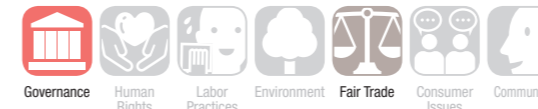The FDK Group believes thorough compliance to laws and regulations as well as social norms, management transparency, better supervision functions, and greater awareness about corporate ethics founded in the basic CSR policies in addition to becoming a corporate group trusted by society will help continually increase corporate value.

Governance · Human Rights · Labor Practices · Environment · Fair Trade · Consumer Issues · Community

Corporate Governance

Basic Concept

FDK Group conducts reviews of the management system as necessary for each measure based on the general principles of the Corporate Governance Code stipulated by the Financial Instruments Exchange as well as establishes organizations and introduces other necessary measures because it believes strengthening corporate governance improves the soundness and transparency of the company and improves the value for FDK shareholders.

FDK strives to heighten fairness and transparency with broad disclosure of information such as the provision of financial information via the Internet while working to quickly release management information.

Moreover, FDK has introduced a corporate officer system composed of two directors and corporate executive officers as well as nine corporate officers to operate businesses that separate the auditing of management and the business operating system.

Board of Directors

The FDK Board of Directors is composed of four directors (excluding directors who are Audit and Supervisory Committee members) and three directors who are Audit and Supervisory Committee members. Board of Directors meetings are held once every month to determine important management matters and deliberate the progress status of performance and investigate the measures.

Audit and Supervisory Committee

The FDK Audit and Supervisory Committee is composed of three directors, including two outside directors, with meetings held once a month and whenever else a meeting is deemed appropriate to monitor and audit the appropriateness and validity of management. Furthermore, each Audit and Supervisory Committee member attends the Board of Directors meetings to share objective and fair insight about overall management and each matter while also auditing the appropriateness and validity of business operations of the directors according to the auditing policies formulated by the Audit and Supervisory Committee.

FDK has established an Audit and Supervisory Committee Office with the purpose to facilitate high-quality auditing and supervision as well as to contribute to the strengthening of governance through smooth informational sharing with outside directors who are Audit and Supervisory Committee members.

FDK aims to improve the effectiveness and efficiency of auditing with close links that include bilateral informational exchange and sharing of opinions between the Audit and Supervisory Committee, Audit and Supervisory Office, Accounting Auditors, and the Auditing Department.

■ Corporate Governance Framework

As of April 1, 2018
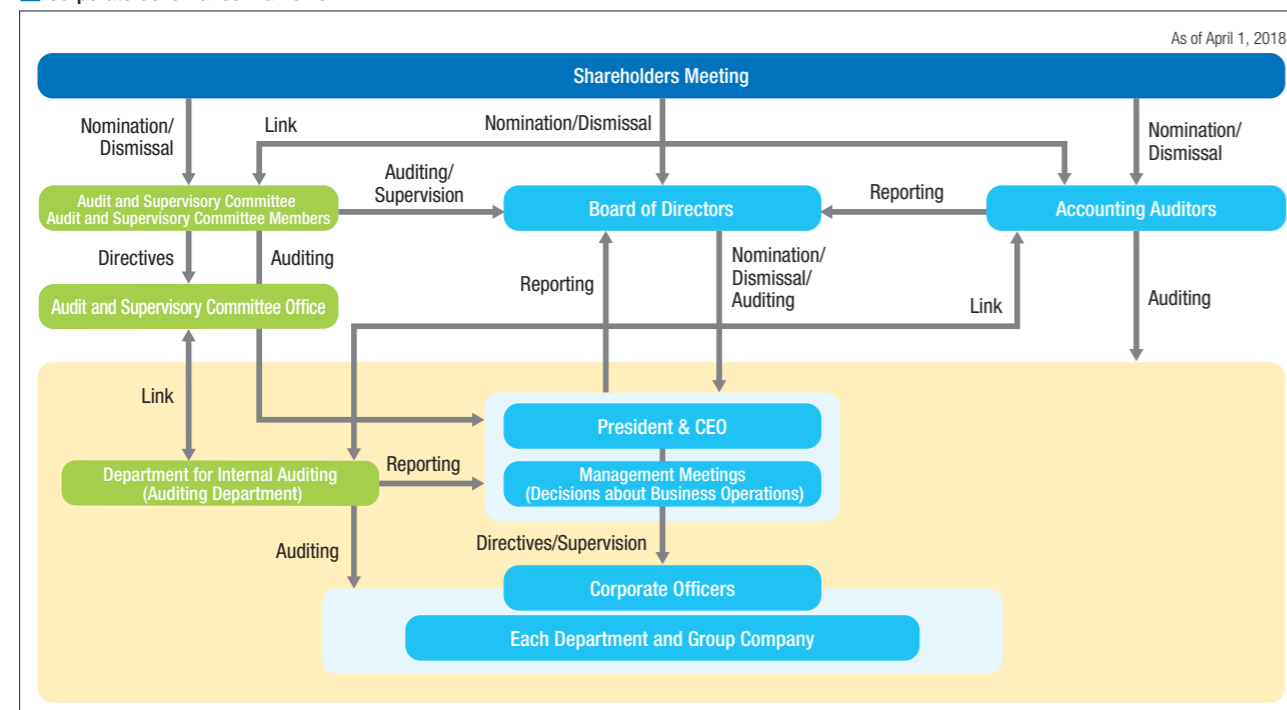
Internal Control

Basic Concept

As a means to fulfill corporate social responsibilities, FDK Group approved the "Basic Policy for Establishing an Internal Control System" at the Board of Directors meeting by recognizing the necessity of strengthening corporate governance to maintain a sound and strong relationship with FDK stakeholders from employees to suppliers and local communities while ensuring the appropriateness of operations and reliability of financial reporting in addition to realizing management that complies with relevant laws and the Articles of Incorporation.

Comply with the Corporate Governance Code

FDK released a corporate governance report in June 2018. In FY2017, FDK endeavored to improve items for compliance.

▶ Enhancing and Strengthening "General Principle 4: Responsibilities of the Board of Directors" in the Corporate Governance Code

(1) Director Training

FDK held training for corporate officers as well as directors once this year with the objective to reaffirm expert knowledge and learn things outside of that expertise in an effort to increase the expertise and knowledge of FDK directors.

(2) Evaluation of performance of Board of Directors

FDK dug deeper into the heart of challenges in an effort to take action to strengthen supervising functions through discussions based on the assessment results with third-party institutes in addition to evaluation methods through conventional questionnaires.

Director Training

Complying with the Law

Basic Concept

FDK Group established the "FDK Group Corporate Conduct Guidelines" in 2000 as the standard of conduct for each and every employee. FDK Group strives to earn trust from consumers, customers and suppliers by clarifying the policy that states, "FDK Group acts with a sense of ethics and complies with the laws and social codes", in FDK Action Guidelines. FDK encourages awareness and action of each individual by displaying and allowing every employee to confirm our Action Guidelines on each work site while also publishing them on FDK intranet.

Conducting Education

FDK Group explains laws and regulations closely related to work from internal regulations to the Foreign Exchange and Foreign Trade Control Law, the Product Liability Act, Antimonopoly Law, and Personal Information Protection Law in stratified training for new employees and new managers to bring about understanding. In addition, FDK conduct various compliance training for all of the employees. FDK also holds trainings annually at each business site related to export management and subcontracting transactions.

FDK conducted e-Learning related to cartels, collusion, and corruption for all of its employees in FY2017.

In addition, FDK strives to raise awareness about laws and regulations by providing employees a broad range of information about compliance that includes information about amendments to laws and regulations, and an introduction of examples about violations using the intranet. FDK communicated information 17 times in FY2017 on topics that included the Antimonopoly Law and the Specified Commercial Transaction Act.

Group training
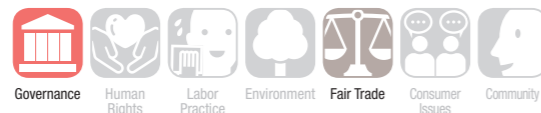
Complying with Laws and Regulations Related to Business Operations

The business operations of the FDK Group must comply with a wide range of laws, regulations and standards. In addition to this broad compliance, understanding culture and customs and clearly responding to social trends are part of comprehensive compliance from an ethical perspective. FDK has also put in place dedicated organizations for each field of compliance such as Health and Safety Committee, Environmental Management Committee, Contained Chemical Substance Management Committee, Export Management Committee and Product Safety Promotion Committee in an effort to operate its businesses in compliance with all laws and regulations.

Actions for Health Safety and Safety Activities, Number of Incidents, and Measures Against Occupational Accidents

▶ 1. Health and Safety Policy

FDK aims to improve and ensure the safety and health of its employees under the basic principle that occupational accidents must not happen. Every employee participates in building a safe and comfortable workplace by systematizing and continually developing independent occupational health and safety activities for the purpose of eliminating all occupational accidents. FDK also values measures for the mental health of employees from perspectives that not only consider the happiness of the employees and their family but also earning trust as a company and operating business smoothly. These actions have strengthened mental health efforts.

Health Seminars
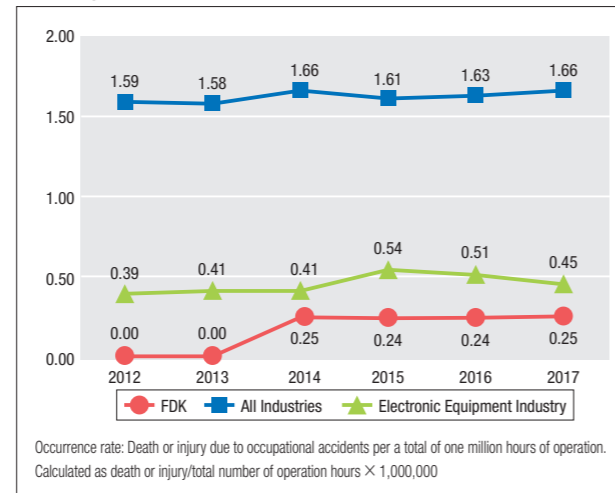
▶ 2. Occupational Safety Promotion System

The FDK Group holds the "Central Health and Safety Committee" made up of the president, chairman of the labor union, and other members every quarter as a supervisory function of the "Health and Safety Committees" at each business site to share information about activities at each business site while formulating Group-wide activity plans.

The "On-Site Health and Safety Committees" are held jointly by labor and management at each business site every month to conduct health and safety measures appropriate for that business site. In addition, some business sites have been certified under the OHSAS18001 international occupational health and safety assessment.
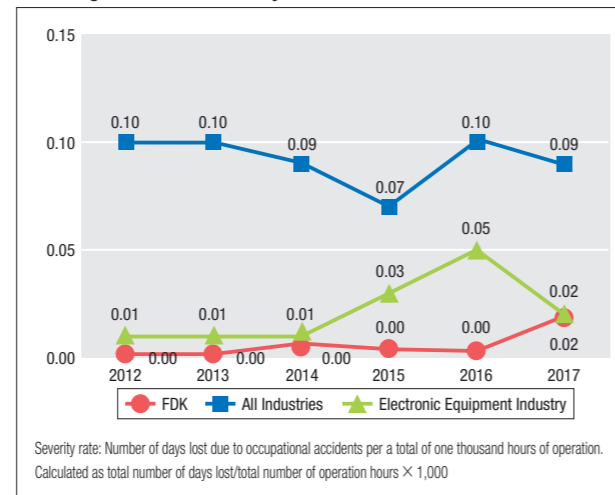
▶ 3. Status of Occupational Accidents

Three occupational accidents occurred in FY2017 (four in the previous fiscal year). The occurrence rate and severity rate of occupational accidents of FDK has continued better than the level of the national and the electronic equipment industry average.

■ Changes in the Annual Occurrence Rate

Year	FDK	All Industries	Electronic Equipment Industry
2012	0.00	1.59	0.39
2013	0.00	1.58	0.41
2014	0.25	1.66	0.41
2015	0.24	1.61	0.54
2016	0.24	1.63	0.51
2017	0.25	1.66	0.45

Occurrence rate: Death or injury due to occupational accidents per a total of one million hours of operation. Calculated as death or injury/total number of operation hours × 1,000,000

■ Changes in Annual Severity Rate

Year	FDK	All Industries	Electronic Equipment Industry
2012	0.00	0.10	0.01
2013	0.00	0.10	0.01
2014	0.00	0.09	0.01
2015	0.00	0.07	0.03
2016	0.00	0.10	0.05
2017	0.02	0.09	0.02

Severity rate: Number of days lost due to occupational accidents per a total of one thousand hours of operation. Calculated as total number of days lost/total number of operation hours × 1,000
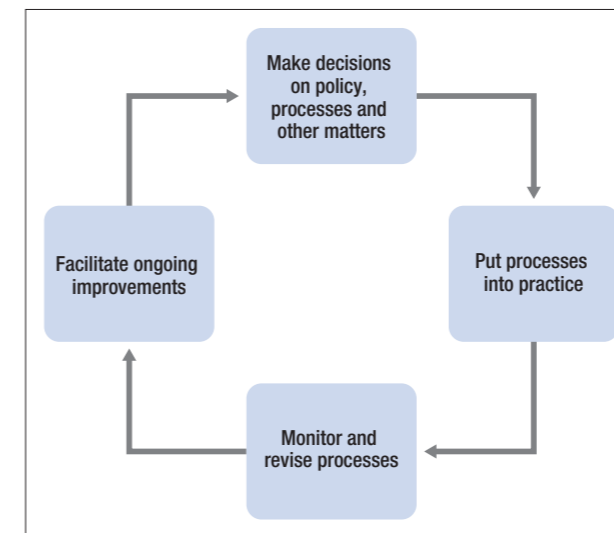
Risk Management

▶ 1. Risk & Compliance Committee

FDK has established a Risk & Compliance Committee as the highest decision-making body related to risk management and compliance in accordance with the "Basic Policy for Establishing an Internal Control System" to prevent the manifestation of risks for certain losses in the execution of business by the FDK Group, properly respond to any manifested risks, and prevent any recurrence.

▶ 2. Risk Management Framework

The Risk & Compliance Committee grasps the state of risk management throughout the FDK Group, makes decisions about and puts into practice policies, processes and other matters in addition to facilitating ongoing improvements.

Make decisions on policy, processes and other matters → Put processes into practice → Monitor and revise processes → Facilitate ongoing improvements →

▶ 3. Risk Management Process

(1) Each department identifies, evaluates and verifies potential risks inherent to its business activities.
(2) Each department clarifies the priority of response to each risk and determines risk control policies (avoidance, reduction, migration and retention of risks).
(3) Each department executes measures to prevent risks before they happen in accordance with the decided policies.
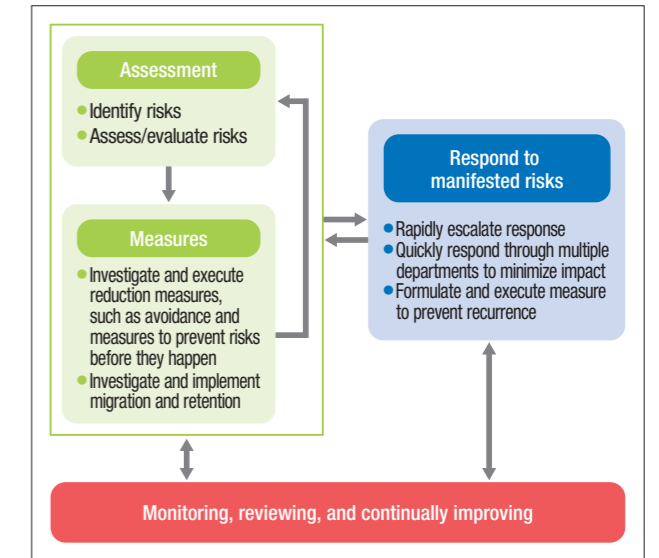
Each department rapidly escalates response in the event any risks do manifest. Any issues are resolved as quickly as possible to minimize the impact through an appropriate response in cooperation with each relevant department and the Risk & Compliance Committee Secretariat as well as working to identify the underlying causes in addition to formulating and executing plans to prevent recurrence.

FDK checks the progress of execution during each of these steps and makes improvements as necessary.

Examples of Crisis (Manifested Risks)
1 Natural disasters/accidents
2 Product trouble
3 Corporate attacks/compliance breaches
4 Informational security trouble
5 Environmental issues, etc.

■ Chart of Risk Management Process

Assessment
● Identify risks
● Assess/evaluate risks

Measures
● Investigate and execute reduction measures, such as avoidance and measures to prevent risks before they happen
● Investigate and implement migration and retention

Respond to manifested risks
● Rapidly escalate response
● Quickly respond through multiple departments to minimize impact
● Formulate and execute measure to prevent recurrence

Monitoring, reviewing, and continually improving

Internal Reporting System

FDK has established an "Internal Reporting Desk" and "Supplier Compliance Desk" to receive reports and consultations about internal rule breaches and actions that violate laws or regulations.

The "Internal Reporting Desk," "Supplier Compliance Desk," and the "Internal Reporting Regulations" guarantee anonymity of anyone who reports a violation in addition to ensuring no harm is done as a result of reporting an issue. Any issue discovered as a result of investigation into a report is immediately addressed with reform measures. There was one report in FY2017 which was addressed appropriately.

■ Internal Reporting System

Users

All Employees of the FDK Group
Transfers, contract and part-time employees, temporary employees, etc.
[Internal Reporting Desk]

Employees of FDK Group Suppliers
[Supplier Compliance Desk]

Reporting/Consultation

External Point of Contact
Law Firm

Internal Point of Contact
Compliance related Dept.

Contact in a form the person who reports an issue cannot be identified