Document Number	Revision No	Key Rules	Page
CSR-A-001	A	Ethics Compliance Management Rules	1/10

Enactment Date	2nd May 2008			Approved By	Confirmed By	Composed By
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Reference Number		Non-Management				

1. **Purpose**
   Ethics Compliance Management Rules aim to provide management policy, system, and procedure, etc. in Yamauchi Group (Yamauchi Corp. and overseas subsidiary).

2. **Definition**
   (1) "Compliance" means observance of social rules like law, regulation, guideline, standard, and industrial rules, etc., which are clearly written.
   (2) "Ethics" means the self-discipline of an independent management concept which exceeds the level of compliance.
   (3) "Related Organizations" means Yamauchi Corporation and its overseas subsidiaries.

3. **Coverage of Application**
   (1) The rule applies to Yamauchi Group (Yamauchi Corp. and its overseas subsidiaries).

4. **Objective of Ethics Compliance Activity**
   To protect legal safety of all the people who work in the related organizations, and to establish the corporate governance that pursues the social responsibility, Yamauchi Group aims the thoroughness of Ethics Compliance.

5. **Conduct Guideline**

(1) The conduct guideline of Ethics Compliance in the related organizations is guideline as described in 'Yamauchi Group Code of Conduct', include the following rules:

① Do not participate in the activity which violates Ethics Compliance.
② Avow violation/deviant of rule and fault, and take corrective action and relapse prevention measure promptly.
③ Clarify the role, the responsibility, the authority, and the transmission route of information in the organization.
④ Provide education and training to all directors and employees.
⑤ The director and the employees of Yamauchi Group should conduct self-audit (CSR self-examine checklist) regularly (once/yearly) based on the "CSR charter" and "Conduct Guideline" of Yamauchi Group.

6. **CSR Management Operational System**

(1) Issues relate to Ethics Compliance is under the CSR Management Operational System of Yamauchi Group (***Attachment 2***).
(2) CSR Management Operational System is composed by CSR Board, CSR Promotion Committee and CSR Committee. The directors of Yamauchi Corp. participate in CSR Board. CSR Promotion Committee is in charge of the CSR project management. CSR Committee was set up at Yamauchi group companies and domestic factories.
(3) CSR Board is the top management that controls the CSR decision making of Yamauchi Group.
(4) CSR Promotion Committee executes CSR project management and supports CSR activity of Yamauchi Group.

7. **Decision Making**

(1) CSR Board controls the CSR decision making of Yamauchi Group.
(2) CSR Promotion Committee reports to CSR Board on document and record including important issues, such as CSR Charter, Code of Conduct, rules, and action plans, etc. which were discussed and decided by CSR Board.
(3) CSR Committee of Yamauchi Group organizes, decides and executes CSR activity of the related organizations.

8. **Duties Division and Management Structure**

(1) CSR Board Chairman" of Yamauchi Corp. generally controls basic policy and system introduction of ethics compliance in Yamauchi Group.
(2) The manager of Yamauchi Group's subsidiary controls the policy development, project management, system introduction, education, evaluation, daily management, and equipment management of ethics compliance, and bears the responsibility of the execution result.
(3) The headquarters general manager generally controls the following issues concerning promotion of ethics compliance.
   ① Formulating of policy, plan, and proposal for system (including duties division, management structure, and the administrative authority.
   ② Formulating of related rule, guideline, manual, teaching materials and CSR checklist, etc.
   ③ Enactment, Revision and Abolishment of rules, etc.
   ④ Indignity relapse prevention (relates to ethics compliance)
   ⑤ Collecting and sharing of information.
   ⑥ Network construction with external specialist.
   ⑦ Manpower management and budget planning which relate to ①-⑥ activities.
(4) Yamauchi Group subsidiary manager appoints the CSR committee members to in charge of the following roles in the organization
   ① Administrative jobs.
   ② Planning, implementation and monitoring of education and training
   ③ Responding and monitoring of ethics and the compliance on a daily basis.
   ④ Self-audit (self-checklist) through planning, execution and monitoring.
(5) CSR Committee should report to the subsidiary manager at once, and obey instructions when it is judged that there is a possibility of violation, or when violation of Yamauchi Group "Code of conduct" corresponding issues is discovered
(6) Yamauchi Group subsidiary manager should report to the director of the related organization and the headquarters general manager at once, and obey instructions when a serious violation of Yamauchi Group "Code of conduct" is discovered.

9. **Key Management Policy and Activity Plan**

(1) Based on Yamauchi Group 'Code of Conduct' and overall risk evaluation, the headquarters general manager presents key management policy of Ethics Compliance of Yamauchi Group to the subsidiary manager regularly (once/yearly).
The subsidiary manager formulates and executes policy issues, target and activity plan
(2) regularly (once/yearly) based on the key management policy and risk evaluation of Yamauchi Group.
(3) The subsidiary manager reports on the key management policy issues, activity results, and activity plans of Ethics Compliance to the headquarters general manager.

10. **Guidelines**

(1) Yamauchi Group specifies the rules that should be observed in business activities in Yamauchi Group "Code of conduct ", and form the guideline of ethics compliance.
(2) Based on the organization circumstances, the subsidiary manager is able to alter the guideline under Yamauchi Group "Code of conduct". However, he or she is not allowed to reduce the level and range of the guideline.
(3) Enactment, Revision and Abolishment of the Yamauchi Group "Code of Conduct" are done by CSR Promotion Committee, and approved by CSR Board.

11. **Education and Training**

(1) CSR Promotion Committee prepares the basic education of laws and ordinances for the Yamauchi Group directors and the employees at a certain level.
(2) President of Yamauchi Group should get the involvement of directors and employees to attend the lecture regarding laws when he judges that it is necessary.

12. **Collecting and Sharing of Laws Information**

(1) CSR Promotion Committee should understand the current situation of Enactment, Revision and Abolishment of the laws and ordinances and provide necessary information to Yamauchi Group.
(2) The CSR Committee Members of Yamauchi Group should report to the Secretariat of CSR Promotion Committee when acquiring CSR information that is useful to the other organizations and work on the sharing of CSR information.

13. **Internal Control**

(1) Yamauchi Group builds up its own internal control mechanism and advises its employees, contract workers and the employees of the affiliated companies to report to the subsidiary manager or CSR Committee Member when they are aware of an issue in danger of serious violation of ethics compliance at workplace and during the job, and find it difficult to solve the problem independently through the management structure.
(2) The subsidiary manager guarantees that the employees will not be in disadvantaged situation from the consulted content.
(3) The subsidiary manager should report to the headquarters general manager and take appropriate measures when the violation issue of Yamauchi Group "Code of Conduct" happens.
(4) The headquarters general manager should report on issue in (3) to the director of the related subsidiary/organization.
(5) The Yamauchi Group subsidiary manager should record the report content and survey result in a prescribed format (CSR Accident Report Sheet). After all records are completed, submit the records to the headquarters general manager and director of the related subsidiary/organization.
(6) The subsidiary manager should notify those who make the report without delay when there is no fact that corresponds to the content of the report and the corrective action is taken except for certain circumstances.
(7) he subsidiary manager should thoroughly educate directors and employees as no disadvantages will be imposed on employees, contract workers and employees of the affiliated companies who make a proper report for public interest.

14. **Evaluation on the Risk of Ethic Compliance and the Counter Measures**

(1) CSR Promotion Committee specifies the organizations and business activities which have high possibility to violate ethics compliance such as bribe, excessive '*giving and receiving*' of gifts, extortion, embezzlement, etc.
(2) Directors and employees in the organization and engaged in the business activities, where violation of Ethics Compliance might occur, should complete the CSR audit of CSR Promotion Committee together with the self-examine checklist regularly (once/yearly).
(3) Based on the result of CSR audit, CSR Promotion Committee should perform risk evaluation on the related organization and take counter measures.
(4) CSR committee should provide basic Law Education to the directors and the employees who engaged in high-risk organization and business activities, when judged that it is necessary.

15. **Emergency Response System**

(1) When serious violation of Ethics Compliance occurred or being detained, investigated and checked by the authorities due to suspicion of violation act, the subsidiary manager should report to the general manager of headquarters, the director and Managing Director of the subsidiary.
(2) Emergency Response System for Ethics Compliance is under the CSR Management Operational System. The response is based on an accurate understanding of fact, on-time information disclosure, and clarification of responsibility.
(3) Other than the above-mentioned issues, Emergency Response System should abide by the "Employment Regulation" of each subsidiary/organization.

16. **Audit**

(1) Yamauchi Group subsidiary manager should perform self-audit (CSR self-examine check sheet) regularly (once/yearly) on whether Yamauchi Group "Code of Conduct" is abided by associated directors and employees of the subsidiary/organization.
(2) CSR Promotion Committee should support self-audit in (1) and instruct the high-risk organization and business activities to conduct self-audit if necessary.
(3) The manager of the related subsidiary/organization should confirm the “CSR Self-Examine Check Sheet", and submit it to headquarters general manager. The CSR Promotion Committee will evaluate the result.
(4) The CSR Promotion Committee should keep Result of the CSR Self-Examine check Sheet" for 10 years.
(5) The headquarters general manager should perform regular internal audit once in two years whether internal control is executed without difficulty and Ethics Compliance Management in the related subsidiary/organization is implemented appropriately, according to Yamauchi Group "CSR Charter" and "Code of conduct".

17. **Disciplinary Action against Offender**

(1) When violation of Ethics Compliance corresponds to the disciplinary measures which specified in the "Employment Regulation", disciplinary action will be taken based on the "Disciplinary Rule".
(2) Besides the disciplinary measures in (1), if prevention plan for violation relapse is necessary, the subsidiary manager should cooperate with CSR Promotion Committee, take appropriate corrective action, and proceed with continuous audit.
(3) Based on the opinion of CSR Board, the manager of the Yamauchi Group subsidiary should report to the authorities especially on the malignant violation acts against Criminal Law.
(4) The issues other than the above-mentioned should follow rules specified in the "Disciplinary rule" and the "Employment Regulation" which applied to the subsidiary.

18. **Ethics Compliance Application on Supplier**

(1) Ethics Compliance application on supplier means that Yamauchi Group subsidiary manager, who deals with supplier, selects those suppliers who have high risk of violating ethics compliance.
(2) The manager of the related subsidiary should perform self-audit on particular suppliers by CSR Self-Examine Checklist on Supplier.
(3) The subsidiary manager evaluates the result of "CSR Self-Examine Checklist", and executes certain counter measures.

19. **Records and Documents**

(1) CSR Promotion Committee should provide procedure on enactment, revision, abolishment, storing duration and location for Records and Documents which relate to Ethics Compliance if necessary.
(2) CSR Promotion Committee should manage and keep records and documents which related to Ethics Compliance based on "Document Management Regulations" and "Record Management Regulations" of the related organization.
(3) The storing duration of CSR records is 10 years.

Additional Rules

1. This rule is implemented starting May 2, 2008.
2. CSR Promotion Committee drafts and Chairman of CSR Board approves the revision and abolishment of this rule.
3. When there is uncertainty of interpretation and application of this rule, the headquarters general manager will decide on the method to solve the problem.

Attachment 1

Ethics Compliance Application to Law

1. **Human Rights**: Discrimination and Privacy, etc.

2. **Human Resource and Labor Management**: Recruitment, temporary and permanent transfer, reshuffling, retirement, dismissal, wages, working conditions, safety and health, industrial accident, gender equality, physical-disability, part-time labor, contract worker, foreign worker and labor union, etc.

3. **Environment**: Basic preservation, global warming prevention, energy, resource, waste, recycling, chemical substances, air, water quality, soil, noise, vibration, odor, and natural environment, etc.

4. **Fair Trade**: Monopoly, cartel, fair competition, demonstration, premium, subcontract, consumer, and government procurement, etc.
5. **Intellectual Property**: Patent, utility model, trademark, copyright, business secret, and government procurement, etc.

6. **Information Management**: Insider trading, protection of individual information and system security, etc.

7. **Traffic and Transportation**: Road traffic and vehicle safekeeping, etc.

8. **Criminal Offense**: Criminal law and supplementary criminal law, etc.

9. **Equipment**: Dangerous articles, disaster prevention and facilities, etc.

10. **Material and Product Safety**: Industrial standards, chemical substances evaluation act and manufacturing regulation, law of **PRTR** and **RoHS** restriction, etc.

11. **Commercial Activities**: Commercial law procedure, bonds trading regulation, issuing bond and company registration, etc.

12. **Import and Export**: Trade procedures, tariff, export regulation and foreign exchange currency, etc.

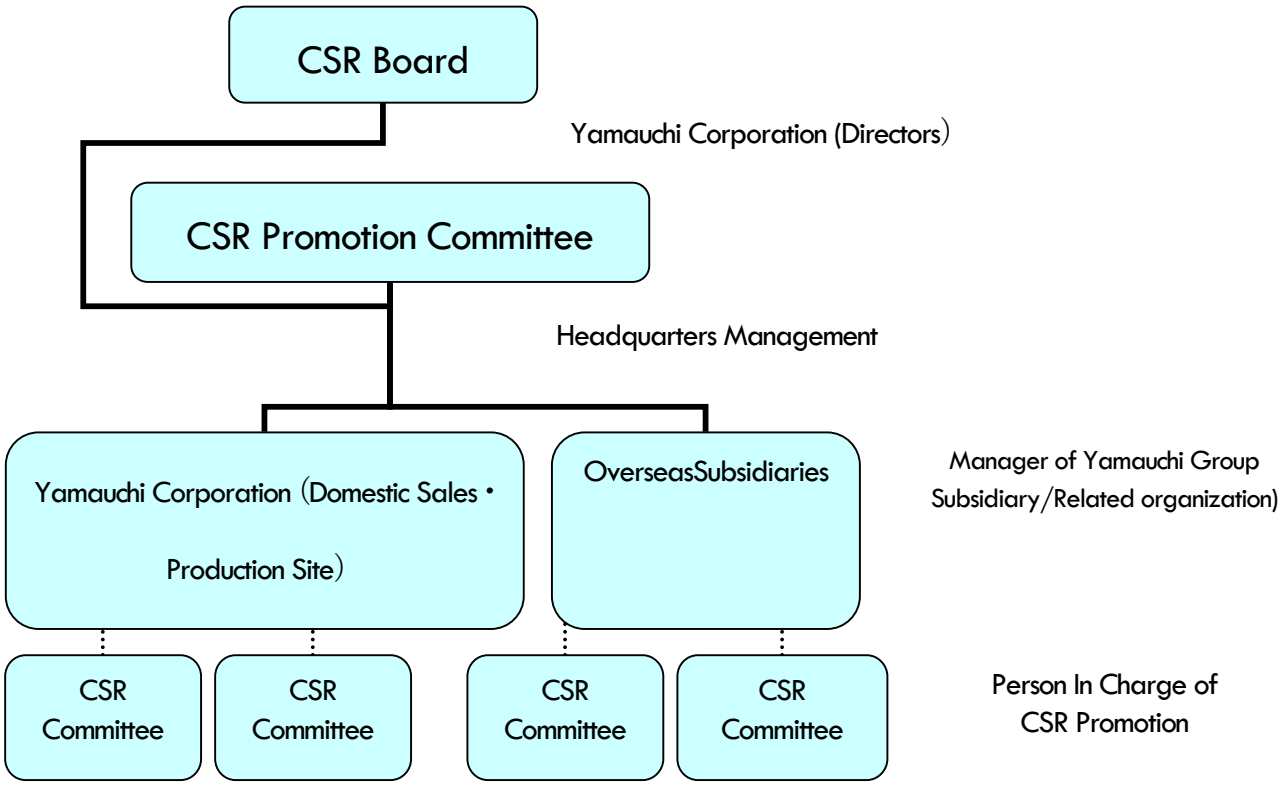
13. **Tax Law**: Corporate tax and government tax, etc.

14. **Immigration Control**: Entry permit and residential status, etc.

15. **Registered Business**: Construction, employment agent, security, accommodation, insurance, telecommunications, logistics, warehousing, and postal service, etc.

16. **Politics and Government Staff**: Political fund, election, corruption of domestic government staff, government staff ethics and corruption of foreign government staff, etc.

Yamauchi Corporation

Attachment 2

CSR Management Operational System of Yamauchi Group