

Compliance

In our **Standards of Conduct**, which sets out the basic principles that we should adhere to when carrying out business activities, we make our approach to legal compliance clear and to raise awareness of compliance throughout the entire Group, including overseas we are implementing various initiatives.

Mindset

We shall fulfill our social responsibilities by ensuring each and every employee adheres to laws, regulations, and business ethics.

Thorough Standards of Conduct

Our Standards of Conduct clearly outlines our thorough policy regarding legal compliance, comprehensively covering topics including fair transactions, preventing harassment, bribery and illicit benefit sharing, and other dishonest and corrupt acts. Additionally, in order to communicate this policy widely throughout the Company, we provide all employees with a CKD Conduct Guidelines Manual, implement internal compliance training, and share legal compliance information with overseas sites.

Handling Risk of Compliance Violations

The status of handling matters related to legal compliance as stipulated in the Standards of Conduct is covered under risk assessments of business operations carried out by the Risk Management Committee under the supervision of the Board of Directors. Procedures for handling these matters are considered in accordance with the importance and priority of the risk involved. When dealing with customers and contractors who may become new business partners, we carry out due diligence as necessary, including screening before any transaction is carried out and confirming whether there have been any instances of inappropriate transactions, fraud or corruption. Furthermore, our approach to compliance is clearly stated through means such as the Request for Business Partners posted on our corporate website, and new business partners are informed of this approach. In fiscal 2019, there were no cases of disciplinary action taken for reasons such as bribery or corruption, nor any instances of expenses occurred, such as fines or settlement payments, in relation to such acts.

Whistleblower System

We have established a whistleblower system as a mechanism through which employees and others who work in the CKD Group can make reports. In parallel with this internal reporting system, we have also established an external reporting system, staffed by an independent attorney-at-law, and in addition to taking care to protect those making reports, including assuring anonymity and confidentiality, we strive to quickly discover and correct compliance problems. Reports can be made regarding a wide range of compliance violations, including violations of the Antimonopoly Act, such as cartels, and violations of criminal laws, such as bribery, corruption, and embezzlement. We continuously work to make employees aware of this whistleblower system, and we are making progress on creating a structure which enables reports to be made by overseas-based employees by developing our ability to handle reports in English and multiple other languages. The details of reports are presented to the president without delay, and matters are investigated and deliberated on by the Compliance Committee. We take action to correct any problems and ensure that they do not reoccur.

Report processing system

