

# Supply Chain Management

KOITO believes that it is important to fulfill its social responsibility throughout the entire supply chain to practice “Eco-friendly Manufacturing for People and the Earth” through all business activities. Therefore, we have established the Procurement Policy to respond to social demands and expectations and deliver high quality service to our customers while cooperating with suppliers.

KOITO is also presenting expectations on the cost, quality, and the elimination of industrial accidents to each supplier to achieve goals together.

We are aiming to materialize a sustainable society throughout the entire supply chain while cherishing the close relationship with our suppliers.

## Procurement Policy for FY 2022

The KOITO Group promotes procurement activities emphasizing the following four items around the keywords of safety, quality and product appeal.

### 1. Early development of attractive and advanced technology products and strengthening of a global business structure

The KOITO Group conducts marketing to investigate and search business partners who have new technologies, new work methods and technologies to develop new components as a means to develop attractive and cutting-edge technologies that contribute to the safety and security of a transportation society.

The KOITO Group strengthens marketing, development, and production systems by innovating information sharing and work styles using its global network.

### 2. Cost reforms realized by revising structures, work methods and specifications as well as reconfiguration of competitive strengths through manufacturing pursuits

The KOITO Group revises product structures, work methods and specifications in an effort to reform costs. We also strengthen our competitive power by pursuing optimal manufacturing process: identifying any waste, overburden and irregularities by improvement activities.

### 3. Realization of quality that satisfies customers by pursuing the true cause of defects and strengthening on-site capabilities

The KOITO Group enhances our quality assurance system throughout the entire supply chain to gain customer trust by developing and providing safe and high-quality products and services.

We work to build a system that prevents inconsistencies and defects to improve quality throughout the entire supply chain. In the event a defect does occur, we work with our suppliers to pursue the true cause and prevent any recurrence.

### 4. Reinforcement of the corporate constitution through thorough risk management (prevent disasters, strengthen BCP management and contribute to achieve SDGs)

The KOITO Group secures the life and safety of its employees and other personnel even when unexpected disasters occur. We also work with our suppliers to anticipate all risks and work to prevent disasters and accidents to maintain a stable supply of products.

The KOITO Group promotes procurement activities that incorporate SDGs perspectives from contributions to safety and peace of mind to global environmental protection, the respect for human rights and the promotion of compliance, which contribute to materialize a sustainable society.

## Reinforcement of CSR in the Supply Chain

KOITO helps its suppliers to understand our CSR activities through procurement policy briefing session and other opportunities in addition to providing advice at all times. At the annual procurement policy briefing session, we ask our suppliers to thoroughly comply with laws and regulations. We have established a system for suppliers so that they can inform us and promote compliance in the event of their violating the law.

KOITO conducts annual questionnaire surveys on suppliers' status on environmental certification. In FY 2021, approximately 430 suppliers were eligible for the survey. During fire and disaster prevention inspections to our suppliers, KOITO also confirms the management system or the amount of organic solvents used by suppliers. In the event that there is a problem with suppliers' management system or others, we request them to submit an improvement plan and supporting their measures.

### [KOITO's CSR activities]

- ① Measures based on the "Guideline for the Right Transaction of Automobile Industry"
- ② Continuous investigation on the inclusion of environmental impact substances
- ③ Continuous annual investigation on conflict minerals
- ④ Thorough compliance with laws and regulations concerning human rights and labor
- ⑤ Thorough implementation of compliance issues in general (Concluding contracts to eliminate anti-social forces, etc.)

As for suppliers who conduct business with the KOITO Group, we ask them to implement environmental and social measures to materialize a sustainable supply chain.

### [Environmental requests]

- Acquire external environmental certifications such as ISO 14001 and Eco-Action 21
- Ban the use of certain materials under RoHS Directive
- Ensure transparency on substances under REACH Regulation
- Ensure traceability of nanomaterials contained in products
- Formulate environmental policies covering the automobile industry's key challenges

### [Social requests]

- Abolish child labor, forced labor and discrimination
- Promote occupational safety and health
- Secure decent wages and working hours
- Prevent other inhuman behaviors
- Conduct responsible procurement of minerals

## Promotion of Fair Procurement Activities

In order to further strengthen our fair procurement activities, KOITO holds training sessions on the Subcontract Act for employees of relevant administrative divisions and business partners (subcontractors and others) periodically. In FY 2021, a total of 394 people participated in this training, and we are working to improve their knowledge of procurement activities.

## Measures on Conflict Minerals

It has become an international concern that some minerals mined in the Democratic Republic of the Congo and nearby nations have been the source of financing for armed forces engaging in human rights violations. The United States defined four types of minerals of tin, tantalum, tungsten and gold produced in these regions as "conflict minerals" in the Dodd-Frank Wall Street Reform and Consumer Protection Act and mandated annual investigations of the use of these minerals and disclose the information.

KOITO avoids the use of conflict minerals along with its suppliers by conducting annual investigations on conflict minerals not to assist human rights violations and environmental destruction and to fulfill its social responsibility throughout the supply chain. When starting business with a new supplier, we carefully examine the results of conflict minerals investigations and consider the feasibility of conducting such transactions.