



**NHK Seating of America, Inc.
SUPPLIER MANUAL**

Issued by NHK Purchasing Department

Revision 2 - May 2020

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I. INTRODUCTION

This NHK Seating of America, Inc. (hereby referred to as “NHK”) supplier manual (hereby referred to as “Supplier Manual”) is intended to be used by NHK’s suppliers. It addresses all aspects of conducting business with NHK. This Supplier Manual also outlines NHK’s policies, procedures, and standard forms.

All NHK suppliers should arrange a meeting between the NHK Purchasing department and each NHK department that will be involved in doing business with NHK prior to conducting business with NHK. The supplier should have contact information for all appropriate NHK departments and should fully understand NHK’s information systems prior to supplying parts to NHK.

If there are any questions regarding this document, please contact the NHK Purchasing department for guidance.

A. COMPANY OVERVIEW

NHK is the dedicated seating supplier for Subaru of Indiana Automotive, Inc. NHK is also a supplier of seat frames for Nissan North America and mechanical components for certain Toyota Group seat suppliers.

Address: 2298 West State Road 28
Frankfort, Indiana 46041-8722

Phone #: (765) 659-4781

Fax #: (765) 659-5591

Website: www.nhkseating.com

Established: 1987

Shareholder: NHK Spring Co., Ltd. (100%)

Executives: 5 persons from NHK Spring Co., Ltd.

B. COMPANY HISTORY

1987: Founded as General Seating of America, Inc. in Michigan as a joint venture between NHK Spring Co., Ltd. and Lear Co.

1988: Production facility established in Frankfort, Indiana.

1989: First seat delivery to Suzuki America.
First seat delivery to Subaru-Isuzu Automotive.

1996: ISO 9002 Registered.

1997: ISO 14001 Registered.

- 2004: ISO/TS 16949 Registered.
- 2005: First Subaru Tribeca seats produced.
- 2006: NHK Spring Co., Ltd. acquires 100% ownership of General Seating of America, Inc. Name changed to "NHK Seating of America, Inc."
- 2007: First Toyota Camry seats produced.
- 2008: First Toyota Active Headrest units produced.
- 2009: Subaru Legacy & Outback 2010 model year expansion.
- 2010: NHK annual production volume hits 257,000 vehicles.
- 2011: New NHK production facility completed in Murfreesboro, TN.
- 2016: First Subaru Impreza seats produced; registered for IATF 6949 quality standard.
- 2018: First Subaru Ascent seats produced.
NHK annual production volume hits 370,000 vehicles.
- 2019: 4 millionth Subaru seat produced.
- 2020: ISO 27001 Registered.

C. NHK CONTACT INFORMATION

<p><u>Plant 1:</u> 2298 W SR 28 Frankfort, IN 46041 P: (765) 659-4781 F: (765) 659-5591</p>	<p><u>Plant 2:</u> 2305 W Barner St Frankfort, IN 46041 P: (765) 654-2379</p>	<p><u>Plant 3:</u> 2195 W Barner St Frankfort, IN 46041 P: (765) 650-2507</p>	<p><u>Plant 4</u> 8425 W SR 28 Frankfort, IN 46041 P: (765) 659-4781</p>
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<u>Department</u>	<u>Associate</u>	<u>Phone #</u>
Engineering	Manager	(765) 659-7842
Engineering	Asst. Manager	(765) 659-7841
Purchasing	Sr. Manager	(765) 659-7846
Projects	Manager	(765) 659-7856
Quality	Director	(765) 659-7849

Supplier Quality	Asst. Manager	(765) 654-3325
PC/MRP	Manager	(765) 659-7855
Materials	Sr. Manager	(765) 659-7836
Finance	Director	(765) 654-2368
Finance	Manager	(765) 659-7837
Service Parts	Coordinator	(765) 659-3919
Information Systems	Sr. Manager	(765) 654-2365
Information Systems	Asst. Manager	(765) 659-7821
設計（日本語）	シニアマネージャー	(765) 659-7823
設計（日本語）	シニアマネージャー	(765) 659-7847
購買（日本語）	シニアアドバイザー	(765) 654-3332

D. ACRONYMS AND DEFINITIONS

The following is a list of acronyms that are frequently used by NHK, Subaru, and Nissan, along with their definitions. These acronyms are used in this Supplier Manual and in other related documentation and correspondence with suppliers.

NHK ACRONYMS:

AAS	Advanced Authorization Sheet	EDI	Electronic Data Interchange
APQP	Advanced Product Quality Planning	ERFQ	Engineering Request for Quotation
ASN	Advanced Shipping Notice	FOB	Free On Board Shipping Terms
BOM	Bill of Materials	GER	General Engineering Request
BPO	Blanket Purchase Order	IMDS	International Material Data System
SBPO	Spot-Buy Purchase Order	ISO	International Standardization Organization
CO	Carryover	ISR	Initial Sample Report
DIP	Delivery Improvement Program	JIT	Just In Time
DMT	Discrepant Material Tag	KD	Knockdown
DWG	Drawing	LOI	Letter of Intent
ECN	Engineering Change Notice	LTL	Less than Load
ECR	Engineering Change Request	MOQ	Minimum Order Quantity
ECS	Engineering Change Summary		

MP	Mass Production	RFQ	Request For Quotation
MRP	Material Requirements Planning	RMA	Return Material Authorization
NDA	Confidentiality and Nondisclosure Agreement	RNPO	Renault-Nissan Purchasing Organization
NDO	Non-conforming Delivery Order	SAP	Service Assembly Parts - Components provided by the OEM
NHK-J	NHK Spring Co. Ltd. (Japan)	SCAR	Supplier Corrective Action Report
NNA	Nissan North America	SDN	Sedan
NHK	NHK Seating of America	SIA	Subaru of Indiana Automotive, Inc.
OBK	Subaru Outback	SNP	Standard Number Pack
OEM	Original Equipment Manufacturer	SOP	Start of Production
OP	Off-Process	SPANF	Supplier Problem Advanced Notification Form
OT	Off-Tool	SPR	Service Part Request
PC	Production Control	SQA	Supplier Quality Assurance
PCR	Process Change Request	TAR	Nissan Tool Acceptance Report
PP	Piece Price	VA	Value Analysis
PPAP	Pre-Production Approval Process	VE	Value Engineering
PPR	Preliminary Production Requirement	WGN	Station Wagon
QA	Quality Assurance		
QIP	Quality Improvement Program		

II. PURCHASING

A. CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT

All suppliers are required to carefully read and sign the NHK Confidentiality and Nondisclosure Agreement (NDA) (provided by NHK Purchasing) before conducting business with NHK.

B. PURCHASE ORDER / CONTRACT

A purchase order is a commercial document issued by NHK outlining a quantity, description, and agreed-upon price for a supplier to provide goods or services to NHK.

There are two types of purchase orders issued by NHK:

BPO/Contract- A BPO (blanket purchase order), also referred to as a contract, is issued for production parts, service parts, or materials which are purchased on a continuing basis. The BPO defines the part number, description, purchase price, and effective date for all parts to be ordered on a continuing basis. The BPO number is static and will be used continually for all requirements ordered under the contract.

SBPO - An SBPO (spot buy purchase order) is a one-time request for parts outside of a blanket purchase order. It sets forth the agreed-upon prices, quantity, delivery dates, and delivery locations. An SBPO is given a unique purchase order number and is used only once.

NHK Purchasing is responsible for ensuring the accuracy of quantities, part numbers, and part descriptions on all purchase orders. The supplier is responsible for confirming the accuracy of pricing on all purchase orders. If the supplier finds any discrepancy in a purchase order, the supplier must immediately inform the NHK Purchasing department and provide detail of the discrepancy. NHK Purchasing will investigate the discrepancy claim and, if necessary, amend the purchase order.

All purchase orders are subject to the NHK Purchase Order Terms and Conditions. The NHK Purchase Order Terms and Conditions can be found on the supplier information page of the NHK Seating of America Website at www.nhkseating.com.

C. TOOLING INFORMATION

If a part requires special tooling, the NHK Purchasing department will issue a separate SBPO for that tooling (unless specifically negotiated otherwise). That SBPO will be subject to the NHK Purchase Order terms and conditions.

The tooling purchase order will include the total amount (in U.S. dollars) agreed-upon between the supplier and NHK Purchasing.

NHK requires all trial parts to be inspected and approved by the NHK Quality department and the submission of an Initial Sample Report (ISR).

Specification Data – Specification data must be provided to NHK for every tool. The specification data includes, but is not limited to: dimensional specification (length, width, and height); shut height; mass; tool location; tool manufacture location. NHK Purchasing will provide the appropriate forms for asset specification data to be completed by the supplier and/or tool shop.

Data Files – All data files for each tool are property of NHK and must be supplied upon request. This includes, but is not limited to: all Computer-Aided Design (CAD) data, strip layouts, and trim cut files.

Asset Tags – An Asset Tag with an asset number will be issued by NHK Purchasing for all tools purchased by NHK. All asset tags must be fixed to the tool and a digital photograph must be provided to NHK Purchasing for each asset tag location.

UCC filings – NHK may, at its discretion, file UCC notices documenting NHK’s ownership of the tools.

NOTE: Additional Nissan-Only Tooling Requirements:

Renault-Nissan Purchasing Organization (RNPO) has the following requirements for all Nissan-owned tools:

All asset tags must be engraved “PROPERTY OF NISSAN NORTH AMERICA U.S.A.”.

A Nissan Tool Acceptance Report (TAR) must be filled out with dimensional specification data and tool shop information for each tool. (A blank TAR and detailed instructions will be provided to the supplier by NHK Purchasing).

A copy of all tool shop invoices must be provided to Nissan by all suppliers and must match the purchase order amount exactly, or reimbursement will not be issued. (Note: Nissan reserves the right to physically audit any PO regardless of PO amount).

Other forms of audit verification may be required if the tool is located outside of the United States (or at the discretion of Nissan).

RNPO tooling requirements are non-negotiable. Failure to agree to the RNPO tooling requirements will disqualify a supplier from conducting business with NHK for all Nissan North America programs.

D. REQUEST FOR QUOTATION

The Request for Quotation (RFQ) is the first formal communication between NHK Purchasing and a potential supplier. An RFQ will be issued with the release of a new part and with every design change of an existing part.

An RFQ from NHK Purchasing will include a copy of the ECN, all related drawings, estimated production volume, quotation due date and any other applicable data required to complete a quotation.

All RFQs issued by NHK Purchasing are subject to the RFQ terms and conditions. A copy of the terms and conditions will be provided with all RFQs, and can be provided to suppliers by NHK Purchasing upon request.

E. LETTER OF INTENT

When NHK has made a preliminary supplier selection for a new production part, a Letter of Intent (LOI) will be issued to the chosen supplier.

A Letter of Intent *is*:

- Confirmation by NHK that the supplier may begin tool manufacturing.
- Confirmation that NHK agrees to pay for agreed-upon tooling costs (subject to the RFQ terms and conditions).

- Confirmation that, as of the date of the LOI, NHK intends (but has not committed) to award business to the chosen supplier.

A Letter of Intent *is NOT*:

- An award letter.
- A binding agreement from NHK purchasing that the chosen supplier will be awarded mass production business.
- A binding agreement that NHK will purchase any specific volume of components from the chosen supplier. NHK is not bound to purchase any parts until an award letter is issued by NHK and countersigned by the supplier.

F. AWARD LETTER

Suppliers chosen by NHK to supply parts will receive an official Award Letter from NHK Purchasing outlining the terms of the specific awarded part(s). The Award Letter will include the following information:

- Part(s) awarded to supplier
- Mass Production Piece Price
- Event Pricing
- Tooling Cost
- Life of Program
- Long Term Agreement
- Service Part Agreement

Upon receipt of an Award Letter, the supplier must carefully read, sign, and return to NHK in a timely manner.

If a current production component will have continued use in a new program, award letters for the carryover component will be issued before the current program is scheduled to end. Carryover award letters will outline the same information as award letters for new parts.

G. DESIGN CHANGES

Final design authority for all components rests solely with the Engineering department at NHK's parent company (NHK Spring Co., Ltd.) in Japan. NHK encourages suppliers to suggest improvements upon current design. NHK's targets for improvement are in the areas of cost, quality, fit & function, and overall processes enhancement.

If changes are required by the Engineering department, or as the result of a supplier recommendation, the following procedures must be followed:

For NHK-Initiated Changes - An ERFQ and applicable drawings will be sent to the supplier for the supplier's review. The supplier must then submit the following:

- An updated piece price and (if applicable) tooling quotation (on the official NHK Seating of America Quotation form) with all required documents attached
- An updated ISR submission
- A detailed tooling and/or implementation schedule or a detailed tooling modification schedule (if applicable)

For Supplier-Initiated Changes - The requested changes should be submitted to NHK Engineering via an Engineering Change Request form (ECR), as explained in the engineering section of this manual. The supplier must submit the following:

- Complete ECR – including detailed information as to why the change is necessary
- An updated piece price quotation and (if applicable) tooling quotation with all required documents attached
- A detailed tooling and/or implementation schedule or a detailed tooling modification schedule (if applicable)
- A detailed tooling and/or implementation schedule or a detailed tooling modification schedule (if applicable)

H. SERVICE (AFTERMARKET) PARTS

All suppliers must continue to provide service (aftermarket) parts for a minimum period of fifteen (15) years after the obsolescence of a model.

Service Part Request:

For all current, past, and future models produced by NHK, service (aftermarket) parts will be ordered directly by NHK. NHK will issue a Service Part Request (SPR) with every service part order.

Any Service Part Request a supplier receives from outside NHK should be communicated to NHK immediately. NHK service part coordinators will provide guidance on such external requests.

For tracking purposes, the supplier must include a copy of the SPR with the each service part shipment.

Service Part Timing:

- Service parts for current models must be supplied within thirty (30) days of the SPR issue date.
- Service parts for past models must be supplied within seventy-five (75) days of the SPR issue date.

Service Part Pricing:

The terms for service part pricing will vary based on program and component. A detailed service part pricing schedule will be outlined in the award letter.

III. NHK ACCOUNTS PAYABLE / RECEIVABLE

A. NHK PAYMENT TERMS

NHK processes payment based on a Net 45 prox 10th and 25th basis.

Provided the results of all quality and part inspections are satisfactory, this means:

- Shipments received on or before the 15th day of a calendar month will be paid on the 25th day of the next month; and
- Shipments received after the 15th day of the month will be paid on the 10th day of the subsequent 2nd month.

B. INVOICE VERIFICATION

NHK matches supplier invoices to both the packing slips accompanying the shipments and NHK purchase orders. If there is a discrepancy in regard to the piece price, only the approved NHK purchase order price will be honored.

The supplier must report any discrepancy found on Accounts Payable/Receivable reports to NHK within sixty (60) days of supplier's receipt of such reports. If supplier fails to report such discrepancies within that sixty (60) day period, NHK reserves the right to deem supplier to have waived its right to claim that any additional payment is owed.

C. NON-CONFORMING DELIVERY ORDER

Quantity differences between the amounts set forth on the applicable NHK purchase order and the corresponding packing slip will be noted on a Non-conforming Delivery Order form (NDO) and will be forwarded to the supplier by NHK. Any deduction for quantity discrepancies will be processed by NHK's Accounts Payable at the time of payment. If the supplier wishes to dispute an NDO, the supplier must submit a dispute in writing to NHK within sixty (60) days of receipt of the NDO. If supplier fails to report such disputes within that sixty (60) day period, NHK reserves the right to deem supplier to have waived its right to do so. To dispute the NDO, the supplier must submit shipping records, receiving documents with a signature of NHK, or any other proof of delivery to NHK's Purchasing department. If required, NHK will make a manual adjustment to the next payment processed for the supplier.

D. CLAIMS AGAINST THE SUPPLIER

If NHK incurs costs or expenses due to the supplier's breach of policies outlined within this Supplier Manual, the NHK Quality Manual, NHK's PO Terms and Conditions, the RFQ Terms and Conditions, the Award Letter, the applicable purchase order, or any associated contracts, orders, or documents, NHK will submit a claim to the supplier in the form of a debit memo detailing NHK's costs and expenses (i.e., the total number of hours involved and total dollar amount, etc.). The supplier has twenty-one (21) days from the date the debit memo is issued to submit a dispute to the charges. The dispute must be submitted in writing to NHK's Purchasing department by the due date or the balance will be automatically deducted from the supplier's next payment.

The dollar amount of such a claim will depend upon a number of factors, including, but not limited to, the following:

- Amount of time involved in production delay or rework
- Number of man-hours involved in the production delay or rework (NHK's labor rates are confidential and should not be shared with third parties)

E. REIMBURSEMENT CLAIMS FROM SUPPLIER

A supplier can request reimbursement from NHK for a specific reason using the Reimbursement Claim Form. The reason for the reimbursement claim must be clearly defined on the form. If the form is not fully and accurately completed by the supplier, it may be rejected by NHK.

If the reimbursement claim is due to obsolete material or obsolete finished goods, the Reimbursement Claim Form must be delivered to NHK within thirty (30) days of the final shipment of parts.

If the reimbursement claim is due to an Engineering Change Notice (ECN), the Reimbursement Claim Form must be submitted to NHK no later than thirty (30) days after the final shipment of old revision-level parts or first shipment of new revision-level parts, whichever occurs later. A copy of the ECN must be attached to all requests. Digital photographs must be attached to show work in progress of the parts for which the claim is being submitted.

If the reimbursement claim is due to tooling modifications, the completed Reimbursement Claim Form must be accompanied by a copy of the ECN, tooling modification specification data, and a detailed tooling modification cost breakdown in order to be considered for reimbursement.

F. SUPPLIER FINANCIAL ASSESSMENT

All new NHK suppliers (and in certain circumstances, current NHK suppliers) may be required, upon request, to submit financial and operating information to the NHK Finance department on an annual basis. NHK shall treat all supplier financial information as confidential, and all such confidential supplier financial information received shall be used for financial assessment purposes only.

The requested financial information may include a copy of the income statements and/or balance sheets spanning the two fiscal years prior to the supplier financial assessment. NHK's assessment of the supplier's financial strength may also include a review of the supplier's bank information, business references, and on-site financial records.

In addition to supplier-submitted financial and operating information, NHK may conduct regular investigations into financial information via industry risk management data including, but not limited to data provided by Dun & Bradstreet.

IV. MATERIALS / LOGISTICS

A. PACKAGING SELECTION PROCEDURE (PRODUCTION PARTS)

Suppliers must complete and submit a copy of the NHK Packaging Proposal Form (PPF) to NHK's Materials department. NHK will then determine whether the packaging style conforms to all NHK packing specifications. The NHK PPF can be provided to the supplier by contacting NHK's Materials department. If any packaging deficiencies are assessed, the NHK Materials department will submit a letter to the supplier. The supplier is expected to respond in writing with countermeasures for each problem identified. The response should also include an estimate of the impact of any packaging cost. After a tentative agreement on a PPF is reached between NHK Materials and the supplier, NHK will request that a test pack be assembled and shipped to NHK and that a representative from the supplier be available for receiving and analysis. The test pack will be analyzed for shipping damage as well as space limitations and any ergonomic issues encountered. Upon successful completion of packing inspection and analysis, a PPF will be emailed to the supplier to confirm NHK's approval and acceptance. If the pack is not approved, NHK will email a copy of the PPF with a list of reasons why the packing failed to the Supplier, who may begin working on responsive countermeasures.

B. PACKAGING APPROVAL (PRODUCTION PARTS)

Packaging plays a key role in NHK's material supply program. All new suppliers, depending on the shipping destination, who will be shipping via NHK Less-Than-Load shipments (LTL) must launch with returnable containers. In most situations, a supplier currently shipping via LTL will implement the use of returnable containers. It is important to use the packaging guidelines set forth on the NHK PPF and comply with Automotive Industry Action Group (AIAG) standards. NHK will standardize case types, sizes, and parts identifications to improve material handling efficiency based on the following standards:

- Product will be shipped in approved packaging
- Product will be shipped in set standard packs as defined by the NHK Materials department
- Product will comply with AIAG label specifications
- Product will ship in installments as determined by the NHK Materials department
- Returnable containers will be provided by the NHK Materials department (some exceptions may apply)
- If a supplier wishes to utilize returnable packaging, short term use of disposable packaging is allowed only during the transition from disposable packaging to returnable packaging. Formal approval must be obtained from the NHK Materials department and the NHK Purchasing department prior to implementation.
- Packaging size must align with NHK's production requirements and applicable material handling methods
- NHK plans no secondary warehousing of the parts
- Specific advice on packaging may be provided by the NHK Materials department

C. PACKAGING REQUIREMENTS (PRODUCTION PARTS)

NHK's ordering system will issue purchase orders in quantities based on multiples of approved packaging (lot sizes) and approximating daily production requirements. NHK's goal is to minimize in-plant inventory and improve the production and operational conditions while utilizing environmentally sound materials for packaging.

Listed below are requirements for developing acceptable package types:

- Collapsible or nestable returnable containers are preferred
- Internal dunnage, if required, shall be returnable or recyclable
- Parts should be packaged in hand held returnable containers with a maximum weight limit of forty (40) pounds. Parts restricted by size, weight or unique requirements will be reviewed by NHK on an exception basis.
- Hand-held containers must be palletized to permit mechanical handling
- Hand held containers should be uncovered in even layers with a common cover or lid. Mixed pallet loads are acceptable upon prior approval by the NHK Materials department.
- NHK requires stretch/shrink wrap or banding for securing freight to the pallet for palletized loads.
- When it is impracticable to use a hand-held container, AIAG standard returnable containers with a footprint of 45" x48" x 34" (double drop door) are preferred.
- All mechanically handled loads must permit four-way entry.
- All packaging, expendable and returnable, must be stackable for transportation and storage.
- Label identification shall be in accordance with AIAG standards. All old labels must be removed by the supplier prior to relabeling a new shipment.
- NHK approval of submitted packaging does not relieve the supplier of responsibility as a shipper to meet carrier regulations and to provide adequate protections for the contents of the packaging.
- Required cleaning maintenance of NHK-owned containers, under normal use and handling, is the responsibility of the supplier.
- A copy of the NHK PPF, including an illustration of proposed packaging, must be included with a supplier's response to RFQs or a specification tender. The original form should be returned to the NHK Materials department.
- A packaging trial may be required up to two months prior to a part functional trial, upon NHK's request.
- Deviations from approved packaging methods must have prior written consent by the NHK Materials department. If a packaging change is proposed, a new NHK PPF form must be submitted for approval.

D. SHIPPING RESPONSIBILITIES (PRODUCTION PARTS)

It is the responsibility of the supplier to provide NHK with an Advance Shipment Notice (ASN) through the Electronic Data Interchange (EDI) system. If the supplier is unable to utilize EDI, a physical packing list must be provided to NHK upon delivery. The packing list is required to be carried by the driver of the delivery truck and handed to NHK Materials at the time of delivery or unloading.

The packing list must contain the following information:

- NHK-assigned supplier code
- Discrete purchase order number or blanket purchase order number for each part number shipped
- Quantity for each shipment
- Shipment date
- NHK part number for each shipment
- All containers must have the required labels as described in the logistics section of this manual.

It is also the supplier's responsibility to notify NHK Materials of any potential shipping problems, production problems, and/or any reason an expected delivery date cannot be kept by the supplier. This is of the utmost importance to NHK. The supplier must contact NHK immediately if the supplier is experiencing or foresees any problem that may prevent the supplier from meeting the delivery schedule.

E. ROUTING COMPLIANCE (PRODUCTION PARTS)

Routing compliances will be submitted to all NHK suppliers. Routing compliances must be signed and returned to NHK showing compliance with the set logistics plan. The NHK Materials department will determine the routing for each supplier.

- If a supplier misses a scheduled pick-up, the supplier is responsible for delivering the parts to NHK immediately at the supplier's expense. NHK may require the supplier to use a specific expedited carrier or require air freight at the sole cost of the supplier. In the interest of time, NHK may assist in making arrangements to expedite shipments. Suppliers are not permitted to use NHK-provided transportation for shipment of past due orders without the prior consent of an NHK Materials associate. Failure to follow these procedures may result in NHK deducting freight costs from the supplier's next payment.
- When NHK requests emergency delivery (other than as a result of a supplier failure or supplier missed deadline), NHK is responsible for the additional transportation cost. NHK will also arrange the transportation vehicle and conduct the transportation (at NHK's expense).

F. LABELING (PRODUCTION PARTS)

Suppliers will be required to print two (2) different types of labels for each shipment to NHK.

The first label is the case label. This label must contain the necessary information for a smooth handling of parts and materials within NHK's facility following unloading of the shipment. This label is required to be in a standard

AIAG format using Code 39 symbols, and must be attached to the minimum packing unit. If all parts on the pallet are the same part number a 2" skid label will be used. If the pallet contains more than one part number, then a 2nd mixed skid label will be used.

Suppliers must include the following information on a 4"x6" label in accordance with AIAG standard format:

Barcode Fields:







- Prefix (P) - NHK assigned part number (15 A/N)
- Prefix (Q) - Quantity
- Prefix (V) - Assigned Vendor Number
- Prefix (S) - Unique serial number per container/pallet (7 numeric)
- Prefix (L) -Lot Number

QR barcode Spec: P123456789012345,Q150,S0000001

Fields:

Part Description, Manufacturing Date, Engineering Change Level

Examples of the labels and the formats are as follows:

PART NO.(P) <div style="font-size: 24pt; font-weight: bold; text-align: center;">123456789012345</div>  	
QUANTITY (Q) <div style="font-size: 24pt; font-weight: bold; text-align: center;">150</div> 	PART DESCRIPTION <div style="font-size: 18pt; font-weight: bold; text-align: center;">Test Part Number</div>
SUPPLIER (V) 00650 	MFG. DATE <div style="font-size: 18pt; font-weight: bold; text-align: center;">08/16/10</div>
Serial # (S) 0000001 	LOT # (L)  <div style="font-size: 18pt; font-weight: bold; text-align: center;">1234567890</div> ENG. CHANGE LEVEL <div style="font-size: 18pt; font-weight: bold; text-align: center;">12345</div>
Company Name	

Master Label (4"x6")

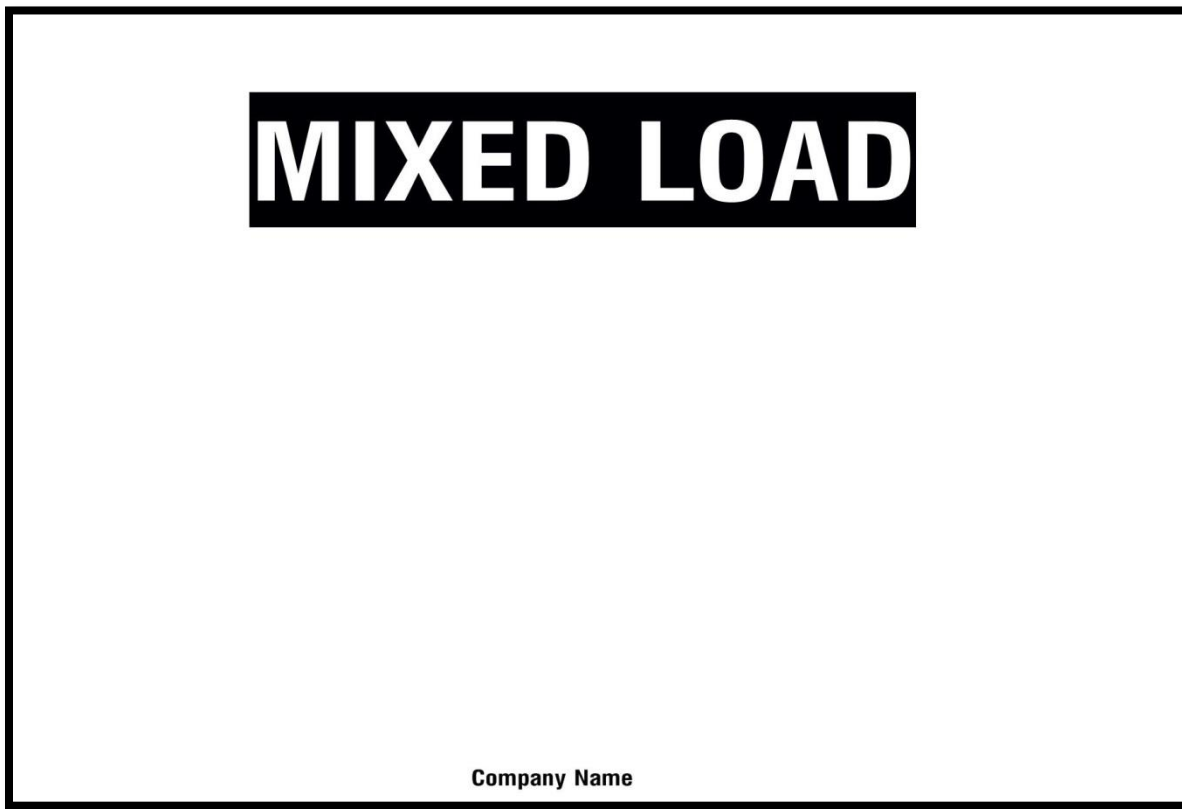
The second label is the Master Label. This label will be placed on the last pallet/container on the shipment. NHK will scan this label in order to identify the associated ASN sent via EDI.

<h1>MASTER LABEL</h1>	
ASN/Packing Slip # (P)	123456789012345
	
<hr/>	
SUPPLIER (V)	00650
	
Company Name	

Barcode Fields:

- P – Prefix Packing Slip Number (ASN EDI 856/ Segment BSN/BSN02).
- V – Prefix Assigned Vendor Number

Mixed Load Label (4'x6")



The Mixed Load Label is to be utilized if a container/pallet has more than one part number. This will help with identifying multiple parts on a pallet or container.

V. SYSTEM APPLICATIONS

A. ELECTRONIC DATA INTERCHANGE (EDI)

NHK considers the use of Electronic Data Interchange (EDI) a requirement of its suppliers.

NHK requires suppliers to electronically receive EDI 830 Material Releases and electronically submit Advanced Shipment Notifications (ASN) EDI 856 through the process of EDI.

NHK supports the EDI-X-12 standards endorsed by AIAG. NHK also supports the material forecast transaction for estimated orders and raw material advance authorization.

ADVANTAGES OF EDI:

- **Increased Data Accuracy**

Using EDI helps to ensure that the data the supplier receives from NHK will exactly match NHK's current requirements. Though an email can be issued with the same data, manual methods require data entry on the part of the supplier, potentially allowing for mistakes. Conversely, data received from the supplier is a reflection of the supplier's actual system record and will forestall any data entry mistakes by NHK personnel.

- **Cost Reduction**

Though there are associated costs in implementing and utilizing EDI the benefits far outweigh such expenses. If the supplier can reduce or eliminate the labor involved in data entry and clerical functions, the savings are apparent. More importantly, larger potential savings can be attained from fast and accurate communication assisting both the supplier and NHK in discovering shortages or missed receipts. Such situations can ultimately result in a line stoppage at NHK or untimely payment to the supplier.

- **Improve Payment Processing**

EDI insures data from the supplier and data from NHK match exactly which expedites the verification process and supports timely payment. Such accuracy is critical to a supplier in matters requiring later reconciliation of payment or shipping quantity questions.

Any NHK supplier that is not yet utilizing EDI should contact the NHK Information Systems department and ask to speak with the EDI representative for guidance.

VI. PRODUCTION CONTROL

A. RELEASE AUTHORIZATIONS

The objective of the NHK Materials Release EDI 830 is to enable the supplier to plan their purchase of raw materials or component parts according to NHK's production plan and to make a parts production schedule that will coincide with NHK's Master Schedule.

Each Release shall contain the following, where N is the date of EDI release:

- (1 Week) Firm Order (N to N+1)
- (2 Weeks) Production Authorization (N+2 to N+3)
- (4 Weeks) Material Procurement Authorization (N+4 to N+7)
- (6 Weeks) Estimates for Planning (N+8 to N+13)

NHK issues a new Material Release by supplier code the first business day of each week for all suppliers and additional EDI 862 orders on Tuesday for JIT Suppliers via EDI (unless specifically otherwise agreed upon in writing by NHK). NHK's Materials department is responsible for delivering the Material Release to the supplier.

B. ADVANCE SHIPPING NOTICE

All suppliers must submit an Advance Shipping Notice (ASN) to NHK before shipping parts.

The objective of an ASN is to alert NHK of what the supplier expects to ship the following day. NHK will receive the ASN before the actual shipment is received. NHK's Materials will then check the ASN against the actual packing list accompanying the shipment. If there are any discrepancies, the NHK Materials expeditor will inform the supplier of such matters.

A separate ASN must be sent for each trailer that is delivered.

ASNs must be transmitted through EDI (or in certain circumstances NHK's web service when directed by NHK).

The following information should appear on each ASN sent by the supplier:

- Issue date and time — The date and time that the supplier issues the ASN
- ASN Number — This is a number (12 digits or fewer) that is assigned by the supplier to each shipment. The number is used to track when the shipment is received at NHK
- Supplier Code Number — a unique code assigned to the supplier by NHK
- Ship date — Scheduled shipping date from supplier (mm/dd/yy)
- Expected receiving date & time — Date to be received at NHK (mm/dd/yy) and expected time (12-Hour AM/PM, e.g. 01:00 PM)
- Trailer No. — Number of the trailer used for the delivery

- Carrier Code — 5 digit code assigned to the carrier by NHK
- Shipped from — Supplier’s name, address, telephone and fax number
- NHK Part Numbers — Identification numbers for items delivered.
- ECN Revision Level — Actual NHK ECN revision level at which parts are being shipped.
- Quantity Shipped — The number of actual parts shipped in total and in relation to the delivery order requirement.
- Purchase Order Number — Purchase order number (BPO number or SBPO PO number)
- Weight — The weight of each item on shipment (must be specified in units of pounds).
- Remarks — Any special comments.

C. IMPOSED PARTS

In some cases, NHK will provide suppliers with parts from another source. NHK calls these parts “Imposed Parts”. The supplier may be directed to purchase these parts at a set price from a specific vendor, or the parts may be supplied to the supplier directly by NHK or via a third party. Suppliers are expected to work very closely with the NHK Materials department in order to maintain a satisfactory, workable inventory. It is the supplier's responsibility to confirm the quantity and notify NHK Materials of any discrepancies within 48 hours of the receipt of these parts. During a model change, it is the supplier's responsibility to provide an accurate inventory count to NHK Materials upon NHK request.

D. MISCELLANEOUS SHIPMENTS (SPR, PPR, GER)

At times, a special shipment request may be made by the NHK Materials department, Projects department, Engineering department, or Purchasing department. These may be in the form of a Service Parts Request (SPR), Preliminary Production Requirement (PPR) and/or General Engineering Request (GER). If a supplier is responding to a special shipping request, the supplier must include the appropriate ECN-ECS form for with every container shipped in response to the request. *An ASN must precede all special shipments and the transportation must be coordinated with the NHK's Materials department.*

E. NDO — SHORTAGES / MISLABELED PRODUCT

Upon receipt of a shipment by NHK, in the event of a non-conforming shipment, the supplier must comply with the following guidelines:

- **Shortages:**

Items missing when being checked against the Delivery Order or ASN will be considered undelivered. NHK will request that the supplier have the undelivered items delivered.

- Large quantity missing with potential to impact production:
 - NHK may require that the supplier make a special delivery for the missing quantity.

- Small quantity missing:
 - NHK will issue a request to include the missing items in the next delivery.

Missing items found after receipt will follow the same procedure as above with the consent of the supplier.

- **Mislabeled Product:**

Any items that are not correctly labeled will be processed as discrepant and a debit charge will be applied to the supplier.

NHK Supplier Quality Assurance will contact the supplier and request a corrective action.

NHK Materials will note this non-compliance on the monthly supplier rating.

VII. ENGINEERING

A. ENGINEERING CHANGE NOTICES

Engineering Change Notices (ECN) will include the following:

- ECN Cover Page — a summary of Engineering change with information including part numbers of parts modified, part change description, reason for ECN, ECN Timing and cost responsibility.
- ECN Receipt —ECN receipt (ECN_RECT) will document drawings included with ECN. Supplier is required to sign ECN receipt and return to NHK Engineering to verify that drawings were received by supplier.
- ECN File Attachment form — ECN File Attachment form will list all 2D and 3D files included with ECN.
- 2D Drawings — NHK uses CATIA V5. Drawings associated with an ECN will be provided in .pdf and/or .dxf formats. CATIA 2D drawings may be provided as well upon request.

NOTE: Drawing revision level will advance with each ECN. The part revision level will only advance if there is a change to the part. If there is no change to the actual part, the part revision level will not advance. For example, if the usage changes or a note changes on the drawing that does not change the part, so the drawing revision level will change, but the part revision level will not.

- 3D Data — NHK uses CATIA V5. Any 3D data associated with an ECN will be provided in .igs and/or .stp formats. CATIA 3D data may be provided as well upon request. 3D data will only be included with an ECN if the part revision level advances.

NOTE: If 3D data is provided with the ECN, a copy of the 3D Revision History Page will be included documenting changes to 3D model.

B. ENGINEERING CHANGE REQUEST

Suppliers can submit a request for a change to a design or drawing using the Engineering Change Request (ECR) form. An ECR form must be submitted for all Engineering Change Requests including VA (Value Added) cost reductions. The ECR form must be submitted to the NHK Engineering department. Information required on the ECR will include current design, proposed design, reason for request, any cost impact including tooling costs, cost responsibility, change timing, and ECR response date requested. NHK Engineering will provide a quick response when an ECR is submitted. This response may include a request for additional information before a decision can be made. If an ECR is approved, an ECN will be issued to implement the approved change.

C. NHK FILE TRANSFER PROTOCOL SITE

The NHK File Transfer Protocol (FTP) Site is used to share files between suppliers and NHK. This can include ECN files, quotation files, and any other files that may need to be shared. Suppliers should contact the NHK Engineering manager to receive login information for the NHK FTP Site. The Engineering manager will create a folder on the FTP Site for each supplier. The Engineering manager will assign a username and password for each supplier to allow access to that specific supplier's folder on the FTP Site. The supplier will also be provided a copy of the NHK FTP Site Supplier User's Guide.

D. INTERNATIONAL MATERIAL DATA SYSTEM (IMDS) REQUIREMENTS

All suppliers are required to participate in the International Material Data System (IMDS) online data entry system. IMDS is the material data system used by almost all automobile manufacturers and is becoming the international standard to collect component information from suppliers.

NOTE: NHK uses the IMDS system for suppliers to comply with the Directive on End-of Life Vehicle 2000/53/EC aimed at reducing waste caused by vehicles which have reached the end of their useful lives.

Utilizing IMDS, data for all materials used for automobile manufacturing is collected, maintained, analyzed, and archived. Using IMDS, it is possible to meet the national and international standards, laws, regulations, and obligations placed on automobile manufacturers (and by extension their suppliers).

If the supplier is not currently utilizing IMDS, the supplier must contact NHK Engineering, and the IMDS representative will facilitate a smooth transition into IMDS. *IMDS is a requirement of all NHK suppliers, and no exceptions will be made.*

All suppliers must assign one or more client managers to be responsible for IMDS compliance. IMDS part submissions will be entered by the supplier then accepted or rejected by the automobile manufacturer.

IMDS is mandatory for PPAP submission and must be complete and approved by the NHK Engineering department prior to ISR.

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**NHK Seating of America, Inc.
SUPPLIER QUALITY MANUAL**

Issued by NHK Quality Department

Revision 2 - May 2020

INTRODUCTION

The NHK of America, Inc. supplier quality manual is intended to be used by NHK suppliers and will fully explain all quality expectations for conducting business with NHK. The supplier quality manual will outline NHK quality policies, procedures, and standard forms.

All suppliers to NHK should request that the NHK Supplier Quality department arrange a meeting with the supplier prior to conducting business. The supplier should have contact information for all appropriate NHK departments and should fully understand quality expectations prior to supplying parts to NHK.

If there are any questions regarding this document, please contact the NHK Supplier Quality department for guidance.

NHK SUPPLIER QUALITY CONTACT INFORMATION

Plant 1:

2298 W SR 28
Frankfort, IN 46041
P: (765) 659-4781
F: (765) 659-5591

Plant 2:

2305 W Barner St
Frankfort, IN 46041
P: (765) 654-2379

Plant 3:

2195 W Barner St
Frankfort, IN 46041
P: (765) 650-2507

Plant 4:

8425 W SR 28
Frankfort, IN 46041
P: (765) 659-4781

Department

Quality

Supplier Quality

Associate

Director

Asst. Manager

Phone #

(765) 659-7849

(765) 654-3325

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Section 1. Intent of NHK Supplier Quality Manual (SQM)

NHK Seating of America, Inc. strives to be the number one seat manufacturer in North America. NHK provides this Supplier Quality Manual (SQM) to its suppliers in order to develop a consistent and strong supplier base. This SQM is provided to suppliers as a reference to aid in achieving the production expectations of NHK. NHK will periodically provide updates to this SQM as needed. It is the supplier's responsibility to implement the policies and procedures described in the SQM.

All information provided by NHK to the supplier with regards to part design, specifications, pricing and volumes is to be kept strictly confidential and may not be disclosed to any third party or used by the supplier for any propose other than making parts for NHK without the prior written consent of NHK.

This manual is divided into four sections:

1. Introduction
2. Prototype Components
3. Production Preparation
4. Activities in Production

Should the supplier and NHK determine it to be beneficial to deviate from the requirements of a specified process, a record must be agreed upon, signed and placed on file at NHK using the provided waiver form.

Section 2. Pre-Production Expectation

Part 1: New Program Review and Preparation

Upon sourcing, NHK will provide the supplier with CAD data, blueprints, tolerance documentation and other information to describe the program requirements. The supplier must within five (5) days review the requirements, complete and return requirements review documentation.

The Supplier is expected to provide a "Tooling Progress Report" with the requirements review documentation. This document will detail the expected timeline for the project. The "Tooling Progress Report" is required to be resubmitted weekly to indicate the program progress.

NHK welcomes supplier questions and issues during the review period and will make every effort to provide the requested information in a timely manner. NHK will respond to questions within one week.

NHK will review new program features with the supplier when kicking off a new program, which could be a complete model change or minor model changes to a current program.

IATF 16949:

All suppliers must comply with International Automotive Task Force (IATF) 16949 section 8.4.2.3 quoted below; NHK is the "organization".

8.4.2.3 Supplier quality management system development

The organization shall require their suppliers of automotive products and services to develop, implement, and improve a quality management system (QMS) with the ultimate objective of eligible organizations becoming certified to this Automotive QMS Standard. Using a risk-based model, the organization shall define a minimum acceptable level of QMS development and a target QMS development level for each supplier. Unless otherwise authorized by the customer, a QMS certified to ISO 9001 is the initial minimum acceptable level of development. Based on current performance and the potential risk to the customer, the objective is to move suppliers through the following QMS development progression:

- a) certification to ISO 9001 through third-party audits; unless otherwise specified by the customer, suppliers to the organization shall demonstrate conformity to ISO 9001 by maintaining a third-party certification issued by a certification body bearing the accreditation mark of a recognized International Accreditation Forum Multilateral Recognition Arrangement (IAF MLA) member and where accreditation body's main scope includes management system certification to ISO/IEC 17021;
- b) certification to ISO 9001 with compliance to other customer-defined QMS requirements (such as Minimum Automotive Quality Management System Requirements for Sub-Tier Suppliers [MAQMSR] or equivalent) through second-party audits;
- c) certification to ISO 9001 with compliance to IATF 16949 through second-party audits;
- d) certification to 16949 through third-party audits (valid third-party certification of the supplier to IATF 16949 by an IATF-recognized certification body).

Part 2: Prototype Component Requirements

All products must be produced from the specified materials and in accordance with the dimensional and functional tolerances specified. All shipments will include the following:

1. Inspection data showing the dimensional and functional status of the product;
2. Material property certifications for all materials used;
3. Product serialization tag; and
4. Prototype warrant.

The supplier shall provide component inspection data for assembled deliverables upon request. Material samples may be requested as needed for testing purposes.

Part 3: Deviation Request

If at any time a supplier's product is unable to meet the quality or engineering requirements of the design record, the supplier must receive NHK's approval prior to shipment. All deviation requests must be documented using the NHK Deviation Request form and submitted for approval at least one week prior to delivery.

Failure to receive "Deviation Authorization" will result in rejection of the product. Pending deviation requests do not alter the delivery date. A copy of the approved deviation must be sent with the shipment.

Part 4: Feasibility Commitment

For each new program, supplier shall provide a feasibility acknowledgement to NHK indicating it is capable of meeting the program expectations. The acknowledgement must include, but is not limited to, the following:

1. Ability to meet the component specifications;
2. Ability to meet the volume requirements; and
3. Ability to manage the process/components to ensure good quality.

Part 5: Production readiness plan and progress report

An NHK representative may hold a periodic engineering review to ensure the project stays on track. During such review, the supplier will be responsible for providing information as it relates to the schedule, open issues, concerns for the program and prototype progress.

The supplier is expected to provide a Sales and Operation (SOP) plan/schedule for production preparation including but not limited to:

1. Production Tooling;
2. Production Process;
3. PPAP Submission;
4. Quality document development (IE: Process Flow diagram, PFMEA, Control Plans, Line layout, Work Instructions and etc.);
5. Testing Plan;
6. Gage development;
7. Trial events leading to SOP.

Part 6: Supplier assessment activities

Based on the supplier's activities, NHK reserves the right to assess the supplier's quality control system. Such reviews may include but, not limited to a quality system audit, process audits, material evaluation and any activities related to the integrity of the product delivered to NHK.

It is the expectation of NHK that all suppliers are at least ISO-9001/2008 certified or compliant. If not certified then conformity to ISO-9001/2008 must be demonstrated which may require a quality systems audit by NHK.

Part 7: Inspection Standards and Data

The supplier shall develop an inspection standard for each product that is to be delivered to NHK. This standard shall document and define the inspection process used to determine the conformity of the part to the engineering specifications.

Dimensional or tolerance information may be developed from the drawing, CAD data or other engineering communications. Inspection standards shall address all characteristics required to determine the product's conformance with NHK's specifications. This includes, at a minimum:

1. Geometric dimensioning and tolerancing (GD&T) callouts;
2. All dimensions;
3. Key Product Characteristics (SC's, CC's, Delta R, Delta S and etc.);
4. Evidence of all functional requirements determined on the print or by contract.

Inspections must be conducted by qualified personnel using appropriate equipment and in a manner that is consistent with the tolerance or requirements of the characteristic being inspected.

Inspection data for all items specified must be provided and available for each product and each job setup that will be used to produce the products delivered to NHK.

For each delivered product to NHK, a minimum of three pieces will be required to provide inspection data. NHK reserves the right to require the supplier to provide additional inspection data (L e., due to data inconsistency, corrective actions, rejects or to prove process control).

Inspected components shall be identified and/or segregated from the bulk of the product during shipment. Inspection results must be included in the shipment, for multiple shipments the first shipment will include the inspection results.

Non-conforming products shall not be shipped without “Deviation Authorization” obtained from NHK. NHK shall be alerted immediately upon the discovery of non-conforming products that may have been delivered to NHK and of products that are still at the supplier's facilities.

The use of checking jigs or fixtures for the product is acceptable to inspect multiple parts. Jigs, fixtures or other devices used must be approved under the following:

1. The check fixture is certified and the Coordinate Measurement Machine (CMM) data made available
2. The device checks all of the required characteristics
3. NHK will approve the device prior to use.

Part 8: Evaluation and Testing Plan

For all variations of product shipped to NHK there must be an evaluation and testing plan to confirm that the product meets specifications. The plan must cover functional, electrical and appearance requirements as called out in the specifications. The plan must include the different stages of the product as follows:

1. Prototype level product;
2. Pre-production level product; and
3. Mass production level product.

Part 9: Inspection Gage Development

Products that need to be inspected through the use of an inspection gage must have a development plan for the gage. The development plan must ensure that all the required characteristics are properly checked against the specifications. The gage must be proven through Coordinate Measurement Machine (CMM) data and capability studies and as needed Reproducibility and Repeatability (R&R) evaluation based on the application of the gage.

Part 10: Inspection Data

All data collected to prove the gage capability must be available to NHK upon request. This data can be in the supplier's own format as long as it is legible and clearly illustrates the ability of the gage. All data collected to prove the product meets specification must also be made available to NHK upon request.

Part 11: Material Certification and Safety Concerns

All products must be made from the designated materials. The supplier is required to obtain a “Deviation Authorization” obtained from NHK for any materials that do not meet the requirements in type, thickness, color, finish and etc. Material certification will be provided with the initial shipment to NHK.

MSDS will be delivered with the initial shipment to ensure that NHK has it on file. If there are any safety concerns with any material, NHK must be notified prior to the initial shipment.

Part 12: Appearance Approval

Appearance approvals will be based on the specifications for that product. Appearance requirements can be color, texture, fit or shape based on the application. Initial appearance conditions must be approved by NHK personnel.

Part 13: Layout / Process Flowcharts

The supplier's process will be illustrated by a flow chart and layout drawing that represents the complete process for the product being delivered to NHK. Key characteristic locations must be identified on the flow chart. Symbol formats can be determined by the supplier to match their quality systems. The development steps and timing should be included in the Production Readiness Plan.

Part 14: Process Failure Mode and Effects Analysis

The supplier's process will utilize a Process Failure Mode and Effects Analysis (PFMEA) approach to ensure a low risk production setup. The PFMEA will reference the Design Failure Mode and Effects Analysis (DFMEA) or FTA to identify key characteristics that need to be protected. The AIAG FMEA handbook can be referenced for guidelines in developing the PFMEA. The PFMEA is a living document and must be maintained to reflect the actual conditions of the production set up. Periodic assessment of the PFMEA should be in place to ensure the quality of the product delivered to NHK. The development steps and timing should be included in the Production Readiness Plan.

Part 15: Process Control Plan

The supplier's process control plan will be developed from the PFMEA. The Process Control Plan (PCP) must ensure the key characteristics are protected with appropriate controls, tools and reaction plans. Appropriate check levels or sampling must be in place to safeguard any defective products being shipped to NHK. The PCP is a living document and must be maintained to reflect the actual conditions of the production set up. Periodic assessment of the PCP should be in place to ensure the quality of the product delivered to NHK. The development steps and timing should be included in the Production Readiness Plan (PRP).

Part 16: Control of Special Characteristics

Special characteristics must be called out in the PFMEA and PCP to ensure that the process is robust enough to provide defect free products to NHK. Special Characteristics include but are not limited to Delta "S", Delta "R", welding, color, texture or trim fit. The specific key characteristics will be identified by NHK through the drawings or special specification sheets. Methods for ensuring Special Characteristics compliance may include:

1. Initial process capability study
2. Ongoing statistical process control
3. 100% inspection and confirmation of the characteristic
4. Validation testing
5. Other methods agreed upon with NHK

Part 17: Training

All personnel associated with the manufacturing of products delivered to NHK must be adequately trained on the process they are performing. Records of their training must be maintained and available upon request from NHK. Training is an essential tool to ensure standardized work among supplier's associates.

Part 18: Production Packaging Requirements

Delivered product shall be packaged in a manner that prevents damage and deterioration to the product during shipment. Packaging must be approved by NHK prior to making any shipments. Labeling must clearly identify the product, quantity and part number for that product. Labeling must also identify the product if it is special (i.e., first part, engineering change level, process change or other)

Part 19: Product Serialization

Each part delivered must have an attached identification tag identifying the part number, Engineering Change Notice (ECN) revision level and serial number. Serial number identification is the responsibility of the supplier to establish. Trace ability data must link back to the supplier's process that built the product. Identification number must include date/shift and be located on the product when delivered to NHK. On small parts or bulk materials where it is not feasible or practical to have serial number **ID** this requirement will be waived. Materials of this nature must have lot tracking ability to be determined and managed by the supplier. This trace ability data must be available upon request from NHK.

Part 20: Production Part Approval Process

NHK will provide PPAP direction for the supplier to submit their PPAP package against. The supplier should follow the standard AIAG format for PPAP submissions. NHK will identify the submission level required for the product being produced.

Part 21: Production Containment

During all stages of production the supplier must have the ability to contain any non-conforming product so such products are not delivered to NHK. The supplier will dispatch inspection personnel and tools, as needed, to NHK's facilities to sort and/or rework product so only conforming product is used by NHK. At SOP the supplier will, as notified, implement additional containment activities to ensure defect free delivery to NHK. Containment will remain for the first 3 calendar months after SOP. The exit plan for this containment will be agreed upon by the supplier and NHK and will be based on product quality performance.

Part 22: Suspect and Nonconforming Material

The supplier shall have a written procedure for the segregation and disposition of nonconforming material. No non-conforming or suspect non-conforming material will be submitted to NHK without prior written authorization. NHK must be notified immediately in the event that non-conforming material has been delivered to NHK or that the material will jeopardize delivery or timing.

Rework and repair may be acceptable for eliminating the product nonconformance. A rework plan and procedure must be in place and approved by NHK.

Part 23: Investigation and Corrective Actions

In any of the following events the supplier must provide corrective action responses:

1. Non-conforming material being delivered to NHK;
2. Parts of supplier design that fail validation testing;
3. Late delivery or short delivery; and
4. NHK request.

Suppliers are responsible for conducting an investigation of the issue and providing a corrective action report. Investigations must be conducted to identify the true "root cause." Once the root cause has been identified then the supplier must implement corrective actions to prevent the same defect from happening again.

From the time the supplier is alerted to a problem the following must take place:

1. Containment action must be implemented within twenty-four (24) hours.
2. Temporary corrective action to be in place within seventy-two (72) hours.
3. Permanent corrective actions to be in place with ten (10) days (NHK must be notified if the timing is beyond the 10 day limit).

Containment or temporary corrective actions must be maintained until the permanent corrective actions are in place and verified for effectiveness. Verification is typically three clean shipments after the Corrective Action Break Point is provided.

Part 24: Mass Production Readiness Evaluation

NHK will audit the supplier as needed to ensure they are ready for mass production conditions. This includes, but is not limited to, run at rate ability, process evaluation, packaging availability and quality verifications. In the event that NHK cannot audit the supplier directly, the supplier must have the documents and data available to support their readiness for mass production.

Section 3. Mass Production Expectations

Part 1: Process Changes

Changes to the process (including minor changes) may not be made without the prior written approval of NHK.

Notification for process or tooling changes is required except in the following conditions:

1. Replacement of perishable manufacturing materials
2. Preventative maintenance activities
3. Repairs to tooling or capital equipment (unless it is a major overhaul)

Implementation of a process change requires a PCR (Process Change Request) to be submitted and approved by NHK. Examples of a PCR submission include:

1. Change of subcontractor or material manufacturer
2. Change of plant layout or manpower change
3. Change of equipment, jigs, machines or tools
4. Change of inspection procedure
5. Change of process condition

If the supplier has any questions about Process Change Requests or what constitutes a Process Change, they must contact NHK's Quality Assurance team.

Part 2: Product Changes

Changes to the product may not be made without the prior approval of NHK.

Before a change can occur an approval in writing from NHK must be documented and received. Implementation of a product change requires a Product Change Request (PCR) to be submitted and approved by NHK.

Product changes may come to the supplier in the form of an Engineering Change Notice (ECN) from NHK, which will include the change requirements and the implementation timing.

Part 3: Abnormal Production Control Contingency Plan

Suppliers are responsible for managing temporary abnormal conditions within their production environment. This control is very important as it typically attributes to a large number of defects.

The supplier shall provide their procedure for controlling and recording the following events:

1. Abnormal Manpower — Such as temporary labor, new team members, turnover, training and the use of additional team members to meet volume
2. Abnormal Machinery — Such as new tools, broken jigs, production line changes, additional equipment or the loss of equipment
3. Abnormal Process — Such as temporary labor changes, process changes, parameter changes, addition or removal of inspection steps or temporary inspection equipment
4. Abnormal Material — Such as new raw material or deviated raw material

The status of an abnormal condition must be made clear to the line/team members and management staff. Records of the abnormal change must be made available upon the request of NHK.

Output from the abnormal procedure must include the following:

1. Date/Time the change was in effect
2. Description of the abnormal condition
3. Description of the countermeasure used to control the abnormal condition
4. Any inspection data that may be created
5. A clear visual indicator of the abnormality while the line is running

Part 4: Change Point Control

The supplier is responsible for identifying and controlling changes in the product or manufacturing process with the goal of preventing defects.

A change point control system must address at a minimum:

1. The schedule for the change
2. A plan for special inspection or defect control method
3. A plan for informing and training all related personnel

The supplier's change control procedure must be made available upon NHK's request.

Part 5: Rework Control

The majority of quality defects passed on to the end user are a result of reworks. The supplier must have a process to control the rework and verification of the reworked products.

The rework process must include, at a minimum:

1. A method to record the reworked product received
2. A system for determining whether or not the rework will occur online or offline
3. Criteria for selecting rework operators
4. A written procedure for high volume reworks
5. A process for re-verification of the product after it has been reworked
6. An approval procedure for the completeness of the rework
7. A method for identifying reworked product after it has been shipped

Part 6: Production Traceability

In the event of a manufacturing defect, product suspected of containing the defect must be contained. Suppliers are required to have a method for tracing the manufacturing date of materials sufficiently to ensure that the suspect parts are controlled. Suppliers are encouraged to provide production trace ability in the smallest increment that is economically feasible. Products with special characteristics must be traced and recorded.

Every part, unless physically impossible due to size or material, must be manufactured with the part identification number inscribed, stamped, molded or labeled. Part identification method should be determined at the start of the program between the supplier and NHK.

Part 7: Suspect Product Shipment

In the event that potentially non-conforming product or "suspect" product has been shipped to NHK, the supplier is responsible for immediately alerting NHK.

The supplier is expected to take the following actions upon suspicion of a suspect product:

1. Identify the quantity and location of the suspect products:
 - a. At the supplier
 - b. In transit
 - c. At NHK
2. The severity of the problem:
 - a. Is it a safety issue?
 - b. Will the inventory be depleted?
 - c. Will this issue affect NHK's customer?
3. The containment of the problem:
 - a. Is conforming material available?
 - b. Determine method to contain the issue at the supplier and NHK
 - c. Timing to get the process back in control

Open communication between the supplier and NHK is essential and must take place in order to manage the situation and prevent it in the future.

Part 8: Continual Improvement

Suppliers are responsible for conducting continual improvement activities. The goal of these activities should be to:

1. Reduce defects, scrap or rework;
2. Improve safety;
3. Reduce cost;
4. Improve operating efficiency; and
5. Improve production capacity.

Suppliers are encouraged to utilize one or more of the following methods as applicable:

1. Kaizen teams;
2. Six Sigma projects;
3. QC circle; and/or
4. RPN reduction groups.

The supplier is responsible for maintaining all records related to their improvement activities. The records are expected to include implementation dates, before and after conditions, project target, achievement to the target and lessons learned. Upon request, the supplier shall provide such records to NHK as evidence of the supplier's improvement activities.

Part 9: Design Investigation Request

The supplier may request NHK for a design investigation or revision if one of the following conditions applies:

1. The supplier reasonably believes that the part cannot be reliably made to tolerance;
2. A design change would improve workability leading to cost or time savings;
3. A design change would improve the supplier's ability to safely make the product; and/or
4. Customer requirements have changed making the current process unusable and resulting in issues related to items 1, 2 or 3 above.

The supplier must submit a written request for a design investigation to NHK's Engineering department before an investigation can be initiated. Conditions to prove or disprove the requested change must be agreed upon by NHK before any trial event take place. Support data required from any trial events must be identified by NHK prior to the event.

Part 10: Supplier Score Card

NHK will track key supplier performance criteria on a Supplier Score Card. Performance indicators will be monitored based on WI-064 SUPPLIER RATING SYSTEM, as amended from time to time by NHK.

Part 11: Nissan Quality Initiatives

The Supplier must comply with the rules of the Nissan ANPQP system. Please regularly contact your NHK Quality department contact to acquire the latest version of form WI-QA-117 ANPQP "Customer submission" for guidance.

The Supplier must comply with the rules of the Nissan 4M system. Please regularly contact your NHK Quality department contact to acquire the latest version of form PWWI-002 "4M Board" for guidance.

Section 4. Quality Management and Control Standard Requirements for NHK

All NHK suppliers should follow the requirements as defined by this NHK SUPPLIER QUALITY MANUAL (hereinafter referred to as the "Quality Manual") and Terms and Conditions of Purchase of NHK (which includes a product warranty for supplier's product) which is published on NHK's website at: www.nhkseating.com

Quality Management and Control activities based on this manual throughout the development, start of production, and manufacturing process are required for all parts delivered to NHK.

Suppliers are to maintain quality management and control systems based on this manual

*This manual is made based on the requirements of ISO9001 / IATF169491.

Scope of suppliers to whom this Quality Manual applies:

1. Suppliers as defined in General Rules, 2.2. Scope of Application (page No. I-1).
2. Third-Party Registration. Third party registration for certification to ISO 9001/IATF16949 is not a requirement, but is recommended for suppliers in order to assure compliance to the requirements of this Quality Manual.
3. Scope of the requirement
 - (1) Specific requirements are defined in this Quality Manual.
 - (2) Suppliers to NHK must abide by NHK's special requirements as noted by the Tasks contained in section "II, Specifics Methodology" of this Quality Manual.
4. Quality Management and Control Systems for Sub Suppliers (NHK Tier 2, 3 and after)
Tier 1 suppliers to NHK are responsible to assure tier 2, 3 and after sub suppliers have Quality Management and control systems that meet the requirements of this Quality Manual.
5. References and Contact Information
ISO9001, IATF 16949 2016 or other non NHK standards or manuals are to be obtained through self-procurement by the supplier. Listed below are sources for self-procurement:

ISO9001, IATF16949 2016 or related standards:

Automotive Industry

Action Group (AIAG)

26200 Lahser Road, Suite 200

Southfield, MI 48034

Phone: 248-358-3570 FAX: 248-358-3253

<http://www.aiag.org/> (English)

ISO/TS16949 or ISO9001:2008

Japanese Standards Association

Phone: +81-3-3583-8002 (Japan)

<http://www.jsa.or.jp/> (English/Japanese)

If you have any additional question, please contact:

Supplier Quality Manager

Phone: +765-659-7830

Other Items:

NHK Purchasing department

Phone: 765-659-7846

Specific Requirements and Methodology

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GENERAL RULES

1. Purpose. This manual defines the quality management and control standards by NHK Seating of America, Inc. (hereinafter referred to as "NHK") for suppliers that deliver production parts or materials.

2. Scope of Application

(1) Parts and Material:

This manual applies to production parts, material (including bulk^{*1} materials), and repair parts. If a separate quality control standard is for the characteristics of a bulk material and conflicts exists between the bulk material standard and this Quality Manual, the bulk material standard shall take precedent over that specific area of conflict.

^{*1} Bulk Material: chemicals, coatings, lubricants, adhesives, sealers.

(2) Suppliers:

Suppliers that deliver parts or material defined in 2-(1) to NHK.

3. NHK Basic Requirements. Suppliers' top management shall provide sufficient resources (trained personnel, hardware, budget, etc.), required for the following activities, and assure that such activities are conducted in compliance with documented processes, regulations and NHK requirements.

(1) Requirement for Parts and Material

1) Suppliers shall deliver parts and material that comply with the required specifications,^{*2}

2) Definition of the required specification shall conform to the following;

- a) Drawing, specification, regulation, standard, in-house standard or an equivalent.
- b) Drawing made by a supplier and approved by NHK, regulation or standard presented by the supplier and approved by NHK, in-house standard or an equivalent approved by NHK.
- c) Published standards, such as JIS.
- d) Standards that are written based on the vehicle destination country's laws or treaties are expected to be known by suppliers.
- e) Other issues that were decided through discussion between suppliers and NHK.

2) Suppliers shall conduct the following activities according to this Quality Manual, Section II, Specific Methodology, in order to meet the above requirements.

3)

- a) Activities in each process from the development to start of production - Section II, Task (phase) from No.(1) to No.(6)

Each supplier shall follow the requirements and conduct all required activities during development process, preventive action for quality problems, and assurance of process reliability in order to assure quality in the production stage.

- b) Control activities in production stage - Section II, Task (phase) No 7.

Each supplier shall follow the requirements and conduct all required activities in order to maintain quality at the start of production and effectively manage any abnormal condition.

(2) Quality Assurance Responsibility and Establishment of Quality Management and Control

Suppliers shall assume responsibility for assuring the requirements of 3-(1) are performed, and establish a quality management and control system that guarantees continuous assurance and improvement.

- 1) Responsibility to retrieve a lot or subject part / material that was rejected.
- 2) Responsibility to sort inventory at NHK and the supplier.
- 3) Responsibility to accept the cost for parts, labor, and additional expenses incurred by items 1 and 2 above.
- 4) Responsibility to reimburse NHK due to a production interruption.

The Suppliers quality management and control system shall consist of the following elements and will be evaluated by NHK from a comprehensive standpoint.

- 1) Quality assurance structure shall be well established and managed so that each system performs properly.
- 2) The organization shall have appropriate technology in development engineering and production engineering to support production.
- 3) The organization shall have a strong will to respond to customer requirements and commitment to quality improvement.

(3) Designation and Notification of Responsible Person(s) for Quality Management

In order to properly perform the required items in the manual, the contact information and title of the top management person responsible for implementation of the above items, or persons designated by the top person, shall be submitted to NHK, New suppliers are required to submit the contact information.

(4) Accuracy Management of Measurement Equipment

Suppliers should provide "Accuracy Management Regulations" in which "List of Measurement Equipment", "Methods of Measurements", "Names of Inspection Instruments and Equipment" and "Standards for Judging Accuracy" are established in a manual and quality evaluations are performed based on the requirements of the manual. Records of Quality evaluation results should be kept on file by the supplier. Requests for documented quality information by shall be provided without delay.

(5) Outsourced Parts Management

If a part, component part, material or processing is outsourced by the supplier, the supplier shall require the quality management and control of the subcontractor to meet the supplier's standard and this Quality Manual.

The supplier shall provide instruction to the subcontractor and audit thoroughly from development to start of production to assure quality. Requests for documented audit information by the NHK shall be provided without delay.

(6) Quality Control of Vital and Safety Related and Important Quality Part

If a part is designated as a Vital and Safety Related Part or an Important Quality part on the drawing (refer to the next page for the definitions and drawing designations), the quality characteristics that relate to the function of the subject part shall be clearly defined (if there is a description of the quality characteristic).

- 1) 100% inspection and assurance regardless of the Process Capability Index,
- 2) Process Capability Index Cpk shall be kept at 1.33 or more. If less, it shall be improved.
- 3) The process shall assure 100% compliance to critical feature by Poka-yoke.
- 4) Operators who will be involved in the manufacturing of these parts shall be given training regarding characteristics, function and control point of the part. Operators shall have work experience of more than one month under an instructor and their training status shall also be recognizable.
- 5) Lot control for component and finished parts.
The above shall also apply to outsourced parts.

Indication of Vital and Safety Related Process.

The following shall be identified with the Vital and Safety mark:

- 1) Designated stage in the manufacturing process.
- 2) Standards relating to Vital and Safety parts.
- 3) Operator instruction for Vital and Safety parts.
- 4) Supplier's internal part identification labels for Vital and Safety parts.
- 5) NHK part delivery labels for Vital and Safety parts.
- 6) Other manufacturing, quality handling, storage or instruction documents for Vital and Safety parts.

Definition and indication for Vital and Safety Related and Important Quality Parts (the following indication is expressed in inspection standards).

Name	Definition	Indication
Vital and Safety Related Part	Damage or malfunction of the part is; a) possible to cause a fault in driving function (affect steering and brake function.) that may cause personal injury. b) possible to cause vehicle fire. c) possible to cause electric shock by high voltage.	The followings are indicated in the drawing of NHK \ NHK. IMPORTANT AND SAFETY RELATED PART IMPORTANT AND SAFETY RELATED PORTION
Important Quality	a) A fault of the part may affect safety or commercial value of the part. b) A part that is applied to either standard or safety regulation of the designated market country. c) Other part that is especially designated by NHK Quality department.	The following is indicated on the drawing of FHI/SIA or there is a mark of (Note) indicated in the regulation indication column. IMPORTANT QUALITY
General part	Parts other than Vital and Safety Related Part and Important Quality parts.	No special indication.

Name	Indication	Indication Method
Safety regulated part	<div style="border: 1px solid black; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">S</div>	Safety regulation No. (or TS No.) is indicated In the Section of NHK drawing.
Noise regulated part	<div style="border: 1px solid black; width: 30px; height: 30px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">N</div>	Noise regulation No. (or TS No.) is indicated In the Section of NHK drawing.
Radio Frequency Emissions law regulated part		Electric wave regulation No. (or TS No.) is indicated In the Note of NHK drawing.
Environmentally hazardous substances		Do not use an environmental load material according to the explanatory note (TS No. indication) of the NHK drawing.
		I-3-1

(7) Change management

In the process of production quality control, various changes occur occasionally. In such instances, it is important to manage quality control. Thus, all the contents related to control plan will be held, changed items will be managed and the product quality will be evaluated until a result report is submitted for the changed item. Change could occur due to various reasons;

- Change by the influence of external factors (i.e., exchange influence, economy influence, QCD of subcontractors, etc.)
- Change by the influence of internal factors (i.e., VA item, design change, pitch time change, etc.)
- Change by the factor management (i.e., die maintenance, change of cutter, grinding of electrode part for welding, etc.)
- Change by the unexpected occurrence (i.e., temporary work, equipment trouble, etc.).

These matters are applied to the subcontractors.

Changes to any process, production base, procurement, materials (including bulk materials) for component parts (including subcontractor parts) are prohibited after development performance test completion (development completion).