

2021 Sustainability Procurement Survey

We use the following steps to identify and manage sustainability risks throughout our supply chain.

1. Conduct an annual sustainability procurement survey of key suppliers and analyze survey results to identify potential sustainability risks in the supply chain.
2. For suppliers classified as "high-risk suppliers" as a result of the survey, we conduct interviews to confirm whether or not they plan to make improvements regarding evaluation items (e.g. human rights) that we consider important, and conduct on-site audits as necessary.
3. Send suggestions for improvement to high-risk suppliers regarding items requiring improvement, and work together to improve their efforts.
4. Monitor the status of items requiring improvement through annual sustainability procurement surveys.

In conducting the sustainability procurement survey, we set the following KPIs to achieve our goal of "fair and good business relationships with suppliers", and together we aim to address CSR-related issues, provide safe and reliable products and services to our customers, and conduct corporate activities that earn the trust of society.

KPI	Target	Target Year	FY2020 Results	FY2021 Results
Percentage of respondents who completed the sustainability procurement survey	More than 90%	Fiscal 2020 and every year thereafter	92%	93%
Supporting improvement activities for high-risk suppliers	100% implementation	Fiscal 2021 and every year thereafter	—	100%
Conducting supplier inspections and CSR audits	More than 2 companies	Fiscal 2021 and every year thereafter	—	5 companies

Overview of the Sustainability Procurement Survey

Since fiscal 2020, we have adopted the Self-Assessment Questionnaire (SAQ) developed by the United Nations Global Compact Network Japan (GCNJ) in 2017 to conduct our annual sustainability procurement survey of major suppliers. The SAQ is based on the 10 principles of the Global Compact, international guidelines such as ISO 26000 and CSR questionnaires from specific industries and identifies nine core items that can be shared between buyers and suppliers regardless of industry.

[Global Compact Network Japan "CSR Procurement Self-Assessment Tool Set](#)

In FY2021, we also conducted a "High Risk Management Questionnaire" using a common format with KDDI Corporation, whom we collaborate on sustainability procurement activities. The survey covers critical issues such as human rights, environment, etc. which are not covered by each company's policy or guidelines (code of conduct).

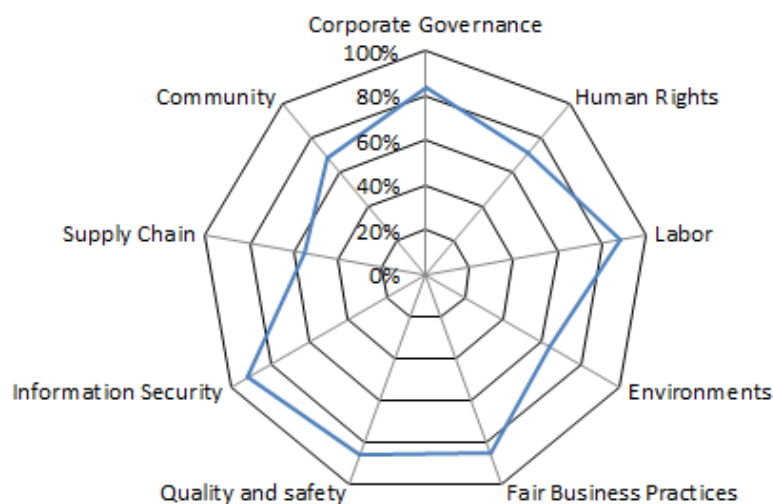
Target suppliers: In fiscal 2021, we surveyed major suppliers that are included in the top 90% of purchases.

*Softbank affiliates are not included in the survey.

Survey items: (1) Corporate governance related to CSR, (2) Human rights, (3) Labor, (4) Environment, (5) Fair corporate activities, (6) Quality, (7) Information security, (8) Supply chain, (9) Coexistence with local communities, 114 items

Results of the Survey

The average score rate for the total of the nine items was 77%. The peak values with a high score rate were (3) Labor, (5) Fair Business Practices, (6) Quality and safety and (7) Information Security, while the peak values with a low score rate were (2) Human Rights, (4) Environment, (8) Supply Chain and (9) Community.



Sections	Number of questions	Maximum point yield (%)	Average scoring rate (%)
(1) Corporate Governance	20	100%	83%
(2) Human Rights	9	100%	71%
(3) Labor	23	100%	88%
(4) Environments	15	100%	64%
(5) Fair Business Practices	20	100%	85%
(6) Quality and safety	7	100%	86%
(7) Information Security	9	100%	92%
(8) Supply Chain	7	100%	55%
(9) Community	4	100%	68%
Total	114	100%	77%

Identifying and Mitigating Sustainability Risks

We define "sustainability high risk" as a situation in which suppliers human rights, labor, or environmental practices are inadequate and are likely to have a significant negative impact on our business activities, such as human rights violations that could affect our corporate reputation, poor labor conditions that could reduce the quality of our products and services, or violations of environmental or labor-related laws and regulations. To identify high-risk suppliers, we conduct a sustainability procurement survey that evaluates suppliers from nine perspectives, including human rights, labor, and the environment. Suppliers with an average score of 65% or lower and do not meet the criteria to be considered as having a particularly significant risk on the nine criteria are classified as

"high-risk" suppliers, and we work together with them to improve our initiatives.

Risk Rank	Evaluation Score	FY2021 Percentage of suppliers surveyed	Description
Rank A	Total 86% or greater	40%	Suppliers able to act at the level required by our Supplier Code of Ethical Conduct.
Rank B	Total 66-85%	29%	There are items where suppliers are not acting at the required level of our Supplier Code of Ethical Conduct, but voluntary improvements are made.
Rank C	Total 65% or under with no significant risk items	18%	Need to monitor the status of items for which suppliers are not acting at the required level of our Supplier Code of Ethical Conduct based on the improvement plan.
Rank D	Total 65% or under with no significant risk items achieved	13%	Items that are not performed at the required level of our Supplier Code of Ethical Conduct (some items in human rights, labor, environment) are considered potentially risky and a corrective action plan needs to be created.

Supporting Improvement Activities for High-risk Suppliers

For suppliers identified as having sustainability risks as a result of the sustainability procurement survey, we 1) share the results of the analysis, 2) conduct additional interviews to clarify concerns, and 3) discuss the direction of action to support improvements. In fiscal 2021, six suppliers were identified as having potential risks to prepare corrective action plans, and we have asked suppliers to take advantage of this assessment to improve their initiatives.

Type of risk	Contents	Number of supported suppliers for improvement in fiscal 2021	Improved guidance rate
Company-owned factories and suppliers in designated countries/regions	Failure to confirm whether the company has its own factories or suppliers in designated countries or regions.	1 company	100%
Foreigner Skills Internship Program	<ul style="list-style-type: none"> · Company has adopted the foreign technical internship system but has not confirmed compliance with our Supplier Code of Ethics and Conduct. · Company has not been able to confirm whether or not supplier has adopted the foreign technical internship system. 	2 companies	
Environmental Risks	No specific quantified reduction targets have been set for GHG emissions	3 companies	

Conduct Supplier Visits and Audits

In the past, we have conducted on-site inspections of our suppliers factories to check on quality and safety assurance, occupational health and safety and other issues. In fiscal year 2021, we conducted audits focusing on monitoring compliance with the Supplier Code of Ethical Conduct (CSR audits), and conducted audits of five companies. As a result of the audit, if a company is assessed as a high-risk company that needs to make improvements, an improvement plan will be formulated and implemented after the audit.

On-site audit	FY2018	FY2019	FY2020	FY2021	FY2022
Target	—	—	—	2 Companies or more (CSR Monitoring)	10 Companies or more (CSR Monitoring)
Achievements	7 Companies (Inspection)	9 Companies (Inspection)	1 Company (Inspection)	5 Companies	

Responsible Sourcing of Minerals

In fiscal 2020, we conducted a survey of primary suppliers on the country of origin of conflict minerals contained in their products using the Conflict Minerals Reporting Template (CMRT *1) and received responses from 17 companies.

FY 2020 Survey Results	Gold(Au)	Tantalum (Ta)	Tin (Sn)	Tungsten (W)
Total number of refineries for each metal	156 (Of which, 2 companies are in the target country*2)	38 (No target countries)	87 (Of which, 2 companies are in the target country*2)	49 (No target countries)

*1 CMRT (Conflict Minerals Reporting Template): A survey format for reporting conflict minerals provided by the Responsible Mining Initiative (RMI), which has established international guidelines on conflict minerals.

*2 Target Countries: This refers to the Congo and a total of 10 countries designated as target countries for conflict minerals: Angola, Zambia, Tanzania, Uganda, South Sudan, Rwanda, Central African Republic, Republic of Congo and Burundi.