-2	Significant indirect economic impacts	-	-
<b>Procurement Practices</b>			
204-1	Proportion of spending on local suppliers	-	-
<b>Anti-corruption</b>			
205-1	Operations assessed for risks related to corruption	44	Promoting Risk Management
205-2	Communication and training about anti-corruption policies and procedures	37 41-42	Compliance Compliance
205-3	Confirmed incidents of corruption and actions taken	-	-
<b>Anti-competitive Behavior</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		No relevant cases.
<b>Environmental</b>			
<b>■ Materials</b>			
301-1	Materials used by weight or volume	51-52	Environmental Data
301-2	Recycled input materials used	-	-
301-3	Reclaimed products and their packaging materials	-	-
<b>■ Energy</b>			
302-1	Energy consumption within the organization	51-52	Environmental Data
302-2	Energy consumption outside of the organization	51-52	Environmental Data
302-3	Energy intensity	-	-
302-4	Reduction of energy consumption	-	-
302-5	Reductions in energy requirements of products and services	-	-

Topics		Pages	Corresponding Topics
<b>■ Water</b>			
303-1	Water withdrawal by source	51-52	Environmental Data
303-2	Water sources significantly affected by withdrawal of water	-	-
303-3	Water recycled and reused	18 51-52	Reducing Water Usage Environmental Data
<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	32	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	-	-
<b>■ Emissions</b>			
305-1	Direct (Scope 1) GHG emissions	17 51-52	Global Warming Countermeasures Environmental Data
305-2	Energy indirect (Scope 2) GHG emissions	17 51-52	Global Warming Countermeasures Environmental Data
305-3	Other indirect (Scope 3) GHG emissions	-	-
305-4	GHG emissions intensity	17	Global Warming Countermeasures
305-5	Reduction of GHG emissions	17	Global Warming Countermeasures
305-6	Emissions of ozone-depleting substances (ODS)	-	-
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	51-52	Environmental Data
<b>■ Effluents and Waste</b>			
306-1	Water discharge by quality and destination	51-52	Environmental Data
306-2	Waste by type and disposal method	18-19 51-52	Waste countermeasures Environmental Data
306-3	Significant spills	14	Environmental Management
306-4	Transport of hazardous waste	18-19	Waste countermeasures
306-5	Water bodies affected by water discharges and/or runoff	-	-
<b>■ Environmental Compliance</b>			
307-1	Non-compliance with environmental laws and regulations	14	Environmental Management
<b>■ Supplier Environmental Assessment</b>			
308-1	New suppliers that were screened using environmental criteria	-	-
308-2	Negative environmental impacts in the supply chain and actions taken	35-36 37	CSR-Conscious Procurement Activities Green Procurement
<b>Social</b>			
<b>■ Employment</b>			
401-1	New employee hires and employee turnover	50	List of Employee Related Indicators
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-	-
401-3	Parental leave	50	List of Employee Related Indicators
<b>■ Labor/Management Relations</b>			
402-1	Minimum notice periods regarding operational changes	-	-
<b>■ Occupational Health and Safety</b>			
403-1	Workers representation in formal joint management-worker health and safety committees	25-26	Labor Relations
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	27-29	Creating Safe and Comfortable Working Environments
403-3	Workers with high incidence or high risk of diseases related to their occupation	-	-
403-4	Health and safety topics covered in formal agreements with trade unions	25-26	Labor Relations
<b>■ Training and Education</b>			
404-1	Average hours of training per year per employee	25	Developing and Utilizing Human Resources
404-2	Programs for upgrading employee skills and transition assistance programs	24 25	Respect for Diversity Developing and Utilizing Human Resources
404-3	Percentage of employees receiving regular performance and career development reviews	25	Developing and Utilizing Human Resources

Topics		Pages	Corresponding Topics
<b>■ Diversity and Equal Opportunity</b>			
405-1	Diversity of governance bodies and employees	50	List of Employee Related Indicators (Securities Report)
405-2	Ratio of basic salary and remuneration of women to men	-	-
<b>■ Non-discrimination</b>			
406-1	Incidents of discrimination and corrective actions taken	22-23	Efforts Promoting Respect for Human Rights
<b>■ Freedom of Association and Collective Bargaining</b>			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-	-
<b>■ Child Labor</b>			
408-1	Operations and suppliers at significant risk for incidents of child labor	22-23 35-36	Efforts Promoting Respect for Human Rights CSR-Conscious Procurement Activities
<b>■ Forced or Compulsory Labor</b>			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	22-23 35-36	Efforts Promoting Respect for Human Rights CSR-Conscious Procurement Activities
<b>Security Practices</b>			
410-1	Security personnel trained in human rights policies or procedures	-	-
<b>Rights of Indigenous Peoples</b>			
411-1	Incidents of violations involving rights of indigenous peoples		No relevant cases.
<b>Human Rights Assessment</b>			
412-1	Operations that have been subject to human rights reviews or impact assessments	-	-
412-2	Employee training on human rights policies or procedures	22-23	Efforts Promoting Respect for Human Rights
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	-
<b>■ Local Communities</b>			
413-1	Operations with local community engagement, impact assessments, and development programs	30-31 55	Coexistence and Dialogue with Local Communities Dialogue with Stakeholders
413-2	Operations with significant actual and potential negative impacts on local communities	-	-
<b>■ Supplier Social Assessment</b>			
414-1	New suppliers that were screened using social criteria	-	-
414-2	Negative social impacts in the supply chain and actions taken	35-36 36	CSR-Conscious Procurement Activities Addressing Conflict Minerals
<b>Public Policy</b>			
415-1	Political contributions	-	-
<b>Customer Health and Safety</b>			
416-1	Assessment of the health and safety impacts of product and service categories	33	Supporting Customer and Societal Trust with Quality
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	-
<b>Marketing and Labeling</b>			
417-1	Requirements for product and service information and labeling	-	-
417-2	Incidents of non-compliance concerning product and service information and labeling	-	-
417-3	Incidents of non-compliance concerning marketing communications	-	-
<b>■ Customer Privacy</b>			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	47-48	Information Security
<b>■ Socioeconomic Compliance</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	-	-

