

REGULATIONS FOR DEALING WITH COSTS AND EXPENSES INCURRED BY CONDUCT OF NON-CONFORMITY TO PRODUCT WARRANTIES

(Under the provisions of Article 19 of the MASTER SUPPLY AGREEMENT (hereinafter referred to as the “AGREEMENT”))

1. OBJECTIVE

The purpose of these regulations is to clarify the SUPPLIER’s responsibility for products that do not conform to product warranties based on the AGREEMENT (“Non-Conforming Products”), including SUPPLIER’s responsibility for costs and expenses incurred due to Non-Conforming Products, and also to prevent recurrence of Non-Conforming Products by uplifting the SUPPLIER’s consciousness of quality and its costs.

2. SCOPE OF APPLICATION

2-1 These regulations apply to the products sold to PURCHASER by SUPPLIER under the AGREEMENT (“Products”).

2-2 As used in these regulations, the following terms shall have the meanings set forth below:

(a) “Receipt Inspection Claims” refers to claims made in relation to Products which are found by PURCHASER to be Non-Conforming Products after PURCHASER’s inspection and evaluation as provided for under Article 10 of the AGREEMENT; and

(b) “Customer Claims” refers to claims made in relation to Products which are found by PURCHASER’s customer to be Non-Conforming Products, which include any claims, demands, or lawsuits which are made or brought against PURCHASER and/or PURCHASER’s customer in connection with the Products, including, but not limited to, market claims, product liability claims and recall claims.

3. PROCEDURE IN RELATION TO CLAIMS FOR NON-CONFORMITY

3-1 Receipt Inspection Claims

(a) If Non-Conforming Products are found by PURCHASER, PURCHASER will return such Non-Conforming Products and notify SUPPLIER of the Receipt Inspection Claims via the Yazaki Defect Reporting (GQRS-C) System and attach the relevant Defect Report

Information ("Defect Report"). Purchaser shall arrange the return of Non-Conforming Products to SUPPLIER by air at the same date of the issuance of the Defect Report.

(b) SUPPLIER has 24 hours to respond to 3 Disciplines Methodology (3D) and 13 calendar days for full 8 Disciplines Methodology (8D) from the receipt of the Defect Report to provide its response to, or object to the Receipt Inspection Claims specified in the Defect Report, failing which, SUPPLIER is deemed to accept responsibility for the Receipt Inspection Claims.

(c) If SUPPLIER requires more time to investigate the Receipt Inspection Claims or the Non-Conforming Products have not been returned to SUPPLIER, SUPPLIER shall promptly notify PURCHASER of the same and in any event, SUPPLIER shall provide its response to or objections to the Receipt Inspection Claims by the due date from the receipt of the Non-Conforming Products as reflected in the Yazaki Defect Reporting (GQRS-C) System, failing which, SUPPLIER is deemed to accept responsibility for the Receipt Inspection Claims.

3-2 Customer Claims

(a) In the event that PURCHASER receives information as to the Customer Claims, PURCHASER shall notify SUPPLIER of the Customer Claims in a Defect Report and the procedure set out at paragraphs 3-1(b) and 3-1(c) above shall similarly apply.

(b) PURCHASER shall use reasonable efforts to recall Non-Conforming Products from PURCHASER's customer, and if PURCHASER in its sole discretion is of the view that such recalls have little to no effect, PURCHASER shall provide to SUPPLIER the details of non-conforming parts of the Products.

3-3 Prevention against recurrence of Non-Conforming Products

SUPPLIER shall take all reasonable preventive measures to ensure non-recurrence of Non-Conforming Product and/or Customer Claims. For the avoidance of doubt, all costs incurred by the SUPPLIER to ensure non-recurrence of Non-Conforming Products and/or Customer Claims are to be borne by the SUPPLIER.

3-4 Issuance of Quality Advance Notification by Supplier to Purchaser

For Non-Conforming Products which have already been shipped to PURCHASER by SUPPLIER and which SUPPLIER is aware or has been notified of, SUPPLIER shall immediately issue a notification to PURCHASER setting out directions as to the usage instructions of all Non-Conforming Products received by PURCHASER ("Quality Advance Notification"). All the costs and expenses relating to the preparation and issuance of the Quality Advance Notification, including any clarifications requested by PURCHASER, shall be borne by SUPPLIER.

4. DEALING WITH COSTS AND EXPENSES

4-1 Responsible party to costs and expenses

All costs and expenses incurred in relation to the handling of the Receipt Inspection Claims / Customer Claims, for which SUPPLIER accepts or is deemed to have accepted responsibility for in accordance with paragraphs 3-1(b) or 3-1(c) above, shall be borne by SUPPLIER and calculated in accordance with paragraph 4-2 below.

4-2 Scope of costs and expenses borne by SUPPLIER

All costs and expenses for the handling of the Receipt Inspection Claims / Customer Claims shall be calculated at actual cost and shall include but not be limited to costs incurred in:

- (a) identifying and/or sorting out the Non-Conforming Products and repairing or replacing them;
- (b) manufacturing and setting equipment and tools used for the sorting, repair and/or replacement of Non-Conforming Products;
- (c) the transportation, including custom clearance, if necessary, of the replacement products and parts for the Non-Conforming Products;
- (d) the disposal or return of the Non-Conforming Products to SUPPLIER;
- (e) the handling and defending of any suits or other legal or official proceedings in relation to the Non-Conforming Products; and
- (f) other activities agreed upon by PURCHASER and SUPPLIER from time to time.

4-3 Costs and expenses borne by PURCHASER

PURCHASER shall bear costs and expenses for any additional inspection, evaluation, and follow-up activities to its customer and market connection that are conducted at the PURCHASER's sole discretion.

4-4 Calculation

If PURCHASER performs any of the activities set out at paragraph 4-2 above for the purposes of the handling of the Receipt Inspection Claims / Customer Claims, the costs and expenses for such activities shall be determined by PURCHASER and calculated in the local currency.

4-5 Statement of costs and expenses

(a) The particulars of the costs and expenses under paragraph 4-2 shall be stated in the Cost Claim Statement of which a form is attached hereto.

(b) By the 10th day of each calendar month, PURCHASER shall submit to SUPPLIER a debit note with the statement(s) reflecting the costs and expenses for the activities performed within the previous calendar month.

(c) Any demands for payment through the debit note shall be made by converting the costs and expenses in the local currency to the currency which is otherwise agreed upon between PURCHASER and SUPPLIER, at the T.T.M. rate on the issue date of the debit note.

4-6 Payment

SUPPLIER shall pay the debit note by the end of the month in which SUPPLIER receives the debit note.

5. Others

5-1 These regulations may only be amended through a written agreement signed by both parties.

5-2 All controversies or differences which may arise out of or in connection with these regulations between the parties hereto, shall be settled in good faith upon consultation between the parties, failing which the parties agree to settle such dispute in accordance with the dispute resolution clause provided for under the terms of the AGREEMENT.