

Nisshinbo Group  
CSR Report

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2016



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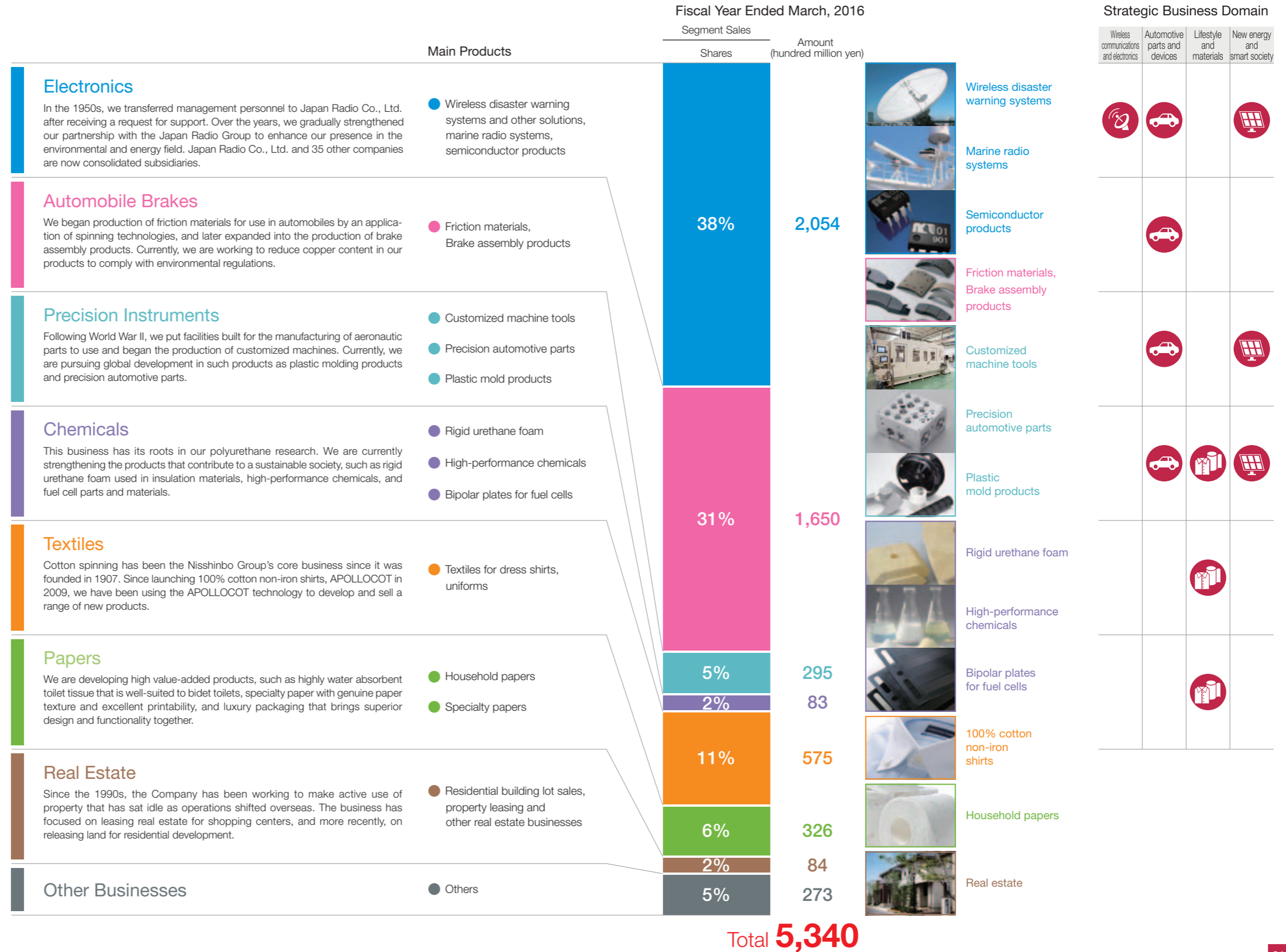
Since its founding as a cotton spinning company in 1907 (originally Nisshin Cotton Spinning Co., Ltd.) the Nisshinbo Group has engaged in a wide variety of enterprises in each era, contributing greatly to people's lives and economic development. We are currently focusing on strategic businesses in four 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%. As long-term strategic goals, in 2014 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.

We are currently working to promote the success of diverse human

resources, and we will strive toward further diversity as we endeavor to achieve further growth in our businesses.

We aim to contribute to realize a sustainable society through the products and services we provide as an “environmental and energy company” group. At the same time, we are proactively introducing a “preceding pilot project for ecosystem preservation” in line with each of our businesses.





### Expanding the Electronics Business

In October 2015, our stock exchange listing category was changed from “textiles and apparels” to “electric appliances.” As the electronics business has grown to account for around 40% of net sales, it has become the Group’s principal business, in substance as well as name.

The electronics business centers on wireless communications equipment and electronic devices. In the wireless communications equipment business, our offerings cover disaster prevention systems, monitoring systems and other social infrastructure, mobile communications equipment used on ships and automobiles, and power supplies and energy equipment focused on the environment and energy conservation. In this business, we help protect the safety and security of people around the world and preserve the environment by making high-quality products based on advanced wireless communications technology. Meanwhile, in the electronic devices business we are leveraging our conventional strengths in analog semiconductors and microwave-related technologies to create new value in other fields, such as communications equipment, in-vehicle and production equipment, and AV equipment.

Electronics technologies are growing ever more sophisticated and diverse. In particular, technologies for processing and controlling the exploding amount of information are key to realizing a smart society. Japan Radio Co., Ltd., a pioneer in wireless communications that has responded to the changing needs of the times, is central to this endeavor.



The JRC Advanced Technology Center, which won the Nikkei New Office Promotion Award and the Good Design Award

### Augmenting the Plastic Products Business

In October 2015, a share acquisition turned plastic products manufacturer NANBU PLASTICS CO., LTD., into a subsidiary of Nisshinbo Mechatronics Inc.

Whereas Nisshinbo Mechatronics’ plastic products business centers on air-conditioning fans for consumer electronics and automobiles, NANBU PLASTICS’ principal business is automobile wire harness connectors and plastic parts surrounding headlights, with a forte in the medical, information and communications equipment fields. In addition to operations at six locations in Japan, NANBU PLASTICS has operations in the Philippines, China and Indonesia.

Going forward, we aim to integrate the technologies the two companies possess to take advantage of new business opportunities and create value. We also anticipate synergies through the overseas offices, and look forward to expanding operations further, particularly in Southeast Asia.



NANBU PLASTICS headquarters and techno center

### Making a New Leap Forward in the Textiles Business

In May 2015, Nisshinbo Textile Inc. acquired the TOKYO SHIRTS CO., LTD., Group, a Japanese leader in the SPA\* business that specializes in shirts, as a subsidiary. Established in 1949, TOKYO SHIRTS is an integrated manufacturer and retailer, handling all activities from the planning stages. The company has some 200 BRICK HOUSE brand stores throughout Japan, located mainly in shopping malls. It is also involved with neckties, knits and pattern-based orders, and operates an online shop. Going forward, we expect to offer attractive new products through synergies between this company’s marketing function, which directly gathers and analyzes information about trends in the consumer market, and Nisshinbo Textile’s raw material development capabilities.

\* SPA: Specialty store retailer of private-label apparel



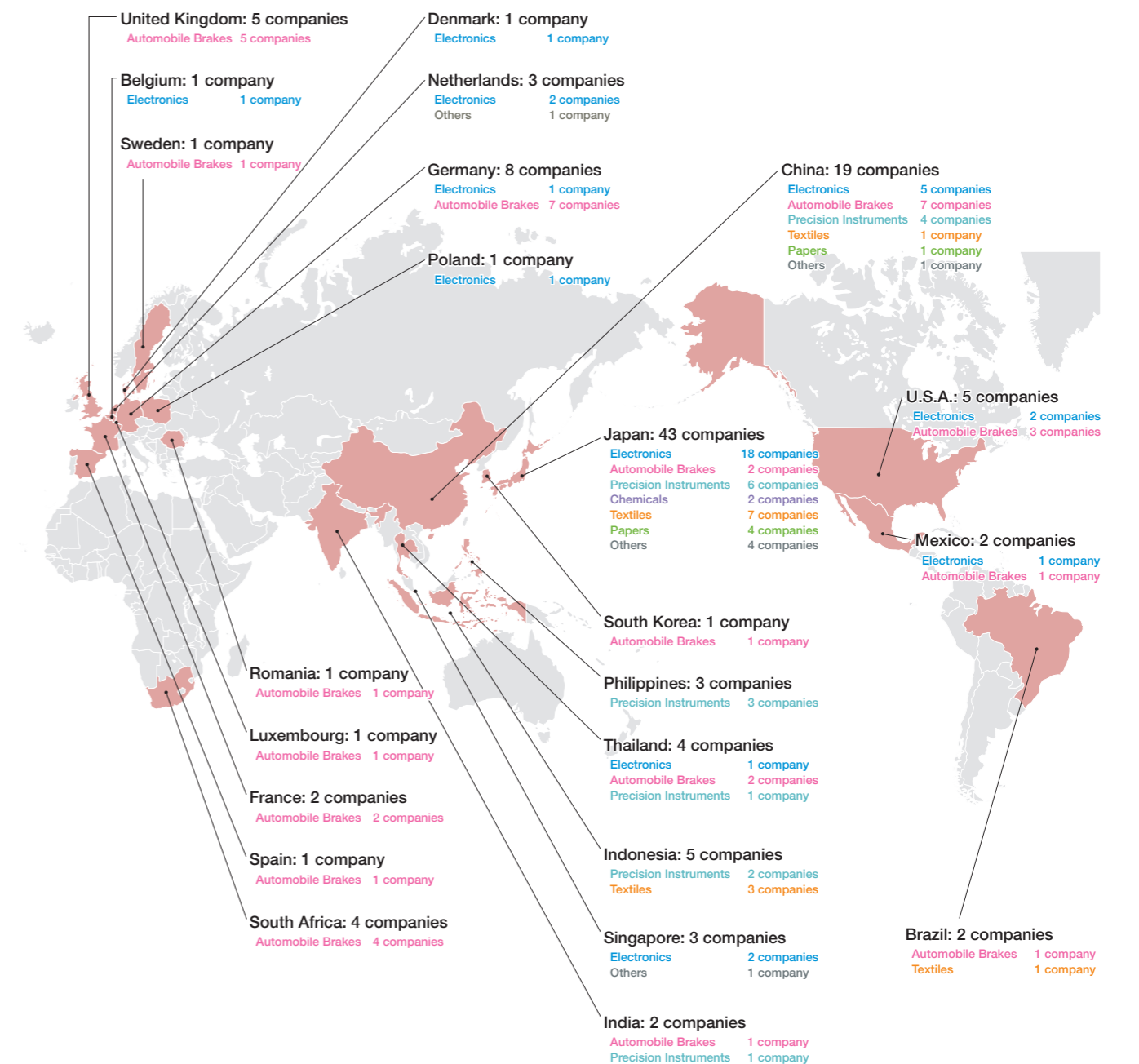
TOKYO SHIRTS branch

## Contributing to Society through Global Business Development

The Nisshinbo Group is accelerating its business development on a global scale.

As one of the world’s leading manufacturers of friction materials for automobile brakes, as well as expanding our manufacturing capabilities in Thailand and other locations, 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: **43** companies; Overseas: **75** companies; Total: **118** companies (as of March 31, 2016)



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 2015 (April 1, 2015 to March 31, 2016). Certain information, however, covers the fiscal 2014 and fiscal 2016 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 51 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/index.html>  
Financial and other related information can be downloaded from the Company's IR site.
  - Annual Report (Japanese and English)
  - Financial Results (Japanese)
  - Shareholder Report (Japanese)
  - Securities Report (Japanese)
- 5. Publication Date** August 2016
- 6. Next Report (Planned)** August 2017

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

TOKYO SHIRTS INDUSTRY 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.  
Naigai Shirts Co., Ltd.  
Nisshinbo Yarn Dyed Co., Ltd.  
Ocean Link Corporation  
TOKYO SHIRTS CO., LTD.

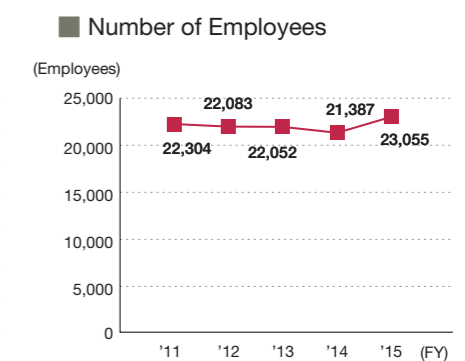
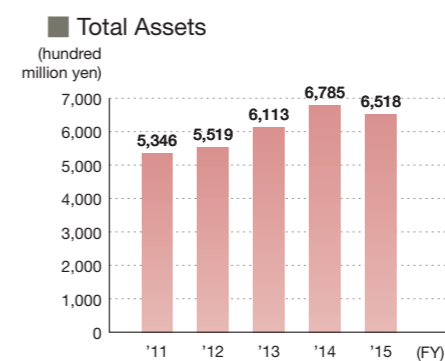
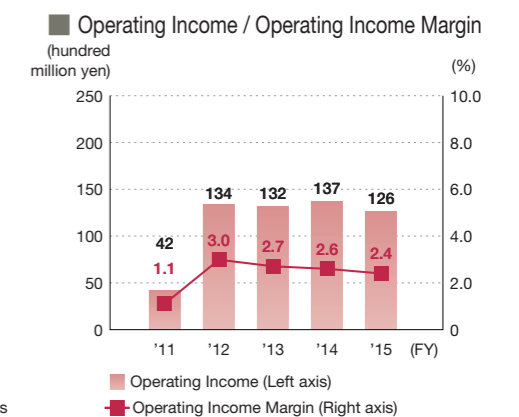
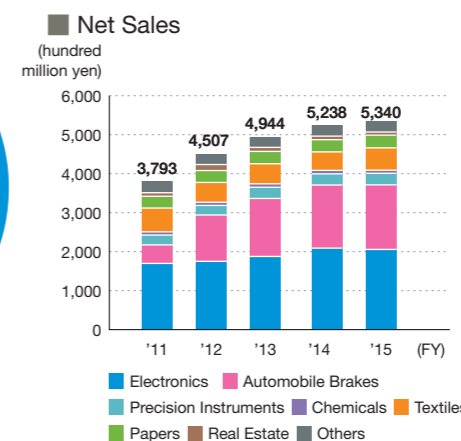
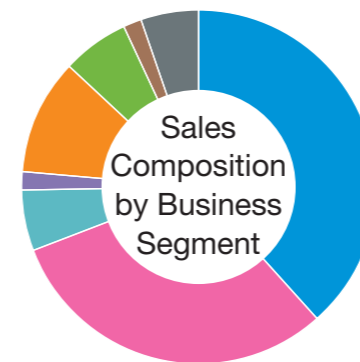
Paper

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.  
Nisshin Toa Inc.  
Iwao & Co., Ltd.  
Nisshinbo Singapore Pte. Ltd.  
Nisshinbo Business Management (Shanghai) Co., Ltd.

Principal Financial Data for the Fiscal Year Ended March 2016





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.

Since fiscal 2014, we have been working 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.45	Workplace	P.41
Environment	P.25	Product Safety	P.48
Human Rights	P.41	Procurement	P.46

## Centering on our corporate philosophy, we aim to raise management quality and achieve sustainable corporate growth and development.

The Nisshinbo Group contributes to society as an “environmental and energy company” Group, and aims for sustainable growth and development. Here, President Masaya Kawata describes the Group’s initiatives and issues it faces in augmenting transparency and fairness based on its corporate philosophy, as well as achieving sound operational growth.

**Q Your long-term strategic plan is targeting net sales of ¥1 trillion and ROE of more than 12% by fiscal 2025. Would you please describe the Group’s progress toward these goals and some of its successes in fiscal 2015?**

**A We made steady progress on a number of initiatives toward these targets.**

During the year, we undertook a host of initiatives to achieve our long-term targets. Our M&A activities included the acquisition of NANBU PLASTICS CO., LTD., which excels in the in-vehicle business, in order to strengthen our operations in this field. We also acquired TOKYO SHIRTS CO., LTD., which will facilitate our downstream development through its contacts with end consumers. We entered into

alliances, such as investing in Ballard Power Systems, a leading Canadian manufacturer of fuel cell systems. As the spread of fuel cells is expected to accelerate, we believe strengthening this alliance is extremely important. We also engaged in business restructuring. In the electronics business, we converted Nagano Japan Radio Co., Ltd., and Ueda Japan Radio Co., Ltd., into wholly owned subsidiaries of Japan Radio Co., Ltd., to better align their strengths. We made the decision to combine two Group trading companies—Nisshin Toa Inc. and Iwao & Co., Ltd.—and reorganize the TMD Group’s production facilities.

In terms of organizational structure, we took advantage of the introduction of Japan’s Corporate Governance Code to promote governance reforms.



We will bolster transparency and fairness, as well as bold decision-making.

**Q** How is progress on entrenching the corporate philosophy as you pursue reorganization, integration and business development on a global scale, and what are some of the new issues you face?

**A** We are promoting the sharing of our corporate philosophy across the Group.

Whenever I visit our offices, I always make a point of talking about our corporate philosophy. Also, at the representative's meeting in China we undertake efforts to instill our philosophy and reinforce governance. As our business grows and develops, our number of employees is increasing both in Japan and overseas, so ensuring that our philosophy is being properly shared is an important matter. We have formulated the Business Conduct Guidelines of the Nisshinbo Group. These guidelines indicate how all executives and employees should act, as well as specific ways in which they should not act. Sharing this information is an ongoing endeavor. As one facet of our CSR activities, we have formulated the Basic CSR Procurement Policy of the Nisshinbo Group. The foundations for transactions and behaviors that our supply chain should practice are in line with our philosophy. We are working to instill our corporate philosophy by linking these two.

**Q** How is progress on areas positioned as materiality: global compliance, contribution to the environmental and energy field, and creation of a secure and safe society?

**A** We are rolling out a host of measures in all areas.

Regarding global compliance, in addition to activities aimed at instilling our philosophy and guidelines, we formulated the Guide to Prevent Corruption, which sets forth our response to international treaties, laws and regulations, and deployed it across all subsidiaries. We also created the Basic CSR Procurement Policy of the Nisshinbo Group. In addition, to determine the status of human rights in individual countries we conducted a survey on human rights issues targeting more than 20 companies with major overseas locations. This survey helped to clarify some of the issues. We will now begin considering specific measures.

In terms of our contribution to the environmental

and energy field, we are developing copper-free friction materials and pursuing developments in the solution business in the areas of rivers and streams, the environment and weather. We also made progress on the development of bipolar plates for fuel cells. For the Nisshinbo Group as a whole, we also set a specific target for increasing our percentage of products that contribute to a sustainable society from the current 36% of sales to 65% by 2025.

Toward the creation of a secure and safe society, we moved forward on developments in the solution business in the disaster prevention and infrastructure sectors in Indonesia, the Philippines and Vietnam, as well as in Japan. To promote safety in a motorized society, we pursued business developments related to the Advanced Driving Assistance System (ADAS). We believe safety, quality and customer satisfaction are an important trinity. As such, on a groupwide and ongoing basis we are conducting health and safety activities to achieve zero occupational injuries.



**Q** Throughout the course of its long history, the Nisshinbo Group's business domains have grown diversified. During this period, what would you say has changed and what has remained unchanged?

**A** We are balancing the centrifugal forces of growth and development with the centripetal forces of philosophy and governance.

The centrifugal forces of globalization and diversification are at work when a company grows and develops. Centrifugal force provides the energy for development, but at the same time if this force spreads in a disorderly fashion, it can cause an organization's core to disperse. Centripetal forces that provide unifying power and cohesiveness are therefore necessary to keep an organization from losing its sense of direction. An unchanging corporate philosophy and sound governance provide this core. It is important to strike a balance between these "changing" and "unchanging" aspects as we pursue an ongoing growth trajectory.

**Q** What are some of your current CSR issues, and what new initiatives are you pursuing to face them?

**A** We are concentrating on diversity, and in particular on promoting the success of women.

Among all of the diversity initiatives we are promoting, which in Japan include women, overseas human resources and the utilization of seniors, our topmost priority is on promoting the success of women. We have set specific targets in this area: promoting women to directors, tripling the number of female managers, and increasing the ratio of female graduate recruits to 40% for clerical positions and 20% for technical positions. We have already had success in appointing a woman to the Board of Directors, and our recruiting ratio each year is essentially in line with our desired direction. Going forward, we will focus on increasing the number of women in management positions.

To promote CSR as part and parcel of a company's growth and development, we need to ensure that the development of CSR activities is visible. With this in mind, in fiscal 2016 we brought in external consultants to assist in formulating key performance indicators (KPIs).

**Q** With less than 10 years remaining until 2025, would you share with us how you envision the Nisshinbo Group 20 or 30 years into the future?

**A** We will respond to the needs of the times and contribute to society, while retaining the corporate philosophy at our core.

Our long-term strategic plan targets net sales of ¥1 trillion and ROE of more than 12% by 2025. Looking beyond that time to 2030 and 2050, I would like to see us achieve major growth, accompanied by a sound corporate structure and profitability, and to be a company that contributes to society accordingly. We will remain unwaveringly committed to the precepts of our corporate philosophy—Public Entity, Consistent Integrity and Innovation. We will meet the needs of the times and aim to continue providing the value that society deems important. We are searching for solutions to such worldwide issues as global warming as we determine our long-term direction for 30 years or 50 years hence. We progress with the conviction that the goals we set forth as an "environmental and energy company" group will remain relevant in the era of new technological innovations and the ultrasmart society coming about through the Internet of Things (IoT) and artificial intelligence (AI).

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

From both the short- and long-term perspectives, we are pursuing the measures necessary to grow and develop, as well as to achieve sustained increases in global corporate value. We will pull together as a group to ensure that we build and maintain lasting trust-based relationships with our stakeholders. I would ask you to support us, taking a long-term perspective.

July 2016

Masaya Kawata  
President  
Nisshinbo Holdings Inc.



# Developing Business That Contributes to Society Based on Our Corporate Philosophy: “Public Entity,” “Consistent Integrity” and “Innovation”

Since its founding in 1907, the Nisshinbo Group has contributed to society through business activities that are fair and sincere (Consistent Integrity), based on the belief that its companies are public entities of society (Public Entity) and with the determination to continue taking on new challenges (Innovation) against an ever-changing social landscape. Over the years, we have substantially expanded our business domain, and our focus has shifted from textiles—the core business at the time of our founding—to the electronics business today.

As an “environmental and energy company” group, the Nisshinbo Group aims to enhance corporate value by providing products and services that deliver true value and contribute toward the realization of a sustainable society.

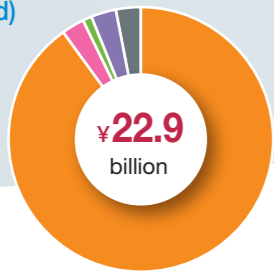


**1907-1960**  
**Founded as a cotton spinning company, after World War II we diversified our business to meet demand for everyday goods.**

The Company was founded as Nisshin Cotton Spinning Co., Ltd. (now Nisshinbo Holdings Inc.). State-of-the-art spinning equipment was introduced, and the Company began mass producing high-grade cotton yarn. During the era of post-war reconstruction and period of rapid economic growth that ensued, we expanded our operations into non-textile areas, such as brakes, paper products and chemicals. Adopting a basic policy of expanding and developing new business in non-textile divisions and cultivating business in related areas, full-fledged management diversification accelerated.

Composition of Net Sales in Fiscal 1960 (Non-Consolidated)

- Textiles 90%
- Automobile Brakes 3%
- Papers 1%
- Chemicals 3%
- Others 3%

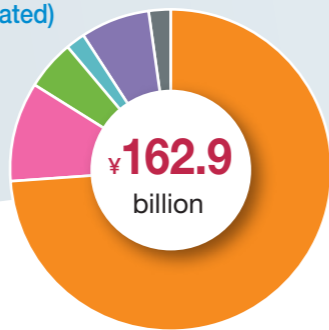


**Late 1960s-1980s**  
**The automobile brakes business expanded as motorization progressed.**

Riding the wave of motorization, the Company's automobile brakes business expanded rapidly. By 1988, this business had grown to account for more than 10% of net sales. We also invested proactively in the construction of new manufacturing plants and expansion of facilities in non-textile divisions, such as the precision instruments and chemicals businesses.

Composition of Net Sales in Fiscal 1980 (Non-Consolidated)

- Textiles 74%
- Automobile Brakes 10%
- Papers 5%
- Precision Instruments 2%
- Chemicals 7%
- Others 2%

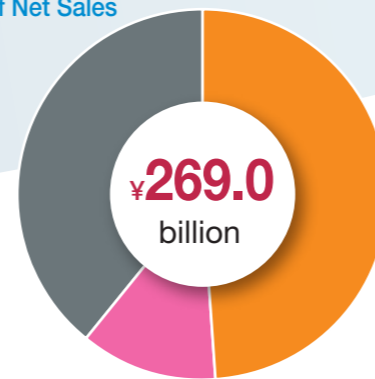


**1990s**  
**Yen appreciation led us to diversify further and engage in business overseas.**

Yen appreciation following the 1985 Plaza Accord prompted an inexorable shift in the textile industry from an export-based to an import-based model. A recession also led to sluggish demand for apparel, prompting the need for business restructuring. To diversify our business further and aggressively develop new business, we stepped up overseas activities in both the textile and non-textile divisions. In 1990, non-textile divisions made up more than 50% of net sales for the first time.

Composition of Net Sales in Fiscal 1990

- Textiles 49%
- Automobile Brakes 12%
- Others 39%

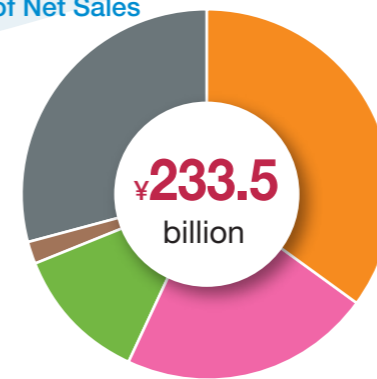


**2000s**  
**We concentrated on the electronics field in preparation for the coming information-oriented society.**

Amid ongoing globalization, we accelerated our efforts to shift manufacturing sites overseas in a bid to enhance corporate value. Anticipating the arrival of the information-oriented society, we positioned electronics as a strategically core business and converted New Japan Radio Co., Ltd., to a subsidiary in 2005. As a result, in 2007 non-textile divisions accounted for more than three-fourths of net sales.

Composition of Net Sales in Fiscal 2000

- Textiles 35%
- Automobile Brakes 22%
- Papers 12%
- Real Estate 2%
- Others 29%

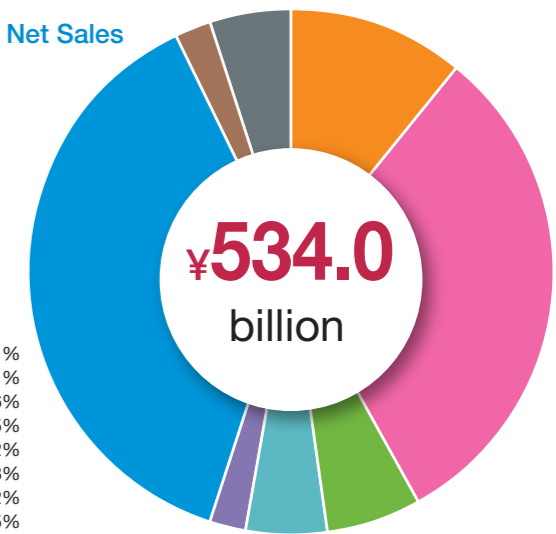


**2010s (the Present)**  
**The electronics and automobile brakes businesses became core.**

In 2010, we converted Japan Radio Co., Ltd., and Nagano Japan Radio Co., Ltd., to subsidiaries. Now making up around 40% of net sales, the electronics business had truly become the Group's core business. We also expanded the automobile brakes business. In 2011, M&A activity brought Europe's TMD Friction Group S.A. into the Nisshinbo Group, positioning us as a world-leading global supplier of friction materials. This business accounts for more than 30% of net sales.

Composition of Net Sales in Fiscal 2015

- Textiles 11%
- Automobile Brakes 31%
- Papers 6%
- Precision Instruments 5%
- Chemicals 2%
- Electronics 38%
- Real Estate 2%
- Others 5%



History	1907-1960	Late 1960s-1980s	1990s	2000s	2010s	
	<p><b>1907</b> Established Nisshin Cotton Spinning Co., Ltd.</p> <p><b>1940</b> Established Toa Jitsugyo Co., Ltd. (now Nisshinbo Toa Inc.)</p> <p><b>1945</b> Acquired the Meiji Plant, Nanshin Seiki Co., Ltd. (now the Fuji Plant)</p> <p><b>1949</b> Established Nihon Postal Franker Co., Ltd. (now Nisshinbo Postal Chemical Co., Ltd.)</p> <p><b>1958</b> Established Nippon Kohbunshikan Co., Ltd. (acquired by Nisshinbo Mechatronics Inc. in 2010)</p>	<p><b>1972</b> Established Nisshinbo Do Brasil Industria Textil LTDA. (Brazil)</p> <p><b>1978</b> Acquired Tokai Seishi Kogyo Co., Ltd.</p> <p><b>1985</b> Acquired Nisshin Denim Inc. (merged with Nisshinbo Textile Inc. in 2014)</p> <p><b>1989</b> Established Kohbunshi (Thailand) Ltd. (Thailand) (now Nisshinbo Mechatronics (Thailand) Ltd.)</p>	<p><b>1993</b> Established Pudong Kohbunshi (Shanghai) Co., Ltd. (China) (now Nisshinbo Mechatronics (Shanghai) Co., Ltd.)</p> <p><b>1998</b> Established PT. Nikawa Textile Industry (Indonesia)</p> <p><b>1995</b> Established Nisshinbo Automotive Corporation (U.S.A.) (business combined with Nisshinbo Automotive Manufacturing Inc. in 2009)</p> <p><b>1999</b> Established Nisshinbo Urban Development Co., Ltd.</p> <p><b>1996</b> Established Nisshinbo Somboon Automotive Co., Ltd. (Thailand)</p>	<p><b>2000</b> Established Continental Teves Co., Ltd., a joint venture with Continental Teves AG &amp; Co. oHG (now Continental Automotive Co., Ltd.)</p> <p><b>2002</b> Acquired all shares of Iwao &amp; Co., Ltd.</p> <p><b>2003</b> Established Nisshinbo (Shanghai) Co., Ltd. (China)</p> <p><b>2004</b> Established Saeron Automotive Beijing Corporation (China)</p> <p><b>2005</b> Established Continental Teves Corporation (Lian Yun Gang) (China) (now Continental Automotive Corporation (LYG) Co., Ltd.)</p> <p><b>2005</b> Converted New Japan Radio Co., Ltd., to a consolidated subsidiary</p>	<p><b>2006</b> Acquired additional shares of Japan Radio Co., Ltd. and Nagano Japan Radio Co., Ltd.</p> <p><b>2007</b> Acquired all shares of Daiwa Shiko Co., Ltd.</p> <p><b>2008</b> Acquired all shares of Nisshinbo Brake Sales Co., Ltd. (acquired by Nisshinbo Brake Inc. in 2010)</p> <p><b>2009</b> Established Jiangsu Yawei Nisshinbo Precision Instruments &amp; Machinery Co., Ltd. (now Nisshinbo Yawei Precision Instruments &amp; Machinery (Jiangsu) Co., Ltd.)</p> <p><b>2009</b> Spun off five businesses—Textiles, Automobile Brakes, Papers, Precision Instruments, and Chemicals—and converted to holding company; corporate name changed to Nisshinbo Holdings Inc.</p>	<p><b>2010</b> Established Nisshinbo Textile Changzhou Co., Ltd. (China)</p> <p><b>2010</b> Converted Japan Radio Co., Ltd., and Nagano Japan Radio Co., Ltd., to consolidated subsidiaries</p> <p><b>2011</b> Established Nisshinbo Saeron (Changshu) Automotive Co., Ltd. (China)</p> <p><b>2011</b> Established Nisshinbo Singapore Pte. Ltd. (Singapore)</p> <p><b>2011</b> Acquired all shares of TMD Friction Group S.A.</p> <p><b>2012</b> Established Nisshinbo Business Management (Shanghai) Co., Ltd. (China)</p> <p><b>2013</b> Established Nisshinbo Commercial Vehicle Brake Ltd. (Thailand)</p> <p><b>2014</b> Established Nisshinbo-Continental Precision Machining (Yangzhou) Co., Ltd. (China)</p> <p><b>2015</b> Acquired all shares in the TOKYO SHIRTS Group</p> <p><b>2015</b> Acquired all shares in NANBU PLASTICS CO., LTD.</p> <p><b>2015</b> Changed our stock exchange listing category from “textiles and apparels” to “electric appliances”</p>

## Promoting the Utilization of Diverse Human Resources, and Realizing Further Business Growth

The Nisshinbo Group aims to create a working environment that enables employees with diverse values and capabilities to maximize their potential, leading to the realization of “Innovation.”

### Background for Our Promotion of “Diversity Management”

The Nisshinbo Group was founded in 1907 as Nisshin Cotton Spinning Co., Ltd. Over the more than 100 years since that time, we have responded to the demands of the times by expanding our operations in order to provide the products and services needed by society. During the past few years, in particular, we have rapidly increased our presence in overseas markets, as well as in Japan, through M&A and other activities. As we endeavor to quickly ascertain and respond accurately to diverse market needs overseas, as well, and to provide those products and services, we are recruiting excellent human resources with diverse values and capabilities who are familiar with those market needs. We must also put in place systems that allow these people to flourish.

Under these circumstances, the Nisshinbo Group is actively engaging in initiatives to create an environment in which all personnel, regardless of such factors as age, gender or nationality, can maximize their potential and continue to work enthusiastically.

### Aiming to Enhance Corporate Value through Diversity Management

Our objective in diversity management coincides with the “Innovation” element of the Nisshinbo Group’s corporate philosophy. We expect to realize this “Innovation” by sharing our corporate philosophy elements of “Public Entity” and “Consistent Integrity” among individual employees with diverse values and capabilities, and encouraging them to make the most of their skills. Furthermore, we believe that realizing a company in which individual employees can continue to work with a sense of satisfaction will increase corporate value and drive sustained business growth.

### Establishing the Diversity Development Department

We established the Diversity Development Department on July 1, 2015, within the Corporate Strategy Center, Nisshinbo Holdings Inc.

We have clearly identified three main priorities for this department: “promoting the success of women,” “promoting the success of overseas human resources” and “utilizing seniors.” Of these, we have set “promoting the success of women” as the priority to address most swiftly, and the department is rolling out a variety of measures to this end.

### Progress on Diversity

<Targets by fiscal 2020>

In December 2014, we formulated the Voluntary Action Plan on Promotion of Women to Managerial and Board Position, establishing and announcing specific targets to be achieved by fiscal 2020.

- (1) Appoint women to the Board of Directors
- (2) Triple the number of women in management positions
- (3) Increase the ratio of female graduate recruits to 40% for office positions and to 20% for engineer positions

We have already met the first goal and are pushing steadily onward to achieve the other two.

## Dialogue



Senior Manager, Diversity Development Department, Corporate Strategy Center  
Managing Officer, Nisshinbo Holdings Inc.

Makoto Sugiyama

Operating Officer,  
Nikkei Business Publications, Inc.

Ms. Sachiko Fumoto

Among its main priorities for promoting diversity, the Nisshinbo Group has identified “promoting the success of women” as the one to address most quickly. Accordingly, we have set specific targets and are moving forward with a variety of measures in this area. In the dialogue below, Ms. Sachiko Fumoto, operating officer at Nikkei Business Publications, Inc., and formerly the chief editor of *Nikkei Woman*, discusses past efforts and future developments in this regard with Makoto Sugiyama, senior manager of the Diversity Development Department, Corporate Strategy Center.

### Good Marks on Precise Measures That Accurately Address Current Conditions

**Sugiyama:** In December 2014, Nisshinbo established the Voluntary Action Plan on Promotion of Women to Managerial and Board Position in the aim of achieving growth as a company that encourages the success of women. We set specific targets to achieve by fiscal 2020—“promoting women to directors,” “tripling the number of women in management positions” and “increasing the ratio of female graduate recruits to 40% for office positions and to 20% for engineer positions”—and have embarked on a variety of measures to reach these goals. To start off, would you share your candid opinions on how you view our initiatives?

**Fumoto:** I have been tracking your efforts over the past year, and can honestly say that I give your company good marks for its highly success-bound initiatives. I would like to make three points. First, you conducted questionnaires and interviews with female employees and their superiors to accurately assess what issues existed. At many companies, top management guesses at the issues hindering the advancement of women and enacts measures based on mistaken premises. By performing questionnaires and interviews, the Nisshinbo Group is clarifying the gap in awareness between male superiors and female subordinates and accurately identifying the issues that exist.

Second, you have promoted a woman to the Board of Directors and are pursuing the correct order of activity with respect to training the management layer, the administrative layer and female employees. Conducting training just for female employees can have the effect of actually lowering women’s morale, because it creates the impression that the reason women are not advancing is because their awareness is low. The third point I would like to make is that the Company is setting “stretched” goals. Tripling the number of women in management positions in five years is an extremely aggressive goal, compared with the Nisshinbo Group’s achievements over the past five years.

**Sugiyama:** Thank you. We realize that reaching these goals will require us to undertake a number of measures rapidly. At the same time, rushing ahead too quickly presents the danger of creating a gap in awareness between male superiors and female employees.

**Fumoto:** That is true. There is no point in promoting women just to meet the numbers. It will be important to cultivate female managers who have the capability to perform in management positions by acting firmly according to your five-year action plan. In this sense, tripling the number in five years is a figure that you must have arrived at through careful consideration at the management level.

**Sugiyama:** You have the chance to see many companies. How do





you view the performance of companies that are setting goals like ours?

**Fumoto:** A *Nikkei Woman* survey found that the share performance at such companies tended to be high. Two factors underlie this success—motivation and innovation. Cultivating and promoting women who have potential rather than simply promoting them to boost numbers creates strong employee motivation to work within a company. Also, women tend to be in the minority at companies. Promoting them to the decision-making level can lead to product and process innovation.

Companies whose cultures trend too much toward monocultures have difficulty generating new ideas. Companies that give women and young employees the freedom to express their opinions freely, that accept the idea that failure can occur when taking on new challenges, and that have a corporate culture that encourages learning through such failure tend to promote the success of women and be organizationally robust.

**Sugiyama:** So initiatives like this can generate innovation. In that sense, promoting the success of women offers one barometer reading.

**Fumoto:** I often say that “promoting the success of women should not be done for the sake of women.” Promoting the success of women can be misjudged as activities conducted to promote women’s rights and benefits. Rather, these efforts should be conducted in order to ensure a company’s sustained growth and foster increases in corporate value. I think it is wonderful that the Nisshinbo Group’s management, from the president on down, recognize this goal.

### The Importance of Top Management Building Awareness by Sharing Information

**Sugiyama:** It seems to me that putting in place the foundations for promoting the success of women is the first step. What would you say needs to be done first?

**Fumoto:** I think the first step is for top management to disseminate information. Ongoing commitment from top management is important. Being proactive in making this commitment known both within and outside a company can itself lead to change.

**Sugiyama:** Top management takes many opportunities to share information, but sometimes it is difficult to communicate information to the people they want to communicate to the most.

**Fumoto:** What about holding a forum for the advancement of women, where the president could address female employees? Creating an opportunity for the president, who sometimes seems like some deity living in the clouds, take time from his busy schedule to speak directly with female employees would demonstrate the level of importance the company is giving to its initiatives. It would also be a great source of encouragement to female employees.

**Sugiyama:** Wouldn’t limiting something like this to female employees make male employees jealous?

**Fumoto:** It would be good if the men could recognize the commitment to the success of women and cheer on the female employees. Cultivating women is a role for their male superiors. For this reason, “make cultivating women a priority” is an important message. As I mentioned earlier, promoting the success of women is not something a company does for the sake of women. Rather, it is important to build an awareness that these activities are being done because they are necessary to grow and win out in competition against other companies.

### Create Expectations, Provide Opportunities, Exercise Skills

**Sugiyama:** What sort of mental attitude would you consider important to maintain when cultivating women?

**Fumoto:** Men tend to be too gentle to women, be overly compassionate when viewing their positions and generally treasuring them too highly. Scientific evidence shows that such attitudes can hamper a woman’s career. Three factors are considered to be important in cultivating female subordinates: create expectations, provide opportunities and exercise skills. Women should be given the same level of tough and challenging work as men. I believe this will allow them to gradually feel a sense of accomplishment and provide opportunities to feel their work is worthwhile.

I saw some Nisshinbo Group questionnaire results indicating that 80% of female employees want to move upward. A similar survey we conducted showed a figure of around 29%, and I had never seen 80% anywhere else. Many women want to contribute to the Company and have a strong desire to realize growth in their business. I believe you should take full advantage of this opportunity to exercise their skills.

**Sugiyama:** Create expectations, provide opportunities and exercise skills.... Recognizing these is important, but sometimes I think that hesitancy on the part of the male superiors actually giving instructions means that women do not actually enjoy these opportunities. It seems difficult for some men to take that step forward.

**Fumoto:** In situations like this, communicating with these women is important. Try having them ask something along these lines: “I would like to hand this work over to you; what is your household

situation?” I would also like to women communicate their desire by saying “Yes, I would like to give it a try.” Communication is important in enabling each side to meet the other halfway. Both parties need to clearly understand that the success of women is an important corporate management strategy and one that is vital for achieving business growth.

### Promoting the Success of Women Key to Corporate Growth

**Sugiyama:** The labor shortage is one reason that promoting the success of women is essential to corporate growth.

**Fumoto:** This labor shortage will continue. Companies are already competing for superior female talent, and more men are looking to work at companies that allow them to maintain a work-life balance. In these circumstances, recruiting men is becoming difficult, too.

The Ministry of Health, Labor and Welfare has created the “Eruboshi” certification for companies that promote the success of women. There are four levels of Eruboshi certification, from zero to three stars, and this information is made public on the Web. This approach allows all stakeholders to view conditions at individual companies. I believe this system will further accelerate the concentration of human resources and capital on companies that promote women.

**Sugiyama:** From new hires to veteran employees, we want women at all levels to make the most of their skills, but I think some people feel confounded by this sudden attempt to get them to change their way of thinking. What would you advise?

**Fumoto:** Many companies began full-fledged efforts to recruit women around the year 2000, and in the ensuing 15 years there has been some success in cultivating these human resources. At the same time, women who are 35 or older may not have ever had the desire to continue working, and some companies do not have a system in place to utilize this group. However, we are now in an age where women can also work up until the age of 65, so their careers can continue for many years. As companies change and begin wholeheartedly promoting the success of women, women themselves will need to begin drawing up their own medium- to long-term career plans. Veteran female employees should be able to help companies cultivate women by teaching younger women some of the things they have learned. The corporate structure poses certain limitations, but a passion to contribute can lead to high levels of motivation. In addition to promotions, job transfers are another important way for an employee to grow in her career and expand her field of activity.

### Taking the Next Step

**Sugiyama:** We have been talking about promoting the success of women. Can you offer us any advice as to the next initiatives we should take?

**Fumoto:** I think the goals going forward should be to become a company that does not differentiate among its employees on the basis of gender and time constraints and be a place where people



can continue working while remaining mentally and physically sound. Going forward, we will see an increase in the number of two-income families, and more people will face the need to provide nursing care in their middle years, so eventually people whose time is not limited will become the minority. For this reason, it will be important to create workplaces where people can be highly productive in their work, making time constraints less of an issue. The Fourth Basic Plan for Gender Equality, which was announced in December 2015, notes that the advancement of women will not be possible unless “men-oriented working styles” are eliminated and information and communications technology is used to promote working-style reforms. Making time more productive through measures such as these will drive increases in operating performance. Then, contributing to society through their own improved business should be the ultimate goal.

**Sugiyama:** Even around me, I have seen an increase in the number of people whose time is constrained by child-rearing and the need to provide nursing care. Things will become more difficult for men, too.

**Fumoto:** In the past, it may have been common for men to adopt a style of being able to work 24 hours a day, but now men are seeing their time constrained in various ways, too.

Raising children is enjoyable, so is easy to talk about with the people around you, but people often do not know when the need for nursing care will end, so many tend to keep these needs bottled up, and simply quit their jobs. For example, nursing care leave systems are in place, and many people understand them as leave to provide nursing care. In reality, though, they provide preparation time that makes it possible for them to put in place an environment to balance nursing care and work. More companies need to promote an accurate understanding of the systems and make it known that they realize the importance of providing nursing care and offer solid support.

**Sugiyama:** So men and women both need to communicate well and create an environment that encourages consultation.

**Fumoto:** Yes. Regarding the present issue of promoting the success of women, there are many women within the Nisshinbo Group who desire promotion. I look forward to seeing how the situation develops.

The Nisshinbo Group's business activities are built on trust-based relationships among numerous stakeholders. We strive to meet our responsibilities to stakeholders and build even stronger relationships with them.




### External Evaluation

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

According to a survey of 3,622 respondent publicly listed companies conducted by Nikko Investor Relations Co., Ltd., Nisshinbo Holdings Inc. ranked 177th overall and 3rd in its industry for the outstanding quality of its corporate information website for fiscal 2015.

**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.



## Initiatives toward a Work-Life Balance

### Supported by My Family and Colleagues

My first son was born in 2005, followed by my second child, a girl, in 2008. I timed my maternity leave to make my children enter in nursery school easier. Each time, I took leave until they reached one year of age, and then went back to work, taking advantage of the system of reduced working hours so that I could balance family and work. Now my two children are both in elementary school, so the situation isn't as physically difficult for me as when I was just returning from leave. Because of this, now I am able to shift the balance more toward my work.

In our home, we use the phrase "sharing the burden together." Because my husband is on a temporary posting overseas, I have been gradually teaching my children to handle such chores as cleaning up the bath, meal preparation and taking the dog for a walk. Setting aside a time when everybody does chores together and then takes a break when they are finished provides a good rhythm and has helped us develop a sense of unity. Not having to do all the chores myself also makes me feel more at ease.

Due to the nature of our work, section staff are often away on business trips, so we have promoted information sharing and the development of multiple skills as a section-wide initiative. These efforts have helped prevent me from taking on more than I can handle, which is essential for both my family and work life. Our company has an atmosphere that makes it easy to take paid leave, and special leave systems are in place to aid me in nursing and raising my children. A flex-time system is also in place. The extensiveness of such systems allows me to participate actively in classroom observation days and school events. As well as words of encouragement, having such systems in place is important, I feel.

Thanks to the level of support I get from my family and my colleagues at work, I am able to achieve a balance between my daily work and my family.

Shiori Sato, Personnel Section, Personnel Department, New Japan Radio Co., Ltd.



"Sharing the burden together" with my family

## Diversity Initiatives

### Our People as Diverse as Our Friction Solutions

The TMD Group continues to promote diversity at all its sites around the world in the aim of creating a more inclusive and creative working environment. Human resource diversity is the key to success because it results in diverse ideas, ways of thinking and innovation. The TMD Group believes that diversity offers inspiration for the future.

Here, we introduce an example from South Africa.

South Africa is a multi-ethnic society encompassing a wide variety of cultures, languages and religions. The constitution recognizes 11 official languages, with English being the business language. About 80% of South Africans are of Sub-Saharan African ancestry, divided among the Zulu, Xhosa, Sotho, Tswana and other peoples. The main groups alone mean that nine different tribal tongues are spoken. The remaining population consists of people of European, Asian and multiracial ancestry. South Africa is often referred to as the "Rainbow Nation" because of its cultural diversity.

TMD Friction SA (Pty) Ltd. embraces the Broad-Based Black Economic Empowerment Policy and includes employees from diverse tribal backgrounds. The friction and manufacturing industries in South Africa are traditionally male-dominated, but the company has strived to promote diversity and equal opportunity at all levels. Women account for 33% of managers, 27% of supervisory positions and 32% of shop floor employees.

Hlengiwe Buthelezi was employed by the company in February 2014 as operator in the finishing shop. She is a highly energetic young lady and has recently been appointed to the position of Supervisor, HS&E. We are proud to have her as part of our management team.



Ms. Hlengiwe Buthelezi



The flag of the Republic of South Africa expresses the desire for all of the different elements in South African society to become one.



Second Mid-Term CSR Targets

Since fiscal 2008, the Nisshinbo Group has formulated mid-term CSR targets and conducted CSR activities accordingly. Our performance against the Second Mid-Term CSR Targets (fiscal 2013–2015) is as follows

CSR Topics	Key Action Items	Mid-Term CSR Targets (Fiscal 2015)	Activity Plans in Fiscal 2015	Outcomes in Fiscal 2015	Assessments 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>Prepare and roll out an Anti-corruption Guideline</li> <li>Continue to operate corporate ethics reporting system</li> <li>Expand scope of participants for export control education by position</li> </ul>	<ul style="list-style-type: none"> <li>Rolled out the Guide to Prevent Corruption to all subsidiaries</li> <li>Continued to operate Corporate Ethics Reporting System</li> <li>Conducted export control education at indirect departments</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>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>	<ul style="list-style-type: none"> <li>Conducted business audits and internal IT audits</li> <li>In response to the revised Companies Act, revised the Basic Policy for the Formulation and Operation of Internal Control Systems</li> <li>Implemented and evaluated internal control systems for financial reporting operations</li> <li>Constructed internal control systems for Group companies</li> </ul>	○	
	Reinforce risk management	Update BCP	<ul style="list-style-type: none"> <li>Configure 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>Conducted BCM drill (drill on reporting within the Disaster Prevention Headquarters)</li> <li>Revised Group Risk Management Regulations</li> <li>Expanded use of emergency communication system to 95% of domestic subsidiaries</li> <li>Moved 20 of 25 IT systems to external data centers</li> </ul>	○	
		Reinforce information security	<ul style="list-style-type: none"> <li>Continue to strengthen security management</li> </ul>	<ul style="list-style-type: none"> <li>Created an IT security site on our internal portal and published educational materials and videos</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>Continue to keep PL problems at zero occurrences</li> <li>Continue reducing number of quality issue occurrences</li> <li>Continue implementing measures to improve customer satisfaction</li> </ul>	<ul style="list-style-type: none"> <li>Had zero PL problems</li> <li>Number of quality issue occurrences was flat year on year</li> <li>Continued 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>Continue appropriate and timely disclosure of corporate information</li> <li>Continue overseas IR activities</li> </ul>	<ul style="list-style-type: none"> <li>Disseminated corporate information in a timely and appropriate manner</li> <li>Visited European investors twice (total of 23 companies) during the year</li> </ul>	○	
	Social contribution activities	Support development of international human resources	<ul style="list-style-type: none"> <li>Support development of international human resources</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>Sent junior tennis players to South America</li> </ul>	○
		Contribute to local communities	<ul style="list-style-type: none"> <li>Contribute to local communities</li> </ul>	<ul style="list-style-type: none"> <li>Continue to participate in local activities near business sites</li> </ul>	<ul style="list-style-type: none"> <li>Continued 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>Continue next-generation education</li> <li>Continue promoting industry-academia collaboration in research</li> </ul>	<ul style="list-style-type: none"> <li>Continued next-generation education</li> <li>Continued promoting industry-academia collaboration in research</li> </ul>	○	
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>Continue conducting human rights awareness activities</li> <li>Conduct follow-up training for harassment advisors</li> </ul>	<ul style="list-style-type: none"> <li>Continued conducting human rights awareness activities</li> <li>Conducted 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>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>	<ul style="list-style-type: none"> <li>In spring 2016, employed 25 people to general positions, of whom three were exchange students</li> <li>Introduced paid leave for providing nursing care to children</li> <li>Increased number of reasons for taking accumulated paid leave</li> <li>Introduced efforts to employ people with disabilities</li> </ul>	○	
	Occupational safety and health	Prevent occupational injuries	<ul style="list-style-type: none"> <li>Maintain zero occurrence of major accidents</li> <li>Continue to implement guidance at sites where multiple occupational injuries have occurred</li> </ul>	<ul style="list-style-type: none"> <li>Maintain zero occurrence of major accidents</li> <li>Implemented guidance at sites where multiple occupational injuries have occurred</li> </ul>	○	
		Promote mental health countermeasures	<ul style="list-style-type: none"> <li>Conduct mental health training to meet the needs of individual companies and business sites</li> </ul>	<ul style="list-style-type: none"> <li>Conducted mental health training at business sites and posted materials on the intranet about preventing mental health issues</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>Formulate Group CSR procurement policy</li> </ul>	<ul style="list-style-type: none"> <li>Rolled out Group CSR procurement policy to all subsidiaries</li> </ul>	○	

Assessment criteria: ○Achieved △Partially achieved xNot achieved

Third Mid-Term CSR Targets

We set the key action items in our Third Mid-Term CSR Targets, from fiscal 2016, in accordance with the seven core issues raised in the ISO 26000 international standard on social responsibility, as indicated in the table below. Specific content on key action items, except in the environment category, will be set based on KPIs to be formulated for fiscal 2016. For the environment category, we set separate KPIs under the Third Mid-Term Environmental Targets and are pursuing activities in this regard.

Key Action Items for the Third Mid-Term CSR Targets

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)		
	Strengthen internal controls		Improvement of the sales percentage by the products that contribute to the development of the sustainable society		
	Reinforce risk management		Reduction of the energy consumption per unit of sales	Consumer issues	Improve quality and customer satisfaction
Respect for human rights	Reduction of greenhouse gas emissions per unit of sales				
Human rights and labor practices	Promoting diversity	Reduction of the volume of PRTR substance emissions per unit of sales	Community involvement and development	Development of social contribution activities	
	Promoting activities for occupational safety and health	Improvement of recycling rate			
	Cultivating employee health				

Third Medium-Term Environmental Targets

The table below indicates Fiscal 2015 outcomes and an evaluation of our progress according to the Third Medium-Term Environmental Targets (fiscal 2015–2018).

Key Action Items	Medium-Term Environmental Targets for Fiscal 2018	Outcomes in Fiscal 2015	Evaluation of Progress	
<ul style="list-style-type: none"> <li>Reinforcement of the maintenance of Biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>Roll out preceding pilot project for ecosystem preservation</li> </ul>	<ul style="list-style-type: none"> <li>Set nine preceding pilot projects for ecosystem preservation</li> </ul>	○	
<ul style="list-style-type: none"> <li>Promotion of "Life cycle assessment" (LCA)</li> </ul>	<ul style="list-style-type: none"> <li>40% or more of total sales</li> </ul>	<ul style="list-style-type: none"> <li>21% 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</li> </ul>	<ul style="list-style-type: none"> <li>40% or more of total sales</li> </ul>	<ul style="list-style-type: none"> <li>36% of total sales</li> </ul>	○	
<ul style="list-style-type: none"> <li>Reduction of the energy consumption per unit of sales</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>Reduced by 3.3% compared to fiscal 2014</li> </ul>	○	
<ul style="list-style-type: none"> <li>Reduction of greenhouse gas emissions per unit of sales</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>Reduced by 4.4% 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</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>Increased by 7.5% compared to fiscal 2014</li> </ul>	△	
<ul style="list-style-type: none"> <li>Improvement of recycling rate (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>Increase the recycling rate to 90% or more</li> </ul>	<ul style="list-style-type: none"> <li>85.7%</li> </ul>	△	
	Breakdown			
	Japan:	98%	97%	○
	Overseas (excluding TMD):	87%	83%	△
	TMD:	82%	76%	△

\*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: ○ Expect to reach target △ Measures required x Do not expect to reach target

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

From fiscal 2016, we will incorporate the materiality into our daily business activities. Accordingly, we are setting and rolling out KPIs integrating our business and CSR activities.

- 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

- 1. Identify social issues for consideration**  
 First we identified social issues, referring to ISO 26000, the fourth edition of the GRI Guidelines, the 10 principles of the UN Global Compact and other social norms. We then evaluated their relationship to the Group's businesses and identified 22 social issues for consideration.
- 2. Prioritize social issues**  
 During Group CSR Council deliberations, we prioritized the social issues we had identified from the perspective of their importance to stakeholders and their importance to the Nisshinbo Group, coming up with a draft proposal.
- 3. Deliberate and approve at the Corporate Strategy Conference**  
 The Corporate Strategy Conference, chaired by the president of Nisshinbo Holdings and comprising all managing officers, deliberated the issues' materiality. After considering the importance of these social issues and their relationship to the Group's businesses, we determined the three material issues indicated above.

Global compliance

We have established the Nisshinbo Group Corporate Philosophy, which identifies "Public Entity," "Consistent Integrity" and "Innovation" as values to be shared throughout the Group. We have also formulated Business Conduct Guidelines of the Nisshinbo Group as specific guidelines for specific conduct that all officers and employees of the Nisshinbo Group are expected to comply with. We believe that acting with fairness and integrity according to our corporate philosophy throughout the Group, including at overseas subsidiaries, and ensuring thorough compliance form the basis for sound operations.

During visits to Group offices around the world, top management engages in dialogue with local managers and employees to deepen their understanding of the Group's corporate philosophy and business conduct guidelines. The Nisshinbo Group Corporate Philosophy and Business Conduct Guidelines of the Nisshinbo Group have been translated into local languages and are posted on our website or bulletin boards. They are also provided on cards that can be carried and referred to at any time.

The Nisshinbo Group has established a Corporate Ethics Committee and introduced a Corporate Ethics Reporting System to rapidly identify and prevent any recurrence of potential or actual legal or corporate ethics violations.

In response to legislative trends in recent years, we have formulated the Guide to Prevent Corruption and strive to ensure

awareness at all subsidiaries. This guide targets compliance with various countries' anti-bribery laws and antimonopoly acts.

Business conduct guidelines translated into Portuguese (from our subsidiary's website)

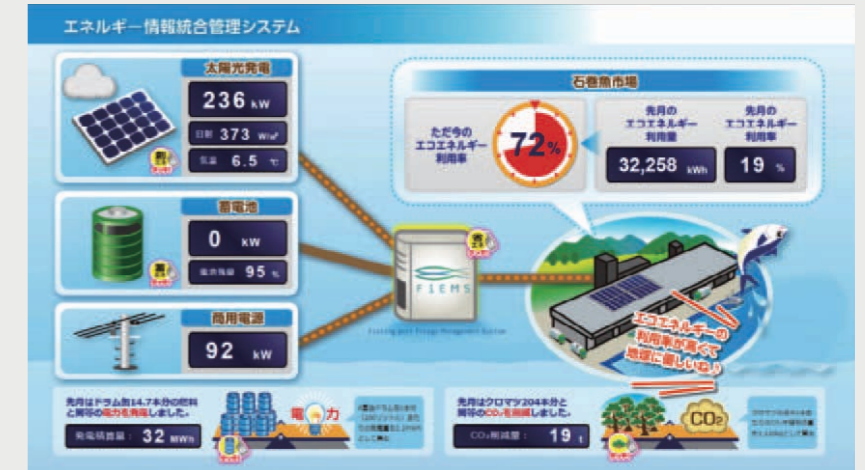
Contribution to the environmental and energy field

As an "environmental and energy company" group, the Nisshinbo Group provides products that contribute to the realization of a sustainable society. We also help to resolve global environmental problems by reducing the environmental impact of our business activities, conducting environmental protection activities and carrying out environmental education and awareness activities.

For example, we are conducting test operations at a smart factory that includes a power generation system based on photovoltaic modules, fuel cells and other types of clean energy; a power storage system using rechargeable batteries; and an Energy Management System (EMS) that integrally manages all this equipment and ensures efficient electric power operations. Japan Radio Co., Ltd., incorporated this EMS into an advanced hygiene management system installed at the Ishinomaki fish market in 2015 (see page 48).

In recent years, copper contained in the friction dust emitted by automotive friction materials during

braking has been identified as a source of water pollution, and the U.S. state of California has decided on measures to limit its use. The Nisshinbo Group has taken early measures to develop friction materials that meet these environmental regulations, and has already begun supplying copper-free friction materials.



EMS information display for the advanced hygiene management system at Ishinomaki fish market

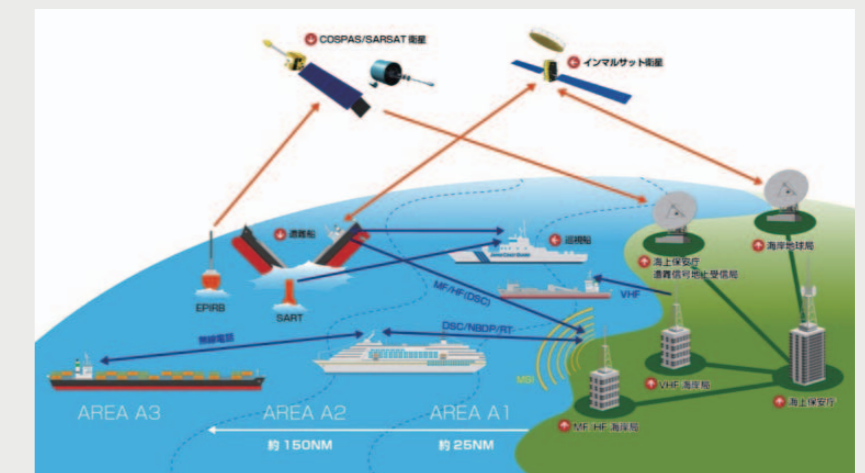
Creation of a secure and safe society

Taking advantage of technological capabilities and expertise cultivated over many years in the Group's electronics business, the Nisshinbo Group contributes to the security and safety of people around the world in various disaster prevention and infrastructure fields. Activities in this area include optimal solutions spanning the provision of highly reliable products, consulting, system configuration and operation, and maintenance services. One example is the coast radio station system that Japan Radio Co., Ltd., has supplied in more than 50 countries around the world. This system provides ships with navigation warnings, rescue and survival information, weather forecasts and piracy information, which help ensure ship safety and enable early response to marine accidents.

The Nisshinbo Group also supports the security and safety of motorized societies around the world by supplying various automotive parts, including automotive brakes, precision automotive parts, and communications devices

such as car navigation GPS modules and ETC systems.

We are also involved in R&D on high-performance radar and other devices for the Advanced Driving Assistance System (ADAS), applying wireless communications and microelectronics technologies to prevent automobile accidents.



Coast radio station system

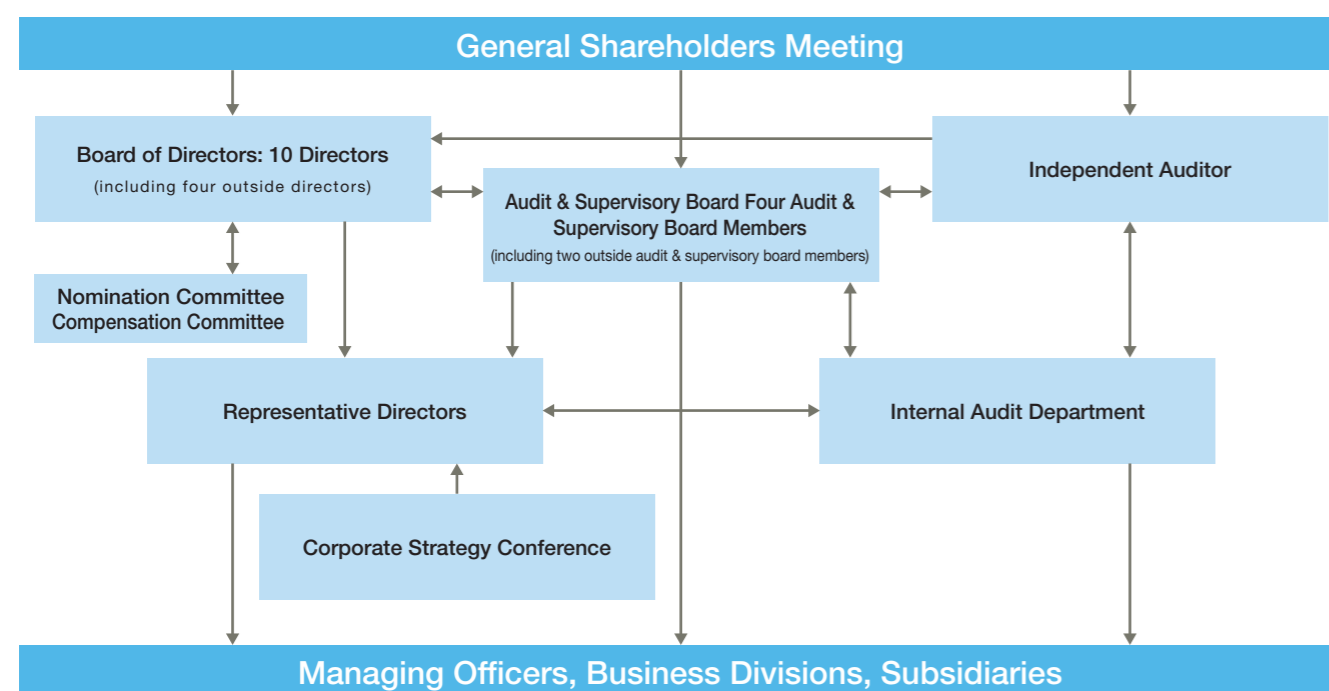




## Corporate Governance

The Nisshinbo Group aims to increase management efficiency and ensure transparency by taking risks based on principles of business judgment and making decisions swiftly and boldly. In the process, we also aim to reinforce accountability and ensure thorough corporate ethics and strive to put in place corporate governance based on the elements of our corporate philosophy: “Public Entity,” “Consistent Integrity” and “Innovation.”

We have formulated and disclosed a corporate governance report in response to the Corporate Governance Code formulated by the Tokyo Stock Exchange. The report outlines our compliance with the intent and spirit of the code, as well as specific responses to the code’s various principles (general principles, principles and supplementary principles). In February 2016, we also formulated the Nisshinbo Corporate Governance Policy to clarify basic matters and activity guidelines related to corporate governance. By steadily enacting this policy and making revisions and improvements as necessary, we aim to establish a firm base of governance, contribute to sustainable growth and enhance corporate value over the medium to long term.



▶ Corporate Governance Structure

### Business Oversight and Execution Framework

- The Board of Directors makes decisions on key management matters and monitors the execution of duties by the directors.
- 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.
- As of June 2016, the Company had elected 10 directors, including four outside directors. Directors are appointed for one-year terms in order to clarify management responsibility each fiscal year. Representative directors are selected by resolutions of the Board of Directors. The Company has two people, the president and the senior executive managing officer, serving as representative directors.
- Beneath the Board of Directors, we have established the Compensation Committee and Nomination Committee, which include outside directors.
- The Company has adopted a managing officer system in order to separate and strengthen its decision-making and oversight functions and business execution functions of the Group management. As of June 2016, the managing officers number 16 (including six directors with dual roles as managing directors). Managing officers are also appointed for one-year terms.

### 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.

- 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 its subsidiaries by attending important management meetings such as meetings of the Board of Directors and Corporate Strategy Conference in order to understand operating conditions.
- We have in place an audit agreement with VERITAS & Co., which audits the Company thoroughly from a fair perspective.
- 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 at the Company and its subsidiaries and works to protect corporate assets and increase management efficiency by providing advice and proposals for remedial measures from a legal and rational standpoint.

### 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, and published an overview of its operational status in fiscal 2015 in our business report.

### Internal Control Report 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 2015, 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

#### Corporate Ethics Committee

We have established the Corporate Ethics Committee, which is chaired by a director with a dual role as a managing officer and reports directly to the president, to handle 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, and receive reports from inside or outside the Group. Group employees can 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

### 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.

In January 2016, we revised the Nisshinbo Group Risk Management Regulations, providing specific measures to strengthen operations through risk management. We revised the risk classifications that form the basis for risk identification according to global standards, and reviewing and reporting methods of the implementation status of risk countermeasures and put in place necessary systems.

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. In fiscal 2015, we reconfirmed tasks to be undertaken by a Group emergency headquarters from the time an earthquake occurs until our business continuity plan becomes operational (approximately 72 hours after occurrence). These activities were based on a hypothetical earthquake in the Nankai Trough, which is forecast to cause damage

over a wide area. The main thrust of the drill was for the people involved, including top management, to gain experience in the actual operation of the headquarters.

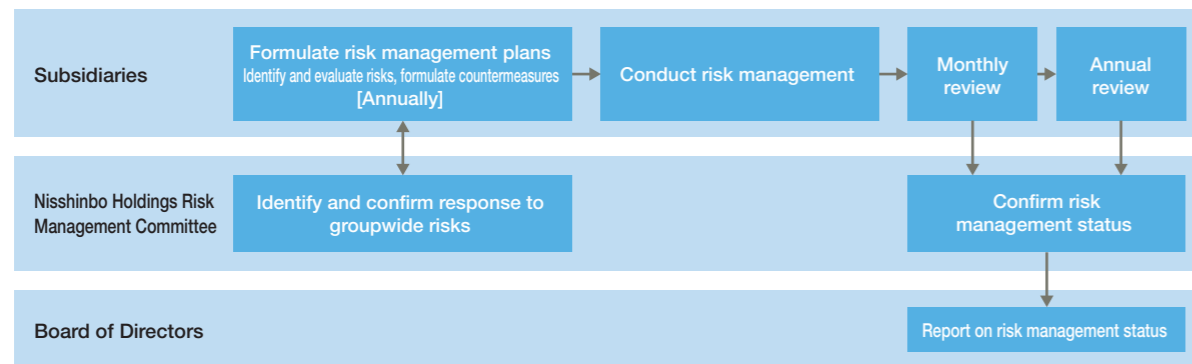
Specifically, the simulation involved establishing within the Company's headquarters building the Disaster Prevention Headquarters (which is to be put in place to direct Group management in the event a large-scale earthquake or other disaster causes an unavoidable interruption in business activities) and reporting to the leader of the headquarters (the Company president) the state of damage at Nisshinbo Group facilities throughout Japan. During the drill, videoconferencing systems were used to obtain reports from regional locations about the state of damage. After receiving reports from each business group, the leader of the headquarters concluded the drill by directing the transition to the Nisshinbo Group's BCP structure and the establishment of a BCP headquarters.

Going forward, we plan to conduct drills that involve the entire Group on an ongoing basis to minimize the impact on our operations even if a large-scale disaster should occur.



Disaster Prevention Headquarters

### Risk Management Promotion Structure



### 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 business sites. These drills are inspected by management each year, ensuring that disaster response activities are conducted energetically.

### Disaster Response Drill at the Japan Radio Advanced Technology Center

At the Advanced Technology Center of Japan Radio Co., Ltd., our new technology base for the electronics business, we conducted a joint disaster response drill involving the Nagano City Fire Department, Japan Radio and Nagano Japan Radio. In this large-scale drill, which assumed a fire resulting from an earthquake measuring Shindo 6 on the Japanese seismic intensity scale, 10 fire trucks and 50 fire-fighting personnel gathered to evacuate around 700 people working at the center. In this comprehensive drill, two ladder trucks evacuated personnel from the roof, a rescue team practiced rappelling down from the roof and a water truck discharged water.



Advanced Technology Center disaster response drill



## Environmental Activities



### 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)

### Start of Efforts toward Medium- to Long-Term Environmental Targets

In fiscal 2015, we conducted measures to reach the newly introduced medium- to long-term environmental targets and bolstered the management structure by assigning environmental management promotion persons at each business segment. To promote the initiatives adopted in the Paris Agreement at COP\* 21 in Japan and overseas, we continued to focus on efforts to conserve energy and reduce carbon, such as accelerating the installation of LED lighting and the switchover to gas as an energy source. We also set and began working on "preceding pilot project for ecosystem preservation" (see page 36) for fiscal 2018, the final year of the Third Medium-Term Environmental Targets (see page 19).

\* Conference of the Parties

### Long-Term Environmental Targets

The Nisshinbo Group's long-term environmental targets for 2025 are as follows.

#### 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





## FISCAL 2015 MATERIAL BALANCE

The table below shows the Nisshinbo Group's business activities and environmental impact\*1.

Environmental data sheets for principal subsidiaries are published on the Nisshinbo website.  
<http://www.nisshinbo.co.jp/english/csr/environmental.html>

### Inputs

<b>Energy Usage</b>		<b>11.08</b>	<b>Million GJ*2</b>	<b>(-1%)</b>
Breakdown	Electricity	800.0	Thousand MWh	(+2%)
	Solar power (included in Electricity) *3	1.25	Thousand MWh	(+14%)
	Coal	70.6	Thousand t	(-13%)
	Heavy oil	8.45	Thousand kL	(-5%)
	Town gas (including natural gas)	28.7	Million m <sup>3</sup>	( 0%)
<b>Water Usage</b>		<b>24,596</b>	<b>Thousand m<sup>3</sup></b>	<b>(-13%)</b>
Breakdown	Groundwater	15,517	Thousand m <sup>3</sup>	(+3%)
	Industrial water	8,487	Thousand m <sup>3</sup>	(-34%)
<b>Total Raw Materials Used</b>		<b>384.4</b>	<b>Thousand t</b>	<b>(-1%)</b>
Breakdown	Raw cotton, cotton fiber	31.7	Thousand t	(-2%)
	Pulp (including recycled paper pulp)	61.7	Thousand t	(-2%)
	Steel	90.2	Thousand t	(+3%)
	Brake friction materials	84.1	Thousand t	(+4%)
	Chemical substances	58.5	Thousand t	(-6%)
	Packaging materials	20.9	Thousand t	(-10%)
	Volume of PRTR substances*4	3,172	t	(-2%)
	Office paper usage	94,660	Thousand sheets	(+22%)

Figures in parentheses indicate change from the previous fiscal year.

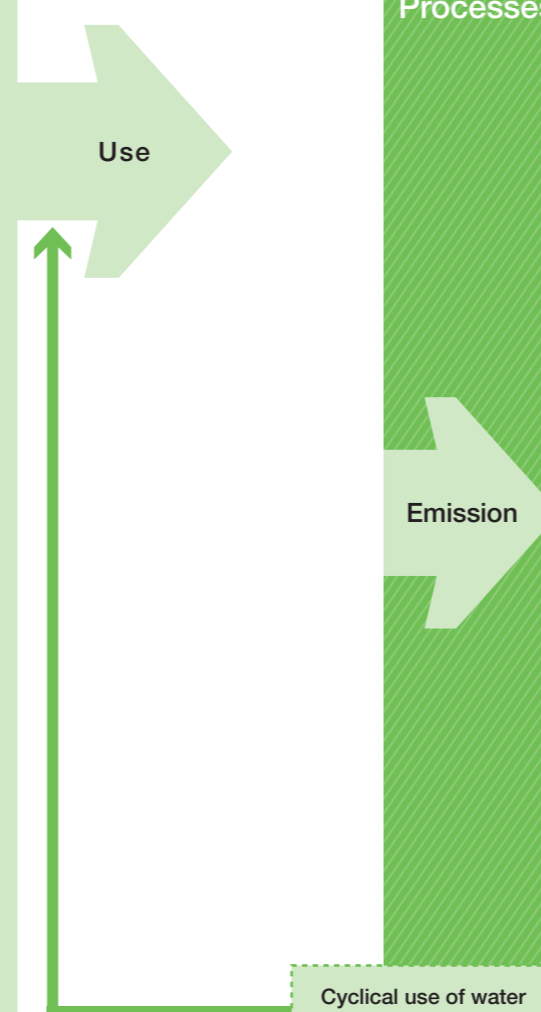
\*1 Figures for NANBU PLASTICS CO., LTD., and its subsidiaries are not included.

\*2 Gigajoules (GJ): A unit of energy. One gigajoule (109J) is approximately 240,000 kilocalories.

\*3 Excludes power sales under the system of feed-in tariffs on renewable energy.

\*4 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" and reports of their amounts of release and transfer must be filed.

### Business Processes



### Logistics

### Outputs

<b>Greenhouse gas emissions*5</b>		<b>730.6</b>	<b>Thousand t-CO<sub>2</sub></b>	<b>(-3%)</b>
Breakdown	Energy-derived*6	687.3	Thousand t-CO <sub>2</sub>	(-2%)
	Non-energy-derived*7	43.3	Thousand t-CO <sub>2</sub>	(-4%)
<b>Released into the atmosphere</b>				
Breakdown	NOx	253	t	(-4%)
	SOx	233	t	(+30%)
	VOC*8	76	t	(-32%)
	Dust and soot	53	t	(+152%)
<b>Released into water systems</b>				
Breakdown	Wastewater	23,648	Thousand m <sup>3</sup>	(-13%)
	COD*9	334	t	(-3%)
	SS*10	137	t	(-5%)
<b>PRTR substances</b>				
Breakdown	Released amounts	38.0	t	(+7%)
	Transferred amounts	284.6	t	(-17%)
<b>Total waste volume</b>		<b>65.3</b>	<b>Thousand t</b>	<b>(-5%)</b>
<b>Recycled waste</b>		<b>56.0</b>	<b>Thousand t</b>	<b>(-3%)</b>
<b>Products</b>		<b>340.5</b>	<b>Thousand t</b>	<b>(-2%)</b>
<b>Solar power sales</b>		<b>3.84</b>	<b>Thousand MWh</b>	<b>(+42%)</b>
<b>Transport volume *11</b>		<b>74.4</b>	<b>Million t-km</b>	<b>(-2%)</b>

\*5 Uses the CO<sub>2</sub> emission conversion factors shown in the appendix on page 30.

\*6 Energy-derived greenhouse gases: Greenhouse gases produced from the consumption of fuel.

\*7 Non-energy-derived greenhouse gases: Greenhouse gases produced from sources other than the consumption of fuel, such as from manufacturing processes and waste material.

\*8 VOC (Volatile Organic Compounds): Volatile organic compounds such as toluene.

\*9 COD (Chemical Oxygen Demand): An index of water contamination expressed as the volume of oxygen chemically required or chemically consumed.

\*10 SS (Suspended Solid): The amount of substances suspended in water.

\*11 Transport volume does not include marine transport in international waters.



## Environmental Management

### Environmental Management Promotion Structure

In order to contribute as an “environmental and energy company” group to the realization of a sustainable society, the Nisshinbo Group has established environmental management promotion guidelines. We have also put in place an environmental management promotion structure, led by the president of Nisshinbo Holdings Inc. as the highest environmental officer.

All sites that have acquired ISO 14001 certification are following 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 Inc. Corporate Strategy Conference held in June; if necessary, the system allows for instructions by the Company president, the highest environmental officer.

### Environmental Audits adapting to the 2015 Edition of ISO 14001

In September 2015, the international standards for environmental management systems were revised. Certified sites have already drafted plans for transitioning to the revised standards and begun preparations to do so. As a result, in addition to the regularly scheduled audits being conducted on the basis of current regulations, we are gradually conducting internal audits based on the revised regulations.

In February 2016, the newly established Nisshinbo Commercial Vehicle Brake Ltd. (Thailand) acquired certification under the 2015 version.

### The Status of Environmental Management Systems

The Nisshinbo Group is proactively working to promote its 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, 2016, 55 sites 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.

NANBU PLASTICS CO., LTD., and its seven subsidiary sites (two in Japan and five overseas), which joined the Nisshinbo Group in October 2015, were added as organizations that have received certification. In addition, TMD Group company Merrivale (South Africa) acquired certification, completing the certification of all manufacturing sites in the TMD Group.

In addition to ISO 14001 certification, the TMD Group is pursuing certification under the ISO 50001 standards for energy management systems. As of December 31, 2015, nine business offices have received certification (see chart at right).

### Organizations with ISO 14001 Certification

In Japan (26 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)
NANBU PLASTICS CO., LTD.	(integrated authentication)	(Haibara-gun, Shizuoka)
EXCEL TOKAI Co., Ltd.		(Gotemba City, Shizuoka)
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 (15 organizations)		
Shenzhen NJRC Technology Co., Ltd.		(China)
THAI NJR CO., LTD.		(Thailand)
Nisshinbo Automotive Manufacturing Inc.		(U.S.A.)
Nisshinbo Somboon Automotive Co., Ltd.		(Thailand)
Nisshinbo Commercial Vehicle Brake 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)
NANBU PHILIPPINES INCORPORATED		(Philippines)
TOMS MANUFACTURING CORPORATION		(Philippines)
PT. STANDARD INDONESIA INDUSTRY		(Indonesia)
PT. NANBU PLASTICS INDONESIA		(Indonesia)
Guangzhou Nanbu Plastics Co., Ltd.		(China)
TMD Group (14 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.)
Merrivale		(South Africa)

Details of related affiliated companies and business sites within each plant included in the scope of registration have been omitted.

\*Has also received energy management system (ISO 50001) certification.

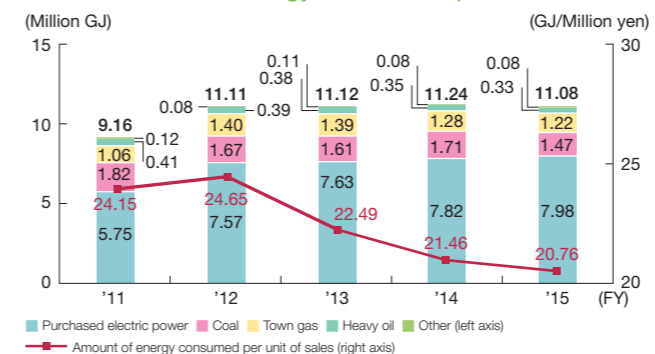
## Energy Conservation

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

The Nisshinbo Group's energy usage amounted to 11.08 million GJ, down 1% year on year. The amount of energy used per unit of sales was 20.76GJ/million yen, or a 3% reduction. The medium-term environmental targets introduced in fiscal 2015 call for a 5% reduction, compared with fiscal 2014 levels, in the amount of energy used per unit of sales by fiscal 2018. Achieving a 3% reduction in the first year demonstrates steady progress in our energy conservation activities.

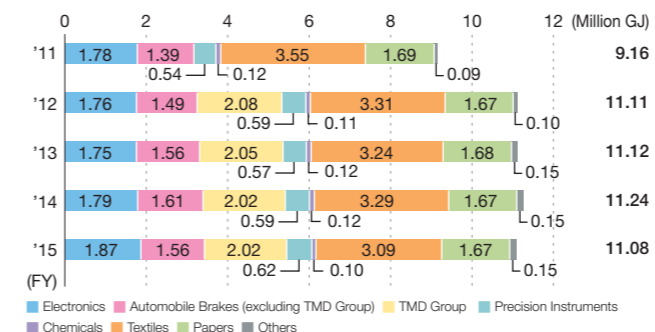
By type of energy used, purchased electricity accounted for 72% of the total. Of the total energy used, 13% was represented by coal used at two Indonesian subsidiaries in the textiles business (PT. Nisshinbo Indonesia and PT. Nikawa Textile Industry).

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



The textiles business segment consumed the largest amount of energy, but its usage amount is gradually decreasing. The amount of energy used is on an upward trend in the electronics, automobile brakes and precision instruments businesses.

### Amount of Energy Consumed by Business



### Accelerating the Installation of LED Lighting

The Nisshinbo Group began installing LED lighting in 2012, starting with a complete installation at the Osaka branch of Nisshinbo Textile Inc., and we are making progress on installing this lighting at other locations. At first, we concentrated on switching over lighting that consumed particularly large amounts of energy, such as the mercury lamps at manufacturing locations. Since fiscal 2014, we have also been converting locations in Japan and overseas with fluorescent lighting over to LED illumination. We gradually expanded these activities in fiscal 2015, installing LED lighting at the headquarters and four sales office locations of JRC Tokki Co., Ltd., 10 shops of TOKYO SHIRTS CO., LTD., and the injection molding plant at Nisshinbo Mechatronics (Thailand).

In fiscal 2016, we plan to install LED lighting at the Nisshinbo Holdings Inc. headquarters building.



LED lighting at the Thai injection molding plant

### Award for Using Electricity Effectively

In February 2016, the Nisshinbo Holdings Inc. R&D Center was recognized for its successful efforts to use electricity effectively and improve usage efficiency with an award by the Japan Electric Association. The R&D Center was named a Top-Level Energy Management Organization by the association's Kanto Branch Kanto Regional Electricity Use Rationalization Committee. Only two businesses in Chiba Prefecture were honored with this award.

The center previously used city gas as a heat source for its air conditioners. By switching over to electricity, it has achieved an energy savings. This conversion lowered the amount of energy used and its greenhouse gas emissions by more than 15%.



Award ceremony





## Global Warming Prevention

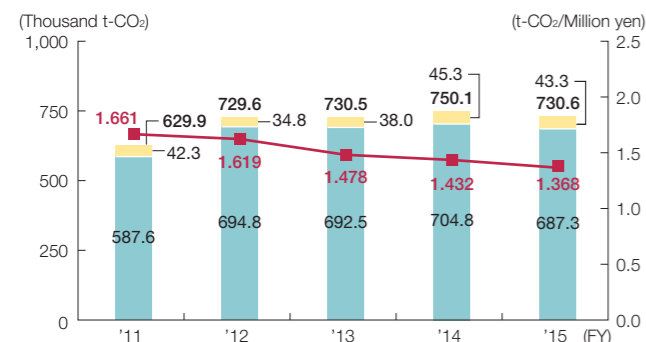
### Emissions of Greenhouse Gases

The Nisshinbo Group's greenhouse gas emissions amounted to 730,600 t-CO<sub>2</sub>, down 3% 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 medium-term environmental target calls for a 5% reduction against fiscal 2014 levels by fiscal 2018, so this decrease in the first year is significant. (Greenhouse gas emissions are calculated by using CO<sub>2</sub> emission conversion factors shown in Appendix\*. These conversion factors are also used for data during and prior to fiscal 2014. Due to a revision in law, nitrogen trifluoride emissions have also been calculated from fiscal 2015.)

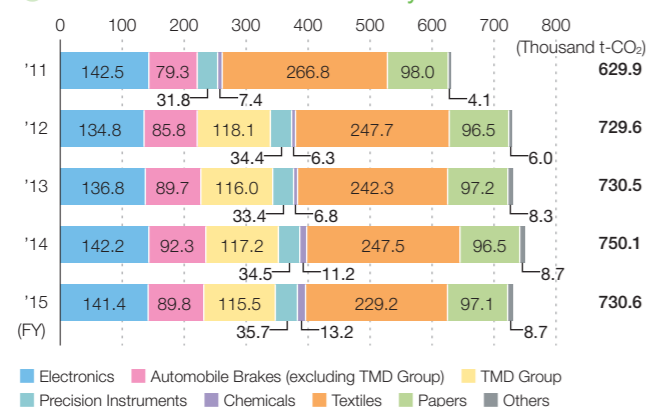
Perfluorocarbon (PFC) accounts for 68% of greenhouse gas emissions from non-energy sources. These emissions are mainly from electronic devices manufacturing processes by New Japan Radio Co., Ltd.

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



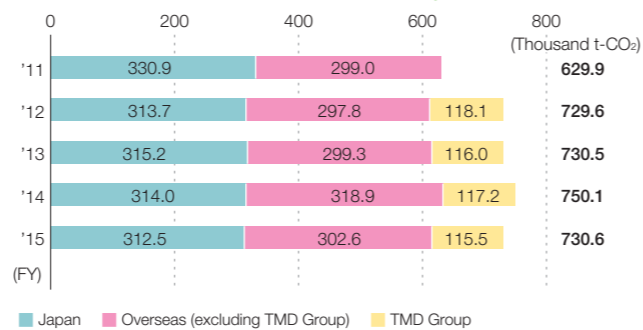
By business type, the textiles business accounts for 31% of overall greenhouse gas emissions, while 28% is attributable to the automobile brakes business, including the TMD Group. The large amount of emissions from the textiles business is due to the fact that production tends to be energy-intensive and the use of coal at subsidiaries in Indonesia.

### Greenhouse Gas Emissions by Business



Greenhouse gas emissions in Japan as a percentage of total greenhouse gas emissions was 43%.

### Greenhouse Gas Emissions in Japan and Overseas



### \*Appendix The CO<sub>2</sub> emission conversion factors

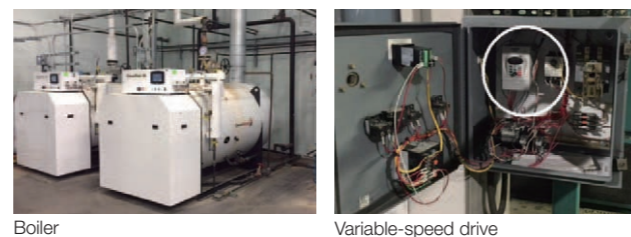
For calculating greenhouse gas emission volumes, the CO<sub>2</sub> emission conversion factors as defined in the "List of Calculation Methods and Emission Factors for Calculation, Reporting, and Publication" published by the Ministry of the Environment and based on the "Law Concerning the Promotion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

Electric Power	0.58 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>

### Reducing the Consumption of Natural Gas

Here are some of the initiatives taken by Nisshinbo Automotive Manufacturing Inc. (NAMI) in 2015 to reduce the amount of natural gas it consumes. The company installed a boiler with a variable-speed drive that controls gas combustion volume in five levels according to the amount of steam required. This approach succeeded in reducing consumption volume by 12%.

A variable-speed drive was also installed on the inlet fan of a direct-combustion deodorizer on the finishing line at the company. This drive reduced the air intake volume when the products were not moving along the production line, thereby reducing natural gas consumption by 15%.



Boiler Variable-speed drive

### Introducing Renewable Energy

Operations of photovoltaic modules installed by the Nisshinbo Group remained steady throughout fiscal 2015, generating 5.09 thousand MWh of power. The power generated by photovoltaic modules at the Miei Machinery Plant of Nisshinbo Mechatronics Inc. had previously been provided in part to a third party in exchange for green certificates. In April 2015, the company began using all of this power internally.

### Generation Capacity by Business Site in Fiscal 2015

Installation Site	Generation Capacity(kW)	Year Operation Commenced	Use
Nisshinbo Mechatronics Inc. Miei Machinery Plant	430	2010	Self-consumption
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	1,768	2013	Power sales
Nisshinbo Paper Products Inc. Tokushima Plant	1,768	2013	Test facility
Nisshinbo Precision Instrument & Machinery Hiroshima Corporation	1,020	2015	Power sales
<b>Total</b>	<b>4,028</b>		

### Beginning Production of Ultralow-Temperature Insulation Materials for Large-Scale LNG Tankers

Nisshinbo Chemical Inc. has received an order for and commenced production of insulation materials used in the construction of new large-scale LNG tankers. These tankers are used to transport LNG to Japan from shale gas fields in North America. The company is also working to expand orders for insulation materials used in other LNG fuel tankers and onshore LNG terminals. Through its insulation materials and technologies, the company is helping to reduce the global environmental impact.



Onshore LNG terminal



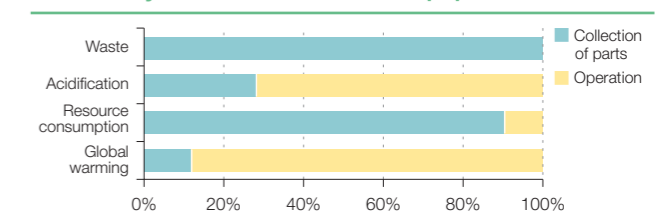
LNG Tanker

## Life Cycle Assessment

Life cycle assessment (LCA) is a process used to numerically assess the use of raw materials, their environmental impact, and their potential environmental impact on the earth and ecosystem over the entire life of a product, spanning the procurement of raw materials through to production, distribution, use and disposal. To determine and reduce its environmental impact, the Nisshinbo Group calculates LCA data, which it uses to improve product planning and manufacturing processes.

Multiple Interface Life Cycle Assessment (MiLCA), a software provided by the Japan Environmental Management Association for Industry, was employed for conducting LCA analysis.

### LCA Analysis of Vessel Radar Equipment

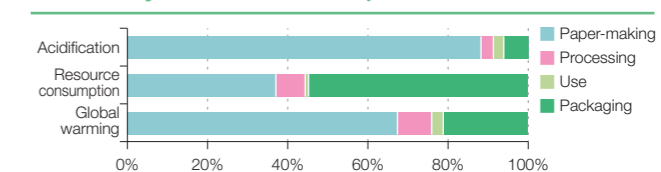


Japan Radio Co., Ltd., conducted LCA analysis on the JMA-9100, a vessel radar with automatic radar plotting aids. The figure above indicates the data calculated to show the environmental impact at every stage, from radar equipment production through to disposal. The results of this analysis show that the operation stage presents the largest environmental impact with regard to global warming.

This radar equipment consumes 350W of power, the heavy oil equivalent of which is around 100ml/hour. By comparison, the amount of heavy oil consumed by a vessel's engines may range from several hundred liters per hour for a medium-sized vessel to several thousand liters per hour for a large-scale tanker. Reducing engine operating times per route and lowering their use of heavy oil is therefore an important way of reducing the overall energy used in marine transport. From the standpoint of route optimization, radar equipment plays an important role in lowering environmental impact.

In addition to the radar equipment mentioned above, in fiscal 2015 the company conducted analyses on electronic chart and information display systems, GPS modules, 128QAM (quadrature amplitude modulation) large-capacity multiplex wireless communications equipment and x-band compact weather radar equipment.

### LCA Analysis of Kitchen Paper



Nisshinbo Paper Products Inc. performed an LCA analysis of kitchen paper in fiscal 2015. This analysis showed that the papermaking process has a substantial environmental impact in the acidification and global warming domains, but the environmental impact in the packaging process is highest in the resource consumption domain. Meanwhile, Tokai Seishi Kogyo Co., Ltd., which produces toilet paper, is reducing resource consumption by introducing machines that use kraft paper for packaging (see page 33).

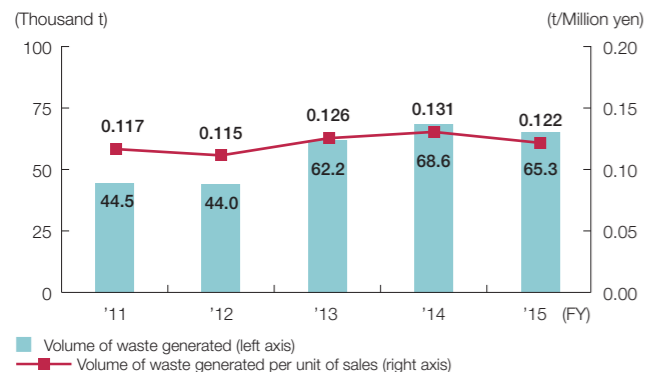


## Resource Conservation

### Volume of Waste Generated

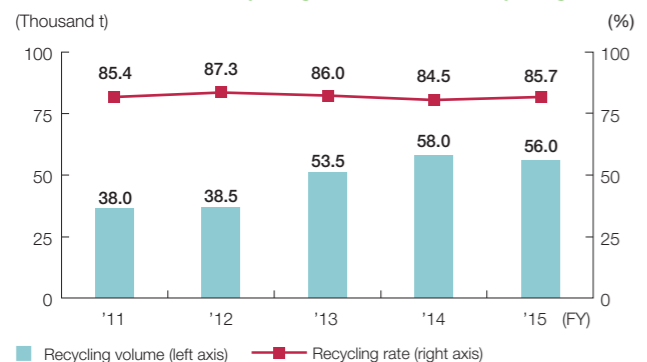
The volume of waste generated by the Nisshinbo Group was 65.3 thousand tons, down 5% year on year. This volume was also down 7% per unit of sales.

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



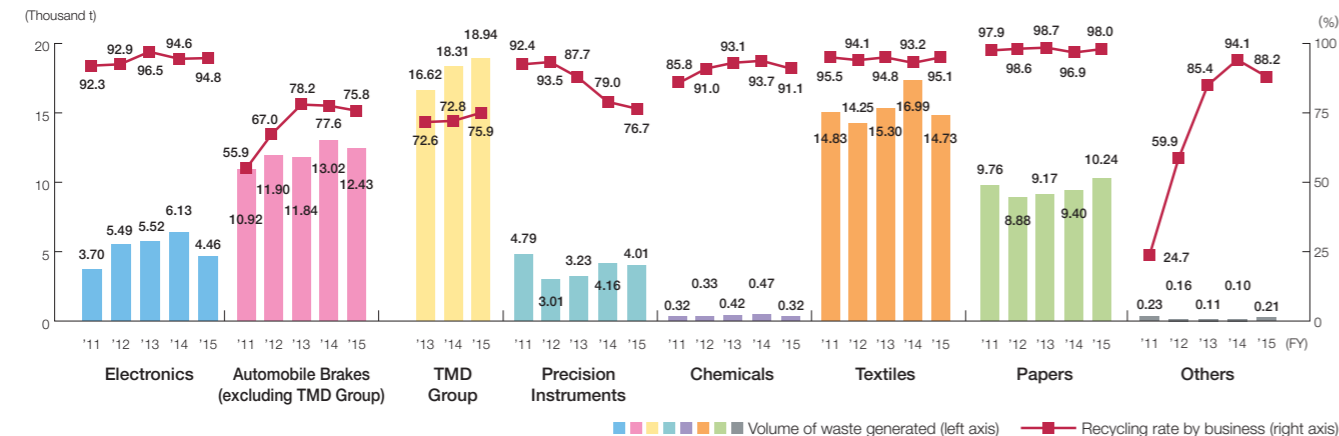
The recycling ratio improved by 1.2 percentage points year on year.

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



The Nisshinbo Group has set the long-term environmental target of achieving a 95% recycling rate by fiscal 2025. To this end, we are engaging in initiatives to reduce the amount of waste produced by each business.

#### 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). We have achieved zero emissions at 16 locations that generated 10 tons or more of waste in fiscal 2015.

#### Sites that have Achieved Zero Emissions

Nisshinbo Holdings Inc. R&D Center
JRC Tokki Co., Ltd.
Japan Radio Glass Co., Ltd.
New Japan Radio Co., Ltd.
NJR FUKUOKA CO., LTD.
Ueda Japan Radio Co., Ltd.
Nisshinbo Brake Inc. Tatebayashi Plant
Nisshinbo Brake Inc. Toyota Plant
TMD Friction, INC. Troy
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

### Ministerial Award as an Excellent Company in 3R Activities

The Tokushima Plant of Nisshinbo Holdings Inc. has achieved zero waste emissions (a recycling rate of 99% or more) for the three consecutive years since fiscal 2012. In recognition of this feat, the plant was named an excellent company in 3R\* activities, receiving a Minister of the Environment Award for Promoters of the Development of a Recycling-Oriented Society. This award was the first of its kind for the Nisshinbo Group.

This plant was also certified as a "practicing plant" under the Tokushima Recycling Certification System (fiscal 2013). Around 85% of the animal and plant remains (strawberry leaves) emitted as waste in strawberry production from a plant factory within the Tokushima Plant is naturally dried to reduce its volume and recycled as biomass fuel.

\* 3R: An abbreviation referring to reduce (decrease waste generated), reuse (use materials again) and recycle (use waste as resources)



Award ceremony

### Resource Conservation Activities in the Supply Chain

The Yoshinogawa Plant of Nisshinbo Textile Inc. engages in the dyeing and finishing of cloth. After dyeing and finishing, cloth is rolled onto paper cores for shipping, but those paper cores are discarded as unnecessary when customers use the cloth. In June 2015, in cooperation with certain clients the plant began collecting these cores for reuse. By December, it was reusing 78% of the total amount of paper cores used in shipping.

### Introducing Kraft Paper Packaging Equipment

In August 2015, Tokai Seishi Kogyo Co., Ltd., which uses recycled paper in its production of household papers, introduced kraft paper packaging equipment at its two main toilet tissue production lines. This type of packaging weighs only around one-fifth the amount of conventional cardboard cases, helping to conserve resources and lower expenses.



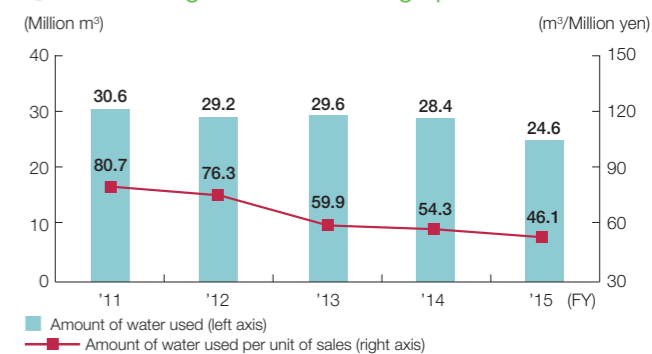
Environmentally conscious packaging also lowering costs

### Use of Water Resources

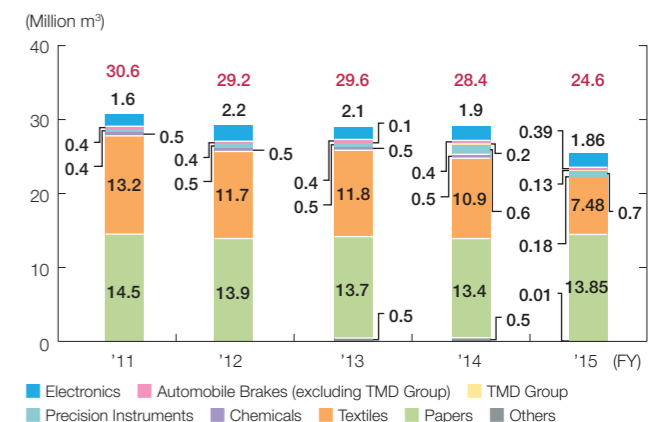
Through efforts to use water resources more efficiently, the Nisshinbo Group reduced its water usage by 13% year on year, to 24.6 million cubic meters. The volume of water used per unit of sales was also down 15%.

The amount of water recycled increased 10% from the previous year. This result was attributable to the additional 140,000 cubic meters of water recycled at Nisshinbo Textile Inc. Yoshinogawa Plant.

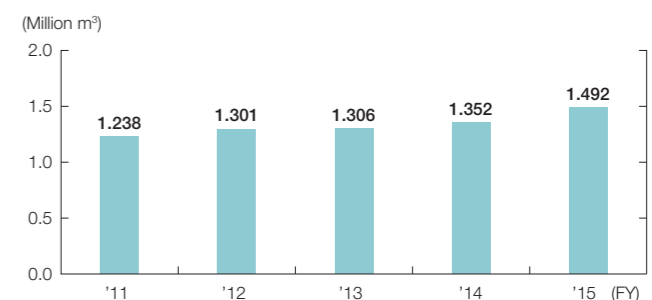
#### Water Usage and Water Usage per Unit of Sales



#### Trends in Volume of Water Used by Business



#### Trends of Water Recycled



By type of business, water use in the papers business accounted for 56% of the total. The textiles business, for which use is falling, accounted for 30%. Accordingly, these two businesses accounted for 86% of the Nisshinbo Group's total water use.



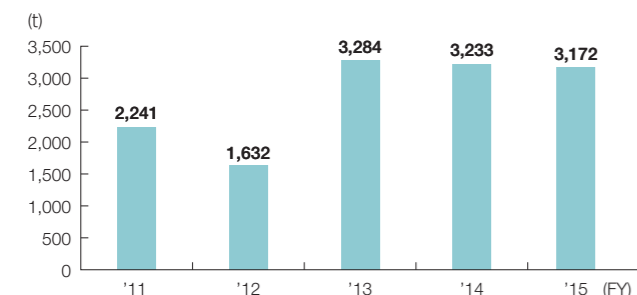


## Chemical Substance Management

### Volume of Chemical Substances Handled

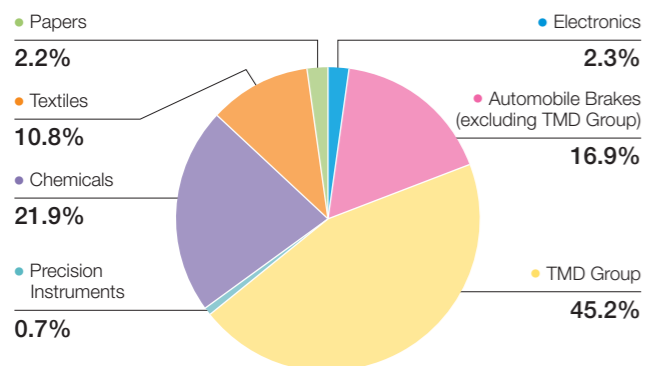
Major items making up the Nisshinbo Group's volume of PRTR substances handled were antimony (998 tons) and chromium (535 tons) for brake materials, and methylenebis (4,1-phenylene) = diisocyanate (578 tons) for urethane materials. These production materials increased in proportion to production volume. Overall, the volume of PRTR substances handled was 3,172 tons, or down 2% year on year.

#### Trends in the Volume of PRTR Substances Handled



By business, the automobile brakes business, including the TMD Group, accounted for 62% of the total for the Nisshinbo Group.

#### Volume of PRTR Substances Handled by Business



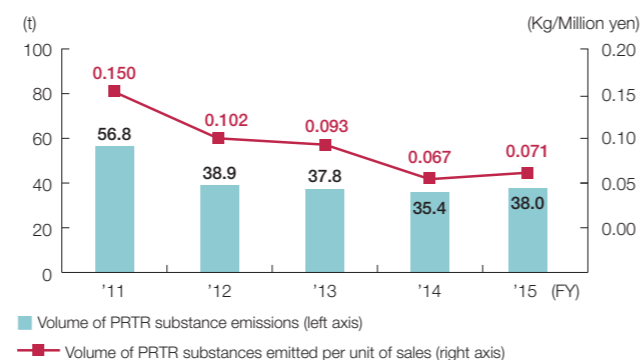
Amount Handled by Business (t)

Electronics	72
Automobile Brakes (excluding TMD Group)	537
TMD Group	1,433
Precision Instruments	21
Chemicals	694
Textiles	342
Papers	71
Others	2

### Volume of Chemical Substance Emissions

The Nisshinbo Group's amount of PRTR substances emitted into the environment was 38 tons, up 7% from the previous year. Emissions per unit of sales were up 6%.

#### Trends in Volume of PRTR Substance emissions and Volume of PRTR Substance emissions per sales

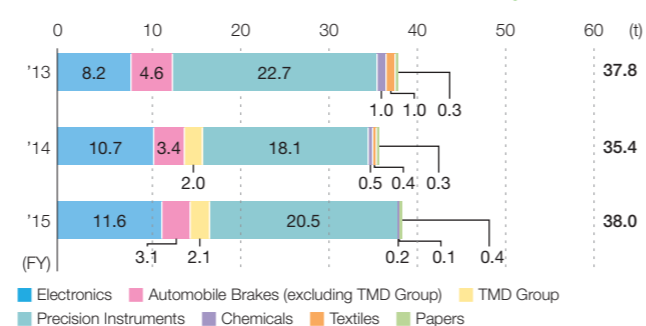


#### Emission Breakdown by Chemical Substance

Substance	Discharge Volume (t)	Ratio (%)
Dichloromethane	16.3	42.8
Toluene	9.6	25.3
Xylene	5.3	14.0
Antimony	2.2	5.7
Hexamethylenetetramine	1.2	3.3
Ethylbenzene	0.9	2.3
Chromium	0.9	2.3
Molybdenum	0.5	1.3
Methylnaphthalene	0.4	1.2
Others	0.7	1.8

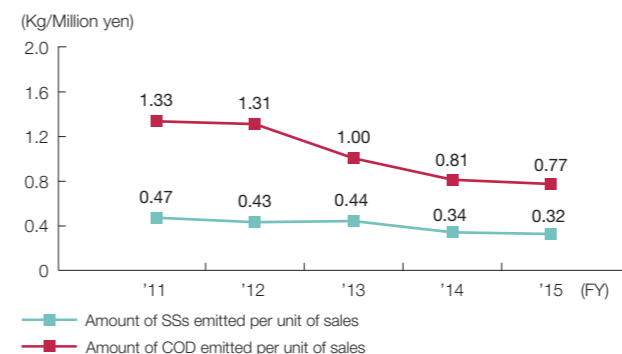
By business, precision instruments, which emitted dichloromethane, accounts for 54% of total of chemical substance emissions. This business continues to work on alternative substitutes anticipating a sharp reduction in emissions volumes in fiscal 2016.

#### Volume of PRTR Substances Emitted by Business



### Treating Wastewater

The volume of suspended substances (SSs) in water emitted per unit of sales at Nisshinbo Group decreased 6% from the previous year. The amount of chemical oxygen demand (COD\*) emissions per unit of sales decreased by 5% from the previous year.

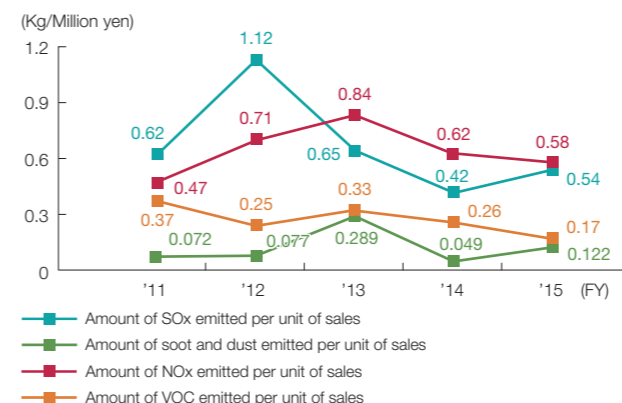


\* COD (Chemical Oxygen Demand): An index of water contamination expressed as the volume of oxygen chemically required or chemically consumed.

### Atmospheric Releases

The Nisshinbo Group's emissions of sulfuric oxides (SOx) per unit of sales increased by 29% from the previous year.

Emissions of nitrogen oxides (NOx) per unit of sales were down 6%, and volatile organic compound (VOC\*) emissions fell 35%. Soot and dust emitted per unit of sales rose 150% year on year. PT. Nikawa Textile Industry, which uses coal as a source of energy, accounts for 69% of dust and soot emissions.



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

### Developing Copper-Free Friction Materials

Nisshinbo Brake Inc. has been working for some time to produce friction materials that have a reduced environmental impact, and the company has launched a number of such low-impact products into the market.

In recent years, 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 has led some states to introduce measures limiting the use of copper. Nisshinbo Brake Inc. has developed friction materials that contain less than 0.5% of copper. The company is obtaining certification in the United States for these products and proposing their use to customers in an ongoing effort to have them on the market ahead of the new regulations going into effect in 2021.

### Large-Scale Disaster Response Drill at a Facility Handling Dangerous Substances

In June 2015, the Nisshinbo Group Tokushima Plant conducted a large-scale disaster response drill at facilities handling dangerous substances in collaboration with six nearby disaster prevention agencies. A total of 80 people participated in the drill, including 19 from the plant. The drill was based on a hypothetical state of emergency resulting from a leak near the fuel tank.



Large-scale disaster response drill

### Moving to 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, Nisshinbo Textile Inc. has made an early movement to eliminate its use. During fiscal 2016, the company expects to complete the transition to alternative, PFOA-free substances in Japan and overseas.



## Biodiversity

### Participating in the Japan Business and Biodiversity Partnership

Nisshinbo Holdings Inc. participates in the Japan Business and Biodiversity Partnership, which is made up of economic organizations, businesses, NGOs and local governments, and engages in activities to protect biodiversity.

Whereas our Second Medium-Term Environmental Targets

focused on investigation, education and awareness activities, under the Third Medium-Term Environmental Targets that went in place in fiscal 2015, we set for each business at least one preceding pilot project for ecosystem preservation. Accordingly, we are undertaking specific biodiversity preservation activities.

### ● Preceding Pilot Project for Ecosystem Preservation

Company, Business Site	Related Aichi Target*	Details of Preservation	Wildlife Preserved, etc.
Japan Radio Co., Ltd.	Target 6: Preservation of marine resources	Gathering of basic data on the preservation of marine resources in Tokyo Bay collaborating with the Tokyo University of Marine Science and Technology.	Habitat survey of Whitespotted conger from a fisherman's perspective
New Japan Radio Co., Ltd. Japan Radio Glass Co., Ltd.	Target 11: Preservation of important ecosystems (hot spots and tidal flats, etc.)	Preservation of the Shingashigawa River waterfront environment near business sites (Fujimino, Saitama Prefecture)	Flora and fauna near the Shingashigawa River (species to be protected not specified)
Nagano Japan Radio Co., Ltd.	Target 5: Preservation of natural habitats	Afforestation and preservation of a forest near business sites, the "Forest of Nagano Japan Radio" (Matsushiro-cho, Nagano, 0.4ha)	Ecosystems or endemic species cultivated in Japanese Larch forests (species to be protected not specified)
Nisshinbo Brake Inc. Tatebayashi Plant	Target 12: Preservation of endangered species	Preservation activities at the Nakanonuma nishinuma in Oura-machi, Oura-gun, Gunma Prefecture	Kin-buna (Ministry of the Environment: Threatened category II), etc.
Nisshinbo Brake Inc. Toyota Plant	Target 5: Preservation of natural habitats	Setup and ongoing management of the Nishi Hirose-Maruneyama Biotope	Ecosystem preservation related to protected species, including the Japanese giant flying squirrel, the great purple emperor and the balloon flower
Nisshinbo Mechatronics Inc. Miai Machinery Plant	Target 11: Preservation of important ecosystems (hot spots and tidal flats, etc.)	Habitat creation for dragonfly varieties at the on-premises Masuda Park and Chitose Inari Shrine	Dragonflies (anticipated arrival and breeding of the Asian Bluetail, the lesser emperor and other dragonflies)
Nisshinbo Holdings Inc. R&D Center Nisshinbo Chemical Inc. Toke Plant	Target 12: Preservation of endangered species	Surveys, protection and propagation of valuable species living in the surrounding forest (Onodai, Midori-ku, Chiba)	<i>Cephalanthera falcata</i> (Thunb.) Blume (Ministry of the Environment: Threatened category II)
Nisshinbo Textile Inc. Fujieda Plant	Target 12: Preservation of endangered species	Preservation of water quality at a pond on the plant site	Japanese rice fish (Ministry of the Environment: Threatened category II)
Nisshinbo Paper Products Inc. and three other companies Tokushima Plant	Target 12: Preservation of endangered species	Propagation of fish fry donated by Tokushima Prefecture in fire protection water tanks and release into the river several years later	Golden venus chub (Tokushima Prefecture: Threatened category IA; Ministry of the Environment: Threatened category IB)

\* Targets to be met by 2020, set at the 2010 meeting of the Conference of the Parties to the Convention on Biological Diversity

### Examples of Biological Preservation

#### ■ Golden venus chub

The golden venus chub, a freshwater fish, had been believed to be extinct in Tokushima Prefecture, but was found alive in 2004. The Tokushima Prefecture Fisheries Research Division then succeeded in breeding the fish and began propagating the species and returning it to its original habitat. The Tokushima Plant of Nisshinbo Holdings Inc., Nisshinbo Chemical Inc., Nisshinbo Textile Inc. and Nisshinbo Paper Products Inc. participated in a liaison conference on the propagation and release of the Golden venus chub. The companies also released fish fry donated by Tokushima Prefecture into their fire protection water tanks to encourage their propagation.



Golden venus chub



Golden venus chub being released into fire protection water tanks

#### ■ *Cephalanthera falcata*

The R&D Center of Nisshinbo Holdings Inc. and the Toke Plant of Nisshinbo Chemical Inc. have become members of the Chiba Business Network for Biodiversity, established by Chiba Prefecture, and are working to protect the *Cephalanthera falcata*, which lives within the Toke Midorinomori Industrial Park. The *Cephalanthera falcata*, a perennial plant belonging to the *Orchidaceae* class, relies on the carbon sources produced from organic matter in the soil broken down by mycorrhizal fungi\*, in addition to the carbon sources they produce themselves through photosynthesis. Artificial cultivation is therefore difficult.

\* Mycorrhizal fungi form filaments in the soil that act as the extension of root systems, forming symbiotic relationships with plants.



*Cephalanthera falcata*

### Participating in the Tree Planting Festival

In May 2015, Ueda Japan Radio Co., Ltd., participated in the Tree Planting Festival in Geijutsumura Park in Yaehara, in the city of Tomi. More than 420 people, including local Junior Green Friends members, participated in the activity, planting 1,150 trees, including Kobushi magnolia and maple. After the planting, they enjoyed making Baumkuchen over a charcoal fire. Their efforts helped to cultivate the forest and create a verdant and lush local area.

The company also cultivated seedlings for planting by residents of the prefecture to coincide with the National Tree Planting Festival held in Nagano Prefecture in 2016.



Planting trees



Tree Planting Festival participants





## Transport Volume

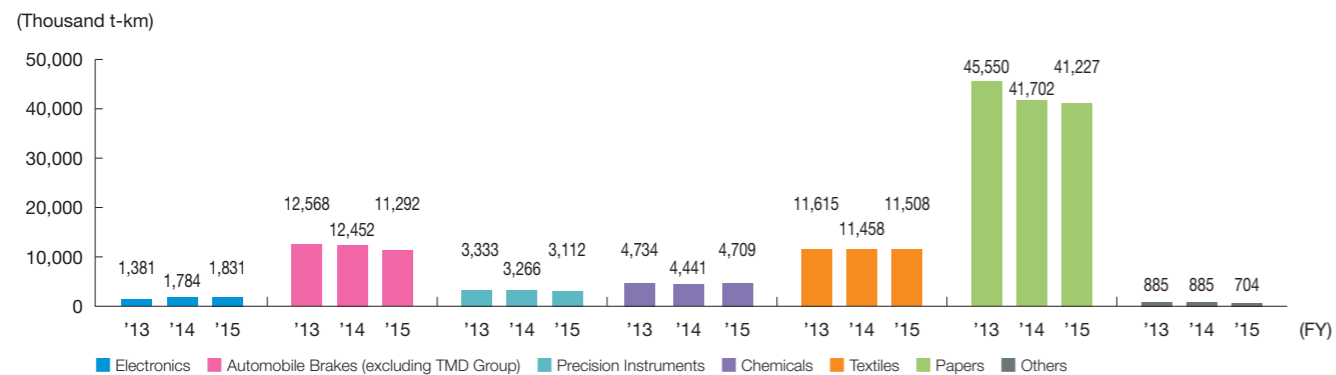
The amount of cargo shipped by the Nisshinbo Group decreased 2% from the previous year, and the amount of cargo shipped per unit of sales fell by 4%.

By business, the papers business accounted for 55% of total transport volume. This segment ships numerous bulky products, such as toilet tissue, 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 by seeking action from outsourced distribution partners to promote eco-driving, introduce fuel-efficient vehicles and work to acquire green management certification\*. Also, the company sells 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 by Business

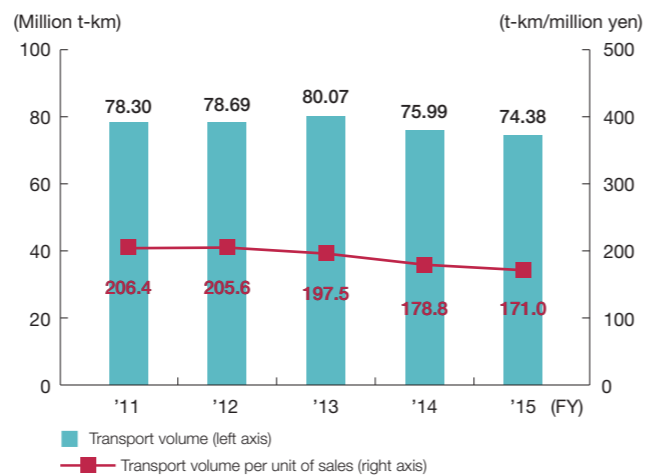


### Restructuring of Logistics Project

New Japan Radio Co., Ltd., is beginning a restructuring of logistics project aimed at establishing a global distribution system suited to its production system and sales strategy for its electronic devices.

Through this project, the company intends to improve its distribution network (logistics flow, warehouse arrangement, distribution operators) in the aim of establishing a distribution management structure and framework that will further enhance shipping efficiency and reduce environmental load. Improvements on the logistics flow and warehouse arrangement have already been completed, and the company is now working to shorten distribution lead times.

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



### Increasing Transport Efficiency in the Value Chain

Iwao & Co., Ltd., used to ship bathtub insulation material produced by a supplier at its factory in Yamaguchi Prefecture to the cities of Yokkaichi, in Mie Prefecture, and Ishioka, in Ibaraki Prefecture. Last year, the company obtained cooperation from the supplier to change its production factory to their subcontractor in Gifu Prefecture, which is closer to Mie and Ibaraki. This move enhanced transport efficiency and realized cost savings, and the company received a letter of thanks from customers for its efforts.

### Decreasing Transport Loads by Reducing the Volume of Waste

The Tatebayashi Plant of Nisshinbo Brake Inc. has installed a compression packaging machine to reduce the volume of the bags in which it packages raw materials for the production of friction materials.

This equipment is helping to reduce transport frequency of the waste. In addition, it is allowing better efficiency in the placement of product boxes on pallets, which has reduced the number of pallets and shipments.

## Environmental Contribution Activities

In the past, in these pages we have introduced contributions by relatively large-scale sites. The examples below, however, report on environmental contribution activities at branches, sales offices and other locations.

### Participating in Clean Otagawa

The Ota River is a well-known river in Hiroshima Prefecture. Clean Otagawa, a cleanup activity to beautify the environment around the Ota River, was held in July 2015, with 11 employees from the Chugoku Branch of Japan Radio Co., Ltd., participating. Birds inhabiting the area around the Ota River, which runs through the city of Hiroshima, include the rare oriental honey buzzard. The river also hosts rare species of fish, such as the upstream fat minnow, dark chub and *Rhinogobius flumineus*. Seventy years since the city was bombed, Hiroshima has returned to a city of abundant water and greenery, and we are cooperating in biodiversity protection of the city.



Cleanup activities



Clean Otagawa participants

### Activity for Preserving Forests to Protect Water Resources

In October 2015, five members of the Yamaguchi Sales Office of Japan Radio Co., Ltd., participated in the Activity for Preserving Forests to Protect Water Resources, sponsored by Yamaguchi Prefecture. The activity was aimed at fostering better understanding of the functions forests serve that are essential to corporate activities and human life, such as watershed cultivation and preventing global warming. At the same time, it was designed to promote the maintenance and appropriate management of forests.

Under the direction of the Yamaguchi Agriculture and Forestry Office, participants sawed down cedar trees to thin the forest. Creating spaces between the trees encourages plant growth, which boosts forests' water retention capability. Through this activity, participants gained first-hand experience on forestry and the function of forests.



Forest thinning

### Contributing to the Green Fund

The Headquarters Plant of JRC Tokki Co., Ltd., has installed vending machines that promote greening, with 1% of sales from these machines contributed to Green Fund activities. The Green Fund's activities are broad-based; it is used for school and regional greening that helps protect greenery in Kanagawa and reforestation activities in Tanzawa.



Vending machines that promote greening



## Environmental Accounting

### Environmental Conservation Costs

The Nisshinbo Group's total investment in the environment for fiscal 2015 was ¥856 million, up 4% from the previous year.

Major environmental investment items included R&D into new materials at the Tatebayashi Plant of Nisshinbo Brake Inc., and site reorganization at Japan Radio Co., Ltd.

The Nisshinbo Group's total spending on environmental conservation for fiscal 2015 was ¥2,938 billion, down 17% from the previous year.

### Environmental Conservation Effects

Due to its environmental conservation activities, the Nisshinbo Group's greenhouse gas emissions decreased by 1,870 tons from the preceding fiscal year.

### Income from Environmental Conservation Measures

The Nisshinbo Group's total economic benefit from environmental conservation for fiscal 2015 was ¥448 million, down 24% from the previous year.

### Environmental Accounting Spreadsheet for Fiscal 2015

Category		(1) Environmental Conservation Costs			
		Investment (million yen)	YOY Change (%)	Costs (million yen)	YOY Change (%)
On-site	Pollution prevention cost	298.7	+34	706.2	+19
	Environmental conservation costs	124.1	-69	143.9	+5
	Resource recycling costs	44.1	+31	453.1	-18
Upstream/downstream costs		0	-	29.8	-11
Management costs		40.8	+179	216.5	+24
R&D costs		348.6	+129	1,253.5	-34
Social activity costs		0	-	6.6	+145
Environmental remediation costs		0	-	121.6	-20
Other costs		0	-	6.6	+59
<b>Total</b>		<b>856.3</b>	<b>+4%</b>	<b>2937.8</b>	<b>-17%</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 effects	139	-15	0	-
	Environmental conservation effects	1,633	-49	43.2	-74
	Resource recycling effects	93	+656	376.4	-11
Upstream/downstream effects		0	-	27.5	+1,945
Management effects		5	-	0	-
R&D effects		0	-	0.7	-
Social activity effects		0	-	0	-
Environmental remediation effects		0	-	0	-
Other effects		0	-	0	-
<b>Total</b>		<b>1,870</b>	<b>-44%</b>	<b>447.8</b>	<b>-24%</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 2015, we conducted an analysis based on questionnaire results related to human rights issues targeting overseas subsidiaries.

### Harassment Advisor

The Nisshinbo Group has established a point of contact for harassment consultations, at which consultations regarding sexual harassment and workplace bullying are provided, at each of the Group companies.

In principle, two or more people, at least one man and one woman, are designated as advisors, making it a system that provides easy access to consultation. Furthermore, we provide a training program for newly appointed harassment advisors to learn 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 arranging our training programs for new employees, newly appointed supervisors, managers and senior managers by position level and skill set. We also provide general education on safety, human rights and the environment, specialized education on technologies, accounting and intellectual property depending on business and function. In fiscal 2014, we introduced a special training program for successors of executive managers to help them get an early start on acquiring the mindset, knowledge and role behaviors they will need as future members of executive managers.

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

We also focus on cultivating human resources who will play a role in global business. We conduct overseas pre-departure training programs to help them gain knowledge in areas such as cross-cultural communication, compliance and risk management and put in place a policy to promote overseas experience for employees less than 35 years of age.

To improve their language skills, we send employees to be dispatched overseas to language schools for training and offered two to six months of language training in the United States and China for young employees. We also provide support for employees taking English conversation classes online and language skill test that can be taken on the Web. From fiscal 2015, we began training programs in English and business Japanese in cooperation with Group companies.

### Primary Training and Systems

**Education and Training by Position**  
Training for new employees, training for newly appointed supervisors, training for newly appointed managers and senior managers

**Training for Leaders**  
Logical thinking improvement training, coaching training, management strategy basic training, corporate strategy training, executive managers training program

**Global Training for Employees Being Reassigned Overseas**  
Overseas education in English and Chinese, global human resource training, overseas pre-departure training program, overseas experience promotional programs for young employees, language training before and after overseas trips, overseas subsidiary top management training, tuition support for online English conversation classes, English writing training, training in logical organization of Japanese text, and compensation for TOEIC and CASEC testing fees.

**Self-Improvement and Career Support**  
Young employee follow-up system, N-OJT, Goal Management System, New Challenge System (internal job openings), assistance for external training, correspondence courses and qualification acquisition, etc.

**General Education and Training**  
Education and training in corporate philosophy, safety, human rights, the environment, occupational health, compliance, accounting, etc.

**Specialized Training**  
Specialized technical training, manager and supervisor training, technical education, accounting training and intellectual property training





### Promoting a Work-Life Balance

The Nisshinbo Group supports efforts to balance work with such life events as childbirth, child-rearing and nursing care. For this reason, we are expanding and promoting our systems to support employees in childbirth and child-rearing, attending to sick family members and providing nursing care.

#### Initiatives in the Electronics Business

To support a balance between work and childcare and between work and nursing care, Japan Radio Co., Ltd., New Japan Radio Co., Ltd., and Nagano Japan Radio Co., Ltd., have put in place support systems that exceed the standards provided by the Child Care and Family Care Leave Act, and the companies are revising their systems on an ongoing basis.

#### Systems to Support a Balance between Work and Childcare

The companies have introduced systems of shorter working hours for childcare that exceed the legal standards (children younger than three years old).

Company Name	New System
Japan Radio	<ul style="list-style-type: none"> <li>The previous system ended when children completed the third year of elementary school. The new system has been extended until children graduate from elementary school.</li> </ul>
New Japan Radio	<ul style="list-style-type: none"> <li>The system was extended until children complete the third year of elementary school (from April 2008).</li> <li>In addition, the flex-time system can be used for purposes of child-rearing (to be introduced in October 2016).</li> </ul>
Nagano Japan Radio	<ul style="list-style-type: none"> <li>Previously applicable until children enter elementary school, the system has been extended until children complete their third year of elementary school.</li> </ul>

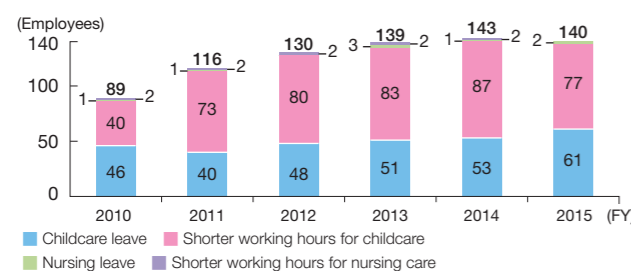
In addition, to support a balance between work and childcare and encourage fathers to participate actively in child rearing, New Japan Radio began holding an annual family education course in 2012. The company invites Saitama Home Education Advisors to provide lectures and offers experience-based learning for parents and children, provides tours of electronic device plants and holds luncheon meetings.

#### Systems to Support a Balance between Work and Nursing Care

The companies have introduced systems that exceed the legal standards (targeting: spouses, parents and children, as well as grandparents, brothers and sisters, grandchildren and spouses' parents if living together and dependent; period: up to a total of 93 days per family member).

Company Name	New System
Japan Radio	<ul style="list-style-type: none"> <li>The "living together and dependent" condition for family members was removed, and the system was extended to include up to second-degree blood relatives.</li> </ul>
New Japan Radio	<ul style="list-style-type: none"> <li>The period was extended to 365 days (from April 2005).</li> <li>In addition, applicable reasons for using the flex-time system will be expanded to include nursing care (to be enacted in October 2016).</li> </ul>
Nagano Japan Radio	<ul style="list-style-type: none"> <li>The period was extended to 365 days (from April 2002).</li> </ul>

#### Number of People at Three Electronics Companies Making Use of Systems Related to Child Rearing and Nursing Care



## Safety and Health

### Safety and Health Activities

With regard to workplace safety, the Nisshinbo Group's conduct guidelines emphasize placing top priority on safety in its business activities. The Group accordingly conducts regular safety and health activities, promotes individual physical and mental health management, and strives to ensure a safe and agreeable workplace environment.

In fiscal 2015, we defined priority policies in this area and rolled them out across each subsidiary. These policies are: ensuring that a thorough awareness of safety goes before all else, promoting risk assessments (work procedure, equipment and chemical substances) and conducting safety education to heighten sensitivity to danger among individual employees.

#### Safety and Health Activities

At each of our worksites, we conduct risk assessments on equipment, work behavior and chemical substances, and then enact preventive measures according to priority. We also implement countermeasures based on findings from near-miss reports and prepare measures taking 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.

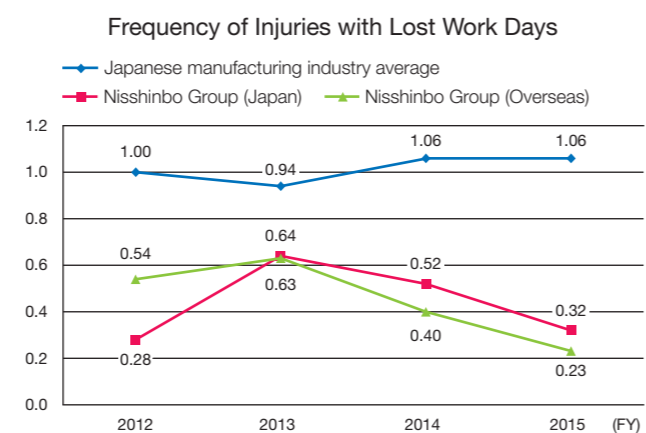
#### Occurrence of Occupational Injuries

In fiscal 2015, 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 0.32, lower than the manufacturing industry average and an improvement from the fiscal 2014 level of 0.52. At our overseas sites (excluding the TMD Group\*2), this frequency improved from 0.40 in fiscal 2014 to 0.23 in fiscal 2015.

\*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.



#### Activities at Overseas Sites

As the Nisshinbo Group moves towards globalization, its overseas sites have grown to outnumber its domestic ones. The management and safety officers of each subsidiary provide on-site guidance on the implementation of policies to prevent the recurrence of occupational accidents in Japan and at overseas sites.

In 2015, we took steps to eliminate unsafe behaviors with a focus on ensuring that a thorough awareness of safety goes before all else and conducting safety education to heighten sensitivity to danger among individual employees. We also continued fostering an awareness of the dangers of chemical substances, promoted the thorough use of protective equipment and worked to prevent health problems.

#### Safety and Health Audits

The Nisshinbo Group conducts regular occupational safety and health audits of its domestic manufacturing sites. A monitoring team composed of the Health & Safety Group from Nisshinbo Holdings Inc., labor union, 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 2015, regular occupational safety and health audits were conducted at 24 business sites.

The Health & Safety Group also conducted safety inspections at six 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, and incorporate this information into workplace safety and health activities in the following fiscal year.

#### Management Review

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.

### Nisshinbo Brake's "Safety Dojo"

Nisshinbo Brake Inc. uses a "safety dojo" approach to promote safety and health education.

The company introduced the "safety dojo" as an educational facility in its Toyota Plant in 2011. The dojo provides educational equipment arranged according to 13 themes, including being caught in equipment, trouble with lower back pain, 5S and risk assessment. Being mobile, this equipment is referred to as "teaching stalls." Rather than providing lecture-based unidirectional safety and health education, the dojo simulates occupational accidents so that participants can sense the fear of nearby danger. For example, to simulate the danger of getting caught in equipment, the teaching stall on being caught in equipment offers three danger sensations: of becoming caught in a roller, of becoming entangled in a chain and of being wrapped up in a drill. The teaching stall on lower back pain uses a life-size model to demonstrate visually how the lower back is stressed as pressure is applied. The teaching stall for 5S promotion uses 5S inside a refrigerator to raise awareness of 5S and help participants experience its implementation methods and effects. In October 2015, these initiatives were introduced at the Safety and Health Education Subcommittee of the 74th National Industrial Safety and Health Convention.

In fiscal 2015, the company increased the number of teaching stalls, and is extending its danger sensory education to affiliated companies in Japan, as well as in South Korea, China and Thailand. Going forward, we plan to also roll out the program into Europe and the United States.



Education at an overseas site using the teaching stall on pinching



Education at an overseas site using the teaching stall on lower back pain



### Safety Activities at Nagano Japan Radio

Nagano Japan Radio Co., Ltd., uses the slogans “safety before all else” and “no quality without safety, no customers without quality” in its safety activities. In fiscal 2015, employees read out the safety slogans together at the company’s morning meeting, and the company revised and reinvigorated its framework of near-miss reporting.

In response to an increase in the amount of in-house logistics due to the operation of the Advanced Technology Center and production division at Japan Radio Co., Ltd., the company stepped up traffic safety measures and decided on new rules for vehicular traffic to clearly separate walking and driving areas.

The company conducted mutual health and safety audits, including at subsidiaries, in an effort to enhance safety levels.



Separated walking and driving areas

### Nisshinbo Chemical Receives Safety and Health Award

The Asahi Plant of Nisshinbo Chemical Inc. received the Chiba Labor Bureau Director’s Incentive Award for Excellent Plants and People of Merit in Health and Safety from the Ministry of Health, Labor and Welfare’s Chiba Labor Bureau. The award is given for plants and companies that show the high level of safety and health in the region whose initiatives of improving activities are recognized as models for others.

The Asahi Plant holds safety and health meetings and undertakes Zero Accident Group activities. It also conducts safety and health awareness surveys targeting all employees and has developed the WKY movement (WKY being an acronym for the Japanese for “I don’t understand,” “I don’t know what to do” and “It’s difficult”). This movement aims to raise safety and health awareness through enhanced workplace communication. The Labor Standard Inspection Office with jurisdiction over the location of the plant has praised the plant highly, saying “Its safety and health levels are the best in the region.”



Award ceremony

### Health Management

In recent years, employee health has become recognized as an important management asset. Accordingly, companies have begun pursuing “health and productivity management”—actively promoting health improvement initiatives while simultaneously working to boost productivity.

The Company ensures thorough follow-up after health checkups and undertakes preventing physical and mental illness as a health management initiative. 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 receiving medical treatment 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 positive mental health and mental toughness. We also conduct level-based mental health training. Furthermore, we provide employees with feedback following a stress check, 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 members undergoing 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 setting up a “hands-on health exhibit” containing various equipment for measuring health at worksites, using our intranet to make health issues visible and disseminating information.

## Compliance

### Basic Stance

Based on its philosophy of Public Entity and 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 compliance training through level-based and workplace-based training as well as pre-departure training for people being sent overseas. 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 Business Conduct Guidelines of the Nisshinbo Group, we have defined our initiatives in this area, through which we work to prevent violations.

In addition to complying with Japan’s Antimonopoly Act, in 2014 we formulated the Guide to Prevent Corruption in 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

According to the Business Conduct Guidelines of the Nisshinbo Group and other relevant regulations, each business and each company have promoted procurement initiatives corresponding to their business characteristics. In June 2015, we also established the Basic CSR Procurement Policy of the Nisshinbo Group to clarify our attitude to seven specific areas listed below.

We are working with suppliers by obtaining their endorsement of the policy to promote these seven areas across the entire supply chain.

#### 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

### 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.

The Nisshinbo Group conducts surveys on the corporate use of conflict minerals in the electronics, automotive parts, chemicals and precision instruments businesses, as a corporation that has a connection to members of 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.

### Procurement Initiatives in the Automobile Brakes Business

Nisshinbo Brake Inc., in collaboration with its suppliers, promotes CSR initiatives in an effort to meet social responsibilities in its supply chain through its business activities.

In 2015, the company introduced Nisshinbo Brake CSR Procurement Guidelines for its 160 supplier companies. These guidelines superseded the Green Procurement Guidelines formulated in 2007, incorporating additions for related legislation and revised to be more pragmatic and effective. The revision also made these guidelines consistent with the Basic CSR Procurement Policy of the Nisshinbo Group. The guidelines clarify points on which the company asks understanding of its suppliers, including the Nisshinbo Group's environmental activities, green procurement, compliance, fair trade, information management, respect for human rights, safety and health, and ensuring product and service quality and safety. Along with the guidelines, Nisshinbo Brake introduced a checklist, in which it asks companies to evaluate their own initiatives. The results of these checks are shared and incorporated into future activities.

Nisshinbo Brake has suppliers sign a separate memorandum on eliminating antisocial forces. As one facet of its corporate social responsibility, the agreement goes beyond asking for suppliers to refuse unreasonable claims from antisocial forces that threaten the order and safety of civil society—it calls for suppliers to shut themselves off from any relationships with antisocial forces.

### CSR Procurement at New Japan Radio

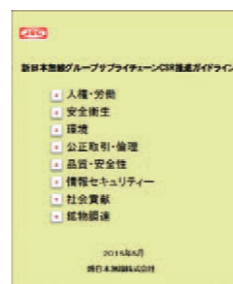
New Japan Radio Co., Ltd., seeks to grow and develop in tandem with its suppliers as a partner through sound business relations. The company promotes CSR procurement, through which it pursues stable and continuous business activities based on mutual understanding and trust-based relationships with suppliers.

As part of these efforts, in May 2015 the company formulated the New Japan Radio Group Supply Chain CSR Guidelines and prepared a CSR checklist for partners to use in assessing themselves according to these guidelines. Thereafter, at its regular partners meeting New Japan Radio explained the guidelines and asked for suppliers' cooperation in completing the self-assessment. It received responses from 573 companies.

The company will continue to pursue CSR procurement going forward, in order to maintain its cooperative relationship with suppliers and fulfill its social responsibility.



Partners meeting



New Japan Radio Group Supply Chain CSR Guidelines

## 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 training curriculum for newly appointed managers since fiscal 2013. In response to Japan's January 2016 adoption of a national identification number system, the Company formulated Provisions on the Handling of Specific Personal Information to clarify the appropriate handling of specific personal information and made related parties fully aware of the provisions.

### Initiatives to Ensure Information Security

The Nisshinbo Group is constantly reinforcing information security measures to prevent leaks of confidential information, including customer's personal information.

We use anti-virus software and security patch programs widely on our IT 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 IT 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 group-wide 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

In December 2015, the Company published a corporate governance report based on Japan's Corporate Governance Code. Through mutual and constructive dialogue with shareholders and investors, the Company will build long-term, trust-based relationships with them.

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).

On October 1, 2015, the Company was assigned to the stock exchange listing category of "electric appliances" rather than "textiles and apparels." As it pursues business restructuring efforts aimed at new growth in the mainstay electronics business, the Company is strengthening its integrated management and governance structures, as well as restructuring capital relationships between Group companies. To achieve further business expansion in the automotive fields, in the precision instruments business we have converted a manufacturer of plastics products to a subsidiary. In the chemicals business, we are enhancing partnerships with a technology partner in the aim of accelerating development in carbon bipolar plates for fuel cells and alternatives to platinum catalysts. In these ways, we aim to achieve further growth as an "environmental and energy company" group.

We also take a proactive stance on individual IR meetings. In fiscal 2015, we met with 88 institutional investors in Japan and 35 overseas.

### Status of Returns to Shareholders

We pursue a policy of providing stable and continuous dividends, targeting a consolidated dividend payout ratio of approximately 30%. We increased dividends in the fiscal year ended March 31, 2016, beginning with the interim dividend. For the year, dividends totaled ¥30 per share, up from ¥15 per share in the preceding fiscal year.

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.



## 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 performance and quality in a timely and stable 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)

### Quality Initiatives at Japan Radio

To enhance customer satisfaction, Japan Radio Co., Ltd., continues to conduct quality assurance and quality improvement activities on a variety of products according to their individual characteristics.

In the Solution Business Division, last year the company installed an advanced hygiene management system at the Ishinomaki fish market in Miyagi Prefecture. This comprehensive hygiene management system is designed to remove possibilities of negative impact (hazard factors) from all processes involving marine products, from unloading through to shipment. While adjusting its work schedule around that of the general contractor constructing the fish market, as well as numerous individual equipment manufacturers, Japan Radio sent personnel from its quality assurance department to the site to ensure product functionality and quality and verify its suitability as a total system.

In the Marine Electronics Division, personnel from the design and quality assurance departments personally visit customers whose vessels have been in service from one to 10 years, checking the operational status of shipboard products. The division's products are required to operate stably over a long number of years in severe shipboard environments. For this reason, in addition to in-plant product assessments, the company checks on points of particular importance on installing products for customers. In addition, by checking customers' operating status and environmental conditions, Japan Radio carries out preventive maintenance activities proposing to make periodical replacements of consumable parts, equipment upgrades or other measures before products malfunction. They also propose equipment upgrades and perform other aspects of preventive maintenance. Through activities such as these, Japan Radio ensures the safety and security of its customers.

Product manufacturing remains steady in Japan Radio's Communication Products Division, which underwent a major relocation in its production section in fiscal 2014. In August 2015, having passed the audit of an overseas automobile manufacturer, the company was certified as a Tier 1 supplier of the manufacturer. The company has begun specific measures toward the acquisition in fiscal 2017 of ISO/TS 16949 (quality management systems for the automotive industry)—advanced quality standards for in-vehicle equipment.

In the Defense System Division, the company uses a quality Web system incorporated in QMS so that if quality issues arise related departments can share information immediately, allowing the division to respond quickly and minimize damage to customers. Information on quality issues is stored in a database and used to make ongoing improvements. To meet customer requests and to expand its business in the aerospace domain, Japan Radio plans to acquire certification under the JIS Q 9100 standard (quality management system for the aerospace and defense industry) by the end of fiscal 2017.



Checking the operational status of shipboard equipment

### Overseas Kaizen initiatives in the Automobile Brakes Business

Nisshinbo Automotive Manufacturing Inc. (NAMI) continued proactive improvement activities in 2015 aimed at further enhancing customer satisfaction. Twice each year, NAMI invites guests from sites in Japan and other countries to announce the results of these activities.

The company has formed a cross-functional internal team to address product development and defects, and is cooperating with customers in an effort to address their requests. These improvement activities and the collaborative structure have earned the company high marks with its customers.



Presentation of improvements

Commendation from Toyota

### Nisshinbo Textile Earns J∞QUALITY Company Certification

To meet the customer's demands for products with J∞QUALITY certification, Fujieda and Yoshinogawa plants of Nisshinbo Textile Inc. obtained the Japan Fashion Industry Council's company certification (company certification for safety, security and compliance) in November 2015.

In addition to conferring a guarantee on the quality of manufacturing, the J∞QUALITY certification indicates that a product is made entirely in Japan using certified companies to handle materials and all processes from dyeing to sewing. Products with this designation target both Japanese and overseas markets. Nisshinbo Textile plans to cooperate with other companies by offering a variety of high-quality "made in Japan" products, while responding the diverse values and needs of its customers.



J∞QUALITY company certification

### Major Awards Received in Fiscal 2015

In this section, we provide details of the major awards received by the Nisshinbo Group in 2015. 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 construction contractor from the Chubu Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism
- Received a certificate of appreciation from the Kinki Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism
- Received a certificate of appreciation from the Kyushu Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism
- Received the Safety Special Award from the Hokkaido Branch, Hydropower Dept. of Electric Power Development Co., Ltd.

##### New Japan Radio Co., Ltd.

- Received an outstanding performance award from the Hirose Plant of Toyota Motor Corporation
  - Received a quality excellence award from the Nagoya Works of Mitsubishi Electric Corporation
  - Received the Meister Award from UNIVERSAL SOUND DESIGN Inc.
- ##### Nagano Japan Radio Co., Ltd.
- Received the ARIB Award from the Chairman of the association of Radio Industries and Businesses
  - Named platinum partner by Fuji Xerox Co., Ltd.

#### Brakes

##### Nisshinbo Brake Inc.

- Received the "Excellence in Quality Control Award" from Toyota Motor Corporation
- Received a certificate of appreciation for quality from Nissan Motor Corporation

##### Nisshinbo Automotive Manufacturing Inc.

- Received a Certificate of Achievement from Toyota Motor Engineering & Manufacturing North America, Inc.

##### Nisshinbo Sombon Automotive Co., Ltd.

- Commended for total service parts performance by Toyota Motor Asia Pacific Engineering & Manufacturing Co., Ltd.

##### Nisshinbo Saeron (Changshu) Automotive Co., Ltd.

- Received a zero complaints commendation from Changan Mazda

##### TMD Friction Group S.A.

- Received the European Original Equipment Brake Friction Material-Customer Value Leadership Award from Frost & Sullivan

##### TMD Friction France S.A.S

- Received a Certificate for Excellent Logistic and Quality Performance in 2015 from TRW KFZ Ausrüstung GmbH
- Received a Certificate of Recognition from Toyota Motor Europe NV/SA

#### Precision Instruments

##### Nisshinbo Mechatronics Inc.

- Named Supplier of the Year 2014 by Continental AG
- ##### Nisshinbo Mechatronics India Private Limited
- Received the MD APPRECIATION AWARD-2015 for Achieving Q-PLUS Level L3 from Carrier Midea India Private Limited
- ##### Nisshinbo Mechatronics (Shanghai) Co., Ltd.
- Received an excellent quality award from Toshiba Carrier Air Conditioning (China) Co., Ltd.
  - Received special award from Calsonic Kansei China Holding Company
  - Received the "emergency correspondence award" and "special award for 20 years' cooperation" from Daikin Air Conditioning (Shanghai) Co., Ltd.
  - Received the "emergency correspondence award" from Daikin Air Conditioning (Suzhou) Co., Ltd.
  - Received a "thanks award for 20 years' cooperation" from Shanghai Mitsubishi Electric & Shangling Air-Conditioner and Electric Appliance Co., Ltd.
  - Received the "Excellent Quality Award" from Kingclean Electric Co., Ltd.

#### Chemicals

##### Nisshinbo Chemical Inc.

- Received the Best Partner Award from KELK Ltd.

#### Others

##### Iwao & Co., Ltd.

- Received a certificate of appreciation from Panasonic Eco Solutions Housing Equipment Co., Ltd.





## Local Community Interaction and Contribution Activities

### Donating Communication Support System

Commissioned by universal sound design inc. for its “comuoon” hearing assistance speaker system, New Japan Radio Co., Ltd., handled design and development, and Saga Electronics Co., Ltd., undertook production. Different from a hearing aid that fits into the ear of a hearing-impaired listener, the comuoon is a speaker system with a specialized microphone that substantially improves ease of communication. Through the spread of the comuoon, New Japan Radio and Saga Electronics began supporting efforts at government and educational institutions for communication between people with normal hearing and those who are hard of hearing. In 2015, the companies made donations to the city of Fujimino, Saitama Prefecture, and the Saga City Board of Education.



Making a donation to the city of Fujimino, Saitama Prefecture



Making a donation to the Saga City Board of Education

### Binzuru Festival

Each year, Nagano Japan Radio Co., Ltd., participates in the Binzuru Festival, a summer festival enjoyed by the people of Nagano. In 2015, a team of 170 people, including employees from Japan Radio Co., Ltd., made up the Nagano Japan Radio Team. For nearly two and a half hours, the team danced passionately along with other people from the region, contributing to the festive atmosphere. On the day following the festival, the team took part in a cleanup event to beautify the environment and enhance relations with the local community.



Nagano Japan Radio team

### Nisshinbo Mechatronics Sponsoring Food Bank

In fiscal 2015, the Hamakita Plant of Nisshinbo Mechatronics Inc. began sponsoring a food bank, donating emergency provisions one month before their best-before date to Food Bank Fujinokuni, a non-profit organization. The donated foods are given away free of charge to people who are in distress for a variety of reasons.

### AM Radio Assembly Class

In August 2015, Ueda Japan Radio Co., Ltd., and Japan Radio Co., Ltd. cohosted the AM Radio Assembly Class. Thirty fourth- to sixth-year students from nearby elementary schools participated. First, they learned how radio waves work, and then discovered how radio is essential to our lives—learning through quizzes and hands-on experience. Assisted by staff and parents, the children then soldered and assembled AM radios—with all completing the exercise successfully. Through the class, students experienced the joy of making things and gained an interest in radio. In those ways, the companies contributed to the education of the next generation and the local community. To commemorate its 100th anniversary of establishment, Japan Radio held these classes at nine locations around Japan, with around 300 elementary school students participating.



Children and staff

### Junior Tennis Support

To achieve its goal of “raising junior leaders of the next generation,” Nisshinbo Holdings Inc. has provided special sponsorship to the Japan Tennis Association’s All Japan Junior Tennis Championship since 2005.

The Company also selects four young hopefuls who prove their worth at this tournament to join the NISSHINBO NATIONAL JUNIOR TEAM on a trip to South America. Conducted in February and March 2016, the tour gave the players the opportunity to build their skills substantially. One of the players, Yosuke Watanuki, won the singles tournament in Porto Alegre, Brazil, boosting his International Tennis Federation (ITF) junior ranking to second.



2016 South American Junior Tennis Circuit Campaign members (players and coaches)



## Connecting CSR to Increases in Corporate Value

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.

Many Japanese companies define CSR as a means of putting their corporate philosophy into practice. This is because corporate philosophies always balance social and economic elements. No company has a philosophy that states “as long as we make money, all is okay.” On the other hand, companies that only pursue social goals are no different from NPOs. Achieving a balance between the social and economic aspects, based on a company’s philosophy, then, is the essence of CSR.

One noteworthy element of the Nisshinbo Group’s corporate philosophy is the word “Innovation.” This word indicates the idea that providing new value to society through co-creation with stakeholders is linked to corporate growth. As President Kawata stated in his interview, achieving the targets of the 2025 long-term strategic plan is the true essence of realizing “Innovation.” Copper-free brake pads, for example, are a prototypical example of Innovation. Imagining what society will be like 10 years in the future, anticipating stricter environmental regulations, and turning brake pads that are both durable and economical into a default product is an ambitious undertaking. I view this sort of technology-driven value creation as the true worth of Nisshinbo Holdings’ “proactive CSR,” and applaud it warmly. I hope to see an increase in such successful examples.

“Co-creation with stakeholders” is also one of the Company’s CSR issues.

The first point I would like to make is that in co-creation with stakeholders, a company needs to have its stakeholders accurately understand the company. This report defines “Third Medium-Term CSR Targets” on page 19 and “Materiality” on page 20. I give the Company credit for clearly stating where their CSR efforts are aimed at, but the report does not disclose how these efforts link to the targets of the 2025 long-term strategic plan and how they contribute to the plan’s success. “Co-creation” will never

move forward if stakeholders see “management” and “CSR” as different things. I would like to see substantive integration of CSR with the management plan while obtaining understanding and cooperation of the Company’s business divisions.

Second, I would like to see the Company pursue proactive dialogue with stakeholders. One example in this report is the expert dialogue on the special feature topic of “diversity initiatives.” Having stakeholders review on the Company’s efforts like this and getting hints from them about how the Company can improve its activities is important. Nisshinbo Holdings is a BtoB company, but that does not mean it is behind the curve in communicating with stakeholders. An example of this type of communication comes from the copper-free development process mentioned earlier—communications with the regulatory authorities and end users. In addition to product development, I would like to see dialogue with stakeholders about progress on CSR targets and materiality.

Third, I would suggest some progress in the way information is disclosed.

With the exception of the environmental section, much of the report seems to be a cataloging of activities. Disclosure would be improved by explaining what was achieved as a result of these activities. For instance, the text on page 46 about the Basic CSR Procurement Policy introduces policies the Company is undertaking throughout the supply chain. I think the explanation would benefit from additional disclosure about the policy’s effects, such as which suppliers within the supply chain this policy applies to, how feedback is provided and how suppliers that do not comply with the policy are handled. CSR procurement is a topic of rapidly increasing importance in global business. Last year, the Modern Slavery Act was enacted in the United Kingdom, and ISO 20400 (international standard on procurement) is scheduled to go into effect next year. Given its global business activities, these are themes on which the Company needs to step up its activities.

### Response to the Third-Party Opinion

I would like to thank Professor Ogawa for providing his valued opinions again this year.

Professor Ogawa has identified three points with regard to “co-creation with stakeholders,” which is one of the CSR issues of our management philosophy.

The first point involved stakeholders accurate understanding of the company. Going forward, we will indicate specific links between our long-term management plan and CSR activities, expressing in an easy-to-understand manner how CSR activities are contributing to success.

The second point was about opportunities for dialogue with stakeholders. As a company that conducts activities globally, in the future we plan to proactively increase opportunities for dialogue, with an emphasis on diversity.

The third point mentioned was about the way information is disclosed. In fiscal 2016, we will make this a priority issue, accelerating our efforts to make qualitative improvements that balance our overall CSR activities, including the CSR procurement that Professor Ogawa has pointed out. Specifically, after conducting a survey to determine the status of CSR activities throughout the Group we will formulate and roll out KPIs and disclose the processes for and results of these activities.

The Nisshinbo Group will continue working to enhance its corporate value as a corporate group that contributes to society.

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



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