

# Social Report

## Compliance

In order to become a company trusted and supported by society, FHI makes group-wide efforts to ensure compliance with laws and regulations. Our basic compliance policy is provided for by the Compliance Regulations, as follows.

We regard corporate compliance as one of the most important tasks for management. We strongly recognize that our company-wide efforts toward regulatory compliance make for a solid management foundation, and therefore, we carry out open and fair corporate activities in compliance with social norms, as well as all laws and regulatory requirements and internal regulations for corporate activities.

### Basic Concepts

#### Corporate Code of Conduct/Conduct Guidelines

FHI has established the Corporate Code of Conduct (see p. 7) and Conduct Guidelines (23 items in total) as the standards to ensure compliance with laws and regulations. These are described



Compliance Manual

in detail in the Compliance Manual, which all company officials and employees carry, in order to ensure legal and regulatory compliance in their daily actions.

#### Compliance Declaration

In May 2003, FHI President, Kyoji Takenaka issued a message titled “Toward further enhancement of company-wide

compliance activities.” In the message, he declared that he would take the initiative to ensure that he and all employees will comply with laws and regulations in order that FHI will continuously grow to become a company trusted by society.

### Organization and Operation

#### Compliance Regulations

FHI established the Compliance Regulations in 2001. These regulations contain basic compliance policies, which provide for the system, organization, and operational methods related to corporate compliance. The Compliance Regulations are established with the approval of the Board of Directors.

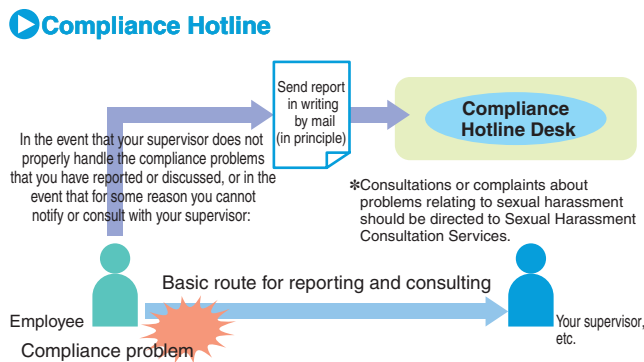
#### FHI's Compliance System/Organization and Operation

A Compliance Committee has been established as a company-wide committee organization to promote corporate compliance. The committee conducts deliberations and discussions, renders determinations, and exchanges information on key compliance issues. The director responsible for the legal affairs department serves as chairperson

of the committee, and the committee members are officials responsible for management of the respective departments. Every year, each department devises a compliance implementation plan (Compliance Program) to enhance corporate compliance, and takes the initiative to advance continuous and systematic implementation activities.

## Compliance Hotline System

In February 2003, FHI established the Compliance Hotline System as a bypass communication route, providing employees with a direct route for reporting any detected problems with compliance. Within organizations, the basic flow for reporting, communications, and consultations is supposed to be from the bottom up. However, if the communication flow does not work well under some circumstances, the Hotline System can be used as a supplementary communication route. The Compliance Hotline Desk that is set up in the company receives the report directly from the employee, and investigates and handles the matter. The name and department of the employee who reported the matter are processed with strict confidentiality, unless the employee agrees otherwise. Due consideration is given to ensure that the employee does not suffer any disadvantage by reporting compliance problems.



activities for each department, we provided further practical training tailored to the actual work of each department, such as courses on the labor laws, the antimonopoly act, and tax and accounting rules.

### Providing Compliance Information/Education Activities

Our legal department, environmental department, and personnel department actively distribute a wide variety of information to help raise awareness of corporate compliance. Such information includes an explanation of laws and rules and information on revised rules, as well as examples of incidents and accidents involving corporate ethics either within or outside the company. In fiscal 2003, we continued to provide information via company newsletters and our intranet, and introduced more accessible compliance information and more practical information on revised laws.

### Development and Distribution of Compliance Education Tools

As a new compliance promotion tool, we compiled a book by choosing issues that must be handled carefully, issues requiring difficult judgment, and matters that you should be aware of as an individual and as an employee in your everyday work situation. This booklet, titled 100 Cases of Compliance Issues, presents questions and answers for cases that could be happening around you. These booklets were distributed to all officials and employees of the group companies. The 100 cases have been introduced to companies outside our companies, in order to make a contribution to raising awareness of compliance with laws and regulations in society.



100 Cases of Compliance Issues

## Fiscal 2003 Results of Activities

### Examples of FHI Efforts to Ensure Corporate Compliance

#### Providing Compliance Education and Training Programs

Compliance education and training must be provided continuously and systematically so that each official and employee maintains a high level of awareness of compliance and ensures compliance with laws and regulations in his or her daily actions.

Again in fiscal 2003, we offered to each level and department educational training for compliance and an education program of legal practice, through



Training program

a variety of educational courses organized by our legal department and personnel/training department. More than 3,700 officials and employees in group companies took these courses throughout the year. In addition, as voluntary

#### Compliance with Antimonopoly Act

The revised version of our Antimonopoly Act Compliance Manual was issued and explained to all employees. This manual, which was issued for the first time in 1991, provides an explanation of the antimonopoly act and instructions for business operations. With regard to the Act against Delay in Payment of Subcontracts, which was revised in April 2004, we reported the revised details to all employees and prepared to ensure compliance with the act.

#### Activities toward Group Compliance

In order to ensure compliance with laws and regulations, FHI and affiliated companies and dealers must make systematic, group-wide efforts. FHI offers group companies assistance and guidance to proceed with compliance activities. For example, we send our employees as trainers for compliance training to each company, and prepare and provide handbooks and textbooks. Thus, FHI group companies make group-wide efforts to ensure compliance with laws and regulations.