

< NOTE >

Please write down the following before a signature:

Face page... Your company name (legal entity) in BLOCK LETTER;

Page 2 ... Your company name (legal entity), address of your registered office;

Page 24 ... Your company name (legal entity), address of your main office, facsimile number;

Page 25 (signature column) ... Your company name (legal entity) under "For and on behalf of", name, title of your signatory under a signature line, and put the official seal of your company.

(JMEX will fill in the blank of 'date' when signs)

注意事项：

请您在签订该协议时，请注意填写以下内容。

合同封面 ...贵司的公司名称（法律的实体），请用大写的英文字母书写；

第 2 页 ... 贵司的公司名称（法律的实体），办公室的注册地址；

第 24 页 ...贵司的公司名称（法律的实体），主要办公地址，传真号码；

第 25 页（签名栏）... 请在 For and on behalf of（公司代表）下面填写贵司的公司名称（法律的实体），签字人姓名以及职位，并加盖贵司公章。

（Date（日期）空白一栏，将由JMEX在签订该协议时填写）。

DATED \_\_\_\_\_,

JATCO MÉXICO, S.A. DE C.V.

AND

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MASTER PURCHASE AGREEMENT

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This Master Purchase Agreement is made on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (“Effective Date”)

BETWEEN:

- (1) JATCO MÉXICO, S.A. DE C.V., a corporation organized and existing under the laws of México and having its registered office at Carretera Panamericana Km. 75, Col. Los Arellano, Aguascalientes Ags., México (“JMEX”); and
- (2) \_\_\_\_\_, a corporation organized and existing under the laws of \_\_\_\_\_ and having its registered office at \_\_\_\_\_ (“Supplier”)
- (collectively, the “Parties” and individually a “Party”).

### Background

- (A) JMEX and its Affiliates (defined below) are engaged in the design, manufacture, assembly and/or sale of competitive automatic transmission on a worldwide basis.
- (B) JMEX conceives to procure competitive automatic transmission components, and to use the same for manufacture of JMEX and/or its Affiliates.
- (C) Supplier and its Affiliates are engaged in the design, manufacture and/or sale of competitive automatic transmission components.
- (D) JMEX wishes to procure automatic transmission components from Supplier under the following terms and conditions.

Now, therefore, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree to the terms and conditions set forth in this Agreement.

### Article 1. Definitions and Interpretation

1.1 In this Agreement the following terms shall have the following meanings:

“Acceptance Drawing”	a drawing in any medium, including an electronic version in a CAD format, made by Supplier based upon specification tenders provided by JMEX or any of its Affiliates and design-released by JMEX or any of its Affiliates;
“Affiliate”	an entity that: (i) is controlled directly or indirectly by; (ii) controls directly or indirectly; or (iii) is under common control with JMEX or Supplier, as the case may be. “Control” for this purpose shall mean

	having a fifty percent (50%) or greater interest in the issued share capital of the other entity;
“Agreement”	this Master Purchase Agreement, including the Claim Compensation Procedure;
“Applicable Incoterms”	has the meaning set out in Article 4.3;
“Applicable Law”	all laws, rules, regulations and executive or judicial orders applicable in any jurisdiction where the Parts are manufactured and any jurisdiction where the Parts, automatic transmissions equipped with the Parts or vehicles equipped with such Parts and/or automatic transmissions will be sold;
“Background Patents”	(i) any registered patent, registered utility model or registered design right acquired or owned prior to starting the Development Work; or (ii) any application to register a patent, utility model or design right filed prior to starting the Development Work;
“Claim Compensation Procedure”	the procedure by which JMEX is reimbursed for the warranty cost by Supplier, a copy of the current version of which is attached hereto as Schedule 1;
“Collecting System”	the commercial trade method that Supplier loads Parts onto the carrier’s vehicle specified by JMEX at the site specified by JMEX and transfers the same to JMEX;
“Confidential Information”	has the meaning set out in Article 27.1;
“Customer”	the companies to which JMEX supplies the Parts and/or automatic transmission equipped with the Parts;
“Delivery System”	the commercial trade method that Supplier transports Parts to the specified site and transfers the same to JMEX without unloading from the arriving transportation means;
“Development Work”	all work necessary to develop the Parts so that the Parts meet all Specifications and are fit for their intended purpose;

“Direct Supplied Goods”	has the meaning set out in Article 7;
“Entrusted Manufacturing Company”	a company to which JMEX entrusts its manufacturing of automatic transmission;
“Intellectual Property Rights”	any patent, utility model, design right, copyright (including any right in computer software), database right or topography right (whether or not any of these are registered and including applications for registrations of any such thing) and any trade secret, know-how or any right or form of protection of a similar nature or having equivalent or similar effect to any of those which may subsist anywhere in the world, and for the purpose of Articles 21 and 22 shall also include any trademark, service mark, trade name or business name;
“JMEX Drawing”	a drawing in any medium, including an electronic version in a CAD format, specification tender, standard or other technical document of similar nature made by or belonging to JMEX or any of its Affiliates;
“JMEX Property”	has the meaning set out in Article 22.2;
“Parts”	all goods, more particularly described in any Price Agreement, including production parts, trial parts, service parts and raw materials, purchased by JMEX from Supplier under this Agreement;
“Price”	the price of the Parts excluding Value Added Tax (VAT) identified in the applicable Price Agreement;
“Price Agreement”	any agreement in writing separately made between the Parties relating to the Price;
“Release”	JMEX’s authorization for shipment of the Parts, which may be electronic or in writing;
“Service Parts”	has the meaning set out in Article 24;
“Source Supplier”	has the meaning set out in Article 7.2;
“Specification”	any specification tender (including quality and reliability standards), drawings in any

	medium (including electronic versions in a CAD format), data, descriptions, samples or other information relating to the Parts, which is designated or approved by JMEX;
“Subcontractors”	has the meaning set out in Article 26;
“Supplied Goods”	has the meaning set out in Article 7.2;
“Technical Information”	has the meaning set out in Article 19.2;
“Tooling”	all tools, jigs, dies, gauges, fixtures, moulds, patterns and other equipment used by Supplier in manufacturing the Parts;
“Vendor Tooling”	all Tooling paid or to be paid for by JMEX, and used by Supplier in manufacturing the Parts, which is belonging to JMEX; and

## 1.2 In this Agreement:

- (1) the above definitions are equally applicable to both the singular and plural forms of any of the terms defined in this Article;
- (2) reference to Articles and Schedules are to Articles and Schedules of this Agreement;
- (3) the headings are for convenience only and shall not affect the interpretation of this Agreement;
- (4) the word “including” shall not be given a restrictive interpretation by reason of it being followed by words indicating a particular class of acts, matters or things; and
- (5) any reference to a statutory provision includes a reference to any modification or re-enactment of the provision from time to time in force and all subordinate instruments, orders or regulations made under it.

## **Article 2. Agreement**

- 2.1 JMEX agrees to purchase and Supplier agrees to sell the Parts under the terms and conditions of this Agreement; provided, however, that specific commitments to purchase and sell shall be subject to Price Agreements between the Parties and the issuance by JMEX of Releases.
- 2.2 Supplier agrees and acknowledges that the Parts purchased by JMEX from Supplier under this Agreement may be sold by JMEX to its Affiliates or, as Service Parts, to Customers or dealers of vehicles designated by Customers.
- 2.3 Supplier agrees to pursue actively ongoing reduction in the Price and ongoing

improvement in the quality of the Parts.

### **Article 3. Specifications**

3.1 Supplier shall manufacture the Parts in accordance with:

- (1) JMEX Drawings furnished from JMEX to Supplier;
- (2) Acceptance Drawings; and
- (3) Specifications.

3.2 After JMEX Drawings and Specifications are provided to Supplier, and before Supplier manufactures the Parts, Supplier shall review and scrutinize the same. Supplier shall immediately notify JMEX in the event that Supplier has reason to believe that any JMEX Drawing or Specification is inadequate to produce the Parts that will satisfy all warranties in Article 14 and that will function throughout the greater of the expected life of the Parts or the applicable warranty period.

Supplier shall obtain prior written approval from JMEX in selecting materials and vendor thereof for manufacture of Parts. Supplier shall also receive a prior design change release from JMEX in change in selection of any material and shall obtain prior written approval from JMEX when changing material vendor and material supplier.

### **Article 4. Release and Delivery**

4.1 In conjunction with each Price Agreement and in accordance with the relevant JMEX's procedural instructions, JMEX may issue one or more Release(s) to Supplier specifying the place of delivery, the quantities of the Parts to be purchased and the required delivery dates. Any Release shall become effective and binding on both Parties when Supplier accepts it; provided, however, that such Release shall be deemed as accepted by Supplier if Supplier fails to expressly refuse the Release within two (2) working days after the date of such Release. Supplier shall not make any changes in any Release without JMEX's prior written agreement.

4.2 In addition to Release, JMEX may provide a preliminary three (3) months order forecast to Supplier on a monthly basis; provided, however, that, such forecast shall be used only for the purpose of facilitating Supplier's production planning of the Parts, and shall no event be construed as binding on JMEX in anyway nor as guarantee of any purchase quantity by JMEX.

4.3 Supplier shall deliver the Parts to JMEX on a FOB [*port name*] basis, in accordance with the 2000 edition of the Incoterms published by the International Chamber of Commerce (publication number 560) ("Applicable Incoterms"), in such quantity and by such time as specified by JMEX in each Release. Supplier's obligations relating to the time for delivery of the Parts are integral parts of and constitute conditions of this Agreement. In the event that the delivery of the Parts to JMEX is likely to be delayed, Supplier shall notify JMEX thereof in advance; provided that such notice shall not release Supplier from its liabilities for all costs, losses and consequential damages resulting from incomplete or delayed delivery. Without prejudice to JMEX's other available rights and remedies, JMEX shall have the right to reject in whole or in part



such incomplete or delayed delivery of the Parts. Supplier is responsible for all costs (including those arising out of currency fluctuations) and losses (including loss of profits) and consequential damages, as reasonably calculated by JMEX, due to incomplete or delayed delivery.

- 4.4 Shipments in excess of delivered quantities specified by JMEX in each Release may be returned to Supplier, and Supplier shall pay JMEX for all return handling and transportation expenses. JMEX reserves the right to accept, at its sole discretion, in whole or in part, any Parts delivered in excess of those specified by JMEX and may, but shall not be obliged to, make such payment as JMEX considers appropriate in respect of the excess Parts. JMEX shall not be obliged to give notice to Supplier of its acceptance or rejection of any Parts delivered in excess of those specified.
- 4.5 JMEX reserves the right, at its sole discretion, to place emergency orders in addition to regular orders placed from time to time under this Agreement or to require Supplier to deliver the Parts earlier than the time originally specified by JMEX. In any such case Supplier shall use its best efforts to comply with such emergency orders or revised timetable.
- 4.6 In order to ensure a continued production and stable supply of the Parts and to improve the level of Supplier's delivery management of the Parts, JMEX shall evaluate Supplier's performance regarding the delivery management of the Parts, in accordance with the delivery management rules separately established by JMEX, which provide (i) the rules for Supplier's delivery process of the Parts to JMEX in accordance with each Release, and (ii) the criteria and method of evaluation of Supplier's performance for delivery of the Parts.
- 4.7 JMEX shall provide estimations for annual planned quantity to Supplier three (3) times a year to facilitate Supplier's preparation for manufacture of Parts. Supplier shall cooperate the Supplier's capability investigation according to the instruction of JMEX and shall ensure its production capability of required quantity of Parts. When a problem in supply or manufacture of Parts is expected to occur as the result of the capability investigation, Supplier shall immediately notify JMEX of it and take appropriate action. Such estimation provided by JMEX shall be used only for the purpose of facilitating Supplier's preparation for manufacture of Parts, and shall no event be construed as binding on JMEX in anyway nor as guarantee of any purchase quantity by JMEX.
- 4.8 Supplier shall timely and accurately fulfill all requests by JMEX, or its designated agents, for country of origin certification for all Parts supplied to JMEX whether or not preferential origin or tariff treatment applies. This includes, for example, but without limitation, national or international certifications and data for various and applicable Free Trade Agreements, Generalized System of Preferences, Average Fuel Economy and Labeling etc.,.

## **Article 5. Receipt and Inspection**

- 5.1 The title to the Parts shall pass from Supplier to JMEX at the time of delivery and acceptance of the Parts by JMEX. The risk of loss or damage to the Parts shall pass from Supplier to JMEX in accordance with the Applicable Incoterms. Supplier shall be responsible for any damage caused by package assembled form. JMEX reserves the

right to inspect the Parts in accordance with the standards issued by JMEX from time to time. JMEX may reject any Parts that are defective, damaged or non-conforming or in breach of Supplier's warranties as provided for in Article 14, at any time before sale of the Parts or automatic transmission/components equipped with the Parts to any Customer. Payment to Supplier shall not be construed as acceptance or an agreement by JMEX that the Parts conform to the terms and conditions of this Agreement. Any inspection or testing by JMEX shall not relieve Supplier of its obligations under this Agreement.

- 5.2 If any Parts are rejected, Supplier shall, at JMEX's request and at no additional cost to JMEX, either promptly deliver replacement Parts conforming to the Specifications, warranties as provided for in Article 14 and delivery instructions , or make compensation to JMEX by means of monetary compensation, as determined by JMEX in its sole discretion.

#### **Article 6. Packaging, Marking and Shipping**

- 6.1 All Parts shall be properly packaged, labeled, marked and loaded at Supplier's expense and responsibility in accordance with the relevant requirements as may from time to time be designated by JMEX. Supplier shall also cooperate with request for improvement in package-assembled form from JMEX at any rate.
- 6.2 Supplier shall prepare the shipping containers but if JMEX prepares or supplies them, Supplier shall exercise reasonable care for maintenance and handling of such containers during the retention or use of such containers by Supplier. The title to one-way boxes for packaging delivered with the Parts to JMEX shall be transferred to JMEX at the time of delivery of the Parts unless otherwise specified by JMEX.
- 6.3 Each Packing list and invoice shall bear JMEX's applicable part number, P/O number, Order number, RAN number, date of shipment, quantity shipped, address of JMEX, forwarding information and any other information requested by JMEX, including serial numbers, if applicable. These documents shall be sent in parallel to JMEX Production control as well as attached to the cargo.
- 6.4 Supplier is responsible for all JMEX's costs and losses, as reasonably calculated by JMEX, due to Supplier's failure to comply with any or all of its obligations under this Article 6.

#### **Article 7. Supplied Goods**

- 7.1 In any of the following cases, JMEX may, after consultation with Supplier, supply Supplier with raw materials, parts, packing materials or other materials ("Supplied Goods") necessary for manufacturing, packaging or transportation of the Parts with or without charge:
- (1) If JMEX judges necessary to maintain the quality and/or function of the Parts, or to meet any standard of the Parts designated by JMEX; or
  - (2) If there is any other justifiable cause.

7.2 The Supplied Goods to be supplied to Supplier pursuant to Article 7.1 above shall have the following two (2) categories:

- (1) those which are manufactured or purchased by JMEX and physically delivered from JMEX to Supplier ( “JMEX Supplied Goods”); and
- (2) those which are purchased by JMEX from a third party supplier designated by JMEX (“Source Supplier”) but are physically delivered directly from the Source Supplier to Supplier without via JMEX (“Direct Supplied Goods”).

7.3 In case the Supplied Goods are supplied to Supplier, JMEX shall, no later than the release of a design note for the Parts in principle, notify Supplier of the part number, type and other information of the Supplied Goods in the form of the part planning sheet or any other written form. JMEX and Supplier shall discuss with each other in advance to determine the quantity, delivery date and other conditions with respect to such Supplied Goods; provided, however, that the delivery date, place of delivery and other conditions with respect to the Direct Supplied Goods shall be discussed and determined by Supplier and each Source Supplier.

#### **Article 8. Inspection of Supplied Goods**

8.1 Upon delivery of the Supplied Goods, Supplier shall at its own responsibility conduct receiving inspection and confirm its acceptance of such Supplied Goods. For such inspection to be performed by Supplier, JMEX may, after consultation with Supplier, designate the criteria and, method of those inspections and so forth.

8.2 Supplier shall, on behalf of JMEX, conduct receiving inspection and confirmation of acceptance upon delivery of the Direct Supplied Goods to Supplier. For such inspection to be performed by Supplier, JMEX may, after consultation with Supplier, designate the criteria and, method of those inspections and so forth. Such receiving inspection and confirmation of acceptance set forth in this Article 8.2 may be substituted by the receiving inspection and confirmation of acceptance to be conducted by Supplier pursuant to Article 8.1 above.

8.3 If Supplier detects any excess or shortage in the quantity of the Supplied Goods, or detects any of the Supplied Goods not satisfying the inspection standards as a result of those inspections as set forth in Articles 8.1 and 8.2, Supplier shall, (i) notify JMEX of reasons and details of such excess, shortage, or non-satisfaction in case of the JMEX Supplied Goods, or (ii) directly request the Source Supplier to return, replace, and/or take other necessary measures in case of the Direct Supplied Goods.

#### **Article 9. Handling of Supplied Goods**

9.1 Supplier shall exercise reasonable care as a prudent and competent person for handling the Supplied Goods, and shall not use the Supplied Goods for any purpose other than such purposes as designated by JMEX, nor transfer the title to or the possession of the same to any third party without JMEX’s prior written approval.

- 9.2 With respect to the Supplied Goods supplied to Supplier without charge, JMEX has a right to take a physical inventory and confirm the quantity of such Supplied Goods in the custody of Supplier in the presence of Supplier when JMEX deems necessary. If such inventory taking turns out that Supplier has caused some damages to JMEX due to breach of duty of reasonable care as provided in Article 9.1 above, Supplier shall indemnify JMEX for such damages.
- 9.3 Unless otherwise agreed upon between the Parties, the title to the Supplied Goods supplied without charge shall not be transferred from JMEX to Supplier. The risk of loss or damage to the Supplied Goods shall pass from JMEX to Supplier at the time of delivery to Supplier in case of the JMEX Supplied Goods, and at the time of completion of Supplier's acceptance inspection in case of the Direct Supplied Goods.
- 9.4 Notwithstanding the provisions of Articles 9.1 and 9.2 above, Supplier shall return the Supplied Goods damaged by Supplier to JMEX at its own cost. If Supplier damaged the Supplied Goods which are supplied without charge, Supplier shall reimburse the amount equivalent to the price of such Supplied Goods to JMEX. If Supplier lost any of the Supplied Goods, Supplier shall pay JMEX the amount equivalent to three (3) times of the price of such Supplied Goods, as the indemnification for its breach of obligation as provided for in this Article 9.

#### **Article 10. Defective Supplied Goods**

If Supplier detects any defects in the Supplied Goods in the course of the process of its operation after it's receiving inspection and confirmation of acceptance, and if such defects are attributable to JMEX or the Source Supplier, then Supplier may seek any of the following measures, after JMEX confirms the quality and quantity of such defective Supplied Goods:

- (1) Delivery of replacement;  
Supplier may request delivery of the replacement to JMEX in the case of the JMEX Supplied Goods and to the Source Supplier in the case of the Direct Supplied Goods, respectively.
- (2) Compensation for selection and repairs;  
If Supplier selects and repairs the defective Supplied Goods, Supplier may claim JMEX for compensation of any labor costs or other expenses incurred for such selection and repair. In connection with the Direct Supplied Goods, Supplier may instruct the Source Supplier to select and repair the defective Supplied Goods after obtaining consent from JMEX and the Source Supplier.

#### **Article 11. Price, Invoicing and Payment**

- 11.1 Unless otherwise agreed in writing, Supplier shall invoice JMEX for the Parts after delivery of the Parts in accordance with the procedure designated by JMEX. The Price shall be Supplier's full compensation for the Parts. JMEX shall have no obligation to make any further payment to Supplier in connection with the Parts. No increase in Price shall be accepted by JMEX without prior written agreement. Invoices shall include all data and supporting documentation requested by JMEX.

- 11.2 Invoices may be rejected for non-compliance with any of the provisions of this Agreement. JMEX shall make payment of the Price to Supplier in accordance with the payment procedure as established by JMEX. If JMEX has undisputed monetary claims against Supplier, such as account receivable for the Supplied Goods with charge, JMEX may offset such monetary claims against the Price as set forth in Article 11.1 above.
- 11.3 Unless otherwise agreed in writing, Supplier shall not assign or transfer any receivable under Article 11.1 to any third party, nor authorize any third party to subrogate Supplier for collecting receivables.
- 11.4 JMEX has the right to deduct any and all damages and losses due to Supplier's delay, excess, or shortage in delivery, or defects of the Parts (including any cost as provided for in Articles 14 and 16), from the Price as set forth in Article 11.1 above. If the amount of such damages and losses are more than the Price as set forth in Article 11.1, Supplier shall pay the shortfall to JMEX within thirty (30) days from the claim by JMEX.

#### **Article 12. Intermediary**

- 12.1 In purchasing the Parts from Supplier under this Agreement, JMEX may appoint any third party as its intermediary for the following matters ("Intermediary"):
- (1) issuance of Releases and instruction for delivery;
  - (2) receipt of the Parts delivered by Supplier;
  - (3) arrangements for the vessels or airplanes;
  - (4) procurement of marine insurance policies;
  - (5) receipt of shipping documents including invoices, bills of lading and packing lists and/or
  - (6) other matters from time to time requested by JMEX relating to sale and purchase of the Parts.
- 12.2 JMEX shall ensure that Intermediary complies with and abides by the terms and conditions of this Agreement.

#### **Article 13. Changes**

- 13.1 JMEX may, by notice to Supplier, at any time change any one or more of the following:
- (1) Quantity;
  - (2) Specifications; or

- (3) Methods of packaging or shipment.

Upon the request from Supplier of an adjustment to the Price or other terms as a result of the above change, both Parties shall discuss in good faith. .

- 13.2 Supplier shall not make any changes in the design or composition of any Parts without the prior written agreement of JMEX.
- 13.3 In the event that JMEX provides Supplier with up-dated JMEX Drawing, Supplier shall immediately return the previous version of such JMEX Drawing to JMEX or its designated person.

#### **Article 14. Warranties**

- 14.1 Supplier warrants that it has good and merchantable title to the Parts and that the Parts shall:
- (1) be free from defects in design (to the extent that Supplier or Subcontractor has furnished the design), materials, workmanship and performance;
  - (2) be of merchantable quality and fit for the particular purpose for which the Parts are sold;
  - (3) comply with all JMEX Drawings, Acceptance Drawings and Specifications;
  - (4) be free and clear of all liens and encumbrances;
  - (5) comply with all Applicable Laws; and
  - (6) comply with all other warranties implied or provided for by law.
- 14.2 All warranties shall extend to JMEX for at least the time and mileage limitations of relevant Customer warranties referred to in Article 3 of the Claim Compensation Procedure. Supplier shall reimburse JMEX for all costs (including labor charges, cost of replacement parts, disposed parts cost sequent to repair, towing, cost for remake, sorting cost, any expenses incurred by Customer and other expenses) incurred by JMEX as a result of Supplier's breach of any warranty. In addition, Supplier shall comply in all respects with the terms and conditions of the Claim Compensation Procedure, which shall constitute an integral part of this Agreement. There are no exclusions, limitations, or disclaimers of warranties other than those that may be expressly recited in this Agreement. The warranties expressed in this Agreement shall be construed as consistent and cumulative with one another and with all other warranties, whether express, implied or statutory.
- 14.3 Supplier also warrants that all information related to the Parts, provided by Supplier at any time, including information related to the country of origin of each of the Parts or any subcomponents thereof, shall be true and correct in all respects and shall be responsible for all loss or damage incurred by JMEX.

**Article 15. Quality Assurance**

Supplier shall manufacture the Parts in accordance with all of JMEX's "Quality Control Procedures for Suppliers" designated by JMEX for its suppliers. In addition, Supplier shall continuously monitor quality of the Parts and promptly report to JMEX if and when Supplier finds any Parts that do not comply with the Specifications.

**Article 16. Recall and Reimbursement**

Supplier shall reimburse JMEX to the extent attributable to Supplier, for all costs incurred by JMEX (including compensation paid by JMEX to the Customers and/or to the Customers' dealers, directly or indirectly for costs for notification, discarded parts subsequent to repair, replacement parts, labor, penalties, fines, and buy backs) as a result of any recall, service campaign or similar program initiated by JMEX, the Customers or the Customers' dealers, or required for compliance with any Applicable Law. All decisions regarding recalls, service campaigns, and similar programs shall be made by JMEX, the Customers or the Customers' dealers, at their sole discretion.

**Article 17. Indemnification**

17.1 In addition to what is specified elsewhere in this Agreement, Supplier shall indemnify and hold harmless JMEX, its Affiliates, the Customers, the Customers' dealers, and their respective officers, directors and employees, in full against all loss, liability, damages, costs and all expenses, including attorney fees and expert fees, arising directly or indirectly out of Supplier's performance of work hereunder or the use or sale or importation of any Parts, including claims, actions or lawsuits alleging:

- (1) personal injury, property damage or economic damage;
- (2) any design, manufacturing or warning defect relating to any Part;
- (3) any violation by Supplier of any law, rule or regulation applicable to Supplier or Supplier's business, facilities or operations;
- (4) any act or omission of Supplier or its employees, agents or sub-contractors designing, manufacturing, supplying or delivering the Parts, including any injury, loss or damage to persons caused or contributed to by any of their negligence or by faulty design, workmanship or materials; or
- (5) any other claims resulting from the acts or omissions of Supplier or its employees, agents or sub-contractors.

17.2 Upon request from JMEX, Supplier shall, at its sole expense, provide JMEX with reasonable access to documents, records and witnesses in connection with JMEX, its Affiliates, the Customers, the Customers' dealers, and their respective officers, directors and employees' defense and resolution of any claim, action or lawsuit described in Article 17.1.

17.3 JMEX may, at its sole discretion, require Supplier to defend and resolve any claim, action or lawsuit described in Article 17.1. In the event that JMEX so requires,

Supplier shall assume all loss, liability, damages, costs and all expenses, including attorney fees and expert fees, in connection with such defense.

**Article 18. Right of Access to Supplier's Claims' Information**

At the request of JMEX, Supplier shall promptly provide access to its records of warranty or product liability claims relating to the Parts. JMEX has the right to review and copy such records, and to require Supplier, at Supplier's cost, to prepare and provide reports or analyses of the quality, reliability, performance, or safety of the Parts, and/or complaints, actions or claims relating to the Parts. Supplier shall retain such records, reports and analyses as required by the Applicable Laws or for at least ten (10) years, whichever is longer.

**Article 19. Handling of Drawings**

- 19.1 Supplier shall furnish JMEX with the Acceptance Drawings. Notwithstanding the provisions of Article 27, JMEX may copy, prepare derivative works and disclose the Acceptance Drawings to any third party.
- 19.2 Supplier shall furnish JMEX with specifications, concept sheets, CAD data, information and other data Supplier acquires or develops in the course of Supplier's activities under this Agreement as well as all other information and data that JMEX deems necessary to understand the Parts covered by this Agreement and their manufacture (collectively the "Technical Information"). As to any Technical Information that is Confidential Information (as defined in Article 27), JMEX shall not disclose such Technical Information to any third party without the prior consent of Supplier, except to the limited extent permitted under Article 27.

**Article 20. Intellectual Property Rights**

- 20.1 Each Party and/or its Affiliates will retain its rights in the Intellectual Property Rights that it acquired, generated or created prior to starting the Development Work.
- 20.2 Supplier shall grant and hereby grants JMEX and its Affiliates a perpetual, paid-up, royalty-free, non-exclusive, world-wide irrevocable license to all Supplier's Intellectual Property Rights subsisting or embodied in or used in connection with the Acceptance Drawings except for Background Patents of Supplier, with a right to grant sub-licenses to others, to make, have made, use, offer to sell, sell, repair, reconstruct or rebuild, and have repaired, reconstructed or rebuilt, products including the Parts and products similar or identical to the Parts.
- 20.3 If requested by JMEX, Supplier shall grant JMEX or any of its Affiliates a non-exclusive license with a right to grant sub-licenses to others to Supplier's Intellectual Property Rights subsisting or embodied in or used in connection with the Parts, other than those licensed by Supplier to JMEX and its Affiliates pursuant to Article 20.2, on terms to be agreed by the Parties.
- 20.4 If Supplier makes or creates an invention, idea, design, patentable discovery, improvement or process based on the technical data, information, proposals or opinions provided by JMEX, Supplier shall forthwith notify JMEX thereof, and the Parties shall



discuss in good faith and agree on the ownership of the Intellectual Property Rights subsisting or embodied therein. Except in case of agreement in writing, Supplier shall not independently file a patent application for such invention, idea, design, patentable discovery, improvement or process.

#### **Article 21. Infringement**

- 21.1 Supplier shall defend, indemnify and hold harmless JMEX, its Affiliates, the Customers and the Customers' dealers, and their respective officers, directors and employees, in full against all loss, liability, damages, costs and all expenses, including attorney fees and expert fees, arising directly or indirectly out of any claims, actions or lawsuits, alleging infringement of any Intellectual Property Rights in connection with the Parts, alone or in combination with any other parts or components, or their manufacture.
- 21.2 In the event that Supplier is involved in a dispute with a third party in connection with Intellectual Property Rights relating to the Parts, or Supplier believes that there is a likelihood that such a dispute may occur, Supplier shall immediately notify JMEX, and shall furnish all information in its possession or under its control relating to such dispute.
- 21.3 Notwithstanding the provisions of Article 21.1, JMEX may, at its sole discretion, elect to control the defense and resolution of any claim, action or lawsuit described in Article 21.1. In the event JMEX so elects, Supplier shall, upon request from JMEX, provide JMEX with reasonable access to documents, records and witnesses in connection with such defense at Supplier's sole expense, and such undertaking of defense by JMEX shall not relieve Supplier of its indemnification obligation under Article 21.1.

#### **Article 22. JMEX Property**

- 22.1 All JMEX Drawings, Intellectual Property Rights owned by JMEX (and/or its Affiliates) and Confidential Information supplied to Supplier by JMEX shall remain the property of JMEX (and/or its Affiliates), and Supplier shall use such property only for the purpose of fulfilling its obligations under this Agreement.
- 22.2 All supplies, materials or other items paid for or reimbursed by JMEX, if any, to perform Supplier's obligations hereunder (collectively "the JMEX Property") shall remain the property of JMEX. Supplier shall use the JMEX Property only in connection with this Agreement, and shall not use the JMEX Property in any manner whatsoever for the benefit of any other customer or third party without JMEX's prior written consent. Supplier shall, immediately upon JMEX's request, deliver the JMEX Property to JMEX or its nominee in accordance with JMEX's instructions. The JMEX Property shall be marked as the property of JMEX by Supplier, shall not be commingled with the property of Supplier or any third person, and shall not be moved from Supplier's premises without JMEX's prior written approval.

#### **Article 23. Tooling**

- 23.1 Supplier shall exercise reasonable care for maintaining the Tooling in good condition at its own expense so that the manufacture of the Parts is not interrupted. Supplier shall

warrant that the Tooling is kept in a safe and good condition.

- 23.2 When Supplier uses the Vendor Tooling, Supplier shall exercise reasonable care for managing and daily maintaining on such Vendor Tooling, and shall exercise its asset management in accordance with JMEX's instructions. Supplier shall only use the Vendor Tooling for manufacturing the Parts for the purpose of this Agreement. Supplier shall, immediately upon JMEX's request, deliver the Vendor Tooling to JMEX or its designee in accordance with JMEX's instructions. All Vendor Tooling shall be marked as the property of JMEX by Supplier, shall not be commingled with the property of Supplier or any third person, and shall not be moved from Supplier's premises (except for repair or modification) without JMEX's prior written approval. Supplier shall not modify, lease, transfer or dispose of any Vendor Tooling unless Supplier obtains JMEX's prior written consent.

#### **Article 24. Service Parts**

Unless otherwise agreed in writing between the Parties, Supplier agrees to continue to supply service parts, as required by JMEX ("Service Parts"), for each model of the automatic transmissions, for fifteen (15) years from the date of Customer's last production of the vehicles equipped with the automatic transmission for which the Parts are supplied, provided, however, that if JMEX requests to extend such supply period based on Customer's requirement, Supplier shall use its best efforts to comply with such request. The Service Parts shall be supplied at full production assembly level and/or at sub-component level, as required by JMEX. The Service Parts shall meet all Specifications.

#### **Article 25. Sales to Third Party**

- 25.1 Supplier shall obtain JMEX's prior written consent to manufacture for the benefit of or supply to a third party any goods that:

- (1) are based in whole or in part upon the JMEX Drawings;
- (2) use any Intellectual Property Right of JMEX or any of its Affiliates; or
- (3) are based in whole or in part upon the Acceptance Drawings, or any derivative or copy thereof, except for any products or parts that Supplier independently developed.

- 25.2 Without JMEX's prior written consent as provided for in Article 25.1 above, Supplier shall not:

- (1) sell the Parts to any third party by itself (except for raw materials and supplemental materials other than those specified by JMEX); nor
- (2) sell the Parts at any premise as established by Supplier.

In case of Supplier's violation of the above requirements, JMEX may, without prejudice to any other provisions of this Agreement, cancel any pending Release, charge a penalty and/or terminate this Agreement. The detailed conditions of penalty

against such violation shall be as follows:

1st violation	To charge a penalty	10,000 - 20,000 US Dollars
2nd violation	To charge a penalty	20,000 - 100,000 US Dollars
3rd violation	To charge a penalty	100,000 – 200,000 US Dollars

In addition to the above, Supplier shall indemnify JMEX for any of losses or damages incurred arising from, or in connection with, Supplier's violation of the above requirements.

- 25.3 Upon the request from JMEX, Supplier shall pay JMEX a deposit, the amount of which is designated by JMEX not less than ten thousand (10,000) US Dollars and not more than forty thousand (40,000) US Dollars, and hereby agrees that JMEX may deduct from such deposit any penalty as provided for in Article 25.2. After five (5) years from the date of last production of such vehicle model incorporating the Parts, which were sold to any third party without JMEX's prior written consent, JMEX shall return the balance of deposit to Supplier, if any.

#### **Article 26. Subcontracting**

- 26.1 Supplier may subcontract part of the design, development and/or manufacture of the Parts to third parties ("Subcontractors"); provided that Supplier shall obtain the prior written consent of JMEX in the event of subcontracting of all or a substantial part of the manufacture of the Parts to a third party.
- 26.2 Supplier shall ensure that all Subcontractors comply with and abide by the terms and conditions of this Agreement, and in no event shall Supplier be released from any of its obligations under this Agreement. In case that JMEX suffers losses or damages arising directly or indirectly out of any Subcontractor's performance of work hereunder, Supplier shall assume responsibility for such losses or damages jointly and severally with such Subcontractor.

#### **Article 27. Confidentiality**

- 27.1 The Parties recognize that each of them ("Receiving Party") may, during the course of this Agreement, gain knowledge of, have access to, and have otherwise disclosed to it certain nonpublic information that is proprietary to the other Party and its Affiliates ("Disclosing Party") and which is of a secret or confidential nature ("Confidential Information"). The following information shall be considered the Confidential Information:
- (1) information concerning the business operations of either Party (and/or its Affiliates) (including Customer information, financial or accounting information, product planning, manufacturing, advertising programs, sales promotions, complaints, budgets, and forecasts); and
  - (2) inventions, designs, and research and development programs, improvement, claim information or any other information with respect to the vehicles and/or automatic transmissions equipped with the Parts or

other products.

27.2 The Receiving Party shall not disclose, publish, release, transfer or otherwise make available Confidential Information of the Disclosing Party in any form to, or for the use or benefit of, any third party without the Disclosing Party's prior written consent.

27.3 The obligations of confidentiality shall not apply if :

- (1) the Confidential Information is, or becomes (other than through a breach of this Agreement) generally known to the public;
- (2) the Confidential Information was in the Receiving Party's possession prior to its disclosure by the Disclosing Party, as demonstrated by the Receiving Party's written records;
- (3) the Confidential Information is developed independently by the Receiving Party without reliance on information or materials provided by the Disclosing Party, as demonstrated by the Receiving Party's written records;
- (4) the Confidential Information was rightfully received by the Receiving Party without obligation of confidentiality from a third party, as demonstrated by the Receiving Party's written records; or
- (5) disclosure is required by law; provided that the Receiving Party gives the Disclosing Party prompt notice of the request for disclosure, cooperates with the Disclosing Party in obtaining a protective order or other remedy, and discloses only that portion of the Confidential Information which it is legally compelled to disclose.

27.4 Notwithstanding the provisions of Article 27.2:

- (1) JMEX may disclose Supplier's Confidential Information not only to Affiliates of JMEX, but also to entities with which JMEX has a publicly announced significant business relationship which may be referred to as an "alliance partner" or "strategic alliance" or some other similarly described relationship; provided that (i) JMEX shall ensure that such Affiliates and entities are aware of and undertake to maintain the secret or confidential nature of Supplier's Confidential Information, and further that (ii) JMEX's permitted disclosure shall be limited to Affiliates of JMEX if such Supplier's Confidential Information is also Technical Information; and
- (2) Supplier may disclose Confidential Information of JMEX to any of the Subcontractors defined in Article 26 to the extent necessary for performing Supplier's obligations under this Agreement; provided that Supplier shall ensure that such Subcontractors are aware of and undertake to maintain the secret or confidential nature of Confidential Information of JMEX.

- 27.5 Each Party acknowledges that the disclosure of the other Party's Confidential Information may result in irreparable harm to that Party and that such Party will be entitled to seek injunctive relief in addition to any other legal or equitable remedies that may be available.

**Article 28. Compliance with Laws**

- 28.1 Supplier shall comply with all Applicable Laws of the countries and regions in which they operate, including, but not limited to, environmental protection law, labor law, labor contract law, minors protection law, anti-monopoly law, anti-unfair competition law, consumer rights and interests protection law.
- 28.2 Supplier shall establish and maintain an effective and appropriate internal control structure and system in order to strictly comply with all Applicable Laws as described in Article 28.1.
- 28.3 Supplier shall use its reasonable efforts to ensure that its suppliers relating to the Parts comply with the provisions of this Article 28.
- 28.4 Supplier shall notify JMEX immediately upon discovery of any apparent or threatened breach of the provisions of this Article 28. In this case, Supplier shall investigate and take remedial actions against such breach immediately. Concurrently, Supplier shall report to JMEX such investigation results and remedial actions.
- 28.5 If Supplier is in breach of any of the provisions of this Article 28, JMEX may, at its sole discretion, elect (i) not to invite Supplier to participate in and/or (ii) to discontinue Supplier's participation in a supplier selection process for any new parts. For the avoidance of doubt, the foregoing sentence shall not be construed as limiting or otherwise affecting JMEX's right to take any other actions under this Agreement or under this Article 28.

**Article 29. Advertising**

Supplier shall not in any way advertise the fact that Supplier has entered into this Agreement with JMEX without JMEX's prior written consent. In addition, Supplier shall not use any trademark, trade name, trade dress, logo or other marks in which JMEX (and/or its Affiliates) have an interest except in such manner as JMEX may direct in writing in advance.

**Article 30. Facility Inspection**

JMEX shall have the right to inspect Supplier's facilities and operations at any time during Supplier's business hours in principle (except for the time of emergency) and upon advance notice for purposes of verifying Supplier's compliance with its obligations under this Agreement, including those relating to Supplier's manufacturing process and quality assurance systems.

**Article 31. Change of Circumstances**

If any of the following circumstances occur or are likely to occur in relation to Supplier,

Supplier shall immediately inform JMEX in writing:

- (1) the transfer of all or any substantial part of its business or assets;
- (2) substantial change of control;
- (3) merger, amalgamation or other corporate re-organization;
- (4) alteration of its trade name or official name, objects, executive management, location of premises or other substantial organization changes; or
- (5) insolvency, bankruptcy, being placed into administration, receivership or liquidation, commencement of proceedings to be wound up, entering into any voluntary arrangement with its creditors, or the happening of any similar event according to the laws of its domicile.

#### **Article 32. Term**

This Agreement shall commence on the Effective Date and, unless earlier terminated as provided herein, shall continue in force for an initial period of three (3) years. Unless either Party notifies the other Party in writing at least six (6) months prior to the last day of the initial term or any extension thereof, the term of this Agreement shall be automatically extended for a further period of one (1) year.

#### **Article 33. Termination**

- 33.1 Notwithstanding the provisions of Article 32, either Party may terminate this Agreement effective immediately by notice in writing without liability to the other if the other is in material breach of this Agreement and, if such breach is remediable, such breach has not been remedied within thirty (30) days of written notice.
- 33.2 Notwithstanding the provisions of Article 32, JMEX may terminate this Agreement (including each Release) without liability with immediate effect by serving a written notice on Supplier in the event that:
- (1) Supplier becomes subject to revocation, suspension, cancellation of business license or any other similar order imposed by any competent supervisory authorities;
  - (2) Supplier becomes insolvent, or files a petition for bankruptcy, civil rehabilitation, corporate reorganization, special liquidation or any other proceedings of an equivalent or similar nature;
  - (3) an order or notice for provisional attachment or provisional disposition or any other compulsory execution is issued or served to Supplier from a third party, or if a third party filed a petition for public auction against Supplier;
  - (4) Supplier receives (i) an official collection letter with regard to payment of

- tax, or (ii) an official notice of preservative attachment;
- (5) Supplier adopts a resolution for corporate dissolution;
  - (6) Supplier transfers or leases all or substantial part of its business, spin off its business into a separate entity, or merges with any other company;
  - (7) Supplier's performance of this Agreement becomes difficult due to any reason except for the cases set forth in Article 32;
  - (8) any president, director, or other executive officer of Supplier is prosecuted by the judicial authorities as a criminal suspect;
  - (9) JMEX considers that any of the events set forth in each of the above Items is likely to occur to Supplier.
- 33.3 If this Agreement is earlier terminated by JMEX under the provisions of Article 33.1, any and all payables by Supplier under this Agreement shall immediately become due.
- 33.4 In the event of expiration or termination of this Agreement for any reason, unless otherwise directed by JMEX, the following shall apply:
- (1) If any Release is pending at the time of the termination or expiration of this Agreement, JMEX shall have the right, at its sole discretion, to cancel any such Release or to have it completed by Supplier. If JMEX elects to cancel such Release, Supplier shall immediately terminate all work under this Agreement. If JMEX elects to have such Release completed, this Agreement shall continue to apply to such Release.
  - (2) Supplier shall take all action necessary to protect property in Supplier's possession in which JMEX has an interest. In this case, JMEX shall reimburse Supplier for reasonable costs (determined at JMEX's sole discretion) incurred in connection with such protective action.
  - (3) Supplier shall immediately deliver, at Supplier's expense, JMEX Property, JMEX Drawings, Acceptance Drawings, Vendor Tooling and Supplied Goods without charge to JMEX or its nominee in accordance with JMEX's instructions.
  - (4) If Supplier possesses completed Parts, Parts in the process of manufacture, or Tooling (excluding Vendor Tooling) used exclusively to manufacture the Parts, JMEX shall have the option to purchase the same at reasonable prices as shall be agreed between the Parties within ninety (90) days from the termination of this Agreement; provided, however, that JMEX's purchase price shall be less than Supplier's purchase price or manufacturing cost of each item.
  - (5) Supplier shall immediately return Confidential Information of JMEX, or destroy it and certify such destruction.

- 33.5 In addition, in the event of expiration or termination of this Agreement for any reason, the Parties shall meet and discuss in good faith any matters not described above or further details. The principal objective of such meeting will be to discuss how to minimize any disruption to the business of JMEX.

**Article 34. Waiver and Remedies**

No delay or omission by either Party in exercising any right or power it has under this Agreement shall impair or be construed as a waiver of such right or power. No waiver of any breach of any provision of this Agreement shall constitute a waiver of any other breach of such or any other provision. Remedies available to JMEX or Supplier under this Agreement shall be cumulative and additional to any other or further remedies implied or available at law, in equity or under this Agreement.

**Article 35. Entire Agreement**

- 35.1 This Agreement sets forth the entire and only agreement and understanding between the Parties relating to the sale and purchase of the Parts and supersedes all negotiations, commitments and writings prior to the date of this Agreement.
- 35.2 This Agreement may not be modified, supplemented or amended except by a written agreement executed by both Parties.
- 35.3 In the event of any inconsistencies between the terms of this Agreement and the terms contained in any other document, instrument, agreement, Price Agreement or Release related to the supply of the Parts by Supplier to JMEX, the terms of this Agreement shall prevail.

**Article 36. Assignment**

The rights and obligations under this Agreement or this Agreement itself, either in whole or in part, shall not be assigned or transferred by either Party without the prior written consent of the other Party. Any assignment or attempted assignment of this Agreement or any part thereof, whether by voluntary act or operation of law, shall be null and void, unless it is approved in writing by the other Party in advance.

**Article 37. Independence**

This Agreement shall not constitute either Party as the agent or legal representative of the other Party for any purpose whatsoever. Neither Party is granted any express or implied right or authority to assume or to create any obligation or responsibility on behalf of or in the name of the other Party or to bind the same in any manner whatsoever.

**Article 38. Severability**

If any court of competent jurisdiction finds any provision of this Agreement to be unenforceable or invalid in whole or in part, such finding shall not affect the validity of the other provisions of this Agreement or the remainder of the provision in question.



**Article 39. Force Majeure**

Neither Party shall be responsible to the other by reason of failure to perform obligations hereunder to the extent that the failure to perform is caused by an act of God, flood, fire, storm, earthquake, shipwreck, acts of public enemy, or acts or omissions of any sovereign government, branch or agency thereof, and other similar events or contingencies beyond the reasonable control of the Party whose performance is prevented or interfered with. The affected Party shall promptly notify the other Party and shall not be responsible for its failure to perform any obligation required under this Agreement as a result of any of the foregoing. The Parties specifically agree that strikes and labor disputes at the Party whose performance is prevented or interfered with shall not be included in the force majeure events.

**Article 40. Survival**

Article 14 (Warranties), Article 16 (Recall and Reimbursement), Article 17 (Indemnification), Article 18 (Right of Access to Supplier's Claims Information), Article 19.2 (Handling of Drawings), Article 20 (Intellectual Property Rights), Article 21 (Infringement), Article 22 (JMEX Property), Article 23.2 (Vendor Tooling), Article 24 (Service Parts), Article 25 (Sales to Third Party), Article 27 (Confidentiality), Article 28.5 (Compliance with Laws), Article 29 (Advertising), Articles 33.3, 33.4 and 33.5 (Post-Termination Rights), Article 36 (Assignment), Article 41 (Governing Law), and Article 42 (Arbitration) shall survive the expiration or termination of this Agreement for any reason whatsoever.

**Article 41. Governing Law**

This Agreement shall be governed by and construed in accordance with the laws, regulations and rules of México.

**Article 42. Arbitration**

Any dispute, controversy or difference which may arise between the parties out of, in relation to or in connection with this Agreement, or any breach thereof shall, unless settled by mutual consultation in good faith, be finally settled by arbitration in Mexico City, Distrito Federal, México under the Rules of the Commercial Arbitration set forth by the Arbitration Center of Mexico. Each party hereto is bound by an arbitration award rendered.

**Article 43. Notice**

43.1 Any notice given by either Party under this Agreement shall be in the English language and shall be sent by airmail, registered or otherwise, or facsimile, or delivered by hand to the Party to whom it is to be given at the following address or at such other address as either Party may direct by notice given in accordance with this Article:

if to JMEX:

Mail: JATCO MÉXICO, S.A. DE C.V.

Purchasing Administration Department,  
Carretera Panamericana Km. 75, Col. Los Arellano  
Aguascalientes Ags., México, C.P. 20340  
Facsimile: +52 (449) 971-1081

if to Supplier:

Mail:

Facsimile:

Provided, however, that any notice specifically required to be given in writing under this Agreement shall be sent by registered airmail or delivered by hand. In the event that facsimile is used for such notice to be given in writing, such facsimile shall be confirmed by registered airmail to be posted within two (2) business days after such facsimile notice is dispatched.

- 43.2 Any notice given by airmail shall be deemed to have been received on the tenth (10th) business day following the date of posting thereof. Evidence that such airmail was duly posted shall be prima facie proof of the giving of the notice. Any notice given by facsimile shall be deemed to have been received on the day of dispatch thereof. Evidence that such facsimile was duly dispatched shall be prima facie proof of giving of the notice.

In Witness Whereof, the Parties have executed this Agreement in duplicate in English by causing these presents to be signed by their duly authorized representatives on the date first above written.

For and on behalf of  
JATCOMEXICO, S.A. DE C.V

For and on behalf of  
[ ]

Name: Hiroyuki Kai  
Title: General Director  
Date:

Name:  
Title:  
Date:

## **Schedule 1**

### **CLAIM COMPENSATION PROCEDURES**

#### **Article 1. Definitions**

- (1) “Service Claim” means a defect that occurs in an automatic transmission and component manufactured or sold by JMEX or an Entrusted Manufacturing Company, equipped with the Parts (“Product”) shipped from JMEX (including Entrusted Manufacturing Companies and KD Plants, etc.) after the completed vehicle equipped with the Product leaves a Customer to its dealer within the warranty period set forth in the agreement entered into between JMEX and the Customer.
- (2) “Delivery Claim” means a defect that occurs in a Product shipped from JMEX (including Entrusted Manufacturing Companies and KD Plants, etc.) and is discovered by a Customer.
- (3) “Following Process Claim” means a defect in a Part discovered before the shipment of the Product from JMEX (including Entrusted Manufacturing Companies and KD Plants, etc.).
- (4) “Recovery Claim” means a defect that JMEX, in particular, acknowledges as critically affecting the function of a Product (a recall as stipulated in Article 16 of this Master Purchase Agreement).
- (5) “Claim Part” means a purchased Part that has caused the occurrence of a Service Claim, Delivery Claim, Following Process Claim or Recovery Claim.

#### **Article 2. Warranty Responsibility**

Supplier shall reimburse JMEX for any expenses incurred by JMEX and/or a Customer that have resulted from a Service Claim, Delivery Claim, or Following Process Claim and are attributable to Supplier.

#### **Article 3. Warranty Period**

Supplier shall assume responsibility for compensation for the purchased Parts from the time of delivery to JMEX and within the warranty period subject to the agreement between JMEX and a Customer except for Recovery Claims.

#### **Article 4. Warranty Expenses**

Supplier shall make compensation to JMEX for the expenses as stipulated in the following subparagraphs and incurred by JMEX and/or Customers (“Damage”) according to Article 5:

- (1) Service Claim  
Expenses determined through mutual consultation between JMEX and a Customer based on the Compensation for the Service Claim claimed to JMEX from the Customer.

- (2) Delivery Claim  
Expenses claimed to JMEX from a Customer  
(Expenses for removing and installation, and related expenses)  
Expenses incurred by JMEX (costs for selecting and/or rectifying, freight, travel expenses, cost of claimed Part, cost of related parts and cost for inspection, analysis and testing)
- (3) Following Process Claim  
Expenses incurred by JMEX (costs for selecting and/or rectifying, freight, travel expenses, cost of claimed Part, cost of related parts and cost for inspection, analysis and testing)
- (4) Recovery Claim  
Expenses claimed to JMEX from a Customer (service response expenses and applicable expenses under the preceding subparagraphs (1) and (2))
- (5) Handling and Rectifying charge at the time of occurrence of defective Part
  - 1) In the event that JMEX determines non-conformity of delivered Part from Supplier, JMEX shall request prompt sorting work and delivery of substitute(s) to Supplier. Expenses incurred by JMEX for handling of these matters.
  - 2) If Supplier fails to in a timely manner respond to the preceding request, JMEX is entitled to carry out sorting work and so on. Expenses incurred by JMEX for sorting works and so on.
  - 3) If JMEX judges that Supplier's quality assurance system is insufficient for avoiding the outflow of defective Parts to Customers, JMEX may request Supplier to secure the quality of shipped Parts by one hundred percent inspection or metrological control, both of which shall be conducted either by a third party institution or Supplier. Expenses incurred by JMEX for handling of these matters.
  - 4) In case of recurrence or frequent occurrence of non-conformity, Supplier shall conduct resident inspection at JMEX's premises. Expenses incurred by JMEX for such handling.
  - 5) In case of non-conformity in raw materials, Supplier shall deliver substitute raw materials and assume any and all expenses incurred by JMEX.

Actions 1) to 5) above shall be the responsibility of and chargeable to Supplier and Supplier shall bear the expenses thereof.

#### **Article 5. Liability Rating**

JMEX shall assess any defect of a Part concerning a claim and determine the rate of Damage attributable to Supplier based on the "Table of Supplier's Warranty Responsibility" through consultation with Supplier.

#### **Article 6. Return of Parts related to a Claim**

JMEX shall return actual Parts related to a claim to Supplier, in principle. However, with regard to Service Claims, JMEX shall not be obliged to do so. When Supplier needs actual Parts to be returned, JMEX and Supplier shall consult separately.

#### **Article 7. Objection**

In the event that Supplier has an objection to any charges for Damages from JMEX, Supplier

shall immediately inform JMEX of the same. When an objection is made, JMEX and Supplier shall determine the amount of the charges through consultation.

In the event of disagreement on the charges between JMEX and Supplier, the result of analysis conducted by JMEX and the percentage of responsibility determined by JMEX shall prevail.

**Article 8. Personal Injury, Property Damage or Economic Damage**

The reimbursement for personal injury, property damage or economic damage as stipulated in paragraph 1 (1) of Article 17 of this Master Purchase Agreement shall be determined through consultation between JMEX and Supplier.

**Article 9. Service Parts**

The provisions of this Procedure shall also apply to those Parts purchased by JMEX for the purpose of supply for replacement parts (including Service Parts) of any Products sold by JMEX.

**Article 10. Matters to be consulted**

When any issue not provided for in these procedures or any discrepancy in the interpretation of these procedures arises, JMEX and Supplier shall promptly resolve the matter in good faith.

**Table of Supplier's Warranty Responsibilities**

Classification		Category of Defect	Responsibility %	
			Supplier	JMEX
Design Quality	Method of Specification Drawing	Defect occurred on account of deficiency or irrelevancy of the requirements in the specification drawings	0%	100%
		Defect occurred on account of non-conformance of the acceptance drawings with the required quality in the specification drawings	90%	10%
		Defect occurred on account of not considering the features (materials, property and etc.) of the Product in the acceptance drawings despite conformity with the required quality	50%	50%
		Defect occurred on account of a non-controlled item (unexpected defect) in either the specification drawings or acceptance drawings	50%	50%
	Method of Manufacturing Drawing	Defect occurred on account of any omission or design error in the manufacturing drawings	0%	100%
		Defect occurred on account of a discrepancy in understanding any unclear instructions in the drawings between parties	50%	50%
Manufacturing Quality		Defect occurred on account of outflow of Products deviating from the drawings despite quality assurance according to the Quality Procedures	90%	10%
		Defect occurred on account of outflow of Products deviating from the drawings due to negligence in quality assurance according to the Quality Procedures	100%	0%

NOTE: The term "defect" in this table shall include breach or non-conformity of Supplier's warranties as provided in Article 14.1 of the Master Purchase Agreement.