

Nisshinbo Group  
CSR Report

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2015



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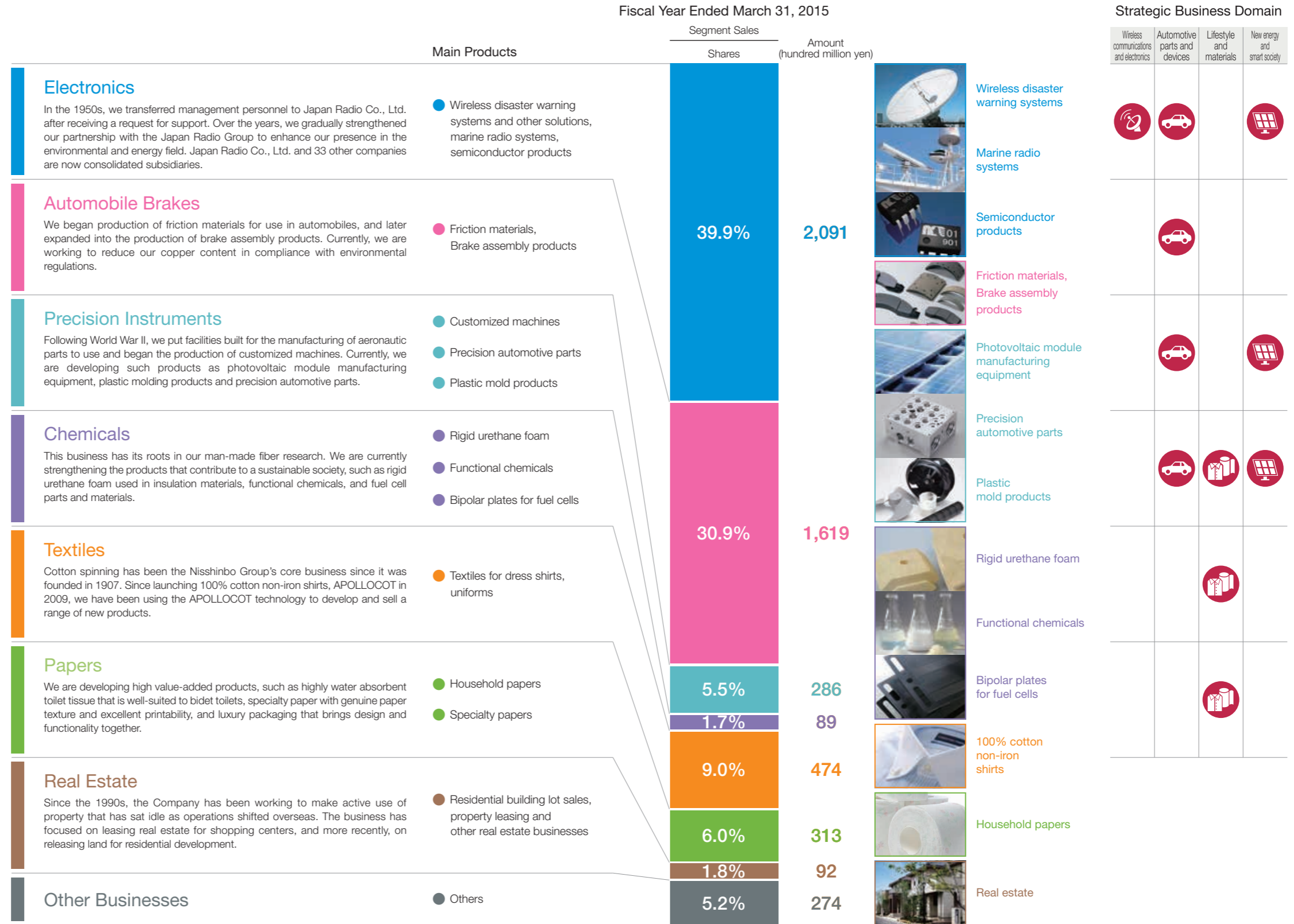
Since its founding as a cotton spinning company in 1907 (originally Nisshin Cotton Spinning Co., Ltd.) the Nisshinbo Group has engaged in a wide variety of enterprises in each era, contributing greatly to people's lives and economic development. We are currently focusing on strategic businesses in four areas: wireless communications and electronics, automotive parts and devices, lifestyle and materials, and new energy and smart society. In our business segments—electronics, automobile brakes, precision instruments, chemicals, textiles, papers and real estate—we are working toward two management

targets to be achieved by fiscal 2017: net sales of ¥600 billion and ROE of 9%. In addition, as long-term strategic goals, recently we set the targets for fiscal 2025 of net sales of more than ¥1 trillion and ROE in excess of 12%. To achieve this growth, driven by persistent innovation and by harnessing our overall strength we will move forward in accordance with our three growth pillars, namely, the strengthening of existing businesses, the achievement of R&D results and active M&A activities.

To roll out our CSR initiatives across the entire supply chain, we have

formulated the Basic CSR Procurement Policy of the Nisshinbo Group to serve as the basis for procurement policies for each business and company.

The Nisshinbo Group, which continues to rise to the needs of the modern era, is striving to reduce environmental impact by incorporating life cycle assessment (LCA) in its product development. In this manner, we are contributing to the realization of a sustainable society as an "environmental and energy company" group.





### Expanding the Automobile Brakes Business

In 2011, we acquired TMD Friction Group S.A. (TMD), located in Luxembourg, and became a world-leading manufacturer of friction materials.

Thereafter, in May 2014 TMD began constructing a new production base in Brazil to expand its business in South America. To reinforce the competitiveness of its European business, in September TMD made the decision to consolidate its German production bases in Leverkusen and Essen into a single location and introduce leading-edge equipment to manufacture copper-free friction materials. Furthermore, in January 2015 we began manufacturing drum brakes for commercial vehicles in Thailand via Nisshinbo Commercial Vehicle Brake Ltd. (NCB).

Going forward, we intend to expand our manufacturing and contribute to the development of the world's automotive markets.



Production base in Thailand

### Japan Radio Completes Production Building Construction

In March 2015, Japan Radio Co., Ltd. completed overall construction at its facility in the city of Nagano, which comprises three buildings: for production, environmental testing and special high-voltage power receiving control.

The production building (six floors, total floor space of 15,180 m<sup>2</sup>) consists mainly of a factory for assembling and testing large equipment, such as weather radar and on-board vehicle satellite communication equipment, with testing space extending up to the roof. The environmental testing building (two floors, total floor space of 1,810 m<sup>2</sup>) is designed for testing the environmental performance of products, and includes a vibration test system, a temperature and humidity chamber, thermal shock chamber and a saltwater spray testing instrument. The special high-voltage power receiving control building (two floors, total floor space of 240 m<sup>2</sup>) is equipped with superhigh-voltage substation equipment to ensure stable electrical power for the Nagano facility.



Japan Radio's production building

### Augmenting the Precision Instruments Business in China

In May 2014, we established a joint venture in Yangzhou, in China's Jiangsu Province, with Continental Automotive Holding Co., Ltd., the Asian regional headquarters of Continental AG, a world-leading manufacturer of automotive parts headquartered in Germany. In November, the new company, Nisshinbo-Continental Precision Machining (Yangzhou) Co., Ltd., commenced customer deliveries of valve blocks, a key component in electronic brake systems (EBSs).

Chinese demand is expected to grow for EBSs, which boost automobile safety. We aim to expand our business further by leveraging our partnership with Continental AG.



Production base in China's Jiangsu Province

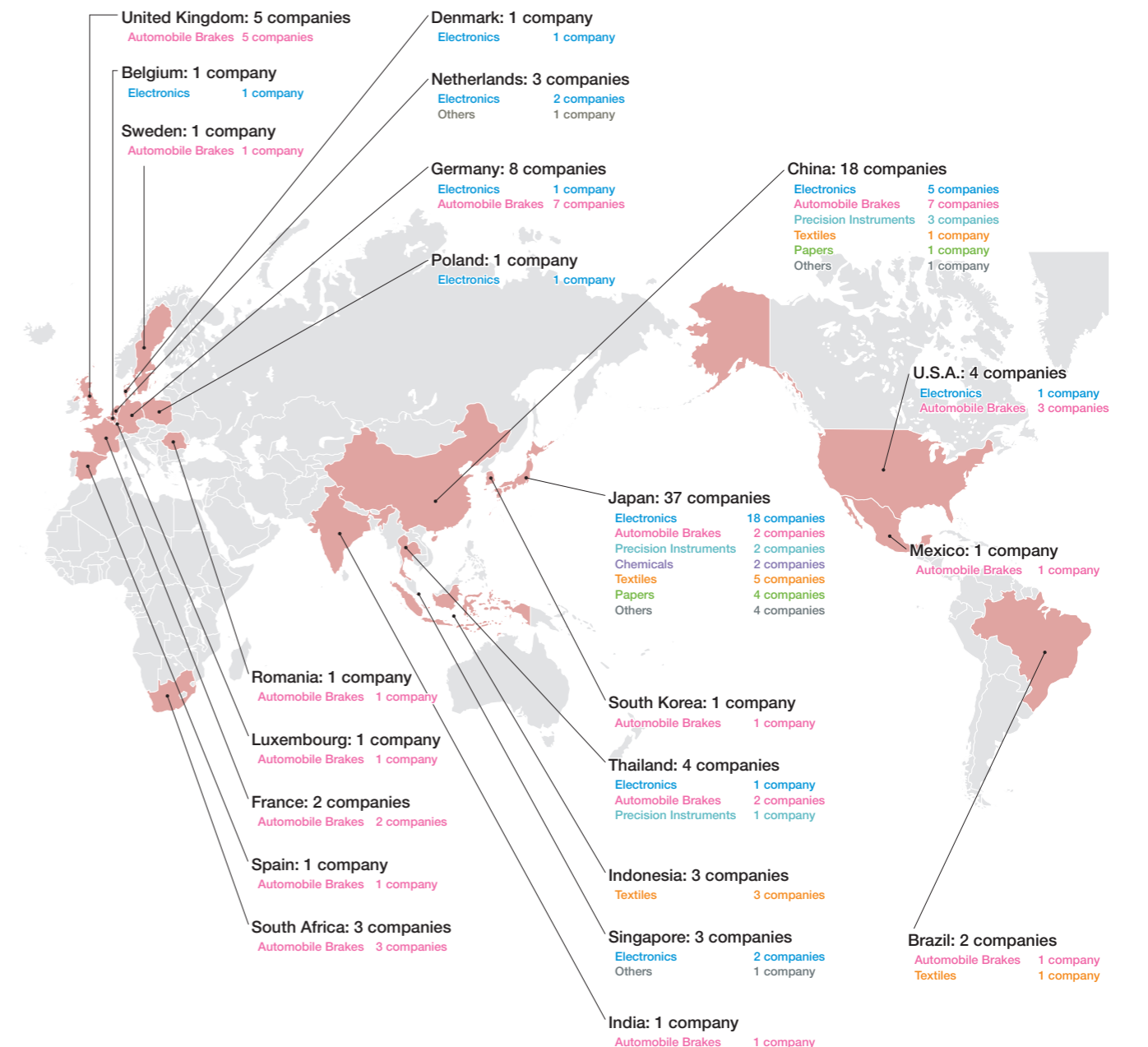
## Contributing to Society through Global Business Development

The Nisshinbo Group is pushing forward with faster globalization, a key emphasis of "NEXT 2015," its mid-term management plan initiated in fiscal 2013.

As one of the world's leading manufacturers of friction materials for automobile brakes, as well as expanding our manufacturing capabilities in Brazil and Thailand, we are also expanding production and sales for our precision instruments and other businesses in growing foreign markets.

The Nisshinbo Group will continue to augment the scope and quality of social contributions through its business activities as the Group expands around the world.

**Business Locations** Japan: **37** companies; Overseas: **65** companies; Total: **102** companies (as of March 31, 2015)



The Nisshinbo Group carries forward the corporate spirit that the Group is in essence a public entity and has an unwavering commitment to consistent integrity since its founding in 1907. This is in tune with the Group's current concept of CSR and the origin of its management principles. After becoming a holding company in 2009, we devoted ourselves to a new corporate philosophy of innovation by constantly challenging ourselves to embrace change.

Moving forward, the Nisshinbo Group will continue to contribute to society and help realize growth in partnership with communities by promoting business activities primarily in the environmental and energy fields.

**Overview and Contents of This Report**

Each year, the Nisshinbo Group issues a CSR (Corporate Social Responsibility) report with the aim of providing all of its stakeholders with details of the Group's CSR activities.

- 1. Period Covered**  
This report, in principle, covers activities undertaken during fiscal 2014 (April 1, 2014 to March 31, 2015). Certain information, however, covers the fiscal 2013 and fiscal 2015 periods.
- 2. Scope**  
The economic and financial data provided in the "The Nisshinbo Group's Business and Relationship with Society," "Global Development," and "Principal Financial Data" sections of this report cover Nisshinbo Holdings Inc. and its consolidated subsidiaries. Matters of a social and environmental nature cover the 53 companies listed at right. Unless otherwise specifically stated, "the Company" shall refer to Nisshinbo Holdings Inc. and "the Nisshinbo Group" to the Group as a whole.
- 3. Guidelines Used for Reference**
  - Environmental Reporting Guidelines 2012, Japan's Ministry of the Environment
  - Environmental Accounting Guidelines 2005, Japan's Ministry of the Environment
  - Sustainability Reporting Guidelines, version 4.0, Global Reporting Initiative (GRI)
  - ISO26000
- 4. Past CSR Reports**  
Past CSR reports can be downloaded from the following URL:  
<http://www.nisshinbo.co.jp/english/csr/download>  
Financial and other related information can be downloaded from the Company's IR site.
  - Annual Report (Japanese and English)
  - Financial Results (Japanese)
  - Shareholder Report No. 172 (Japanese)
  - Securities Report (Japanese)
- 5. Publication Date** September 2015
- 6. Next Report (Planned)** September 2016

**Companies covered by the report**

**Nisshinbo Holdings Inc.**

**Electronics**

Japan Radio Co., Ltd.  
New Japan Radio Co., Ltd.  
Nagano Japan Radio Co., Ltd.  
Ueda Japan Radio Co., Ltd.  
JRC Tokki Co., Ltd.  
Japan Radio Glass Co., Ltd.  
SAGA ELECTRONICS CO., LTD.  
NJR FUKUOKA CO., LTD.  
THAI NJR CO., LTD.

Nisshinbo Precision Instrument & Machinery Hiroshima Corporation  
Nisshinbo Mechatronics (Shanghai) Co., Ltd.  
Nisshinbo Mechatronics (Thailand) Ltd.  
Taiwan Nisshinbo Photovoltaic Co., Ltd.  
Nisshinbo Yawei Precision Instruments & Machinery (Jiangsu) Co., Ltd.  
Nisshinbo Photovoltaic Korea Corp.  
Nisshinbo - Continental Precision Machining (Yangzhou) Co., Ltd.  
Nisshinbo Mechatronics India Private Limited

Koyama CHOYA sewing corp.  
ARIES CO., LTD.  
PT. Nikawa Textile Industry  
PT. Nisshinbo Indonesia  
PT. Naigai Shirts Indonesia  
Nisshinbo Do Brasil Industria Textil LTDA.  
Nisshinbo (Shanghai) Co., Ltd.  
Nisshinbo Textile Changzhou Co., Ltd.

**Automobile Brakes**

Nisshinbo Brake Inc.  
TMD Friction Group S.A.  
Nisshinbo Automotive Manufacturing Inc.  
Nisshinbo Somboon Automotive Co., Ltd.  
Nisshinbo Commercial Vehicle Brake Ltd.  
Saeron Automotive Corporation  
Saeron Automotive (Beijing) Co., Ltd.  
Nisshinbo Saeron (Changshu) Automotive Co., Ltd.

**Chemicals**

Nisshinbo Chemical Inc.  
Nisshin Environmental Planning Inc.

**Precision Instruments**

Nisshinbo Mechatronics Inc.

**Textiles**

Nisshinbo Textile Inc.  
CHOYA CORPORATION  
Naigai Shirts Co., Ltd.  
Nisshinbo Yarn Dyed Co., Ltd.  
Ocean Link Corporation

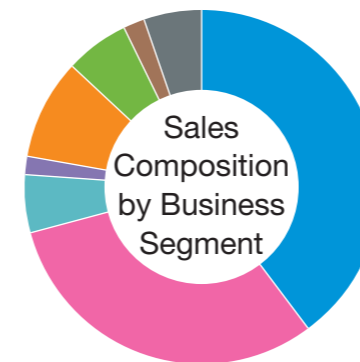
**Paper**

Nisshinbo Paper Products Inc.  
Tokai Seishi Kogyo Co., Ltd.  
Nisshinbo Postal Chemical Co., Ltd.  
Daiwa Shiko Co., Ltd.  
Shanghai Sun-Rich Arts & Crafts Co., Ltd.

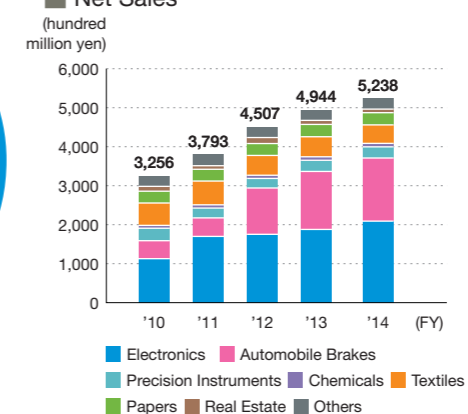
**Real Estate and Other Businesses**

Nisshinbo Urban Development Co., Ltd.  
Nisshinbo Europe B.V.  
Nisshin Toa Inc.  
Iwao & Co., Ltd.  
Nisshinbo Singapore Pte. Ltd.  
Nisshinbo Business Management (Shanghai) Co., Ltd.

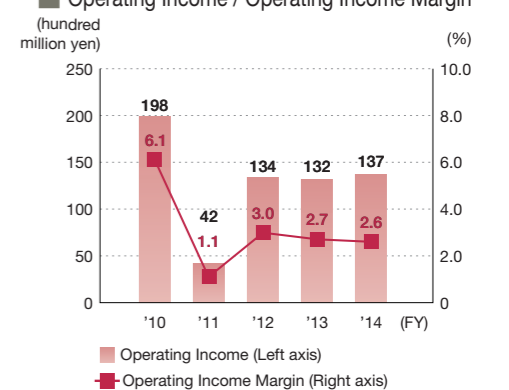
**Principal Financial Data**



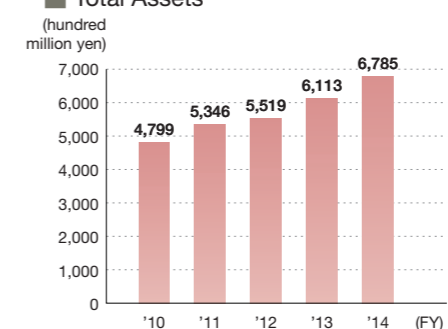
**Net Sales**



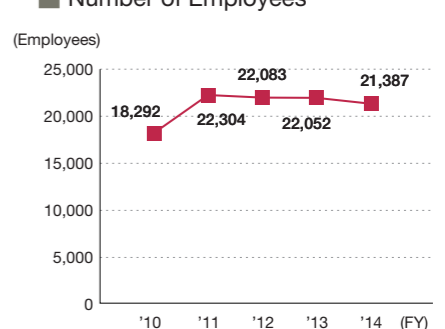
**Operating Income / Operating Income Margin**



**Total Assets**



**Number of Employees**





To disseminate our corporate philosophy throughout the Nisshinbo Group, in fiscal 2013 we combined our corporate philosophy with our other policies, and integrated our corporate activity charter and other statements of principle as business conduct guidelines.

In fiscal 2014, we worked steadily to enhance awareness of our corporate philosophy and business conduct guidelines among all employees, including at overseas bases.

### Nisshinbo Group Corporate Philosophy

Our corporate philosophy expresses the values we share as members of the Nisshinbo Group.

<b>Public Entity</b>	<p><b>Believing that our companies are public entities, we shall aim to realize a sustainable society by proposing solutions to global environmental problems.</b></p> <ul style="list-style-type: none"> <li>• We remember at all times and in all our activities that the ultimate goal of our Group is to contribute to society.</li> <li>• We offer products and services that help solve global environmental issues, with an eye to developing a society where all people can enjoy comfortable lifestyles long into the future.</li> </ul>
<b>Consistent Integrity</b>	<p><b>Respecting the diverse cultures and customs of the world, as well as biodiversity, we shall conduct fair and sincere business activities with pride as a corporate citizen.</b></p> <ul style="list-style-type: none"> <li>• We fulfill our social responsibilities as a corporate citizen by acting in good faith and with fairness at all times.</li> <li>• We respect the diverse cultures and customs of countries and regions throughout the world and uphold the laws and regulations of each.</li> <li>• We conduct our business activities with full recognition that the global environment depends on the maintenance of a delicate harmony among all living things and that we are part of that diverse harmony.</li> </ul>
<b>Innovation</b>	<p><b>Maintaining our spirit of response to change and unceasing challenge, we shall create an affluent future together with our stakeholders.</b></p> <ul style="list-style-type: none"> <li>• We work toward the creation of an affluent society by constantly creating new and original value.</li> <li>• We satisfy stakeholder expectations by sensitively anticipating changes in the times and the environment and boldly taking on new challenges.</li> <li>• We build ties of trust with stakeholders and work together with them in our business activities.</li> </ul>

### Business Conduct Guidelines of the Nisshinbo Group

These Business Conduct Guidelines of the Nisshinbo Group are guidelines for specific conduct that all officers and employees of the Nisshinbo Group are expected to comply with.

Compliance	P.43	Workplace	P.39
Environment	P.24	Product Safety	P.46
Human Rights	P.39	Procurement	P.43

Lending an ear to the comments of stakeholders while working together to build a sustainable society is an important priority of the Company. The Nisshinbo Group will work diligently to fulfill its responsibilities toward stakeholders while endeavoring to foster increasingly close-knit, positive ties.



### External Evaluation

#### Upgrading and Expanding the Company's Website

According to a survey of 3,586 respondent publicly listed companies conducted by Nikko Investor Relations Co., Ltd., Nisshinbo Holdings Inc. ranked 187th overall and 3rd in its industry for the outstanding quality of its corporate information website for fiscal 2014.

Furthermore, in a survey of 3,605 companies' online investor relations, Nisshinbo Holdings Inc. was one of 116 companies selected to receive the 2014 Daiwa Investor Relations Award for Excellence.

#### Continued Inclusion in the International SRI Index

The FTSE4 Good Index Series is one of the two major SRI (Socially Responsible Investment) indices in the world. The Company has been included continuously in this index since 2004 indicating considerable worldwide attention toward and expectations of the Company's CSR activities.



## We aim to enhance corporate value as an “environmental and energy company” group that contributes to global society.

Targeting global growth in the environmental and energy field, the Nisshinbo Group strives to provide solutions to the world’s environmental issues based on a corporate philosophy that emphasizes its standing as a public entity through consistent integrity and innovation. Masaya Kawata, Nisshinbo Holdings’ president, discusses these initiatives.

**Q** Would you please describe management conditions for the Nisshinbo Group in fiscal 2014 and your targets for the future?

**A** We aim to maintain steady growth in both quality and quantity.

In terms of performance, sharply higher revenues in the electronics and automobile brakes businesses led to a 5.9% year-on-year increase in net sales, to ¥523.8 billion. Operating income rose 4.3%, to ¥13.7 billion, thanks to advances in the electronics business. These included improvements in the marine electronics business of Japan Radio Co., Ltd.; favorable results in electronic devices from New Japan Radio Co., Ltd.; and better profitability at Nagano Japan Radio Co., Ltd., which moved into the black.

For fiscal 2015, the Nisshinbo Group forecasts net sales of ¥550.0 billion and operating income of ¥20.0 billion. We have also set management targets to achieve by fiscal 2017—net sales of ¥600.0 billion and ROE of 9%. Looking 10 years ahead, we have set long-term strategic goals for fiscal 2025, namely net sales of ¥1 trillion and ROE in excess of 12%. We will put forth every effort into reaching these objectives.

In addition, as an “environmental and energy company” group, we have set long-term environmental targets for fiscal 2025. We have reaffirmed our intent to pursue business development by concentrating on the environmental and energy business, and

we are raising awareness of these targets across all businesses, including existing operations. Furthermore, we are boosting awareness of our corporate philosophy across the Group, including overseas, and enhancing corporate governance. In these ways, we are working to augment corporate value through sound growth in terms of both quality and quantity.

**Q** How is progress on raising global awareness of your corporate philosophy?

**A** We are undertaking a host of initiatives to share our corporate philosophy with companies throughout the Group.

Within our overseas bases, we post large displays of our corporate philosophy, translated into local languages. We also distribute the philosophy on cards that can be carried. Furthermore, we are enhancing understanding of our business conduct guidelines, which put the corporate philosophy into practice, to match local conditions in each country. Although the effort is still underway, each of our companies is embracing this initiative wholeheartedly. I also emphasize our corporate philosophy when I visit our overseas bases every year. I create opportunities to speak with local management and employees, and I ask them what our corporate philosophy is and why it is important.

Already more than half of the Nisshinbo Group’s

employees are foreign nationals. As we expect business to become even more global going forward, having a common corporate philosophy and business conduct guidelines is extremely important for delivering synergies among people from different cultures.

**Q** Could you describe the intent behind the CSR materiality issues of “global compliance,” “contribution to the environmental and energy field” and “creation of a secure and safe society”?

**A** The environmental and energy business is central to our global business expansion.

As our business activities become more global in nature, compliance irregularities—even if unintentional—can result in substantial economic losses and have a dramatic effect on management. Global compliance initiatives and conducting business activities fairly and in good faith are essential.

In truth, contribution to the environmental and energy field and creation of a secure and safe society are two sides of the same coin. By developing business centered on the environmental and energy

field, we must provide products and services that customers can use with peace of mind and that help realize a safe society. As a result, we will contribute to the global environment and society and broadly fulfill our social responsibilities.

**Q** What initiatives are you undertaking as an “environmental and energy company” group?

**A** We are working to further expand sales of products that contribute to a sustainable society.

As an “environmental and energy company” group, we aim for the more than 100 companies that make up the Nisshinbo Group to work together to realize a sustainable society.

One of our long-term environmental targets is to increase sales of products that contribute to a sustainable society. At present, these products account for roughly 26% of net sales, but by expanding sales of these products in both new and existing businesses we intend to boost this ratio to 40% by fiscal 2018 and 65% by fiscal 2025. Our measures to prevent global warming and address emissions of chemical





substances are also aggressive, going beyond mere statutory compliance.

**Q** How does the Nisshinbo Group's management position CSR efforts?

**A** We see them as sustainable contribution to society based on our business activities.

In our businesses, we engage with a host of stakeholders. We employ money and capital entrusted to us by shareholders and investors, and we have an obligation to use these resources effectively. I believe that providing products of value to society, paying taxes and ultimately returning profits to shareholders and other stakeholders, as well as promoting investments that enhance corporate value, are all actions that we should undertake assiduously and as a matter of course. They are also the foundations of CSR. By providing solutions to global environmental



problems based on its corporate philosophy, the Nisshinbo Group aims to contribute to a sustainable society and enhance corporate value.

**Q** Could you outline your thoughts on corporate governance initiatives going forward?

**A** We will promote management that leverages specialization and knowledge.

Three outside directors were appointed at our regular general meeting of shareholders in June 2006; at this year's general meeting, this number was increased by one. As a result, our Board of Directors comprises 13 members, four of whom are outside directors, one of them a woman. All of our outside directors satisfy the requirements for outside executives stipulated by the stock exchange and are highly specialized, experienced and knowledgeable.

To achieve sustainable growth and enhance corporate value over the medium to long term, in addition to appointing independent outside directors we plan to reinforce corporate governance further on a number of fronts going forward.

**Q** What closing message would you like to leave with stakeholders?

By engaging in two-way communications with our stakeholders, we strive to manage the business in a manner that cultivates long-term, trust-based relationships. I ask for your ongoing understanding and support as we endeavor to enhance corporate value and become a group that contributes ever more to society.

July 2015

**Masaya Kawata**  
President  
Nisshinbo Holdings Inc.

As part of its efforts to realize a safe and secure society, the Nisshinbo Group is concentrating on expanding its wireless communications and electronics business. We are working together throughout the Group to develop products and services of value and roll them out globally.

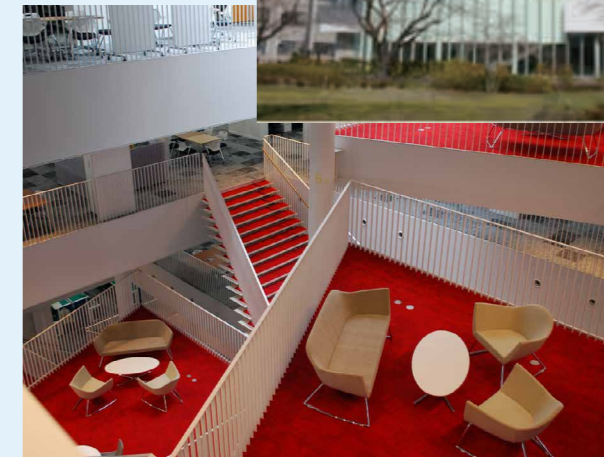
## Joint Operation of the Advanced Technology Center by Three Companies in the Electronics Business

As part of restructuring the Nisshinbo Group's electronics business, construction on the Advanced Technology Center of Japan Radio Co., Ltd., was completed in December 2014, marking its start as a new technological hub. With six floors above ground and total floor space of 13,000m<sup>2</sup> and serving as a cutting-edge development environment, the center houses some 1,000 engineers from Japan Radio and Nagano Japan Radio Co., Ltd., who are involved in design and development activities. In March 2015, a new production building was also completed, and production divisions are gradually relocating there.

Through sequential business restructuring, Japan Radio, Nagano Japan Radio and Ueda Japan Radio Co., Ltd., are reinforcing their management foundations through combined design, production, procurement and logistics operations. To ensure steady successes in these areas, the three companies are working together on three types of reform: manufacturing, human resources and creation of systems.



Outside view of Advanced Technology Center



Inside the center

### Message from the Vice Executive of Technology Headquarters

October 2015 marks the 100th anniversary of our company's founding. To me, the new construction of the Advanced Technology Center during this noteworthy year is a privilege, as it integrates our technology and product development into a single location.

In recent years, the pace of technological innovation in the world of communications has been extremely rapid, so we need to take a global perspective when deciding our development directions and continually embrace a spirit of challenge. From our base in Nagano, we intend to consistently take the industry lead in swiftly developing differentiated technologies and contributing to society.

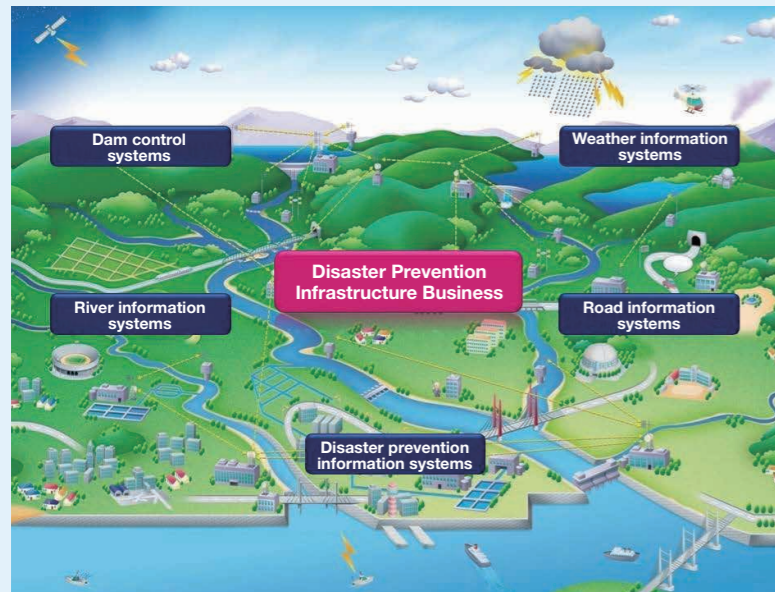
**Toshiyuki Okamura**  
Executive Officer, Vice Executive, Technology Headquarters  
Japan Radio Co., Ltd.





## Enhancing the Disaster Prevention Infrastructure Business

The Nisshinbo Group is active in various aspects of the disaster prevention infrastructure field, including water, rivers, airports, roads, the environment and weather. We offer solutions that range from providing highly reliable products to consulting, building and operating systems and performing maintenance services.



By amalgamating river, earthquake and other measurement data garnered through communications links with telemetering systems, river information systems, dam control systems, weather information systems, road information systems, disaster prevention information systems and damage information, we create comprehensive disaster prevention information systems. In this manner, the Nisshinbo Group's disaster prevention infrastructure business contributes to society's safety and security.

## Bringing Japanese Technologies for Safety and Security to the World

As an electronics business group with technological capabilities and expertise cultivated since 1915, we are applying our capabilities to develop the disaster prevention infrastructure business overseas.

### ▶ Disaster Warning System for Jakarta

In 2014, installation in a flood-prone region commenced on a disaster warning system developed jointly by the Special Capital Territory (DKI) of Jakarta and Japan Radio Co., Ltd. Japanese disaster prevention technologies and expertise made it possible to install this disaster warning system, the first for Jakarta. This system is expected to raise disaster awareness among Jakarta's residents and help to reduce disaster-related damage.



Disaster warning system in Jakarta

### ▶ Meteorological Technology World Expo 2014 in Belgium

For the first time, in 2014 we exhibited at the Meteorological Technology World Expo in Belgium, the world's largest exposition dedicated to weather-related technologies.

Among weather radar on display at our booth was the RAINWATCHER. This X-band compact weather radar is lightweight and energy-efficient, reduces maintenance costs and offers advanced measurement precision. We plan to continue disseminating information about our cutting-edge weather-related technologies to the rest of the world.



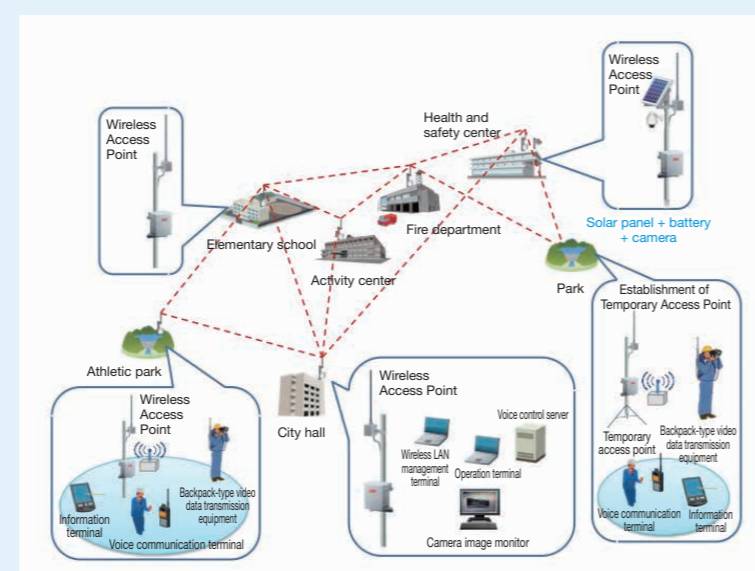
RAINWATCHER, X-band compact weather radar

## New Initiatives

### ▶ Field Trials of Wireless Networks

Participating in the joint development of a system using communication technology underway between the city of Yasugi, Shimane Prefecture, and Chudenko Corporation, for approximately three months beginning November 2014 we conducted field trials in Yasugi of a wireless network using a new type of wireless LAN. In this test, a mesh of connections was formed with wireless LAN access points at the city office, fire department, health and safety centers and other public institutions, creating a realistic usage scenario. In addition to basic network functionality, the test confirmed that specific data was given priority transmission access and that data communications would continue even if wireless routes were blocked.

In addition to times of disaster, networks such as these have a number of everyday applications for contributing to the community. Accordingly, we plan to continue such developments going forward.



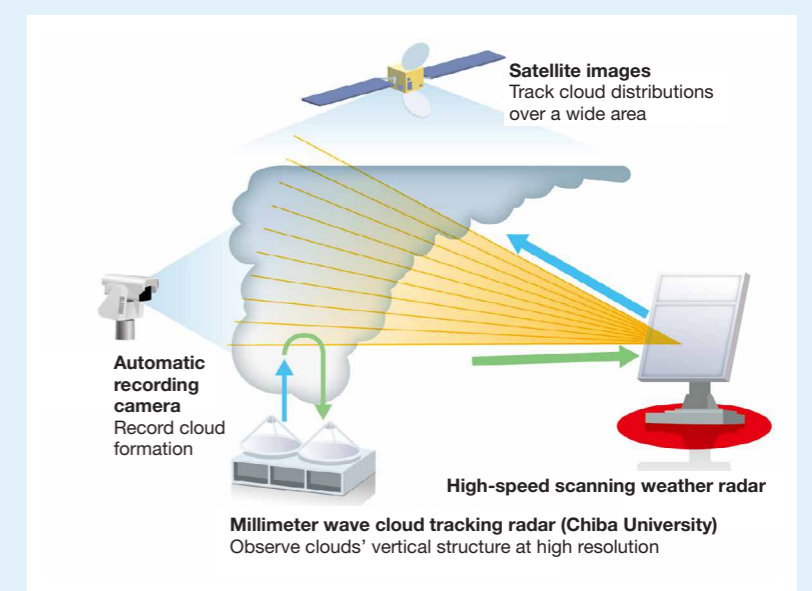
Wireless network

### ▶ High-Speed Scanning Weather Radar for Early Detection of Abnormal Weather

We have developed a high-speed scanning weather radar to maintain an early lookout for abnormal weather, such as localized torrential rain and tornados, and begun making research observations.

Analyzing the data obtained from these research observations clarifies the external characteristics and internal structures of the thunderheads at the source of abnormal weather. Using this information, we plan to create an algorithm to predict outbreaks of abnormal weather and track their courses.

Working with the Chiba University Center for Environmental Remote Sensing, from the summer of 2015 we plan to conduct a demonstration test using the radar we developed for weather monitoring.



Weather observation research model



## Overseas Development

### ▶ Entering the Market for Offshore Support Vessels

Against a backdrop of growing energy demand in emerging markets and the ability to apply technological innovations to boost the productivity of offshore oil fields, in recent years the market for offshore support vessels that assist the development and production of marine resources far out at sea has grown remarkably.

In 2013, Japan Radio Co., Ltd. acquired Alphatron Marine Beheer B.V., whose concept configuration, design and integration capabilities are highly rated in Europe, the leading market for offshore support vessels. The company's high-value-added integrated bridge system is gaining support among customers.

Japan Radio is making a proactive effort to show the bridge system it developed with Alphatron Marine Beheer at international maritime exhibitions in different regions around the world, aiming to accelerate its introduction into the market for offshore support vessels. The company is also working to apply this integration technology toward new developments in merchant vessel bridge systems.



Offshore support vessel

### ▶ Expansion of THAI NJR CO., LTD.



THAI NJR CO., LTD.

In 2014, THAI NJR CO., LTD. celebrated its 25th anniversary of establishment. Concentrating on semiconductors, THAI NJR receives wafers (substrates) from New Japan Radio Co., Ltd., which handles preprocessing, and then conducts such post-processing operations as assembly and testing.

THAI NJR began manufacturing microwave products in fiscal 2012, and in fiscal 2013 the company began construction on a factory building to expand its floor space. This expansion increased production space from 9,957 m<sup>2</sup> to 13,518 m<sup>2</sup> in 2014. The move also boosted overall production capacity by 40%.

In fiscal 2015, THAI NJR plans to begin assembling microwave application products, and intends to further augment its production facilities to operate in a broader range of fields going forward.

### ▶ Boosting Production in Shenzhen

Shenzhen NJRC Technology Co., Ltd., a subsidiary of Nagano Japan Radio Co., Ltd., has a history dating back nearly 20 years. Operating originally as a factory manufacturing power supply units, in recent years the company's production has expanded to include such office equipment as copiers and printers. In 2013, upon receiving additional investment from Japan Radio Co., Ltd. among others, Shenzhen NJRC Technology built a new factory in Guangming to expand production including vessel radars and other marine equipment for the said company.

The company plans to continue serving as an overseas production base for the electronics business, taking on the manufacture of increasingly value-added products.



Shenzhen NJRC Technology Co., Ltd.

The Nisshinbo Group's automobile brakes and on-board equipment contribute to the safety, security and convenience of a mobile society. As a global supplier, the Group continues to develop its technologies to provide high-quality products that are increasingly eco-conscious.

## Copper-Free Friction Materials

Nisshinbo Brake Inc. has been working to reduce the use of environmentally hazardous substances in its brake materials, providing the market with products that feature reduced environmental impact.

One of the company's current focuses is on developing copper-free friction materials. This move derived its impetus from the finding that friction materials from automobile brakes were one of the principal causes of copper pollution in San Francisco Bay in the United States, and the states of Washington and California have already decided on measures to limit the use of copper. Over the long term, all friction materials used in the U.S. market may transition to copper-free materials. Nisshinbo Brake will begin mass production of copper-free friction materials in the United States by the end of 2016 and plans to gradually increase their percentage of manufacture.



Disc brake pads and brake linings

### Message from the Management of the R&D Division

Nisshinbo Brake Inc. has been working for many years to reduce the use of environmentally hazardous substances such as asbestos from the brake products it manufactures. Laws are now going into effect in the U.S. states of Washington and California to limit the use of copper. This legislation will prohibit the sale and installation of friction materials containing copper above 5% from 2021 and over 0.5% from 2025. This trend is expected to spread throughout the world.

As a manufacturer of automobile brakes and friction materials, we recognize we have the social responsibility to curtail the discharge of friction materials that occurs during vehicle braking. Therefore, we will continue to develop more environmentally friendly products.



Akira Wada,  
Executive Managing Officer-R&D,  
Nisshinbo Brake Inc.

### Message from the Management of the Sales & Marketing Division

The Nisshinbo Group is striving to enhance its corporate value as an "environmental and energy company" group. Nisshinbo Brake's efforts to provide copper-free friction materials are one aspect of these efforts.

Legislation limiting the use of copper is scheduled to go into effect in 2021, necessitating a revolution in materials similar to the one that occurred when the use of asbestos was banned. At the Sales & Marketing Division, we see the timely provision of products conforming to anti-copper legislation as a major opportunity to expand our business. We will accurately communicate the value of these products as we strive to satisfy customers around the world.

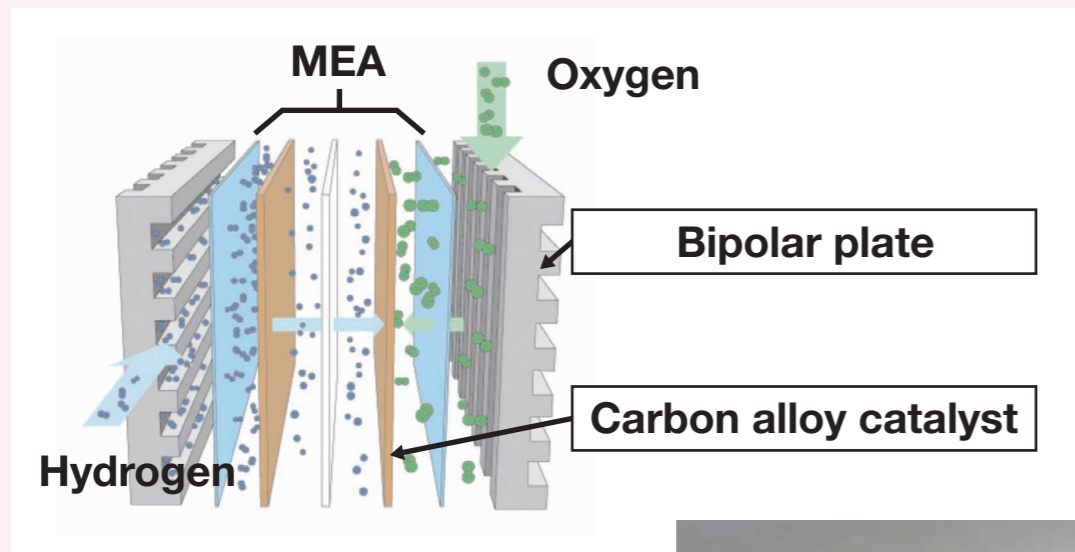


Kazushi Miura,  
Managing Officer-Sales & Marketing,  
Nisshinbo Brake Inc.



## Supporting the Proliferation of Fuel Cell Vehicles

Fuel cell vehicles (FCVs) are expected to make a major contribution toward reducing energy consumption and environmental impact.



Basic fuel cell structure



Bipolar plate

### ▶ Bipolar plate

We develop, manufacture and sell the bipolar plates situated on either side of a fuel cell's membrane electrode assembly (MEA)\*. These plates are one of the key structural components that determine a fuel cell's performance. Having a strong reputation for their light weight and superior anticorrosive properties, our bipolar plates were originally sold for use in residential fuel cells (Ene-Farm), contributing to energy conservation and reduced carbon dioxide emissions.

We are now working with automobile and fuel cell manufacturers on the development of bipolar plates for FCVs.

\* The central component of a fuel cell, an MEA is the structure sandwiched between an electrolyte's positive electrode (the air electrode) and negative electrode (the fuel electrode).

### ▶ Carbon Alloy Catalysts

For FCVs to grow in popularity, substantial reductions will need to be made in the cost of fuel cells, which account for around 60% of an FCV's cost. As the platinum catalysts that promote the oxidization-reduction reaction of fuel gases are a factor that raises costs, innovation is required to find a platinum alternative. We are pursuing one such innovation, collaborating with Gunma University on the development of a carbon alloy catalyst. Whereas platinum is a rare metal, so securing supplies and spiraling costs are risk factors, carbon is a common engineering material used in carbon fiber and other applications.

We are pursuing R&D toward the use of carbon alloy catalysts that are inexpensive and offer supply stability for the hydrogen-based society of the future.

## Precision Automotive Parts

We supply precision automotive parts on a global basis. These parts include valve blocks, which are primary components for automotive electronic brake systems (EBSs), and parts used in the common rail systems\* of diesel engines.

An EBS controls automobile safety by preventing a vehicle skidding to the side during steering wheel movement, braking and sudden acceleration, helping to reduce the number and severity of traffic accidents. Common rail systems curtail the amount of particulate matter generated during a diesel engine's operation, thereby lowering exhaust gas pollution and reducing noise and vibration, heightening environmental performance.

These parts require sophisticated cutting technologies and the ability to control costs. We apply the expertise cultivated over many years to meet customers' needs on both fronts. As market demand for these systems is expected to grow, we expect our precision automotive parts business to expand significantly, including at overseas locations.

\* A type of fuel injection system that has become mainstream on diesel engines due to recent legislation limiting gas emissions



MK100 valve block



Housing for a common rail system



Cylinder for a common rail system



Engine breathers and other parts

## Automotive Sensors and Semiconductors

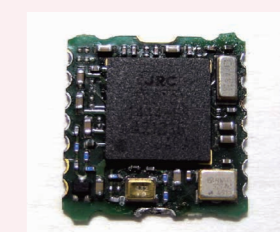
We supply products that contribute to comfortable, secure automobile driving, such as car navigation GNSS\*<sup>1</sup> (GPS) modules, VICS\*<sup>2</sup> beacon transceivers, electronic toll collection (ETC) devices and DSRC (ETC 2.0)\*<sup>3</sup> in-vehicle equipment. Aimed at applying leading-edge quality to car electronics, we provide a range of high-end semiconductor products, ranging from the ECUs\*<sup>4</sup> that control automobiles when running, turning and stopping to in-vehicle accessories. Incorporating radar and ultrasound technologies accumulated in the fields of marine equipment and weather observation, we are also pursuing R&D into on-board sensors for monitoring a vehicle's surroundings.

\* 1 GNSS: Global navigation satellite system

\* 2 VICS: Vehicle information and communication system

\* 3 DSRC: Dedicated short-range communications, used in spot communications (wireless communication technology that combines ETC functionality with road data and information to support safe operations)

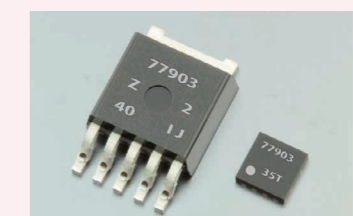
\* 4 ECU: Electronic control unit



GNSS module



DSRC in-vehicle equipment



NJU77903 operational amplifier integrated circuit, which achieves ECU compactness



Mid-Term CSR Targets

Topics	Key Action Items	Mid-Term CSR Targets in Fiscal 2015	Outcomes in Fiscal 2014	Assess-ments	Activity Plans in Fiscal 2015
Management	Thorough compliance	<ul style="list-style-type: none"> <li>Periodically conduct compliance training</li> <li>Operate corporate ethics reporting system</li> <li>Strengthen safety assurance trading management system</li> </ul>	<ul style="list-style-type: none"> <li>Conducted compliance training → P.43</li> <li>Instilled awareness of corporate philosophy and business conduct guidelines at Group companies in China</li> <li>Continued to operate corporate ethics reporting system → P.22</li> <li>Expanded scope of employee eligibility by position for export control education</li> </ul>	○	<ul style="list-style-type: none"> <li>Prepare and roll out an Anti-corruption Guideline</li> <li>Continue to operate corporate ethics reporting system</li> <li>Expand scope of employee eligibility by position for export control education</li> </ul>
	Strengthen internal controls	<ul style="list-style-type: none"> <li>Continue updating internal control systems</li> </ul>	<ul style="list-style-type: none"> <li>Conducted business audits and internal IT audits → P.45</li> <li>Implemented and evaluated internal control systems for financial reporting operations → P.22</li> <li>TMD Group constructed internal control systems → P.22</li> </ul>	○	<ul style="list-style-type: none"> <li>Conduct business audits and internal IT audits</li> <li>Implement and evaluate internal control systems for financial reporting operations</li> <li>Construct internal control systems for Group companies</li> </ul>
	Reinforce risk management	<ul style="list-style-type: none"> <li>Update BCP</li> </ul>	<ul style="list-style-type: none"> <li>Configured Group BCM/BCP system → P.23</li> <li>Introduced safety confirmation and emergency communication system → P.23</li> <li>Gradually moved information systems from internal servers to external data centers → P.45</li> </ul>	○	<ul style="list-style-type: none"> <li>Configured Group BCM/BCP system</li> <li>Expand safety confirmation and emergency communication system</li> <li>Gradually move information systems from internal servers to external data centers</li> </ul>
		<ul style="list-style-type: none"> <li>Reinforce information security</li> </ul>	<ul style="list-style-type: none"> <li>Updated security management systems (restricting connections from unregistered PCs and USB memories) → P.45</li> </ul>	○	<ul style="list-style-type: none"> <li>Continue to strengthen security management</li> </ul>
For a better society	Improve quality and customer satisfaction	<ul style="list-style-type: none"> <li>Keep PL problems at zero occurrences</li> <li>Reduce number of quality issue occurrences</li> <li>Continue implementing measures to improve customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Held PL problems to zero</li> <li>Number of quality issue occurrences slightly up from previous fiscal year</li> <li>Implemented measures to improve customer satisfaction → P.46~48</li> </ul>	△	<ul style="list-style-type: none"> <li>Maintain zero PL problems</li> <li>Continue reducing number of quality issue occurrences</li> <li>Continue implementing measures to improve customer satisfaction</li> </ul>
	Dialog with society	<ul style="list-style-type: none"> <li>Appropriate and timely disclosure of corporate information</li> </ul>	<ul style="list-style-type: none"> <li>Continued appropriate and timely disclosure of corporate information → P.22</li> <li>Visited European investors (total of 29 companies) twice during the year → P.45</li> </ul>	○	<ul style="list-style-type: none"> <li>Continue appropriate and timely disclosure of corporate information</li> <li>Continue overseas IR activities</li> </ul>
	Social contribution activities	<ul style="list-style-type: none"> <li>Support development of international human resources</li> </ul>	<ul style="list-style-type: none"> <li>Sent junior tennis players to South America → P.50</li> </ul>	○	<ul style="list-style-type: none"> <li>Cooperate with and support public-private overseas student exchange programs</li> <li>Continue to support the training of international tennis players</li> </ul>
		<ul style="list-style-type: none"> <li>Contribute to local communities</li> </ul>	<ul style="list-style-type: none"> <li>Participated in local activities near business sites → P.49~50</li> </ul>	○	<ul style="list-style-type: none"> <li>Continue to participate in local activities near business sites</li> </ul>
	Contribute to future society	<ul style="list-style-type: none"> <li>Next-generation education</li> <li>Promote industry-academia joint research</li> </ul>	<ul style="list-style-type: none"> <li>Conducted factory manufacturing training → P.50</li> <li>Promoted internships</li> </ul>	○	<ul style="list-style-type: none"> <li>Continue next-generation education</li> </ul>
			<ul style="list-style-type: none"> <li>Promoted industry-academia collaboration in research almost exactly according to plan</li> </ul>	○	<ul style="list-style-type: none"> <li>Continue promoting industry-academia collaboration in research</li> </ul>

Topics	Key Action Items	Mid-Term CSR Targets in Fiscal 2015	Outcomes in Fiscal 2014	Assess-ments	Activity Plans in Fiscal 2015	
For a better workplace	Respect for human rights	<ul style="list-style-type: none"> <li>Increase awareness of human rights</li> <li>Prevent harassment</li> </ul>	<ul style="list-style-type: none"> <li>Raised awareness of human rights → P.39</li> <li>Conducted training for new harassment advisors → P.39</li> </ul>	○	<ul style="list-style-type: none"> <li>Continue conducting human rights awareness activities</li> <li>Conduct follow-up training for harassment advisors</li> </ul>	
	Promoting diversity	<ul style="list-style-type: none"> <li>Globalization of human resources</li> <li>Create a workplace conducive for women</li> <li>Increase employment ratio of people with disabilities</li> </ul>	<ul style="list-style-type: none"> <li>Introduced system to determine language proficiency of young employees → P.40</li> <li>Set up tuition assistance program for language skill tests → P.40</li> <li>Revised system for sick/injured child care leave → P.40</li> <li>Continued efforts to employ people with disabilities</li> </ul>	○	<ul style="list-style-type: none"> <li>Continue to employ exchange students</li> <li>Revise system for sick/injured child care leave</li> <li>Revise system of accumulated paid leave</li> <li>Continue efforts to increase employment percentage of people with disabilities</li> </ul>	
	Occupational health and safety	<ul style="list-style-type: none"> <li>Prevent occupational injuries</li> </ul>	<ul style="list-style-type: none"> <li>Prevent occupational injuries</li> </ul>	<ul style="list-style-type: none"> <li>Introduced disaster countermeasures → P.41~42</li> <li>Zero occurrence of major accidents</li> <li>Implemented guidance at plants where multiple occupational injuries have occurred</li> </ul>	○	<ul style="list-style-type: none"> <li>Maintain zero occurrence of major accidents</li> <li>Continue to implement guidance at plants where multiple occupational injuries have occurred</li> </ul>
				<ul style="list-style-type: none"> <li>Promote mental health countermeasures</li> </ul>	<ul style="list-style-type: none"> <li>Introduced mental health countermeasures → P.42</li> </ul>	○
	Fair transactions as customary practice	<ul style="list-style-type: none"> <li>Advance CSR procurement</li> </ul>	<ul style="list-style-type: none"> <li>Continued with CSR procurement → P.44</li> </ul>	<ul style="list-style-type: none"> <li>Continued with CSR procurement → P.44</li> </ul>	△	<ul style="list-style-type: none"> <li>Formulate Group CSR procurement policy</li> </ul>

Medium-Term Environmental Targets

Topics	Mid-Term Environmental Targets in Fiscal 2014	Outcomes in Fiscal 2014	Assess-ments	Mid-Term Environmental Targets in Fiscal 2018
For a better global environment	<ul style="list-style-type: none"> <li>Reinforcement of the maintenance of Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>River clean-up and preservation activities: conducted at three companies; forest, mangrove preservation and planting of seedlings: conducted at three companies → P.35</li> </ul>	○	<ul style="list-style-type: none"> <li>Conduct "advance promotion model business for ecosystem preservation" at one location of each business</li> </ul>
	<ul style="list-style-type: none"> <li>Expand and encourage the use of environmental management systems (ISO 14001, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Acquired certification for Nisshinbo Saeron (Changshu) Automotive Co., Ltd. → P.25</li> <li>Expanded scope of certification in the electronics segment</li> </ul>	○	—
	<ul style="list-style-type: none"> <li>Improvement of environmental education</li> </ul>	<ul style="list-style-type: none"> <li>Conducted training required for ISO 14001</li> <li>Conducted biodiversity training</li> </ul>	○	—
	<ul style="list-style-type: none"> <li>Promotion of CSR procurement (green procurement)</li> </ul>	<ul style="list-style-type: none"> <li>Moved from green procurement to integrated CSR procurement → P.44</li> </ul>	○	—
	<ul style="list-style-type: none"> <li>Promotion of "Life cycle assessment"*1 (LCA) 15% or more of total sales</li> </ul>	<ul style="list-style-type: none"> <li>11% of total sales → P.30</li> </ul>	×	<ul style="list-style-type: none"> <li>40% or more of total sales</li> </ul>
	<ul style="list-style-type: none"> <li>Improvement of the sales percentage by the products that contribute to the development of the sustainable society 25% or more of total sales</li> </ul>	<ul style="list-style-type: none"> <li>26% of total sales</li> </ul>	○	<ul style="list-style-type: none"> <li>40% or more of total sales</li> </ul>
	<ul style="list-style-type: none"> <li>Reduction of the energy consumption per unit of sales At least 5% compared to FY 2010</li> </ul>	<ul style="list-style-type: none"> <li>Reduced by 20% compared to fiscal 2010 → P.28</li> </ul>	○	<ul style="list-style-type: none"> <li>Reduce by 5% or more compared to fiscal 2014</li> </ul>
	<ul style="list-style-type: none"> <li>Reduction of greenhouse gas emissions per unit of sales At least 5% compared to FY 2010</li> </ul>	<ul style="list-style-type: none"> <li>Reduced by 23% compared to fiscal 2010 → P.29</li> </ul>	○	<ul style="list-style-type: none"> <li>Reduce by 5% or more compared to fiscal 2014</li> </ul>
	<ul style="list-style-type: none"> <li>Reduction of the volume of PRTR*2 substance emissions per unit of sales At least 10% compared to FY 2010</li> </ul>	<ul style="list-style-type: none"> <li>Reduced by 64% compared to fiscal 2010 → P.33</li> </ul>	○	<ul style="list-style-type: none"> <li>Reduce by 10% or more compared to fiscal 2014</li> </ul>
	<ul style="list-style-type: none"> <li>Improvement of recycling rate to 95% or more (Recycling rate is calculated as follows: "the amount of recycling" divided by "the amount of total waste generation including the amount of recycling")</li> </ul>	<ul style="list-style-type: none"> <li>84.5% (1.5 percentage points worse than the 86.0% recorded in fiscal 2013) → P.31</li> </ul>	×	<ul style="list-style-type: none"> <li>Increase the recycling rate to 90% or more</li> </ul>

\* 1: Understanding of environmental load, through the life cycle of a product, from raw materials, to production, use, and finally to disposal

\* 2: Pollutant Release and Transfer Register

Assessment criteria: ○Achieved △Partially achieved ×Not achieved



The Nisshinbo Group strives to enhance corporate value and earn the trust of a variety of stakeholders. In February 2015, we identified material issues for the Group, referring to international CSR guidelines and taking into account areas of importance to stakeholders.

- Materiality for the Nisshinbo Group
- Global compliance
  - Contribution to the environmental and energy field
  - Creation of a secure and safe society

### Process of Determining Materiality



### Key Action Items for the Next Mid-Term CSR Targets (Fiscal 2016–2018)

The Nisshinbo Group has formulated mid-term CSR targets since fiscal 2008 and conducted its CSR activities accordingly since that time.

We defined the key action items for the next mid-term CSR targets to go into effect from fiscal 2016 based on materiality and in line with the seven core issues raised in the ISO 26000 international standard on social responsibility. We will determine the specific content of our next mid-term CSR targets based on fiscal 2015 achievement levels.

ISO 26000 Core Issues	Key Action Items	ISO 26000 Core Issues	Key Action Items	ISO 26000 Core Issues	Key Action Items
Organizational governance	Instilling the corporate philosophy	The environment	Reinforcement of the maintenance of Biodiversity	Fair operating practices	Promotion of CSR procurement
	Thorough compliance		Promotion of "Life cycle assessment" (LCA)		Development of IR activities
	Strengthen internal controls		Improvement of the sales percentage by the products that contribute to the development of the sustainable society		
Human rights and labor practices	Respect for human rights	Reduction of the energy consumption per unit of sales	Consumer issues	Improve quality and customer satisfaction	
	Promoting diversity	Reduction of greenhouse gas emissions per unit of sales			
	Promoting activities for occupational safety and health	Reduction of the volume of PRTR substance emissions per unit of sales	Community involvement and development	Development of social contribution activities	
	Cultivating employee health	Improvement of recycling rate			

## Corporate Governance

Based on our belief that the Nisshinbo Group is a public entity and the need to maintain consistent integrity, we adhere to the fundamental philosophy of always acting with integrity and in good faith toward our stakeholders. We strive to enhance management efficiency and transparency and maximize corporate value.

We will comply with the intent and the spirit of the Corporate Governance Code recently formulated by the Tokyo Stock Exchange. After considering specific responses to all the code's principles (General Principles, Principles and Supplementary Principles), we will disclose in our own Corporate Governance Report.

#### ▶ The Group's Business Oversight and Execution Framework

The Company's Board of Directors is responsible for making decisions on key management matters and for monitoring the execution of duties by the directors.

We have also adopted a managing officer system in order to strengthen and separate decision-making and oversight functions and business execution functions.

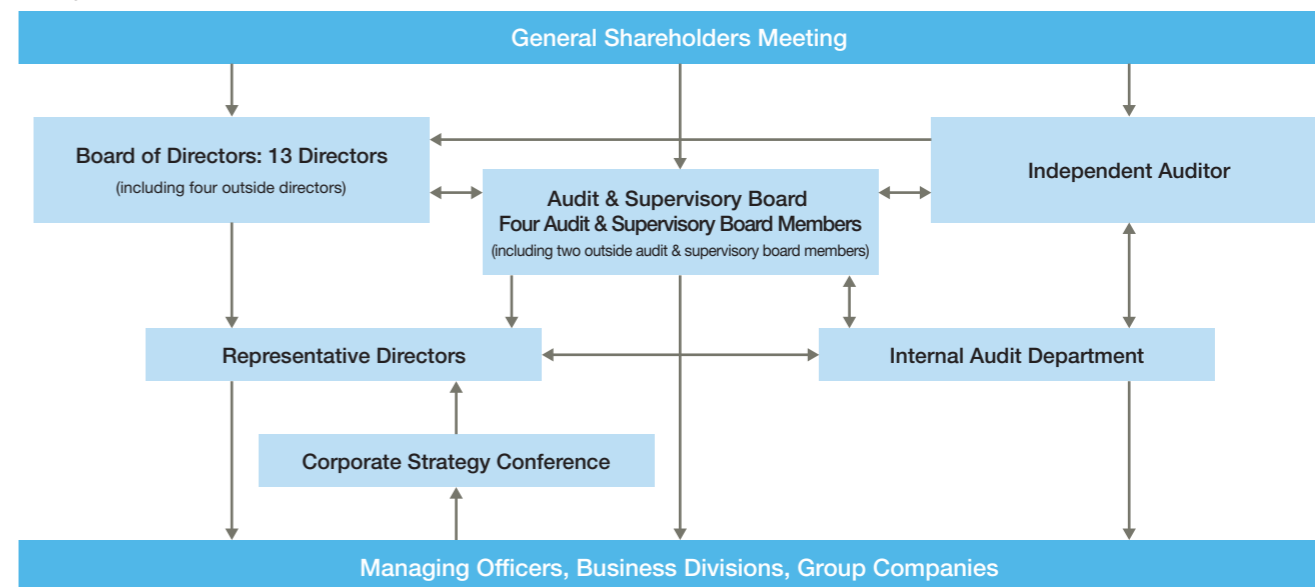
The Corporate Strategy Conference, which is made up of directors and other managing officers, holds meetings to discuss important matters related to business execution throughout the Group.

#### ▶ The Group's Audit Framework

The Company has established an Audit & Supervisory Board. The audit framework comprises the Audit & Supervisory Board members, who conduct audits, the independent auditor, who carries out accounting audits, and the Internal Audit Department, which is responsible for conducting internal audits. These groups work closely together to improve corporate governance.

The Company also conducts oversight of specific areas such as workplace safety, environmental issues and IT systems.

#### ▶ Corporate Governance Structure



#### Representative Directors

Representative directors are selected by resolutions of the Board of Directors. As of June 2015, the Company has two people, the chairman and the president, serving as representative directors.

#### Directors

As of June 2015, the Company had elected 13 directors, including four outside directors. The Company's Board of Directors makes decisions on key management matters and monitors the execution of duties by the directors. Directors are appointed for one-year terms in order to clarify management responsibility each fiscal year.

#### Managing Officers

The Company has adopted a managing officer system to speed up decision-making for business execution and clarify operational responsibilities. As of June 2015, the managing officers are made up of 15 people (including the president and 8 directors with dual roles as managing officers). Managing officers are also appointed for one-year terms.





▶ Audit & Supervisory Board

The Company's Audit & Supervisory Board comprises four Audit & Supervisory Board members, two of whom are outside members. In accordance with audit policy and plans determined by the Audit & Supervisory Board, members monitor business management and execution at the Company and our subsidiaries by attending important management meetings such as meetings of the Board of Directors and Corporate Strategy Conference in order to understand operating conditions.

▶ Internal Audit Division

The Company has established the Internal Audit Department independent from executive business functions to act as the internal audit division. The Internal Audit Department conducts ongoing audits of operations across the entire Nisshinbo Group and works to protect corporate assets and increase management efficiency by providing advice and proposals for remedial measures from a legal and rational standpoint.

▶ Timely Information Disclosure

The Company is working to ensure it is accountable to all stakeholders in order to create a highly transparent business. In addition to fulfilling timely disclosure standards determined by the Tokyo Stock Exchange, we hold briefings for investors on a regular basis and provide other timely information via our corporate website as part of ongoing efforts to improve the provision of information to stakeholders and retain their trust.

▶ Creating and Operating Internal Control Systems

We endeavor to cultivate a healthy and highly transparent corporate culture in accordance with the Nisshinbo Group Corporate Philosophy. We have established an internal control system to identify and remedy any issues in business execution processes. We have revised our Basic Policy for the Formulation and Operation of Internal Control Systems in accordance with the revised Companies Act, which went into effect in May 2015.

▶ Internal Control Report System over Financial Reporting

The Financial Instruments and Exchange Law, which includes provisions on internal corporate control known as J-SOX, came into force in April 2008. Since then, we have implemented control measures to maintain and upgrade our internal control over financial reporting. During fiscal 2014, an assessment led by the Internal Audit Department confirmed that the internal control over financial reporting is operating effectively.

Formulation of an internal control structure for the TMD Group is progressing steadily, and our Internal Audit Department continues to support these operations.

▶ Corporate Ethics Committee

The Nisshinbo Group has established a Corporate Ethics Committee that answers directly to the president. The committee is led by a director with a dual role as a managing officer, who is responsible for handling all compliance matters across the Nisshinbo Group.

Specifically, the Corporate Ethics Committee is responsible for (1) implementing corporate ethics systems and regulations, (2) deciding the content and methods of corporate ethics training for employees, and (3) formulating and implementing investigations, responses, procedures and remedial measures related to consultations and reports received through the Company's Corporate Ethics Reporting System.

▶ Corporate Ethics Reporting System

The Nisshinbo Group has established a Corporate Ethics Reporting System to rapidly identify and prevent any recurrence of potential or actual legal or corporate ethics violations. Group employees and external parties can submit reports to the system, which can be used to communicate directly with the Corporate Ethics Committee or an outside corporate attorney. Every effort is made to protect those who use the system from unfair treatment.

Upon receiving a report via the system, the Corporate Ethics Committee launches an investigation and takes appropriate action where necessary. If the external corporate attorney receives a report, appropriate action is taken based on close cooperation with the Corporate Ethics Committee. Furthermore, important matters are immediately reported to the president. In the case of reports received from individuals who have provided their name and contact details, the Corporate Ethics Committee provides information about how the matter is being dealt with, such as updates on the investigation and a summary of its conclusions. While submitting reports to be used for objective inspection of notified information or suspicion to the Board of Directors and Audit and Supervisory Board on a regular basis, the Corporate Ethics Committee also works to prevent any future violations of law or corporate ethics by providing information to all companies in the Group about its response to the issue based on the results of the investigation.

Risk Management

To fulfill its corporate social responsibility by contributing to society through ongoing business activities, the Nisshinbo Group has established systems to ensure stable operations by mitigating a range of risks that could have a serious impact on the smooth operation of the business.

Learning from our experience of the Great East Japan Earthquake in 2011, we have made response to large-scale earthquakes and other natural disasters a top priority for risk management.

▶ Crisis Management System and Initial Response in Times of Disaster

The Nisshinbo Group has organized self-defense fire brigades at each business site to go into action in time of disaster, and we have in place compact pumps, chemically resistant clothing, emergency supplies and chemical fire engines at our sites, according to their facilities and locations. We also conduct various initial-response drills on a regular basis at each of our business locations, including initial-response fire drills, emergency rescue drills and drills for responding to gas and chemical leaks. In these ways, we are working to augment our responsiveness in times of emergency.

In particular, we conduct comprehensive disaster response drills at our large-scale facilities. These drills are inspected by management each year, ensuring that disaster response activities are conducted energetically. In fiscal 2014, we conducted such inspections at 13 facilities.



Disaster response drill at the Shimada Plant

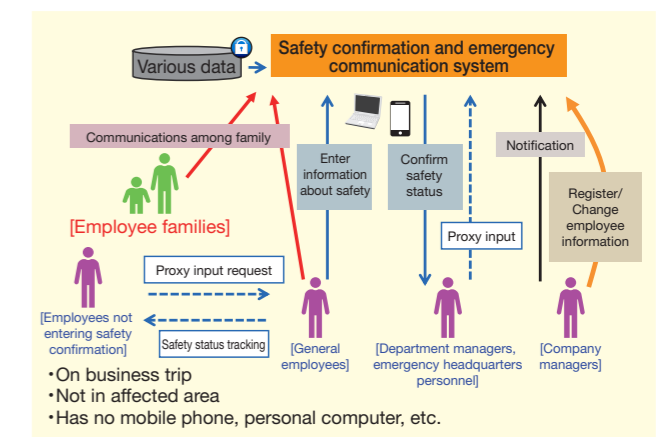
▶ Business Continuity Management Initiatives

In addition to stepping up its efforts for initial response in times of disaster, the Nisshinbo Group conducts activities based on business continuity plan (BCP) aimed at restoring operations within a certain limited period of time. So far, we have undertaken initiatives in line with Group Crisis Management Regulations individually for each office and company based on their business characteristics.

We have recently launched a business continuity management (BCM) effort to review and improve these initiatives on an ongoing basis throughout the Nisshinbo Group. In fiscal 2014, we prioritized countermeasures assuming massive damage from large-scale earthquakes (earthquakes directly under the Tokyo metropolitan area and in the Nankai trough) that paralyzed core management functions.

▶ Safety Confirmation and Emergency Communication System

As one aspect of its BCM, in April 2015 the Nisshinbo Group put in place a safety confirmation and emergency communication system for confirming the safety of Group employees and their families and reporting their status more quickly and precisely than previously. This system was developed within the Nisshinbo Group, with the Company taking charge of specifications and Japan Radio Co., Ltd., of system development. Whereas the previous system involved email communications via an employee's superior, the new system confirms employee safety and reports their status by entering data in all manner of devices with Internet connections, including smartphones, mobile phones and personal computers. The cloud server that this system uses permits connections even at times of peak communications and collects and manages input information centrally, allowing a supervisor to communicate quickly with emergency headquarters. The system also has functionality that enables employees to communicate with their families, confirming their safety even in the event phone and email communications are not accessible. Furthermore, the system is bilingual, suiting it for use by diverse personnel. Although the system is currently available for use only at business sites in Japan, we are considering expanding its range.



Safety confirmation and emergency communication system



## Basic Stance

As an “environmental and energy company” group providing solutions to help tackle humanity’s greatest challenge—global environmental issues—the Nisshinbo Group contributes voluntarily and proactively to the realization of a sustainable society based on the following principles expressed in the Nisshinbo Group Business Conduct Guidelines.

- We comply with the regulations and standards in our home country and overseas related to environmental preservation, and we proactively set voluntary control standards for our business activities.
- We assess the environmental impact of our products over their entire lifecycle and create technologies, products, and services that contribute to the creation of a sustainable society.
- We set up environmental management systems throughout the entire Nisshinbo Group and endeavor to preserve the global environment by conserving energy and resources, promoting the reduction and recycling of waste, decreasing the emission of substances that cause global warming or environmental pollution, and taking biodiversity measures.
- We raise the environmental awareness of all members of the Nisshinbo Group through environmental education and consciousness-building activities.
- We take measures to preserve ecosystems, including activities to enhance the environment around our plants and offices and to add greenery that complements the local environment.

(From the Business Conduct Guidelines of the Nisshinbo Group)

## General Overview of Mid-Term Targets

The Nisshinbo Group has set three-year mid-term environmental targets and is developing a multifaceted PDCA cycle. In fiscal 2014, the final fiscal year for our second environmental target period, we made a groupwide effort to conserve energy, thereby meeting our reduction target for energy use and resulting in lower greenhouse gas emissions. (See page 19 for details.) We also augmented our renewable energy (photovoltaic) generation capacity.

## Setting Mid-Term and Long-Term Environmental Targets

The Nisshinbo Group recently set long-term environmental targets for fiscal 2025. Specifically, we have set the following objectives for the realization of a society that is sustainable, low-carbon and recycling-oriented.

### Long-Term Environmental Targets

1. Increase the ratio of products that contribute to a sustainable society to 65% or more of total sales
2. Reduce greenhouse gas emissions per unit of sales by 15% or more compared with fiscal 2014
3. Improve the recycling ratio to 95% or more

### Mid-Term Environmental Targets

As milestones toward achieving the long-term targets, we have established the third mid-term environmental targets for the Nisshinbo Group to be achieved by fiscal 2018 (shown on page 19).

## Environmental Management

### Environmental Management Promotion Structure

To realize a sustainable society as an “environmental and energy company” group, the Nisshinbo Group has formulated environmental management promotion guidelines that apply to the entire Group. We have also created a system to promote environmental management with the president of Nisshinbo Holdings as the highest-ranking executive.

All sites that have acquired ISO 14001 certification follow these standards by developing PDCA cycles and promoting environmental management. Also, even the sites that have not been certified are building management systems based on these standards and are engaging in related activities. Every subsidiary conducts a yearly management review overseen by its executives. An environmental management review for the entire Nisshinbo Group is implemented at the Nisshinbo Holdings Corporate Strategy Conference held in June; if necessary, the system allows for instructions by the Company president, the highest-ranking executive in the Company.

### Environmental Audits

ISO 14001-certified companies and business sites conduct internal audits in line with those standards and make ongoing improvements to their environmental activities through inspections performed by third-party institutions. Even bases that are not certified perform environmental audits at least once per year.

### The Status of Environmental Management Systems

The Nisshinbo Group is proactively working to promote our environmental management systems in accordance with the “Business Conduct Guidelines of the Nisshinbo Group,” which state, “We set up environmental management systems throughout the entire Nisshinbo Group and endeavor to preserve the global environment by conserving energy and resources, promoting the reduction and recycling of waste, decreasing the emission of substances that cause global warming or environmental pollution, and taking biodiversity measures.”

As of March 31, 2015, 46 organizations within the Nisshinbo Group were certified in accordance with ISO 14001. Certain operations are pursuing integrated certification in the aim of conducting environmental activities more intertwined with their business operations.

In addition to ISO 14001 certification, the TMD Group is pursuing certification under the ISO 50001 standards for energy management systems. At present, six business sites (see chart at right\*) have received ISO 50001 certification, and business sites at Caransebes, Valencia and Querétaro are preparing for certification.

## Organizations with ISO 14001 Certification

In Japan (24 organizations)		
Nisshinbo Holdings Inc.		(Chuo-ku, Tokyo)
Nisshinbo Holdings Inc.	R&D Center	(Chiba City, Chiba)
Japan Radio Co., Ltd.	(integrated authentication)	(Mitaka City, Tokyo)
New Japan Radio Co., Ltd.		(Chuo-ku, Tokyo)
Nagano Japan Radio Co., Ltd.		(Nagano City, Nagano)
Ueda Japan Radio Co., Ltd.		(Ueda City, Nagano)
JRC Tokki Co., Ltd.		(Yokohama City, Kanagawa)
Japan Radio Glass Co., Ltd.		(Fujimino City, Saitama)
SAGA ELECTRONICS CO., LTD.	Saga Works	(Kanzaki-gun, Saga)
NJR FUKUOKA CO., LTD.		(Fukuoka City, Fukuoka)
Nisshinbo Brake Inc.	Office & Main Plant (integrated authentication)	(Chuo-ku, Tokyo)
Nisshinbo Mechatronics Inc.	Miai Machinery Plant	(Okazaki City, Aichi)
Nisshinbo Mechatronics Inc.	Hamakita Plant	(Hamamatsu City, Shizuoka)
Nisshinbo Precision Instrument & Machinery Hiroshima Corporation		(Higashi-Hiroshima City, Hiroshima)
Nisshinbo Chemical Inc.	Asahi Plant	(Asahi City, Chiba)
Nisshinbo Chemical Inc.	Chiba Plant	(Chiba City, Chiba)
Nisshin Environmental Planning Inc.		(Adachi-ku, Tokyo)
Nisshinbo Textile Inc.	Osaka Branch	(Osaka City, Osaka)
Nisshinbo Textile Inc.	Yoshinogawa Plant	(Yoshinogawa City, Tokushima)
Nisshinbo Paper Products Inc.	Shimada Plant	(Shimada City, Shizuoka)
Nisshinbo Paper Products Inc.	Tokushima Plant	(Tokushima City, Tokushima)
Nisshinbo Paper Products Inc.	Fuji Plant	(Fuji City, Shizuoka)
Nisshinbo Paper Products Inc.	Adachi Office	(Adachi-ku, Tokyo)
Tokai Seishi Kogyo Co., Ltd.		(Fuji City, Shizuoka)
Overseas (9 organizations)		
THAI NJR CO., LTD.		(Thailand)
Shenzhen NJRC Technology Co., Ltd.		(China)
Nisshinbo Automotive Manufacturing Inc.		(U.S.A.)
Nisshinbo Somboon Automotive Co., Ltd.		(Thailand)
Saeron Automotive Corporation		(South Korea)
Saeron Automotive (Beijing) Co., Ltd.		(China)
Nisshinbo Saeron (Changshu) Automotive Co., Ltd.		(China)
Nisshinbo Mechatronics (Thailand) Ltd.		(Thailand)
Nisshinbo Mechatronics (Shanghai) Co., Ltd.		(China)
TMD Group (13 organizations)		
Essen* & Leverkusen*		(Germany)
Hamm* & Coswig*		(Germany)
Hartlepool*		(U.K.)
Manchester		(U.K.)
Kilmarnock		(U.K.)
Creutzwald*		(France)
Valencia		(Spain)
Caransebes		(Romania)
Querétaro		(Mexico)
Indaiatuba		(Brazil)
Hangzhou		(China)
Shijiazhuang		(China)
Troy		(U.S.A.)

\* Has also received energy management system (ISO 50001) certification. Details of related affiliated companies and business sites within each plant included in the scope of registration have been omitted.





## FISCAL 2014 MATERIAL BALANCE

### Inputs

<b>Energy Usage</b>		<b>11.24</b>	<b>Million GJ*<sup>1</sup></b>	<b>(+1%)</b>
Breakdown	Electricity	785.1	Thousand MWh	(+2%)
	Solar power (included in Electricity)* <sup>2</sup>	1.1	Thousand MWh	(-2%)
	Coal	81.6	Thousand t	(+6%)
	Heavy oil	8.86	Thousand kL	(-9%)
	Town gas (including natural gas)	28.7	Million m <sup>3</sup>	(-8%)
<b>Water Usage</b>		<b>28,449</b>	<b>Thousand m<sup>3</sup></b>	<b>(-4%)</b>
Breakdown	Groundwater	15,019	Thousand m <sup>3</sup>	(-2%)
	Industrial water	12,804	Thousand m <sup>3</sup>	(-6%)
<b>Total Raw Materials Used</b>		<b>387.4</b>	<b>Thousand t</b>	<b>(+1%)</b>
Breakdown	Raw cotton, cotton fiber	32.3	Thousand t	(+7%)
	Pulp (including recycled paper pulp)	62.9	Thousand t	(-1%)
	Steel	87.7	Thousand t	(+2%)
	Brake friction materials	81.2	Thousand t	(+11%)
	Chemical substances	62.0	Thousand t	(-3%)
	Packaging materials	23.1	Thousand t	(-9%)
Volume of PRTR substances* <sup>3</sup>		3,233	t	(-2%)
Office paper usage		77,710	Thousand sheets	(+1%)

Figures in parentheses indicate change from the previous fiscal year.

\* 1: Gigajoules (GJ): A unit of energy. One gigajoule (10<sup>9</sup>J) is approximately 240,000 kilocalories.

\* 2: Excluding solar power generation exchangeable for green certificates and electricity sales under the system of feed-in tariffs on renewable energy.

\* 3: PRTR (Pollutant Release and Transfer Register) substances: Substances subject to the PRTR (Pollutant Release and Transfer Register) system pursuant to the "Act on the Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof."

Use

Business Processes

Emission

Cyclical use of water  
1,352 Thousand m<sup>3</sup>(+4%)

Logistics

### Outputs

<b>Greenhouse gas emissions</b>		<b>722.3</b>	<b>Thousand t-CO<sub>2</sub></b>	<b>(+2%)</b>
Breakdown	Energy-derived* <sup>4</sup>	681.3	Thousand t-CO <sub>2</sub>	(+2%)
	Non-energy-derived* <sup>5</sup>	41.0	Thousand t-CO <sub>2</sub>	(+8%)
<b>Released into the atmosphere</b>				
Breakdown	NOx	264	t	(-23%)
	SOx	179	t	(-32%)
	VOC* <sup>6</sup>	111	t	(-16%)
	Dust and soot	21	t	(-82%)
<b>Released into water systems</b>				
Breakdown	Wastewater	27,164	Thousand m <sup>3</sup>	(-4%)
	COD* <sup>7</sup>	345	t	(-13%)
	SS* <sup>8</sup>	144	t	(-18%)
<b>PRTR substances</b>				
Breakdown	Released amounts	35.4	t	(-6%)
	Transferred amounts	340.9	t	(+82%)
<b>Total waste volume</b>		<b>68.6</b>	<b>Thousand t</b>	<b>(+10%)</b>
<b>Recycled waste</b>		<b>58.0</b>	<b>Thousand t</b>	<b>(+8%)</b>
<b>Products</b>		<b>347.1</b>	<b>Thousand t</b>	<b>(+1%)</b>
<b>Solar power sales</b>		<b>2.7</b>	<b>Thousand MWh</b>	<b>(+47%)</b>
<b>Transport volume*<sup>9</sup></b>		<b>76.0</b>	<b>Million t-km</b>	<b>(-5%)</b>

\* 4: Energy-derived greenhouse gases: Greenhouse gases produced from the consumption of fuel.

\* 5: Non-energy-derived greenhouse gases: Greenhouse gases produced from sources other than the consumption of fuel, such as from manufacturing processes and waste material.

\* 6: VOC (Volatile Organic Compounds): Volatile organic compounds such as toluene.

\* 7: COD (Chemical Oxygen Demand): An index of water contamination expressed as the volume of oxygen chemically required or chemically consumed.

\* 8: SS (Suspended Solid): The amount of substances suspended in water.

\* 9: Transport volume does not include marine transport in international waters.



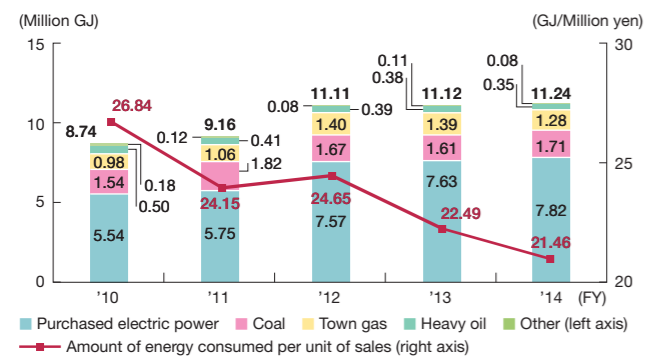
## Energy Conservation

### ▶ Status of Target Achievement and Use by Type of Fuel

The Nisshinbo Group's energy usage amounted to 11.24 million GJ, up 1% year on year. However, the amount of energy used per unit of sales was 21.46GJ/million yen, or a 5% reduction. In fiscal 2014, the Group's target was to conduct energy conservation activities in the aim of reducing energy usage by 5% compared with fiscal 2010 levels. This goal was achieved, with usage down 20% against this baseline.

By type of energy used, purchased electricity accounted for 70% of the total. Two Indonesian subsidiaries in the textiles business (PT. Nisshinbo Indonesia and PT. Nikawa Textile Industry) were responsible for the 15% of total energy use represented by coal.

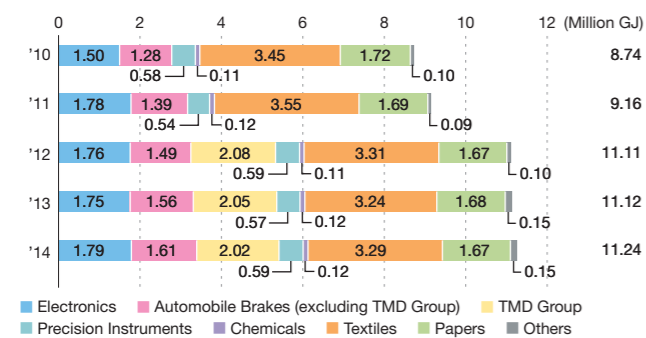
### ● Trends in the Amount of Energy Consumed and the Amount of Energy Consumed per Unit of Sales



The segment using the largest amount of energy was the textiles business.

Excluding the TMD Group, in fiscal 2014 energy usage in the automobile brakes business was up by 26% compared with fiscal 2010 levels. This increase was in line with an increase in production volumes.

### ● Amount of Energy Consumed by Business



### ▶ Environmental Considerations at the Advanced Technology Center

In December 2014, construction was completed on the Advanced Technology Center, which Japan Radio Co., Ltd., was pursuing at its Nagano facility. One of the fundamental concepts behind the

center's construction was to employ equipment that was highly energy efficient and environmentally considerate. Design took this concept into consideration on a number of fronts.

#### <Environmental Considerations>

- Dividing and managing lighting and cooling in small zones
- Employing LED lighting and motion sensors
- Creating bright and open development spaces illuminated with natural light
- Introducing natural ventilation employing the chimney effect (induction effect) in stairwell areas
- Employing a layout that takes traffic flows into consideration

### ▶ Reducing Power Demand

In 2014, Nisshinbo Automotive Manufacturing Inc. (NAMI) improved the air conditioning systems in its cure press area. Upon analyzing the system's design, NAMI determined that excess capacity was available and therefore reassigned the target areas for each air conditioning system.

NAMI introduced a system to optimize air compressor pressure, thereby reducing loading, and improved the control circuit sequencer by analyzing boiler combustion efficiency. As a result, in fiscal 2014 the company reduced power demand by 6.8% compared with fiscal 2013 levels.

### ▶ Employing LED Lighting and an Energy-Saving Centrifugal Chiller

From 2014 to 2015, PT. Nikawa Textile Industry introduced eight energy-saving measures, including LED lighting. These measures reduced annual electricity use by 1,600MWh, or 3.6%.

In addition, as the absorption chiller at the company's spinning factory was insufficient to handle an increased cooling load, an energy-saving turbo chiller was introduced, setting the absorption chiller on the side as a backup to be used for additional cooling power during the day when the turbo chiller's capacity was insufficient. As this project also contributed to a reduction in greenhouse gas emissions, it was selected as a subsidy project under the Joint Crediting Mechanism (JCM) between Japan and Indonesia.

### ▶ Efforts to Reduce Electricity Use

In fiscal 2014, SAGA ELECTRONICS CO., LTD., undertook the following initiatives to reduce electricity use. As a result, the company exceeded its targeted 595MWh reduction in annual electricity use by a large margin, lowering this usage by 1,046MWh.

#### <Initiatives>

- Introduced LED lighting for exterior, interior and signage
- Upgraded air conditioning to energy-saving type
- Operated equipment in an energy-efficient manner (linked up multiple operating devices on the load side to eliminate operation of unnecessary equipment)

## Global Warming Prevention

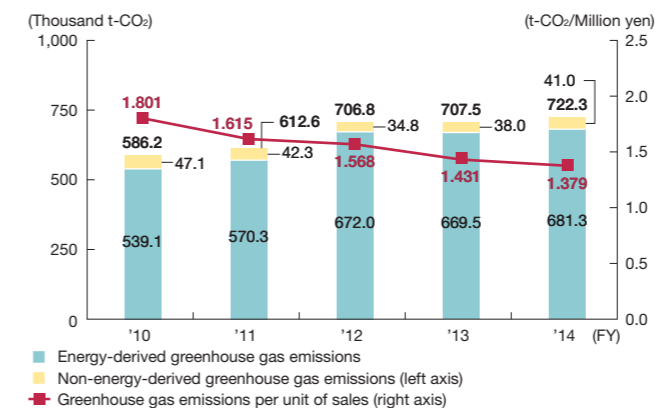
### ▶ Emissions of Greenhouse Gases

The Nisshinbo Group's greenhouse gas emissions amounted to 722,000 t-CO<sub>2</sub>, up 2% from the preceding fiscal year. The increase in these emissions since fiscal 2012 is attributable to the inclusion of the TMD Group in the scope of data.

Greenhouse gas emissions per unit of sales were down 4% year on year. Our target for fiscal 2014 was to reduce these emissions by 5% compared with fiscal 2010 levels, and we undertook initiatives toward this end. We achieved this goal, with an actual reduction of 23%. (An appendix\* shows figures with electricity greenhouse gas emission coefficients applied retroactively.)

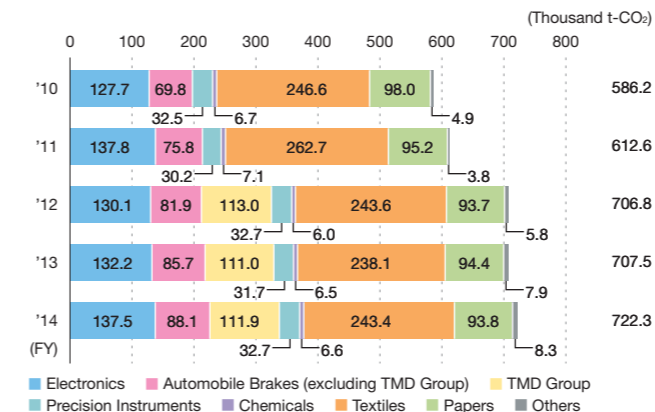
The major contributor to greenhouse gases from non-energy sources is emissions from the semiconductor manufacturing processes of New Japan Radio Co., Ltd. Emissions volumes fluctuate significantly as items manufactured change, and perfluorocarbon (PFC) accounts for 85% of these emissions.

### ● Trends in Greenhouse Gas Emissions and Greenhouse Gas Emissions per Unit of Sales



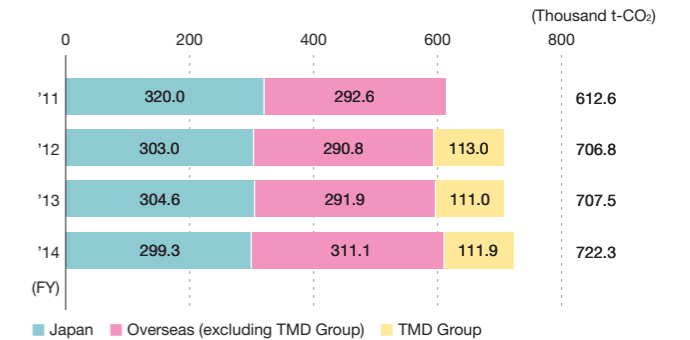
By business type, the textiles business accounts for 34% of overall greenhouse gas emissions, while the automobile brakes business, including the TMD Group, is responsible for 28%. The large amount of emissions from the textiles business are due to the fact that production tends to be energy-intensive and the use of coal at subsidiaries in Indonesia.

### ● Greenhouse Gas Emissions by Business



Owing to our global development, the percentage of greenhouse emissions generated in Japan has fallen to 41% of the total.

### ● Greenhouse Gas Emissions in Japan and Overseas



### \*Appendix

For calculating greenhouse gas emission volumes, the CO<sub>2</sub> emission conversion factors as defined in the "List of Calculation Methods and Emission Factors for Calculation, Reporting, and Publication" published by the Ministry of the Environment and based on the "Law Concerning the Promotion of the Measures to Cope with Global Warming" are used. We also use the coefficients provided by the producer for coal.

#### Conversion Factors for CO<sub>2</sub> Emission Conversion

Electric Power	0.550 t-CO <sub>2</sub> /MWh
Coal	1.890 t-CO <sub>2</sub> /t
A-fuel oil	2.710 t-CO <sub>2</sub> /KL
Gasoline	2.322 t-CO <sub>2</sub> /KL
Diesel oil	2.585 t-CO <sub>2</sub> /KL
Town gas	2.234 t-CO <sub>2</sub> /Thousand m <sup>3</sup>

### ▶ Increasing Production of Bipolar Plates for Fuel Cells

Nisshinbo Chemical Inc. provides bipolar plates used in Ene-Farm residential fuel cells. Residential fuel cells are expected to reduce primary energy by 23% and lower CO<sub>2</sub> emissions by 38%. By supplying bipolar plates for fuel cells, the company is making a major contribution toward reducing the use of fossil fuels and preventing global warming.

In fiscal 2014, the company increased its production of bipolar plates for fuel cells by 18% year on year.

### ▶ Saving Electricity on an Injection Molding Machine

Nisshinbo Mechatronics (Thailand) Ltd. is working to conserve energy with its plastic injection molding machine by fitting insulating covers on its 39 cylinders. The annual energy-saving effect of this initiative amounted to 134MWh, equivalent to a 74-ton reduction in CO<sub>2</sub>.





### ▶ Introducing Renewable Energy

Nisshinbo Mechatronics Inc. is developing the photovoltaic power generation business, introducing generation equipment at the Nisshinbo Group's manufacturing sites. The Group's generation capacity exceeds 4MW.

In fiscal 2014, photovoltaic panels spanning approximately 10,000m<sup>2</sup> were installed at a factory site of Nisshinbo Precision Instrument & Machinery Hiroshima Corporation, and power generation commenced in March 2015. With capacity of 1,020kW, this equipment is expected to generate 1,100MWh per year, all of which will be sold to the Chugoku Electric Power Co., Inc., under the government's feed-in tariff scheme for renewable energy.



Nisshinbo Precision Instrument & Machinery Hiroshima Corporation's mega solar power facility

### ● Generation Capacity by Business Site

Installation Site	Generation Capacity (kW)	Year Operation Commenced	Use
Nisshinbo Mechatronics Inc. Miai Machinery Plant	430	2010	Self-consumption Green certificates
Nisshinbo Paper Products Inc. Shimada Plant	250	2010	Self-consumption
Nisshinbo Chemical Inc. Chiba Plant	150	2011	Self-consumption
Nisshinbo Brake Inc. Tatebayashi Plant	300	2011	Self-consumption
Nagano Japan Radio Co., Ltd. Head Office Factory	110	2013	Power sales
Nisshinbo Holdings Inc. Tokushima Plant Nisshinbo Paper Products Inc. Tokushima Plant	1,768	2013	Power sales Test facility
Nisshinbo Precision Instrument & Machinery Hiroshima Corporation	1,020	2015	Power sales
<b>Total</b>	<b>4,028</b>		

### ▶ Expanding Orders for Ultralow-Temperature Storage Materials

Methane is a primary constituent of liquefied natural gas (LNG), which is being positioned as a 21st-century clean-energy source. When combusted, LNG generates little carbon dioxide, which is implicated in global warming; or nitrous oxides, which are atmospheric pollutants; and no sulfuric oxides, soot and dust, which can cause acid rain.

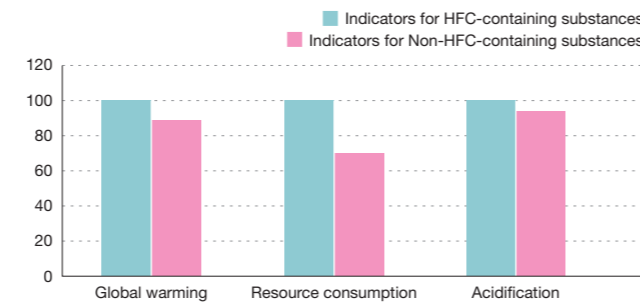
Taking advantage of the insulating properties of urethane at ultralow temperatures, Nisshinbo Chemical Inc. is working to expand its orders for the storage materials employed in the large-scale LNG tankers that transport LNG from North America, as well as storage tanks and storage materials for LNG fuel tanks used for general vessels.

## Life Cycle Assessment

### ▶ LCA Analysis of Non-HFC Insulating Materials

Nisshinbo Chemical Inc. uses the Japan Environmental Management Association for Industry's Multiple Interface Life Cycle Assessment (MiLCA) method for conducting life cycle assessment (LCA) analysis. Using this method, the company has performed an environmental impact assessment (global warming, resource consumption and acidification) on polyurethane foam, its principal product. Nisshinbo Chemical calculated the environmental impact of the foaming agents that are a source material for urethane foam, separating these agents into those containing hydrofluorocarbons (HFCs) and those without HFCs, thereby comparing the environmental impact of HFCs. This analysis showed that non-HFC materials had a 10% lower global warming effect, and 30% less resource consumption, compared with HFC-containing materials.

### ● Impact Assessment Indicators

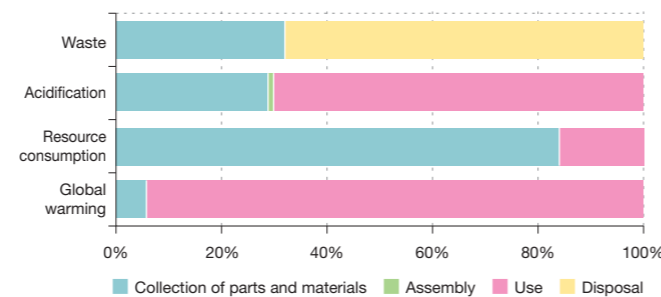


### ▶ LCAs on Vessel Radar Navigation Equipment

Japan Radio Co., Ltd. has conducted LCAs on marine radar, satellite communication equipment and multiplex communication equipment.

These results showed that marine radar had an overwhelmingly large impact on acidification and global warming during use.

### ● LCA Results of JMA-5300mk2 Vessel Radar Navigation Equipment



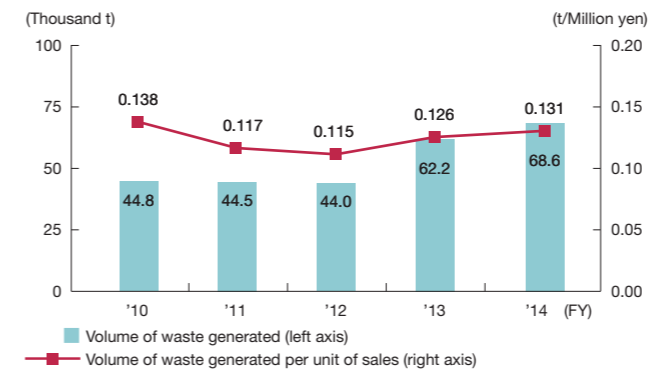
Other subsidiaries are also conducting LCAs. Nisshinbo Paper Products Inc. conducts LCAs on household papers (toilet and tissue papers), and Nisshinbo Mechatronics Inc. performs these assessments on air blowers (injection molding parts for propeller fans and sirocco fans).

## Resource Conservation

### ▶ Volume of Waste Generated

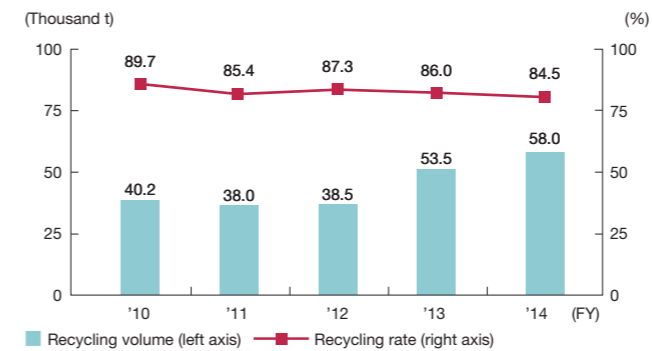
The volume of waste generated by the Nisshinbo Group was 68.6 thousand tons, up 10% year on year. This volume was also up 4% per unit of sales, trending upward at TMD Group and other overseas bases.

### ● Trends in the Volume of Waste Generated and the Volume of Waste Generated per Unit of Sales

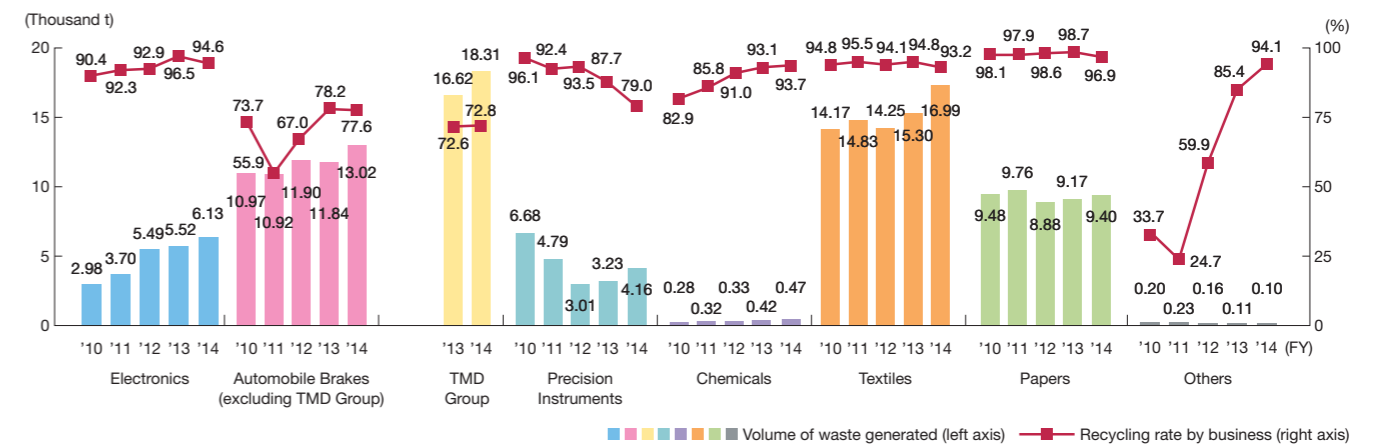


Although recycling volumes were up, the recycling ratio fell by nearly 1.5 percentage points.

### ● Trends in the Recycling Volume and Recycling Rates



### ● Trends in volume of waste generated by business and recycling rate by business



The Nisshinbo Group is working toward zero emissions (a recycling ratio of 99% or more). In fiscal 2014, locations achieving zero emissions numbered 19, two more than in fiscal 2013.

### Sites that have Achieved Zero Emissions

- Nisshinbo Holdings Inc. R&D Center
- Nisshinbo Holdings Inc. Tokushima Plant
- Nisshinbo Holdings Inc. Fujieda Plant
- JRC Tokki Co., Ltd.
- Japan Radio Glass Co., Ltd.
- SAGA ELECTRONICS CO., LTD.
- NJR FUKUOKA CO., LTD.
- Nagano Japan Radio Co., Ltd.
- Ueda Japan Radio Co., Ltd.
- Nisshinbo Brake Inc. Tatebayashi Plant
- Nisshinbo Brake Inc. Toyota Plant
- TMD Friction GmbH Hamm
- Nisshinbo Chemical Inc. Toke Plant
- Nisshinbo Chemical Inc. Tokushima Plant
- Nisshinbo Chemical Inc. Chiba Plant
- Nisshinbo Do Brasil Industria Textil LTDA.
- PT. Naigai Shirts Indonesia
- Nisshinbo Paper Products Inc. Tokushima Plant
- Nisshinbo Paper Products Inc. Fuji Plant



► Rollout of Wastewater Purification Materials in China

AQUAPOROUSGEL (APG) is a type of urethane sponge Nisshinbo Chemical Inc. has developed for treating wastewater. APG is able to retain large quantities of microorganisms, providing them with a "habitat" that helps to purify wastewater. This method is more efficient at wastewater treatment than the mainstream activated sludge method. Furthermore, APG reduces pollution by promoting settling of the bacteria-ingesting metazoans (multicellular animals), which is unusual with the activated sludge method.

In 2014, the verification test of APG, which took place in a public sewage treatment plant in the Chinese city of Qingdao, resulted in a 40% reduction in the volume of sludge. APG was also introduced into the wastewater treatment facility for a food product plant in Qingdao.

► Collecting Used Chemicals and Treating Them as Valuable Resources

The Asahi Plant of Nisshinbo Holdings Inc. uses N-methyl-2-pyrrolidone (NMP). In the past, the office outsourced the treatment of liquid waste containing this substance; it has now installed collection equipment and is recycling NMP. Solutions of NMP can also be treated as a valuable resource. In fiscal 2014, the office collected 5,600kg (28 drums) of NMP solution, which equates to 2,100kg if converted to 100% NMP concentration.

► Using Recycled Materials in Air Conditioning Fans

Nisshinbo Mechatronics India Private limited manufactures and sells such products as air conditioning fans. This company has begun using recycled materials (acrylonitrile styrene + 20% glass) from air conditioner parts collected in accordance with Japan's Home Appliance Recycling Law and imported from Japan, mixing them in a 50:50 ratio with virgin materials and producing air conditioning fans. These fans have the same performance levels as fans made from entirely virgin materials, but are less expensive and more eco-friendly.



Fan made from recycled materials



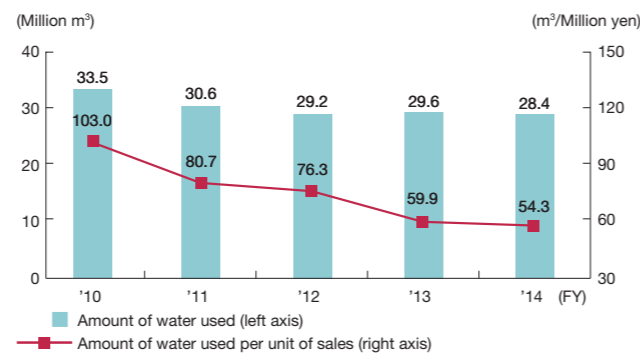
Production base in India

► Use of Water Resources

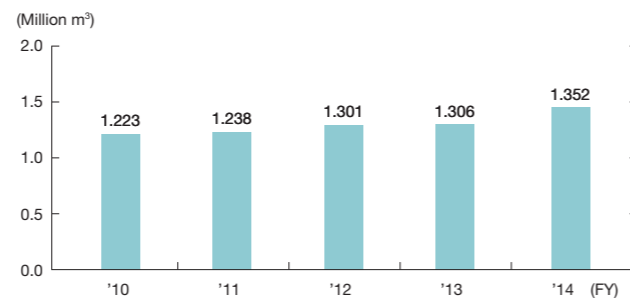
Through efforts to use water resources more efficiently, the Nisshinbo Group reduced its water usage by 4% year on year, to 28.4 million cubic meters. The volume of water used per unit of sales was also down 9%.

The amount of water recycled increased 4% from the previous year. This result was partially attributable to the 50,000 cubic meters in additional water recycled due to the further use of circulated feed water for scrubbers at New Japan Radio Co., Ltd.

● Water usage and water usage per unit of sales

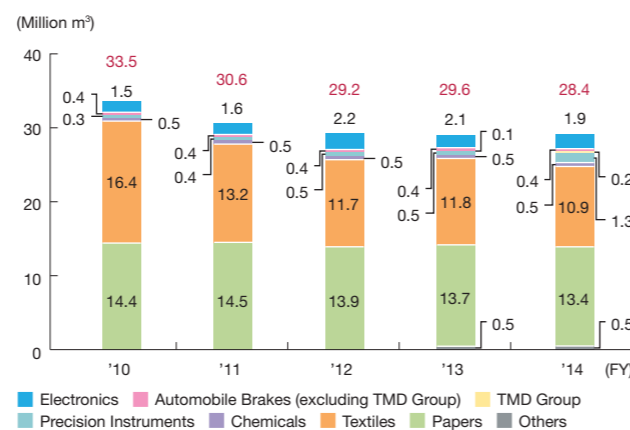


● Trends of Water Recycled



By type of business, water use in the papers business accounted for 47% of the total. The textiles business, for which use is falling, accounted for 38%. Accordingly, these two businesses accounted for 85% of the Group's total water use.

● Trends in Volume of Water Used by Business



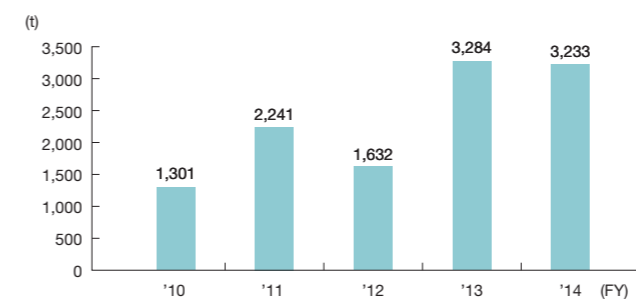
Chemical Substance Management

► Volume of Chemical Substances Handled

Major items making up the Nisshinbo Group's volume of PRTR substances handled were antimony (963 tons), chromium (465 tons) and phenol (321 tons) for brake materials, and methylenebis (4,1-phenylene) = diisocyanate (492 tons) and methylenebis (4,1-cyclohexylene) = diisocyanate (243 tons) for urethane materials. These production materials increased as a percentage of production volume.

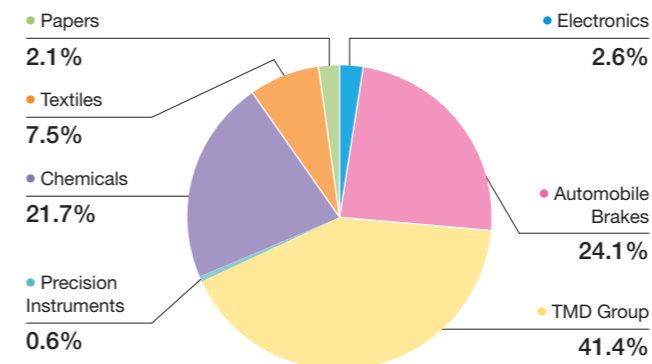
Overall, the volume of PRTR substances handled was down 3,233 tons, or 2% year on year. (The increase in fiscal 2013 was due to the inclusion in the scope of data of 1,300 tons of brake material for the TMD Group.)

● Trends in the Volume of PRTR Substances Handled



By business, the automobile brakes business, including the TMD Group, accounted for 65% of the total for the Nisshinbo Group.

● Volume of PRTR Substances Handled by Business



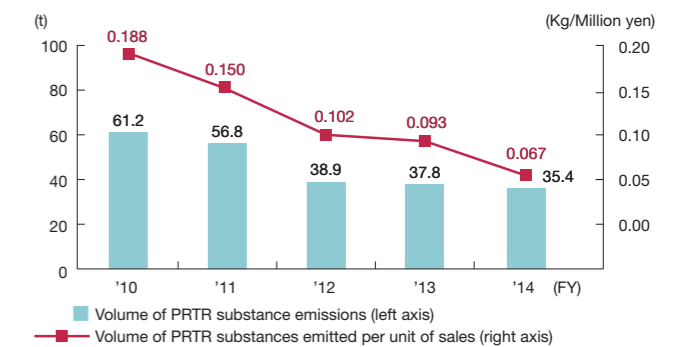
Amount Handled by Business (t)

Electronics	83
Automobile Brakes (excluding TMD Group)	779
TMD Group	1,339
Precision Instruments	19
Chemicals	703
Textiles	242
Others	68

► Volume of Chemical Substance Emissions

The Nisshinbo Group's amount of PRTR substances emitted into the environment was 35 tons, down 6% from the previous year. Emissions per unit of sales were down 28%. We surpassed our goal of reducing the amount of PRTR substances emitted per unit of sales by 10% between fiscal 2010 and fiscal 2014, achieving an actual reduction of 64% against fiscal 2010 levels.

● Volume of PRTR Substance emissions and trends in PRTR Substances emissions per sales



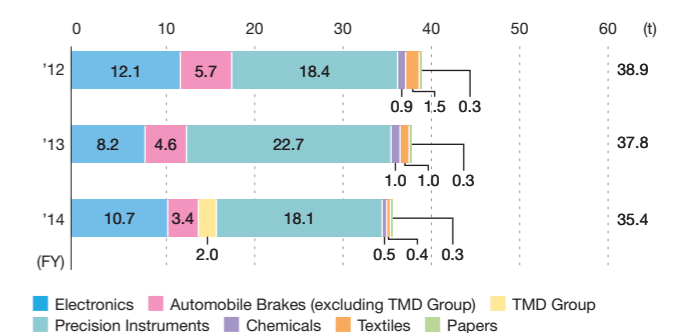
Dichloromethane accounted for the largest amount of discharge by substance, making up 38% of the total.

● Emission Breakdown by Chemical Substance

Substance	Discharge Volume (t)	Ratio (%)
Dichloromethane	13.6	38
Toluene	9.4	27
Xylene	5.3	15
Antimony	2.2	6
Hexamethylenetetramine	1.1	3
Chromium	0.8	2
Molybdenum	0.6	2
Phenol	0.5	1
Methylnaphthalene	0.4	1
Polyoxyethylene alkyl ether	0.4	1
Tetrachloroethylene	0.3	1
Others	0.8	2

By business, precision instruments accounted for 51% of total dichloromethane emitted. This business continues to work on alternative substitutes. The TMD Group was included in the scope of data from fiscal 2014.

● Volume of PRTR Substances Emitted by Business

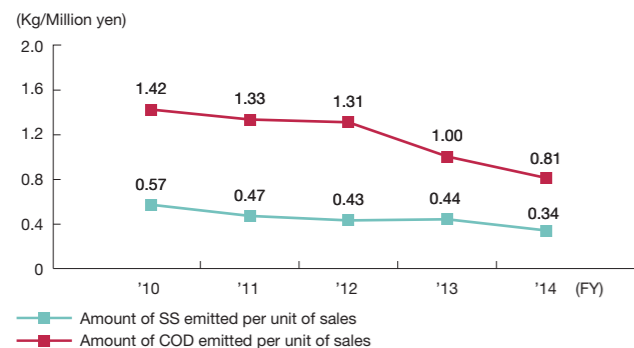






### ▶ Treating Wastewater

The Nisshinbo Group purifies water emitted from the production process before returning it to nature. The volume of suspended substances (SSs) in water emitted per unit of sales decreased 23% from the previous year. The amount of chemical oxygen demand (COD) emissions per unit of sales decreased by 19% from the previous year. This is the result of investing in PT. Nisshinbo Indonesia's waste water treatment facility.



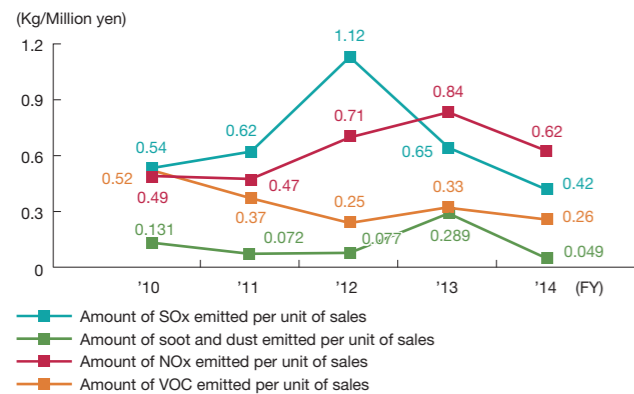
\* COD (Chemical Oxygen Demand): An index of water contamination expressed as the volume of oxygen chemically required or chemically consumed.

### ▶ Atmospheric Releases

The Nisshinbo Group's emissions of sulfuric oxides (SOx) per unit of sales decreased by 35% from the previous year.

Emissions of nitrogen oxides (NOx) per unit of sales were down 26%, and volatile organic compound (VOC) emissions fell 21%.

Soot and dust emitted per unit of sales fell 83% year on year. This decrease was in reaction to a temporary spike in soot and dust emissions due to trouble with the electrostatic precipitator at PT. Nikawa Textile Industry in fiscal 2013.



\* VOC (Volatile Organic Compounds): Volatile organic compounds such as toluene.

### ▶ PFOA-Free Textile Processing

The fluorinated chemicals used in the water-repellent finishing of textiles contain trace amounts of perfluorooctanoate (PFOA). As PFOA has been shown to leave environmental residue and have bioaccumulation potential, there are movements to limit its use in Europe and the United States. Nisshinbo Textile Inc. is working toward the early elimination of PFOA in its processes. To this end, in fiscal 2013 the company established processing conditions, beginning the transition to PFOA-free processes for products processed in Japan in fiscal 2014.

### ▶ Responding to Designation of Hazardous Substances

With a 2014 legislative change naming pyrocatechol a hazardous substance, the Toyota Plant of Nisshinbo Brake Inc. conducted a survey to determine the state of use of this organic compound within the plant and found that it was contained in some secondary materials. In response, the plant provided locked storage for these secondary materials, improved labeling, revised management checklists, updated safety data sheets (SDSs) and conducted training for related parties.

### ▶ Drills for Responding to Chemical Leaks

NJR FUKUOKA CO., LTD., has formulated measures in preparation for an urgent response to various chemical leaks. Each year, the company conducts drills to raise employee awareness and reviews its countermeasures. In fiscal 2014, NJR FUKUOKA conducted drills premised on hydrofluoric acid entering a clean room on a draft and a situation where gas had leaked from an ion implanter cylinder.

Using a manual describing emergency measures, the company conducts training and drills on handling leaks of semiconductor material gases and chemicals. Any issues that come to light during training are reflected when manuals are revised.



Gas leak drill

## Biodiversity

### ▶ River Conservation Activities

New Japan Radio Co., Ltd., participated in activities to preserve the environment around Shingashigawa, a river near its Kawagoe Works. Sponsored by Kawa no Kuni Oendan, a Saitama Prefecture organization, these activities—cleaning the banks of the Shingashigawa near the cities of Fujimino and Kawagoe—are conducted twice annually. Participants include government bodies, local community associations and businesses. The cleanup also gives participants a chance to see killifish, dropwort, mustard greens and other fish and plants that live near the river banks.



Shingashigawa river conservation activity

### ▶ Forest Conservation Activities

Due to the shrinking and aging population, Nagano Prefecture faces a growing number of forests needing care. To help alleviate this problem, Nagano Japan Radio Co., Ltd., has begun participating in the Forest Foster Parent Project sponsored by the prefecture, entering an agreement with the local forestry cooperative to conserve a certain area of forest. In late October of fiscal 2014, company volunteers worked with people from the forestry cooperative and the prefectural government to plant 1,000 larch saplings. The company will continue its conservation activities in this planting area, named as "Forest of Nagano Japan Radio," as well as using it as a venue for interaction with members of the local community and employees.



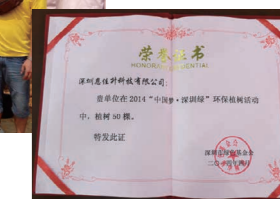
Forest conservation activities

### ▶ Afforestation Activities Overseas

Shenzhen NJRC Technology Co., Ltd., a subsidiary of Nagano Japan Radio, participated in afforestation activities in the city of Shenzhen. In fiscal 2014, the company donated cotton plants and received a certificate of appreciation from the city.



Members participating in afforestation activities



Certificate of appreciation

### ▶ Increasing the Number of FSC®-Certified Products (Forest-Certified Paper)

To preserve biodiversity, Nisshinbo Paper Products Inc. is working to increase its production and sales of FSC®-certified products, which it is positioning as focal eco-friendly items.

FSC-certified products are made from wood produced in forests certified as complying with the FSC's guidelines for appropriate forest management, which include no illegal logging, ensuring ample sunlight and the protection of scarce plants and animals, among other factors. In addition to the high-quality fine printing paper Vent Nouveau F-FS and Vent Nouveau Smooth-FS, which offers a high level of surface smoothness, the company's popular FSC-certified papers include Kihoushi U-FS and Kihoushi C-FS packaging papers, which offer traditional paper textures.

\* Forest Stewardship Council® (FSC): An independent, membership-led non-profit organization established in 1993 to promote sustainable forest management, also in economic terms, to provide appropriate social benefits from the perspective of environmental conservation



Kihoushi, an FSC-certified product



## Transport Volume

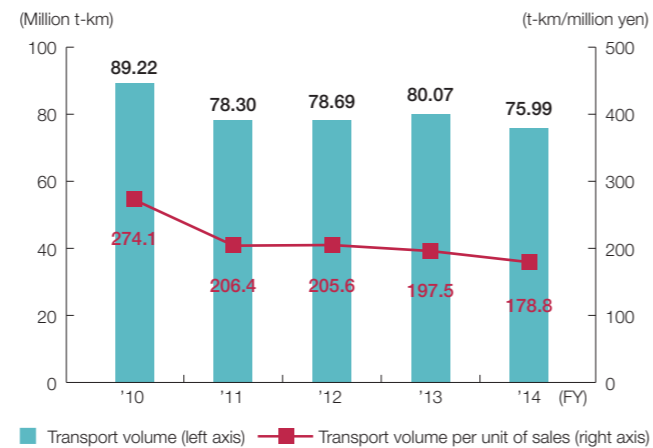
The amount of cargo shipped by the Nisshinbo Group decreased 5% from the previous year, and the amount of cargo shipped per unit of sales fell by 9%.

By business, the papers business accounted for 55% of total transport volume. This segment ships numerous bulky products, such as toilet paper, which results in high levels of energy use and greenhouse gas emissions.

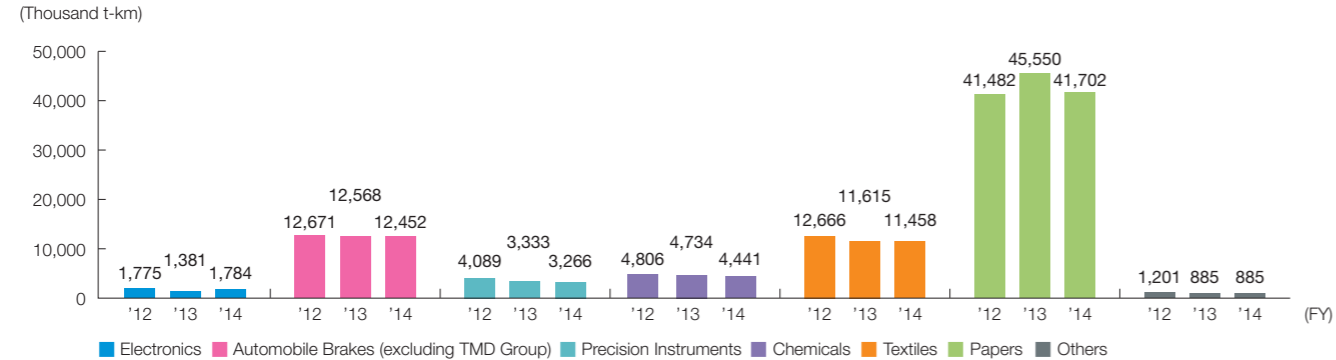
In addition to continuing to encourage a shift toward larger delivery vehicles, Nisshinbo Paper Products Inc. will work to reduce energy consumption and greenhouse gas emissions through seeking action from outsourced distribution partners to promote eco-driving, introduce fuel-efficient vehicles and work to acquire green management certification\*. Also, the company has begun selling toilet paper designed to improve transport efficiency by reducing packaging sizes to two-thirds while retaining the same product quantity.

\* Japan's Ministry of Land, Infrastructure, Transport and Tourism and the Japan Trucking Association have cooperated in establishing the Foundation for Promoting Personal Mobility and Ecological Transportation as a body to certify trucking companies whose initiatives exceed a certain level as defined in its green management promotion manual.

• Trends in Transport Volume and Transport Volume per Unit of Sales



• Trends in Transport Volume by Business



### ▶ Project to Raise Distribution Efficiency

TMD has initiated a project to analyze and improve inbound and outbound shipments. In addition to lowering costs, the project has the potential to reduce the environmental impact of transportation. Working with principal freight forwarders, TMD is discussing potential improvements, such as shortening transport durations and distances. An initial pilot project has been conducted, and going forward the company plans to continue working with freight forwarders to conduct analyses based on a transport scorecard.

### ▶ Compact Toilet Paper Made from 100% Recycled Paper

Nisshinbo Paper Products Inc., which is a specified shipper under the Energy Saving Act, launched Flavor Tea Selection Compact in November 2014. This black tea-scented toilet paper made of 100% recycled paper has the same product quantity as its Flavor Tea Selection product, but the package size has been reduced to two thirds. The compact packaging in this new lineup helps to raise transport efficiency, is easier for customers to carry home and occupies less storage space at their homes. Furthermore, materials used in packaging film and roll cores have been reduced, minimizing the amount of waste and contributing to the eco-friendliness of this toilet paper product made of 100% recycled paper.

## Environmental Contribution Activities

### ▶ Volunteer Activities in Bangladesh

The Organization for Industrial, Spiritual and Cultural Advancement-International (OISCA) is an NGO that promotes industrial development collaboration projects in developing countries. In many countries, OISCA undertakes afforestation and cultivates local agricultural workers. Each year, Nisshinbo Group employees participate as overseas volunteers in these projects. In fiscal 2014, an employee of Nisshinbo Brake Inc. took part as members of the 18th OISCA Team in volunteer activities in the People's Republic of Bangladesh.

In the region this team visited, the mangroves that had protected people from cyclones were being logged for use as fuel wood and to make room for building shrimp farms, and each year the damage had been increasing. The team participated in the mangrove afforestation activities OISCA was conducting.



With children in Bangladesh

### ▶ Nisshinbo Advanced Carbon Engineering Course

In April 2011, Nisshinbo Holdings Inc. endowed the Nisshinbo Advanced Carbon Engineering Course at Gunma University to promote research into using carbon materials as an alternative to the platinum catalysts used in fuel cells.

Gunma University's track record of conducting research on carbon materials goes back more than 50 years. Serving as a satellite base for a low-carbon-materials research network



Shizuka Uzawa (left, currently chairman), president at the time the engineering course was established and Kuniaki Takata, President of Gunma University (at the time)

business being conducted by the Ministry of Education, Culture, Sports, Science and Technology, the university is promoting the development of carbon materials to contribute to the realization of a society fueled by hydrogen energy. Working toward this same end, this course also promotes the development of technology for using carbon to store hydrogen, pursuing R&D on products for the hydrogen-fueled society.

### ▶ Participating in Moon Night SHIKOKU

As one of the global warming countermeasures promoted by the Global Warming Prevention Council in Shikoku, comprising four Shikoku prefectures, Moon Night SHIKOKU was held during the week of September 7-13, 2014. During this week, the council calls for lights to be extinguished at illuminated facilities around the time of the harvest moon. The Nisshinbo Group's Tokushima Plant took part in Moon Night SHIKOKU by turning off its lights at night during this period.

As another of its regional contribution activities, since fiscal 2010 this plant has participated in the Adopt Program Yoshinogawa, conducting cleanup activities three times a year along the banks of the Imagire River. Since 2012, the plant has also taken part in a Zero Trash Day Campaign to clean up footpaths around the site.







## Environmental Accounting

### Environment Conservation Costs

The Nisshinbo Group's total investment in the environment for fiscal 2014 was ¥826 million, down 8% from the previous year.

Major environmental investment items included the introduction of pollution control equipment in line with the relocation of Nisshinbo Textile Inc.'s Miai Plant and a site reorganization at Japan Radio Co., Ltd., as well as the erection of photovoltaic modules at Nisshinbo Precision Instrument & Machinery Hiroshima Corporation. We also invested in R&D with a view to future environmental business.

The Nisshinbo Group's total spending on environmental conservation for fiscal 2014 was ¥3,531 billion, up 28% from the previous year.

### Environmental Accounting Spreadsheet for Fiscal 2014

Category	(1) Environmental Conservation Costs				
	Investment (million yen)	YOY Change (%)	Costs (million yen)	YOY Change (%)	
On-site	Pollution prevention cost	222.6	+354	592.9	+39
	Environmental conservation costs	402.6	-32	135.6	-33
	Resource recycling costs	33.6	+295	550.3	+42
Upstream/Downstream costs	0	-	33.5	-20	
Management costs	14.6	+2,820	174.1	-3	
R&D costs	152.1	-39	1,885.1	+26	
Social activity costs	0	-	2.7	+4	
Environmental remediation costs	0	-	151.7	+1,448	
Other costs	0	-	4.1	-46	
<b>Total</b>	<b>825.5</b>	<b>-8%</b>	<b>3,531.0</b>	<b>+28%</b>	

Category	(2) Environmental Conservation Effects		(3) Income from Environmental Conservation Measures		
	Greenhouse Gas Reduction (t-CO <sub>2</sub> )	YOY Change (%)	Income (million yen)	YOY Change (%)	
On-site	Pollution prevention cost	163	-50	0	-
	Environmental conservation costs	3,189	-76	164.8	+58
	Resource recycling costs	12	+300	424.9	+9
Upstream/Downstream costs	0	-	1.3	-	
Management costs	0	-	0	-	
R&D costs	0	-	0	-	
Social activity costs	0	-	0	-	
Environmental remediation costs	0	-	0	-	
Other costs	0	-	0	-	
<b>Total</b>	<b>3,364</b>	<b>-75%</b>	<b>591.0</b>	<b>+19%</b>	

Note: "-" indicates that the amount in the previous fiscal year was zero.



## Respect for Human Rights

### Basic Stance

Human resources, encompassing each and every member of a company, are the real basis on which a company can continue to prosper. By respecting the character of each employee and by aiming to use him or her in the most suitable position for the most suitable tasks, a satisfying workplace can be created.

To this end, we are committed to observing all relevant aspects including human rights and labor conditions, and facilitate a proper work-life balance for each individual. In addition, we engage in activities that promote occupational safety and health with the aim of eliminating workplace accidents.

The Nisshinbo Group has codified its stance with regard to human rights and occupational safety in the Business Conduct Guidelines of the Nisshinbo Group. We are committed to ensuring a workplace environment conducive to mental and physical health as well as respect for the diversity, character, and individuality of employees.

- We respect the diversity, character, and individuality of each person and do not discriminate based on birth, nationality, creed, religion, gender, race, ethnicity, age, disability, health history, academic background, or social status.
- We engage in nondiscriminatory practices regarding opportunity and treatment in employment, thereby creating a dynamic workplace environment where a diverse range of people can flourish.
- We do not engage in harassment, bullying, or any other action that violates human rights.
- We do not tolerate forced labor, child labor, or any other inhumane treatment of any form whatsoever.
- We comply with regulations and standards in our home country and overseas related to occupational safety and health and place top priority on safety in our business activities.
- We implement systematic industrial accident prevention activities throughout the entire Nisshinbo Group, promote the mental and physical health maintenance of each employee, and create a safe and pleasant workplace environment.
- We follow established work procedures and always pay meticulous attention to ensure that we do not cause accidents.
- When an accident or disaster occurs, we do our best to minimize damage while placing maximum priority on human life, and we endeavor to prevent recurrence.

(From the Business Conduct Guidelines of the Nisshinbo Group)

### Increasing Respect for Human Rights

The Nisshinbo Group engages in wide-ranging human rights education and training activities in an effort to promote respect for human rights and put in place an increasingly comfortable workplace.

With respect to the Group's internal education and training, we conduct a variety of systematic programs, including training for new employees and training for all employees throughout the year. To raise employee awareness of human rights, coinciding with Human Rights Week in December each year Group companies in Japan and overseas invite employees and their families to submit human rights slogans.

In fiscal 2014, we conducted a questionnaire survey at our overseas subsidiaries on human rights issues in each country to help visualize human rights issues that overseas subsidiaries are or should be addressing.

### Harassment Advisor

The Nisshinbo Group has established designated harassment advisors, who advise on solutions regarding sexual and power harassment, at each of our Group companies.

In principle, two or more men and women are designated advisors, making it a system that provides easy access to consultation. Furthermore, we provide training for newly appointed harassment advisors, in which they study the basic skills, and also follow-up training sessions at regular intervals to ensure that skills are continuously improved.

### Human Resources Training

The Nisshinbo Group concentrates on personnel training based on the belief that "good people make for a good business." We are systematically upgrading our training for new employees, mid-level executives, managers and senior managers. This includes training by position level and skill set; general education on safety, human rights and the environment; and specialized technical, accounting and intellectual property training by department and function. In fiscal 2014, we introduced a training program for management team successors to help them get an early start on forming the mindset, knowledge and role behaviors they will need as future members of management.

Meanwhile, we provide financial assistance for training at schools outside the Company, correspondence courses and preparations for qualifications as a way to support employee self-improvement in a broad sense.

As our businesses become increasingly global, the number of Japanese employees dispatched to foreign subsidiaries and our opportunities for talks and negotiation with foreign companies



have both increased over the years, requiring that we put more energy into training our employees for global business. We have conducted conventional overseas pre-departure training programs on how to adapt to foreign cultures and stay safe abroad. In fiscal 2012, we formulated a policy to promote overseas experience for employees less than 35 years of age. Furthermore, to promote global response capabilities of our personnel, we initiated training for employees dispatched to our overseas subsidiaries as top management in fiscal 2013. The curriculum includes accounting, finance, legal, labor and other practical knowledge, as well as guidance regarding conditions of the country each employee is assigned to.

To improve their communication skills, in the past we have sent employees being dispatched overseas for training at language schools and offered two to six months of language training in the United States and China for young employees. To develop employee language skills more broadly, in fiscal 2014 we began offering a new system that supports employees taking English conversation classes online and language skill test that can be taken on the Web. In the future, in addition to language training we plan to enhance training for logical thinking, communication and effective presentations, which are necessary for being globally effective.

Primary Training and Systems

Table with 5 rows: Education and Training by Position, Training for Leaders, Global Training for Employees Being Reassigned Overseas, Self-Improvement and Career Support, General Education and Training, Specialized Training.

Promoting Diversity

Promoting Diversity

Diversity promotion is an important personnel strategy for the Nisshinbo Group. We are undertaking a number of initiatives in this area, as we believe that diverse human resources contribute to a company's development and help it to achieve sustained growth by making full use of their capabilities.

In fiscal 2015, we will open a new Diversity Development Department that will accelerate efforts under the key themes of promoting the success of women, promoting the success of overseas human resources and utilizing seniors.

Priority Areas for Diversity Promotion

1. Promoting the Success of Women
At the Nisshinbo Group, labor and management work together on proactive initiatives to promote work-life balance. To enhance the working environment, we offer programs that exceed statutory requirements, such as systems for childcare leave and shortened working hours and a program to provide re-employment for former employees who resigned due to childcare. In fiscal 2014, we increased the number of days of paid leave that employees can take to care for sick or injured children who have not yet started elementary school and made this system easier to use.

In addition, we have announced the following specific targets to be achieved by fiscal 2020 to promote the success of women, and we are working steadily toward these goals.

- (1) Promoting women to directors
(2) Tripling the number of female managers compared with the present level
(3) Increasing the recruiting percentage of new female graduates to regular positions to 40% for clerical positions and 20% for technical positions

2. Promoting the Success of Overseas Human Resources
With its businesses and markets growing increasingly diverse, the Nisshinbo Group believes that utilizing globally effective human resources is essential to the Group's growth and development. Accordingly, since fiscal 2011 we have hired foreign nationals with graduate and post-graduate degrees to regular positions. As of April 2015, this employment amounted to 22 people from six countries, including those stationed overseas. Going forward, we will continue striving to make our workplaces more amenable to overseas human resources from a medium- to long-term perspective.

3. Utilizing Seniors
To utilize seniors more effectively than in the past, the Nisshinbo Group is revising its systems and making its environments easier for them to work in.

Safety and Health

Safety and Health Activities

The Nisshinbo Group believes in conducting business activities in a manner that places top priority on safety, and conducts safety and health activities on an ongoing basis to ensure a safe and agreeable workplace environment.

In fiscal 2014, we defined priority policies in this area and rolled them out across each Group company. These policies are: implementing thorough safety measures to eradicate serious accidents, conducting thorough safety education to bolster safety awareness among all employees and ensuring an awareness of the dangers of chemical substances and providing guidance on their safe handling.

Safety and Health Activities

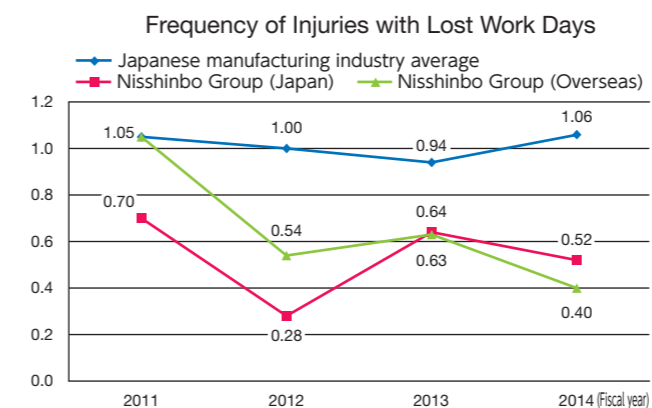
At each of our worksites, we conduct risk assessments on sources of danger, including equipment, work behavior and chemical substances, and then prioritize prevention measures. We also create countermeasures based on findings from near-miss reports and prepare measures that take into consideration accidents that have occurred at other business sites. We provide training when personnel are hired or transferred, when working standards are revised, as well as during Safety Week and Health Week to raise employee awareness of safety. In the event of an accident, we quickly enact countermeasures to prevent recurrence and share occupational accident reports across the Group to prevent similar accidents from occurring in the future.

Occurrence of Occupational Injuries

In fiscal 2014, no serious accidents (accidents resulting in a disability grade of six or higher) occurred.

The frequency of injuries with lost work days\*1 at our domestic business sites was 0.52, lower than the manufacturing industry average of 1.06 and an improvement from the fiscal 2013 level of 0.64. At our overseas sites (excluding the TMD Group\*2), this frequency improved from 0.63 in fiscal 2013 to 0.40 in fiscal 2014.

\*1 Frequency of injuries with lost work days: An index that indicates the frequency of accidents resulting in lost work days determined according to the number of work-related injuries per one million working hours.
\*2 TMD Group uses a different standard for measuring the frequency of occupational injuries, so this is dealt with separately.



Working in Overseas Sites

As the Nisshinbo Group moves towards globalization, our overseas sites have grown to outnumber our domestic ones. However, at present

there is still much room for improvement in equipment, work behavior and management of these overseas sites. Accordingly, the management and safety officers of each subsidiary are providing on-site guidance on the implementation of policies to prevent the recurrence of serious accidents at overseas sites as well as those in Japan.

In 2014, we took steps to eliminate unsafe situations and behaviors with a focus on removing workplace hazards and improving safety awareness and rule compliance of each and every employee. We also continued risk assessments of chemical substances and worked to prevent health problems.

Safety and Health Audits

The Nisshinbo Group conducts regular occupational safety and health audits of our domestic manufacturing sites. A monitoring team composed of the Health & Safety Group from Nisshinbo Holdings Inc., and labor unions, safety and health management staff representing each site, and safety and health officers of other business sites checks the state of safety and health management at the targeted business sites. In fiscal 2014, regular occupational safety and health audits were conducted at 24 business sites.

At the end of each fiscal year, we prepare a comprehensive audit report based on these audit results. We also share accident risk analysis results and case studies of excellent activities throughout the Group.

Management Reviews

We conduct a management review at the Corporate Strategy Conference on the achievement status of safety and health targets, the status of occupational accidents, the results of safety and health audits, and other items. This information is fed into action policies and the setting of targets for the next fiscal year.

Safety Activities at TMD

In 2014, John Hudson, CEO & President of TMD Friction Group, launched a video message to TMD employees on the importance of health, safety and the environment (HSE). A repeating key term in John Hudson's speech was the word "responsibility." It is the company's responsibility to provide workplaces and work processes that are as safe as possible. As accidents can have a massive impact on the employee himself, for colleagues as well as families the overall target is clear: zero accidents. The Zero Accident Program (ZAP) initiative is intended to raise overall awareness of occupational safety, and emphasizes that promoting safety in daily activities and acting as role models is of great importance and an ongoing duty for all managers in TMD at business sites around the world.

The ZAP initiative has gained attention throughout the TMD Group and acts as an umbrella concept for a wide range of activities. Safety training sessions for all hierarchical levels, communication campaigns and practical improvement projects carry the same recognizable brand and thereby mirror the corporate approach.

Internal reports in 2014 and 2015 featured special reports addressing the three themes of HSE, quality and philosophy, as part of an





ongoing appeal to raise awareness among all employees.

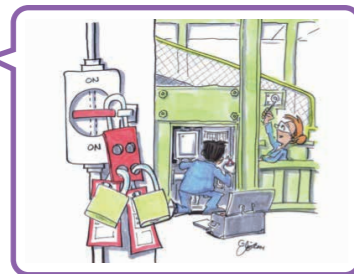
The company ran a communication campaign themed on "12 rules, 12 tools," emphasizing fundamental safety rules that all employees should comply with, as well as risk assessment and other tools. Pamphlets and PowerPoint presentations were translated into various languages and distributed, as well as being provided via various other channels, including intranets and internal newsletters, as part of employee awareness activities.

Since 2013, TMD has followed the same reporting format for all occupational accidents, based on Nisshinbo Group standards, to prevent similar accidents from occurring.

As a result of these activities, in fiscal 2014 TMD's number of occupational accidents dropped 44% year on year.



The "12 Rules, 12 Tools" card



The card provides a graphic explanation of safety rules and tools.

► Zero Serious Workplace Accidents for 2,800 Consecutive Days

THAI NJR CO., LTD., took part in a safety and health contest run by the country's Ministry of Labour for business sites within Thailand, earning recognition as an excellent worksite. This marked the 11th consecutive year the company has received such a prize. At the company, safety committee members conduct regular worksite checks, monthly checks are performed to ensure that seatbelts and helmets are in place, safety-related news and other public relations activities are undertaken, and seminars with outside lecturers and employee-participation events are held. Among other ongoing activities, the company also provides safety reminders to employees going on long-term leave.

On October 17, 2014, the company achieved its longest record to date, for zero serious workplace accidents for 2,800 consecutive days\*.

\* Under Thai safety law, a serious accident is defined as one requiring more than three days of work leave.



Award ceremony

► Health Management

In recent years, employee health has become recognized as an important management asset. Accordingly, companies have begun pursuing "health and productive management"—actively promoting

health improvement initiatives while simultaneously working to boost productivity.

The Company ensures thorough follow-up after health checkups as a health management initiative aimed at preventing physical and mental illness. We are also implementing various measures to further reduce the risk of health damage.

We have expanded our follow-up after health checkups to include younger employees, encouraging them to confer with industrial physicians and go to public health nurses for health support depending on their health check results. By providing support up to admission at healthcare facilities, we are working to prevent lifestyle diseases.

As mental health measures, we conduct training at each of our business sites according to their needs. Led by clinical psychologists, training includes such themes as creating a comfortable workplace and how to undergo a consultation. We also conduct level-based mental health training. Furthermore, we provide employees with feedback following a simple diagnosis of occupational stress, and have created and are utilizing a guidebook related to mental health.

As the speed of our business globalization increases, to manage the health of people being assigned overseas—a number that is rising each year—we are expanding the number of items covered by pre-departure health checks. As another measure, we have created a system for reporting the results of health checks conducted during overseas assignments to industrial physicians in Japan.

To boost the rate of family health checks, we have tied up with a health insurance association to provide screening opportunities at external clinics. Through health support, we are promoting such initiatives as supporting efforts to stop smoking and enhancing support for smoking cessation treatment and gynecological exams.

We plan to continue working to raise employee health awareness by using our intranet to make health issues visible and disseminate information.

► Initiatives at Nisshinbo Mechatronics (Thailand)

Around one-third of employees, or 442 people, at Nisshinbo Mechatronics (Thailand) Ltd. commute to work on a motorcycle, and accidents sometimes occur during these commutes. Last year, the company conducted a safe riding campaign, placing posters at factory entrances. Also, women make up around 80% of Nisshinbo Mechatronics (Thailand)'s employees, and last year 44 of them took advantage of the 90 days of maternity leave provided under Thai labor law. During pregnancy, a female employee can, with support from her supervisor and colleagues, be assigned to a lighter work role that can be performed while seated. Each December, the company holds a sports day for all employees. Sports competitions are held during the day, and in the evening all employees are invited to a dinner party.



Sports day



Compliance

► Basic Stance

Based on its belief that corporations are public entities that must maintain consistent integrity, the Nisshinbo Group takes a fair and good-faith stance toward its mission to better society through business. To this end, we have established and require compliance with the Business Conduct Guidelines of the Nisshinbo Group. We aim to earn the trust of society through our fair operating practices.

- We comply with laws, regulations, and other rules applied in countries and regions throughout the world related to antitrust issues, fair competition, and fair trade, and we act with good social judgment.
- We do not participate in cartels or bid rigging or engage in deceptive labeling or illegal acquisition of confidential information.
- We do not abuse our dominant position to force our business partners into a disadvantageous position.
- We do not offer or accept entertainment or gifts that are against common sense or sound business practice. Moreover, we do not use our position within the Nisshinbo Group for personal gain.
- We do not offer entertainment or gifts that could be construed as payoffs or favors given to gain illicit business benefits to politicians, government officials, or equivalent persons in our home country or overseas.
- To support international peace and security, we engage in appropriate transactions and comply with the relevant laws and regulations in each country in our importing and exporting activities.
- We do not divulge to others confidential information of the Nisshinbo Group or that of third parties acquired in the course of our business and do not use such information for purposes other than business operations.
- We protect and manage our intellectual property rights and do not infringe those of third parties.
- We do not engage in insider trading or divulge information that could lead to insider trading to family, friends, or others.
- We strictly control personal information and do not disclose it to third parties without a legitimate reason.
- We have no ties in any aspect of our business activities with any antisocial forces or organizations that pose a threat to the order and security of society.
- We offer equal opportunity to all companies in our home country and overseas and engage in fair and transparent transactions.
- We respect our business counterparts as equal partners and aim to achieve mutual growth and development through solid business relations.
- We comply with laws, regulations, and social norms and engage in procurement activities with full consideration to our social responsibilities, including compliance, environmental preservation, human rights, workplace safety, and control of the quality and safety of our products and services.

(From the Business Conduct Guidelines of the Nisshinbo Group)

► Adhering Strictly to a Policy of Confidentiality

Regarding information concerning intellectual property, technology and know-how that is shared during collaborative discussions with suppliers and buyers from the design and development stages, we take steps to conclude confidentiality agreements and to prevent any leakage of such information.

Each year, we conduct internal audits of trade secret management to ensure that proper confidentiality is maintained.

► Compliance Training

To promote fair business practices, the Nisshinbo Group conducts various types of level-based and position-based compliance training.

At individual subsidiaries, we also provide practical training on the Antimonopoly Act and the Act against Delay in Payment of Subcontract Proceeds, Etc., to Subcontractors (the Subcontract Act) to people involved in these activities.

In 2013, Japan Radio Co., Ltd., established the Subcommittee for Complying with the Construction Business Act and the Subcontract Act, setting forth standardized procedures from ordering to payment to ensure the appropriateness of service contracts. At the same time, the company conducted training to heighten awareness of compliance with the Construction Business Act and the Subcontract Act.

Nisshinbo Brake Inc. conducts regular training on Guidelines for Appropriate Transactions in the Automobile Industry.

► Anticorruption Efforts

In recent years, international legislation on bribery and corrupt practices have been strengthened, and detection has grown more rigorous. In the Nisshinbo Group Business Conduct Guidelines, we have defined our initiatives in this area, through which we work to prevent violations.

Long a promoter of compliance with Japan's Antimonopoly Act, we have recently formulated the Guide to Prevent Corruption to spearhead our response to related legislation overseas. We have rolled out the guideline across the Group, including at our companies overseas. This guideline encompasses Article 18 of Japan's Unfair Competition Prevention Act (Prohibition to Provide Illicit Gain, etc. to Foreign Public Officers, etc.), the United Nations Convention against Corruption (UNCAC), the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the U.S. Foreign Corrupt Practices Act (FCPA) and related guidelines, and the UK Bribery Act.



## Fair Competition and Trade

### ► Basic CSR Procurement Policy of the Nisshinbo Group

As part of our corporate social responsibility (CSR) activities, we have set out our policy on procurement in the Business Conduct Guidelines of the Nisshinbo Group.

We have also established the Basic CSR Procurement Policy of the Nisshinbo Group to clarify our attitude to seven specific areas: compliance, fair trade, information security, environmental preservation, human rights, safety and health, and quality and safety.

#### Basic CSR Procurement Policy of the Nisshinbo Group

1. Compliance with laws, regulations and social norms
2. Sincere and fair transactions
3. Proper information management
4. Paying attention to environmental preservation
5. Respect for fundamental human rights
6. Promoting safety and health of all workplaces
7. Ensuring quality and safety of products and services

We are working with suppliers to promote these seven areas across the entire supply chain.

### ► Response to Conflict Minerals

Conflict minerals refer to four minerals (tin, tantalum, tungsten and gold) mined in the Democratic Republic of the Congo and its neighboring countries that are sold to fund armed insurgents. Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which went into effect in January 2013, mandates that companies listed on equity markets in the United States disclose whether conflict minerals are used in their products.

We conduct surveys on the use of conflict minerals by Nisshinbo Group companies in the electronics, automotive parts, chemicals and precision instruments businesses, as a corporation that has a connection to the supply chain that are listed on U.S. stock markets, and report this information to our customers.

Going forward, we will continue communicating with our suppliers to ensure against complicity in human rights abuses and acts of violence, thereby promoting responsible procurement.

### ► Nagano Japan Radio Procurement Initiatives

To foster supplier relationships based on mutual understanding and trust, as well as to conduct business in a stable and sustainable manner, twice each year Nagano Japan Radio Co., Ltd., holds briefings on business trends for its 50 suppliers. These briefings include explanations of each division's business plans and the company's requests with regard to quality, cost, delivery schedules, CSR procurement and green procurement.

To instill CSR throughout its supply chain, each year Nagano

Japan Radio conducts a questionnaire survey of its suppliers' CSR activities. In April 2014, the company updated its Green Procurement Guideline, issuing the 10th edition. In these ways, Nagano Japan Radio is working with its suppliers to promote eco-friendly procurement of parts and materials.



Briefing on business trends

### ► Procurement Initiatives in the Automobile Brakes Business

Nisshinbo Brake Inc. works to conduct green procurement that reduces environmental impact by defining items related to lowering this load through the parts it procures. The company has formulated a Basic Purchasing Policy that, while respecting its suppliers, conducts CSR procurement throughout the supply chain in order to fulfill its social responsibilities.

The company emphasizes confidentiality through its basic transactional agreements, which contain clauses covering trade secret management and the protection of intellectual property. To prevent any actions leading to abuse of its dominant bargaining position, the company regularly conducts training about the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act), a legal regulation related to Antimonopoly Act, and Guidelines for Appropriate Transactions in the Automotive Industry.

To cultivate a culture of fair trade, in January 2014 Saeron Automotive Corporation established a support desk for supplier consultations. This desk provides a venue for consultation and support for suppliers in transactions with the company in the event of non-issuance of purchase orders, inappropriate refusal to accept products, order cancellations, requests for money or goods, or complaints related to transactions. Saeron Automotive enters into a Written Pledge to Protect Company Information with suppliers as a means of protecting leaks of important information to which suppliers have access, such as information concerning drawings, processes and facilities.

## Information Security

### ► Initiatives to Protect Personal Information

The Nisshinbo Group recognizes that one of our key corporate responsibilities is to ensure that important information related to customers, suppliers, employees and other individuals is protected appropriately. In order to fulfill this responsibility, we handle personal information in accordance with an internal privacy policy. In addition, internal audits are conducted based on company regulations to ensure that systems are working properly, and steps are taken to prevent information leaks and realize ongoing improvements.

To ensure every one of our employees maintains awareness of personal information protection, we provide basic training when they join the company. This training continues at each of our business sites, based on the plan for that fiscal year. Furthermore, training on how to protect personal information has been included as part of our management training curriculum since fiscal 2013.

### ► Initiatives to Ensure Information Security

The Nisshinbo Group is constantly reinforcing information security measures to prevent leaks of sensitive personal, customer and other information.

We use anti-virus software and security patch programs widely on our information equipment to prevent computer viruses. We also employ information security management systems to monitor access to important data and limit access to information networks from unauthorized information equipment. Through these measures, we work to prevent leaks of information from internal fraud and prevent external threats.

We have established Guidelines for Information Security as rules for Group companies to follow. To ensure compliance with these rules, we regularly conduct IT internal audits on our subsidiaries both in Japan and overseas, and work continuously to improve their status.

We have prepared training materials that include rules for information system users, and we periodically conduct groupwide training to raise awareness of our information security measures with users throughout the Group.

From the standpoint of business continuity in the event of a large-scale disaster, we are in the process of migrating the business servers located in our in-house server room to external data centers.

## IR

### ► Basic Stance

The Nisshinbo Group discloses IR information that may impact shareholders' and investors' investment decisions in a timely manner and in accordance with the Financial Instruments and Exchange Act and other related legislation, as well as the regulations provided by the Tokyo Stock Exchange.

### ► IR Policy

The Company makes a sincere effort to comply with the Corporate Governance Code by engaging in mutual and constructive dialogue with shareholders and investors, building long-term, trust-based relationships. We post IR information appropriately in the "IR" section of our website. This section contains a variety of material, including financial results and securities reports.

### ► Status of IR Activities

Conducted by the president, the Nisshinbo Group holds presentations of financial results and explanations of business strategies for the benefit of investors twice each year (interim and full fiscal yearly results).

In fiscal 2014, we undertook proactive reforms in our core electronics and automobile brakes businesses, such as the realignment of bases, to achieve global growth. In the chemicals business, we steadily chalked up successes in the focus area of new environmental and energy-related businesses, including structural components for fuel cells and modifying bioplastic modifies.

We also take a proactive stance on individual meetings. In fiscal 2014, we met with 123 institutional investors in Japan and 29 overseas.

### ► Status of Returns to Shareholders

In fiscal 2014, we acquired approximately ¥20.0 billion worth of our own shares (16,285 thousand shares). In addition, on May 12, 2015, we announced plans to change our dividend policy, increasing our dividend payout.

Our new dividend policy is based on stable and sustainable dividends, targeting a consolidated dividend payout ratio of approximately 30%. We plan to proactively return profits to shareholders, including through purchases of our own shares, after taking into consideration the need for internal reserves to ensure future growth, as well as stability. Based on this new policy, in fiscal 2015 we expect to increase annual dividends to ¥30 per share, compared with ¥15 per share in fiscal 2014.

### ► Discontinuation of Takeover Defense Measures

Due to legal and other changes to the operating environment, as well as out of consideration for the opinions of institutional investors, we discontinued our takeover defense measures as of June 26, 2015. Going forward, we aim to ensure sustainable growth by implementing measures to achieve our medium- to long-term strategic targets. We will also enhance and reinforce our corporate governance further. In these ways, we will ensure and augment shared value with our shareholders.





## Customer Response

### ▶ Basic Stance

The Nisshinbo Group aims to create new and original value in its products and contribute to the creation of an affluent society according to the principal of innovation.

While striving to deliver products and services that meet our customers' demands for product safety, performance and quality in a timely and dependable manner, we have established the Business Conduct Guidelines of the Nisshinbo Group to gain the satisfaction and confidence of our customers with outstanding quality, and we work to create value for them.

- We earn the satisfaction and trust of stakeholders by developing and providing products and services that are safe and beneficial for society.
- We engage in product manufacturing that is focused on safety throughout the product lifecycle, from development, procurement, and manufacture through sale, use, after-service, and disposal.
- We comply with relevant regulations and standards in our home country and overseas to ensure the safety of products and services and endeavor at our own initiative to reach higher targets.
- We provide accurate and easy-to-understand information regarding the safe and correct use of our products and services.
- If there is a chance that an accident or trouble related to our products or services could impact customer safety, we quickly disclose the facts and take prompt and appropriate action.
- We set up systems to control the quality and safety of our products and services, and we thoroughly instill product safety awareness in our employees.

(From the Business Conduct Guidelines of the Nisshinbo Group)

### ▶ Japan Radio's Quality Assurance Efforts

As part of the business restructuring efforts currently underway, Japan Radio Co., Ltd. aims to transfer its production and relocate its business sites by its 100th anniversary of establishment in October 2015. Even during this period of major transformation, the company remains focused on its foremost mission of maintaining quality levels and providing customers with products, systems and services that can be used safely and with peace of mind.

As the target location for the production transfer has a different quality management system and transportation distances will increase—factors that could potentially affect the quality of storage and distribution—in advance of the transfer the company's Quality Assurance Department is working in close cooperation with affiliated companies to configure a quality assurance system. For instance, the department is clarifying differences in the companies' quality regulations and technological standards, formulating quality rules in relation to the transfer, and ensuring that their technological standards are consistent with the global standards.

The Production Department is performing evaluation tests on parts and product levels, and will check for quality differences before and after the transfer. The Quality Assurance Department will confirm these results and ensure any aberrations are thoroughly addressed. Through efforts such as these, so far no major trouble has arisen due to the production transfer and business site relocations, and firm preventive measures are in place to address any problems discovered within manufacturing processes. This series of quality assurance activities is based on ISO 9001 quality management system certification, which the company has held since 1994.

In the Defense System Division, Japan Radio has built a quality management system based on the JIS Q 9100 standard for the aerospace industry, and works in tandem with its supply chain to maintain high quality levels and meet delivery schedules. The Communication Products Division, which produces mainstay in-vehicle equipment, has created a quality management system equivalent to the TS16949 quality standard required for in-vehicle equipment. The target location for the production transfer also employs this standard, allowing the company to meet the requirements of automakers around the world.

### ▶ New Japan Radio's Quality Enhancement Initiatives

#### Electronic Devices

In 2007, New Japan Radio Co., Ltd. obtained certification under the ISO/TS16949, a quality management system standards for the automotive sector, in the field of semiconductor integrated circuits within electronic devices. Thereafter, in response to customer requests the company developed a variety of electronic devices. New Japan Radio now provides a host of electronic devices from in-vehicle accessories to electronic control units to the automotive sector. The company is currently working toward certification in November 2015 in electronic devices other than semiconductor integrated circuits in its aim to boost quality performance even further.

The company's Quality Improvement Council meets monthly, and staff involved in manufacturing, production technology and equipment test product yields and the content of nonconforming products, draft measures to prevent recurrence and promote other measures aimed at augmenting quality.

Electronic devices are produced in clean rooms, which manage such environmental conditions as minute particles suspended in the air and temperature and humidity levels. The company has established a Clean Room Committee to conduct ongoing measures to counter the particles that can lead to product complaints and static electricity that adsorbs particles.

As part of the company's efforts involving 3S (*seiri* (orderliness), *seiton* (tidiness), *seiso* (cleaning)) and safety inspection tours, manufacturing and facilities staff inspect work areas, cite any examples of disarray in the working environment and work to ensure orderliness and make improvements in the working environment. The company has prepared sheets and created a system designed to elicit input from workers who sense that something may be out of order in the workplace through comments such as "there appears to be some sort of operational problem" or "something seems strange." Furthermore, employees are recognized for the early detection of nonconforming products and equipment malfunctions.

#### Microwave Components

Microwave components are used in the transmitters and receivers attached to the antennas of satellite communications equipment, microwave sensor modules and other products that use microwave band frequencies. To reduce costs, the Company manufactures low-end microwave components that are produced in large quantities at cooperating factories in China. Each month, the company's quality assurance staff and people in charge of providing guidance for outsourced production visit collaborating companies in China. These members coach local workers and quality assurance personnel on ways to enhance their skills. Random inspections are performed on completed and semi-finished products to maintain or improve product quality.

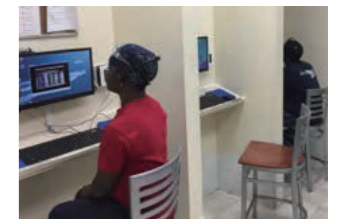
### ▶ Global Quality Management in the Automobile Brakes Business

Nisshinbo Brake Inc. has a quality policy consistent across all its sites that emphasizes a customer-first orientation and continuous improvement, as it strives to provide products and services that satisfy its customers.

As the automobile and parts industries become increasingly global, the practice of manufacturing and supplying the same products at multiple manufacturing bases is growing increasingly commonplace. Against this backdrop, ensuring that customers receive the same quality of products, regardless of what base supplies them, is essential. With the Tatebayashi Plant and the Toyota Plant as the "mother factory", Nisshinbo Brake conducts monthly quality conferences at production bases throughout the world and performs regular quality audits to promote global quality control.

In 2014, Nisshinbo Automotive Manufacturing Inc. (NAMI) substantially improved its safety, manufacturing and quality training programs. NAMI increased the number of personal computers in its training room and introduced several new training categories. These new training modules can be operated from any computer in the plant.

The Company improved its interdepartmental communication to create better processes for achieving long-term improvements on quality issues. As a result, NAMI is now able to identify potential quality issues more quickly than before.



NAMI training room

To improve product quality defects arising from missing parts or materials and from the solidification of raw materials, Saeron Automotive (Beijing) Co., Ltd., has commenced task force team (TFT) activities. The company is also moving forward with the automation of work and processes to meet customers' quality requirements. Additionally, Saeron Automotive (Beijing) has introduced error-proofing measures to prevent nonconforming products from leaving its plants.

TMD has recently introduced a customer complaint database as part of its efforts to make use of systems to enhance customer satisfaction.

The company has introduced common software at all its plants and unified quality audit processes. Furthermore, all plants now report all nonconformities detected in the audit via a single centralized database.

TMD's Quality Department has in place systems to analyze processes that led to nonconforming products and assign responsibility. The company has also renegotiated the warranty process with principal automobile manufacturers. Going forward, the company will continue to implement a computer-aided quality assurance (CAQ\*) system as the next step in statistical process control (SPC\*).

\* SPC : Statistical Process Control

\* CAQ : Computer Aided Quality Assurance



▶ Carbodilite Quality and Safety

Nisshinbo Chemical Inc. produces Carbodilite, an eco-friendly product that increases the durability of bioplastics without altering their biodegradability.

From the R&D stage of new products, Nisshinbo Chemical rigorously evaluates raw material and product safety. At the manufacturing stage, the company employs a quality control system in line with ISO 9001 to prevent quality aberrations and conducts regular testing to ensure ongoing quality improvements. Each year, the company conducts a customer satisfaction survey, using survey results for research and development on new products and to improve existing products. Nisshinbo Chemical records and analyzes information obtained through meetings with customers, which helps to enhance customer satisfaction.

Going forward, the company plans to continue developing products from a customer perspective that offer higher levels of safety, better performance and lower environmental impact.

● Major Awards Received in Fiscal 2014

In this section, we provide details of the major awards received by the Nisshinbo Group in 2014. Moving forward, we will continue to recognize the importance of manufacturing activities that reflect the perspectives and requirements of customers.

Electronics

Japan Radio Co., Ltd.

- Received an award as an excellent factory from the Tohoku Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism
- Received an award from the Incorporated Administrative Agency Japan Water Agency

New Japan Radio Co., Ltd.

- Received an "Award for Excellence" from Toyota Motor Corporation as an excellent supplier

NJR CORPORATION

- Received the "Delivery and Quality Performance Award" from NIDEC ELESYS AMERICAS CORPORATION

Brakes

Nisshinbo Brake Inc.

- Received the "Excellence in Quality Control Award" from Toyota Motor Corporation

Nisshinbo Automotive Manufacturing Inc.

- Received a "Quality Award" from Nissin Brake Ohio, Inc. and Nissin Brake Georgia, Inc.

Nisshinbo Sombon Automotive Co., Ltd.

- Received "The Best Cost Improvement Award" from Hino Motors Manufacturing (Thailand) Ltd.

Saeron Automotive (Beijing) Co., Ltd.

- Received an "Excellent Supplier Award" from Mando (Beijing) Automotive Chassis System Co., Ltd.

● Receiving an Award from Continental Automotive Holding

Continental Automotive Holding Co., Ltd. (the Asian regional headquarters of Continental AG, a world-leading manufacturer of automotive parts headquartered in Germany) held Continental Asia Supply Day 2015 in Shanghai, China, and invited 89 of its 1,500 suppliers to attend.

Nisshinbo Mechatronics Inc. earned high marks for its collaborative system and improvement activities related to the quality, cost and delivery of electronic brake system (EBS) valve blocks delivered by the company's Precision Instruments Department, earning the Top Asian Supplier Award 2014.



Award ceremony in Shanghai

- Received an "Excellent Supplier Award" from Beijing Hyundai Motor Co., Ltd.
- Saeron Automotive Corporation
- Received a "Zero Defect Award" from Halla Visteon Climate Control Corp.

Mechatronics

Nisshinbo Holdings Inc.

- Received the "Top Asian Supplier Award 2014" from Continental Automotive Holding Co., Ltd., due to the high evaluation of activities by the Precision Instruments Department of Nisshinbo Mechatronics Inc.

Nisshinbo Mechatronics India Private Limited

- Received the "VE (Excellent Value Engineering) Award" at the First Vendor Meeting of Sharp India Limited

Nisshinbo Mechatronics (Shanghai) Co., Ltd.

- Received a "Development Cooperation Award" from Daikin Air Conditioning (Shanghai) Co., Ltd. and Daikin Air Conditioning (Suzhou) Co., Ltd.

- Awarded as one of "Ten Outstanding Companies" by the New Town, Pudong New Area, Shanghai Municipal Government

- Received the "Excellent Quality Award" from Lexy Electronics Co., Ltd.

- Received the "Excellent Supplier Award" from Shanghai Matsushita Microwave Oven Co., Ltd.



Local Community Interaction and Contribution Activities

Each of the companies in the Nisshinbo Group takes part in a variety of social contribution activities to contribute to local community development and improvement as a good corporate citizen.

▶ Community Contributions in the United Kingdom

The Hartlepool, United Kingdom, facility of TMD Friction Ltd., is located in northeastern England. The facility, which was founded in 1974, plays an important role in the aftermarket field for passenger car brake pads.

Befitting its role as an important regional company, the facility takes part in a host of regional support activities and is an active player in the local community.

One example is the ongoing support TMD Friction provides for the Hartlepool Hospice, the only adult hospice in the region, which provides care to people affected by life-limiting illness. TMD Friction has been a member in a supporting organization since 2004 and conducted fundraising and other activities. Hospice fundraiser Greg Hildreth commented "We already receive tremendous support from TMD Friction and whichever fundraising initiatives they participate in for us, they always come back with tremendous results."

The company also supports sports clubs, such as the St. Francis Old Boys Football Club, and is the main sponsor for football shirts for the Stranton FC junior team. The Hartlepool Hawks is a group of young cheerleaders who had the dream of participating at the British National Championships, and the children and their parents spent weeks raising enough money for transport and accommodation fees. TMD Friction made a special donation to the team, thereby helping the children's dreams come true. The team took part in the regional championships and gained national qualification.



Stranton FC junior team



Hartlepool Hawks cheerleaders

▶ Community Involvement in Brazil

Nisshinbo Do Brasil Industria Textil LTDA. (NDB) maintains communications with the local community by participating on a daily basis in activities in the city of Itapetininga, where its plant is located. NDB's safety managers served as external instructors at a safety conference held by Serviço Social da Indústria (SESI), a non-profit organization that works with companies to conduct educational and work training activities.

NDB also makes ongoing contributions to churches, elder care facilities, orphanages, Japanese expat organizations and other organizations. In fiscal 2014, to mark its 40th anniversary of establishment, the company made a donation to help pay for repairs to Marechal Deodoro da Fonseca Square, known familiarly to the city's residents as "Lovers Square."



The lighted fountain at "Lovers Square"

▶ Exhibiting at the Shinshu University Regional Cooperation Forum

Nagano Japan Radio Co., Ltd. took part in the Shinshu University Regional Cooperation Forum in fiscal 2014. At the forum, which was themed on "considerations for reinforcing regional disaster and damage reduction functions," Nagano Japan Radio displayed its disaster monitoring systems, wireless network configuration and other disaster-related infrastructure designed for natural disaster preparedness.

The company's efforts to ensure the safety and security of local communities and customers span a broad range of fields, from wide-area infrastructure systems to wireless proximity sensor networks.



Nagano Japan Radio's display





### ▶ AM Radio Assembly Class

Every year since fiscal 2010, Japan Radio Co., Ltd. has held the AM Radio Assembly Class under the concept of contributing to the local community and cultivating the next generation. This class was held four times in fiscal 2014, including at the Tohoku University Qatar Science Campus\*. The class was attended by 108 elementary school students in the fourth through sixth grades.

The class included lectures entitled "Explaining Radio Waves through Quizzes and Hands-on Experiment" and "Assembling an AM Radio by Soldering the Parts Yourself." The joy on the faces of the participants in the instant they heard broadcasts from the radios they had made themselves made an impression.

\* Tohoku University Qatar Science Campus: This is a project based on the Qatar Friendship Fund, which Qatar established to aid reconstruction of the area affected by the Great East Japan Earthquake. The project conducts science-related events for the children of Miyagi Prefecture, using a hall constructed within Tohoku University.



Children and their instructors

### ▶ Junior Tennis Support

To achieve its goal of "raising junior leaders of the next generation," the Nisshinbo Group has provided special sponsorship to the Japan Tennis Association's All Japan Junior Tennis Championship since 2005.

The Nisshinbo Group also selects four hopeful young players who prove their worth at this tournament and supports them as members of the South American Junior Tennis Circuit Campaign. By letting these players experience a high-level international tournament in which the top junior players throughout the world participate we are improving their skills.

This program has turned out such great players as Kurumi Nara and Misaki Doi in the women's division, and Yasutaka Uchiyama in the men's division.



2015 South American Junior Tennis Circuit Campaign members (players and coaches)

### ▶ Visiting Lecture on APOLLOBERRY Strawberries

Nisshinbo Holdings' Tokushima Plant ships "APOLLOBERRY" strawberries that it cultivates at a fully controlled plant factory.

Last year, the factory was incorporated into school course materials, and in response to a request from the Tokushima Prefecture Board of Education we held a visiting lecture at a junior high school on the topic. Some 143 schoolchildren also visited the factory for a simulated interview as part of a workplace experience activity.



Visiting lecture at a junior high school



A box of APOLLOBERRY strawberries



## Making a Dramatic Leap Forward as a Global Company

CSR Consultant

Mitsuo Ogawa

Craig Consulting President

Profile: Mr. Ogawa graduated from Waseda University and gained experience at a major automotive manufacturer before earning an MBA from University of Pittsburgh. He engaged in management consulting at Sanwa Research Institute, at PwC Consulting. He went independent in 2004 and remains independent today. Organizational Theory and Activation of Human Resources Theory are his fields of expertise. His significant articles include "How ISO26000 Will Change Management" and "How to Raise CSR Corporate Value" (Nihon Keizai Shimbun, Inc.). He is a visiting professor at Nagoya University of Commerce and Business Graduate School of Management.

Last year in this report, I identified the four CSR issues for the Nisshinbo Group: (1) its approach to CSR procurement, (2) changing the framework for key action items to ensure its currency on a global basis, (3) inclusion in management plan of coexistence and co-prosperity between the Group and stakeholders and (4) efforts to disclose diversity initiatives.

The Nisshinbo Group has responded to these comments in the following ways. With regard to (1), the Group formulated the Basic CSR Procurement Policy of the Nisshinbo Group and conducted questionnaire surveys of its business partners. To item (2), ISO 26000 was set as the basis for this report, and medium-term CSR targets were established according to the core subjects of ISO 26000. With respect to (3), the Group set long-term environmental targets for 2025 and resolved to step up management involvement in Group materiality. In response to (4), the Group quantified its measures and progress on diversity, and worked to disclose this information. I highly applaud this corporate stance toward earnestly addressing and making steady progress on the issues it faces.

Furthermore, in his "To Our Stakeholders" message, President Kawata demonstrates his readiness in aiming for the Nisshinbo Group to become an "environmental and energy company" group and expresses the Group's strong stance toward incorporating CSR into its management. I would very much like you to read an easy-to-understand explanation about why the Group is undertaking CSR activities.

The main objective of CSR is to enhance relations between a company and its stakeholders. Because a company is a social entity, it always needs to give considerations to stakeholders' priorities and reconcile them with its own management priorities. This does not mean that a company has to take all its stakeholders' comments into account. Rather, the goal is to

revise management's sense of self-righteousness by learning and incorporating necessary elements from their priorities. Particularly for the Nisshinbo Group, which maintains a philosophy of being a public entity with consistent integrity, CSR should be a specific means for realizing its philosophy.

The Nisshinbo Group is currently putting its energies into instilling its corporate philosophy at overseas basis as it works to globalize its organization. President Kawata has said that when he visits overseas bases, he actively takes advantage of opportunities to speak with local employees and ask them what the Group's corporate philosophy is and why it is important. For a conglomerate like the Nisshinbo Group, their intention is observable in strengthening an organization's management with their corporate philosophy as the backbone. At the same time, materiality and basic policies on CSR procurement are frames of reference that have come into being only recently. As I alluded to earlier, corporate philosophy and CSR are two sides of the same coin. For the foreseeable future, the most important CSR issue will be instilling this understanding among employees. If CSR is simply something that a CSR department creates and that has no wider meaning, it will be ignored. All employees need to be able to describe CSR in their own words.

On the other hand, as I mentioned earlier CSR is about activity that incorporates stakeholders' priorities. This report describes in some detail the process of creating materiality, but it seems to me that this creation process is internal. Going forward, I think that incorporating outside viewpoints will be important. I would like to see the Nisshinbo Group exchange opinions with its stakeholders in its own unique way. Surely this approach will help to achieve President Kawata's expressed objective of "building long-term trust-based relationships with stakeholders."

### Response to the Third-Party Opinion

I would like to again thank Professor Ogawa for providing his valued opinions, as he did last year.

The Nisshinbo Group is making a sincere effort to respond to the four issues raised last year, and Professor Ogawa has evaluated our initiatives in this regard. With respect to the comment about CSR being a specific avenue for instilling our philosophy, I would like to say that going forward we will step up our focus in this area, including overseas.

At the same time, I would like to make a comment with respect to instilling materiality and CSR procurement policy. These are issues that we are likely to face for some time, and we have only just begun these initiatives. We will pursue these efforts proactively. Given that CSR is an important means of strengthening relations between a company and its stakeholders, we intend to consider ways of exchanging opinions with our stakeholders.

The Nisshinbo Group will continue working to enhance its corporate value, aiming to be a corporate group that contributes even more to society.

Managing Officer, Senior Manager of CSR Department **Makoto Sugiyama**



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