

Voluntary Code of Conduct for Direct Selling Companies

Introduction

This “Voluntary Code of Conduct for Direct Selling Companies” (hereinafter referred to as the “Code”) has been established by the consensus of the members of the Japan Direct Selling Association (hereinafter the “Association”) to embody the Code of Ethics of the Association, and to ensure the sound development of the direct selling business.

The Code, designed to promote appropriate business activities, can enhance public trust by being observed, and can also be used as a decision-making standard in resolving individual cases in which consumers complain about. If the fact-finding process confirms a potential violation of the Code, it is believed that a prompt resolution by the business operator can have the same effect as compliance with the Code. Provided, however, that it is not a matter of immediate civil or criminal consequences for a single violation, but rather it constitutes a factor in the overall decision-making process in resolving complaints.

A direct selling business operator shall comply with the “Act on Specified Commercial Transactions” (hereinafter “Specified Commercial Transactions Act”) and other laws and regulations in the course of its business activities. Violations of such laws and regulations are subject to criminal, administrative and private sanctions to ensure compliance with the relevant laws and regulations. On the other hand, the Code is a voluntary provision, mainly on matters not stipulated by laws and regulations, and is not as strictly structured as the criminal rules of laws governing business requirements, since it does not directly aim at sanctions. However, depending on the nature and frequency of such violations, a misconduct may be subject to review by the Association's Ethics Review Committee, which may result in a recommendation for remediation, suspension of rights, or other action that may be considered as a sanction by the Association.

Members of the Association shall understand the importance of these points and agree to comply with the Code.

1. Purpose

In view of the fact that “there is always a disparity in the quality and quantity of information and bargaining power between business operators and consumers,” the Code has been established as a code of conduct to develop soundly as a company that is accepted in society through fair transaction of direct sales and efforts to prevent consumer disputes from occurring.

2. Scope of Application

The Code shall apply to the activities of members of the Association and persons associated with members of the Association who are engaged in the business of selling products or rights or providing services by the method of direct selling (hereinafter "Members, etc.").

3. Content of the Code of Conduct

(1) General

(a) The matters set forth in relevant laws and regulations, the Code of Ethics, etc., shall be complied with.

(b) A moderate attitude and manner in their interactions with consumers shall be maintained.

(c) Products, services, rights, etc. (hereinafter the "Products, etc.") dealt by each company shall be fully understood when selling, and their characteristics, necessity and conditions related to the transaction shall be accurately communicated to consumers.

Special attention shall be paid to the following points:

- ① For information on the Products, etc. that claim efficacy or effectiveness, the evidence shall be verified internally or data shall be obtained from the manufacturer or a third party organization recognized by the supplier as fair.
- ② If testimonials from users of the Products, etc. are used in solicitation, etc., such solicitation shall not mislead people into believing that everyone can achieve such results.
- ③ In terms of materials, be sure to collect data that is not based on a survey of only a portion of users, but is statistically objective enough to determine that it is representative of the majority of users.

(d) At the beginning of a solicitation, it is essential to assess the consumer's judgment. If there are concerns, be sure to either stop the solicitation and leave, or take appropriate action while complying with the Voluntary Code of Conduct. (Certain characteristics can be observed in people with dementia. These include ① "smoothing over," where they may respond as if they understand, even if they don't fully understand, or they may use reasoning to avoid drawing people's attention to their lack of understanding. Another characteristic is ② "an increased tendency to agree with others," where they try to align their opinions with what others are saying. This requires extra effort to pay attention.)

(e) Any words or deeds shall not be used that defame other companies or their products contrary to the facts.

(f) Sales activities shall be conducted in a manner that does not violate the separately established *Product-Specific Prohibitions* (detailed regulations).

(g) Always pay attention to the quantity of goods sold or offered to avoid being pointed out as having solicited the conclusion of a purchase agreement or a service provision agreement for goods significantly in excess of the quantity normally required in daily life without justifiable reason.

Special attention shall be paid to the following points:

① Confirm that the quantity of the contracted items is appropriate in light of the “Guidelines for Quantities Not Normally Considered Excessive” (hereinafter the “Guidelines”) established by the Association. Provided, however, even if the amount is within the “guideline” range, it is still necessary to confirm that the amount is not inappropriate in light of the consumer's financial situation.

② Efforts shall also be made to confirm the consumer's history of transactions with the company for the same goods and services. Efforts shall also be made to understand the consumer's situations by inquiring about their transaction history with other companies as much as possible.

③ In the case of soliciting the conclusion of a contract for a quantity of goods exceeding the Guideline, the solicitation shall not be made against the consumer's will. In addition, efforts shall be made to maintain data demonstrating that there were legitimate reasons for the solicitation, as well as that there were special circumstances where the conclusion of the contract was necessary for the relevant consumer.

④ For products and services not included in the Guidelines, the provisions in the part following “Provided, however,” in ① and those in ② shall be observed.

(h) From a consumer-oriented perspective, efforts shall be made to take into account the consumer's knowledge, experience and financial situation and to always respond in a manner appropriate to the consumer.

Special attention shall be paid to the following points:

① The solicitation of contracts for unreasonable amounts of money that would interfere with the consumer's livelihood shall be avoided. (For example, if the consumer depends on the public pension as a main source of livelihood, expensive contracts such as home renovation shall not be solicited.)

② While recognizing the lack of judgment of the said consumer, no sales shall be made on credit that take advantage of such lack of judgment.

(i) While recognizing the lack of judgment of the said consumer, no solicitation shall be made that takes advantage of such lack of judgment. (Examples of cases where

judgment is lacking: the elderly, minors, individuals who have recently reached the age of majority, and those with dementia, mental illness, or intellectual disabilities, etc.)

(j) When conducting solicitation activities with consumers who do not clearly demonstrate a lack of judgment but are concerned about their lack of judgment, consent shall be obtained from relatives or other individuals having sufficient judgment.

(k) When concluding a contract that falls under any of the following items, efforts shall be made to take appropriate measures such as establishing a system to check whether the solicitation is being carried out properly. Furthermore, when establishing the criteria for quantity, each Member, etc., shall determine them appropriately, considering the relevant laws and regulations, the actual circumstances of their own companies, and other factors.

- When concluding a contract for items that exceeds a specific quantity, amount of monetary, or frequency

- When concluding a contract with a consumer who is above a certain age

- When concluding a contract with a consumer who depends on public pension as a source of livelihood

(l) Members, etc. shall make efforts to enhance their qualifications by providing thorough education and guidance to salespersons.

(m) Whether a contract falls under the case where a consumer makes a request (a so-called request-based visit), which is excluded from the scope of the Act on Specific Commercial Transactions, is determined on a case-by-case basis. No one may tell a consumer that, contrary to it, “the contract was concluded after a visit based on a request and is excluded from the scope of the Act” without a legally appropriate basis.

(2) Until the start of solicitation

① Appointments by phone before the visit

(a) Tell the consumer of the name of the company, the type of the Products, etc., and the main purpose of the visit.

(b) Confirm whether the person will be able to listen to you now by phone, etc.

(c) If you are told that they do not want to listen to you or that it is not a good time for them now, end the conversation immediately. Even if it is not an expression of explicit refusal, if the person tries to say something, stop talking and confirm their intention.

(d) Take great care to ensure that the consumer is not misled into thinking that the main

purpose of the visit is anything other than sales activity.

② The first thing to say when visiting

- (a) Tell the purpose of the visit with the name of the company and the type of the Products, etc.
- (b) Clearly confirm the consumer's intent and ask if they are comfortable with you continuing the solicitation. At this point, it shall be noted that not a few consumers are not very good at making their intentions clear.
- (c) If the consumer expresses a reluctance to continuance of your solicitation activities, identify as clearly as possible whether it is a wish to refuse the solicitation itself or a wish to cease this current solicitation activity, and in either case, stop the solicitation and leave at that point.
- (d) Take great care to avoid being pointed out by the consumer as having told them something that is not true during a visit.

③ Contact with a specific customer

- (a) The consumer shall not be invited to any sales office or other location unless they have first been informed of the company name and purpose of the solicitation and it has been confirmed whether or not they are willing to accept the solicitation.
- (b) If there is a clear indication that the consumer does not want to accept the solicitation, the solicitation activity shall be stopped immediately.
- (c) The main purpose of solicitation shall not be intentionally hidden or other purposes shall not be told when contacting a consumer.
- (d) Street sales shall not be done.
- (e) Do not accompany consumers to another location without the consumer's request.

(3) Explanation of products handled

- (a) Always make efforts to provide explanations while confirming the level of understanding of the consumer.
- (b) Do not tell the consumer that cooling-off is not applicable, even if the transaction is within the scope of cooling-off period.
- (c) When the Products, etc. or services are offered as a set, provide the consumer with materials that show the concrete specifics of the entire package.
- (d) Information on how to use the Products, etc. and replacement of parts, etc. shall be accurately conveyed by providing specific materials.
- (e) For service transactions where providing an *estimate* is desirable, a *written estimate*

or similar document shall be presented in advance and provide an explanation based on that estimate.

(f)When soliciting the purchase of products and services together with the estimate, accurate information shall be provided about the contents and prices of each offering separately.

(g)Do not make unreasonable promises or special arrangements not approved by the company.

(h)When a consumer is considered to be a *socially vulnerable person*, special attention shall be paid to explanations so that the content of the Product, etc. can be understood, and efforts shall be made to ask for the presence of relatives or other individuals.

(i)Do not give no false or unfair explanations.

(4) Business practice for the conclusion of contracts

(a)When concluding a contract with consumers who do not clearly demonstrate a lack of judgment but are concerned about their lack of judgment, ask for presence of relatives or other individuals having sufficient judgment.

(b)Efforts shall be made to double-check that the consumer understands the Products, etc. or services covered by the contract, the total amount of the contract price, the payment method, the procedure for canceling the contract, and the contact information for inquiries at the time of making their decision to conclude the contract.

(c)When selling on credit, inform the consumer that it is a "three-party contract", in which the buyer of the Products, etc., and the payee are separate. No sales on credit shall be made to consumers who do not clearly demonstrate a lack of judgment but are concerned about their lack of judgment, except in the presence of relatives or other individuals having sufficient judgment.

(d)The contracting party's name field in the contract and credit document shall be filled with the sign by the contracting party.

(e)The guarantor's name field in the credit document shall be filled with the sign by the guarantor.

(f)Pay special attention to ensure that there are no omissions in the contract and credit documents.

(g)The contract and credit documents shall be handed out in a manner directly visible and encouraged to be read carefully.

(h)Consumers who have been denied credit for a credit contract shall be clearly informed that the purchase agreement in question has been retroactively voided.

(5) Internal procedures

(a) An administrative processing system shall be established to ensure that there are no omissions in administrative processes.

(6) Contract fulfillment and after-sales service

(a) Be sure to fulfill the terms of the contract, such as delivery, provision of service, and after-sales service.

(b) Respond to questions about the Products, etc. in a sincere manner.

(7) Support after the contract

① Establishment of a contact point and a consumer-oriented response

(a) Members, etc., shall designate a dedicated contact point and assign an individual who understands the information described in *Basics of Responding to Consumer Consultations* prepared by the Association, which includes the "Five Roles of the Consumer Assistance Contact Point."

(b) Carefully respond to inquiries from consumers about the Products, etc., contracts, and other related matters, by putting yourself in the consumer's shoes.

(c) If a consumer's claims involves a skin issue, physical ailment, or a defective product that could potentially cause expanding damage, immediate action shall be taken, such as sending a person in charge to address the matter.

② Handling of cooling-off claims (when meeting the statutory cooling-off requirements)

(a) Be careful not to be perceived as obstructing or refusing in your words and actions regarding cooling off claims.

(b) When a cooling-off claim is made orally over the phone, etc., there are two options: a. to ensure that the telephone conversation is recorded before starting the procedure to avoid disputes at a later date. b. to require the consumer to send a written or electronic record within a specified period of time. In the case of b, even if the date of submitting the document or electromagnetic record received is outside the period, when it can be objectively confirmed that the date of the claim made on the phone was within the cooling-off period, it shall be processed as a cooling-off.

③ Handling the claims of cancellation (after the cooling-off period has expired or in cases where the statutory cooling-off period does not apply)

(a) Listen to the consumer's request with sincerity and avoid dismissing them outright by

stating that “cancellation is not possible under any circumstances.”

- (b) If it is clear that the claim content through listening to the consumer is not a case of applicable for cancellation, explain in a sincere manner why it cannot be canceled.
- (c) Basically, the content of the claim shall be fact-checked and the matter shall be handled appropriately based on the results of the investigation.
- (d) If, during addressing the cancellation claim, it becomes evident that there was a violation of the Code, the Product-Specific Prohibitions, or the Guideline, immediate and appropriate action shall be taken.
- (e) When it comes to determining whether a cancellation is possible and calculating the associated fees, each case shall be handled on an individual basis. However, each company shall establish its own guidelines and make efforts to guarantee transparency by referring to the *Basics of Responding to Consumer Consultations* prepared by the Association and industry group standards.
- (f) In the case of a claim on a contract involving a so-called socially vulnerable person, a greater attention shall be paid and a judgment shall be made after fully grasping the situation.

(8) Supplementary Provisions

- (a) The Code shall be effective from the resolution date of the Board of Directors (March 28, 2002), as the date of enactment, and shall enter into force on June 6 of the same year.
- (b) The *Self-Regulatory Guidelines for Direct Selling Such as Learning Materials* shall be repealed as of the effective date of the Code.
- (c) This revised Code shall be effective as of the resolution date of the Board of Directors (October 5, 2004).
- (d) This revised Code shall be effective as of the resolution date of the Board of Directors (August 23, 2005).
- (e) This revised Code shall be effective as of the resolution date of the Board of Directors (October 5, 2006).
- (f) This revised Code shall be effective as of the enactment date of the revised *Act on Specified Commercial Transactions* (December 1, 2009).

Supplementary Provisions (April 1, 2012)

These amended rules shall take effect as of the day of registration of the incorporation of public interest corporation as set forth in the provisions of Article 106, Paragraph 1 of the *Act on Organization and Maintenance, etc. of Relevant Laws in connection with the Enforcement of the Act on Foundation of General Incorporated Associations and General*

Incorporated and the Act on Authorization, etc. of Public Interest Incorporated Associations and Public Interest Incorporated Foundations.

Supplementary Provisions(October 6, 2016)

These amended regulations shall take effect as of the resolution date of the Board of Directors.

Supplementary Provisions (March 16, 2022)

Of these revised provisions, 3(1)(i) shall come into effect as of the resolution date of the Board of Directors (March 16, 2022), and 3(7)②(b) shall come into effect as of June 1, 2022.

Supplementary Provisions (May 21, 2024)

These amended regulations shall take effect as of the resolution date of the Board of Directors (May 21, 2024).