



Nabtesco Group  
**CSR Report**  
**2013**

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**Nabtesco Corporation**  
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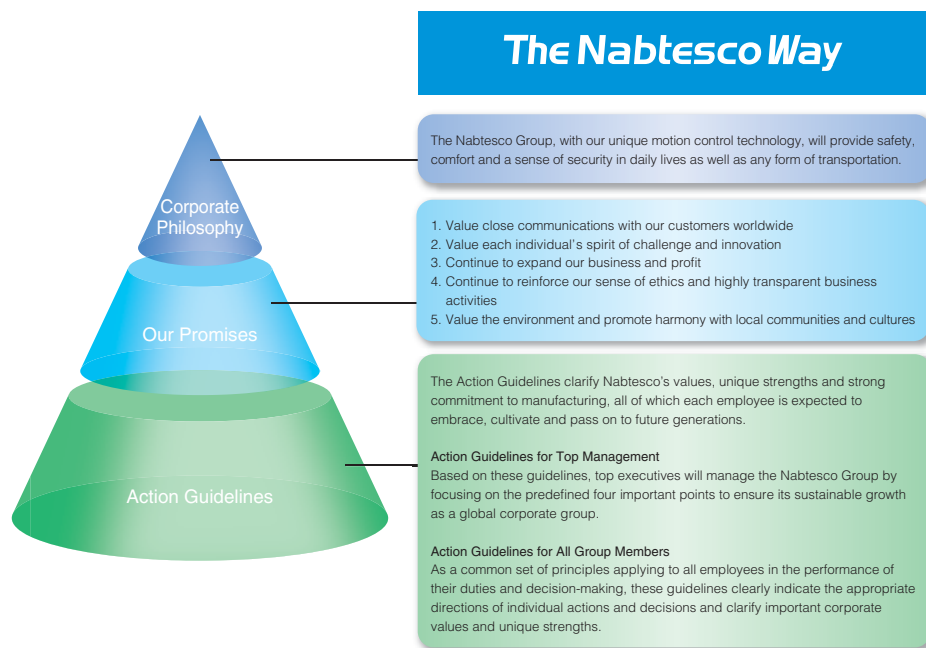
## Established in the 21st century: Aiming to become an honorable company (*Shinise*) while evolving together with society

Nabtesco Group celebrates its 10th anniversary.

The Nabtesco Group operates a variety of businesses in the area of transportation (railroad vehicles, aircraft, ships, automobiles, etc.) as well as in the industrial, livelihood-related and environmental sectors (industrial robots, construction machinery, automatic doors, welfare equipment, etc.). All of these businesses are managed in accordance with the following Corporate Philosophy: "The Nabtesco Group, with our unique motion control technology, will provide safety, comfort and a sense of security in daily lives as well as any form of transportation."

With 30 overseas Group companies and 5,000 employees, the Nabtesco Group is becoming a truly global corporate group, particularly in the area of motion control.

The Nabtesco Way, established in October 2012, describes our collective commitments. In doing so, it allows all members of the Nabtesco Group in Japan and abroad to share the same corporate values and make concerted efforts as a unified team to support the Group's further expansion, both geographically and in terms of performance. In addition to our Corporate Philosophy and Our Promises, The Nabtesco Way includes our Action Guidelines, which constitute a set of rules that guide individual employees in the performance of their duties and making on-the-job decisions. With all employees sharing the same values, taking actions and working as a diversified but unified team in line with the principles set out in The Nabtesco Way, the Nabtesco Group is striving to fulfill its mission to supply highly reliable products and thereby contribute to the creation of a society where people can go about their lives with safety, comfort and a sense of security.



The Nabtesco Group established both its Corporate Philosophy and the Nabtesco Group Code of Corporate Ethics in 2005. The Code of Corporate Ethics serves as the Nabtesco Group's basic rules and guidelines on compliance, which directors and employees across the Group and other workers working at each Group company are expected to obey in conducting business activities. This CSR Report, which describes our CSR activities, includes sections corresponding to the sections of the Code of Corporate Ethics.

## Editorial Policy

We have created this CSR Report to introduce Nabtesco's management principles and policies in line with the Group's Corporate Philosophy, Our Promises and Action Guidelines and help our stakeholders deepen their understanding of the corporate activities we are conducting in order to implement the principles and policies.

This CSR Report includes the following sections that correspond to the sections of the Code of Corporate Ethics: "Socially Beneficial Products and Services," "Focusing on Employees' Growth and Development," "Striving for Harmony with Global Environment," "Implementation of Fair and Proper Business," "Coexistence with Society," "Management Systems," and "Improved Management Transparency." In each of these sections we summarize the important issues for the Nabtesco Group and introduce the policies and specific measures implemented by the Group in relation to the issues. In examining the issues, we have also referred to the seven core subjects of the ISO 26000 international standard.

The Nabtesco Group's stakeholders and important CSR issues

Code of Corporate Ethics	Major stakeholders	Important issues
Socially Beneficial Products and Services	Customers and society	Quality and PL Education in quality and product safety Products providing safety, comfort and a sense of security
Focusing on Employees' Growth and Development	Employees	Respect for human rights Occupational health and safety management Comfortable working environment Development of human assets
Striving for Harmony with Global Environment	Global environment and future generations	Measures to combat climate change Waste reduction Resource and energy conservation Appropriate management of chemical substances
Implementation of Fair and Proper Business	Business partners	Coexistence and co-prosperity with business partners Consideration for the local environment and human rights in each region
Coexistence with Society	Local communities and society	Contribution to education and culture in the regions we conduct our business Employment and development of human resources
Management Systems Improved Management Transparency	Shareholders and investors	Timely and appropriate disclosure of information Corporate governance and internal control Appropriate risk management Ensuring compliance Maintaining and improving corporate value

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### Scope of the report

The activities reported in this report are mostly those conducted by Nabtesco Corporation except some activities that were conducted by its Group companies in and outside Japan.

The scopes, boundaries and measurement methods applied in this report have not been substantially changed from those applied in the previous report.

### Date of publication and period covered

Published in September 2013 (Previous report published in September 2012). Published on an annual basis.

The period covered by this report is basically FY2012 (April 1, 2012 to March 31, 2013), although some activities conducted in previous fiscal years and in FY2013 are also included.

### Guidelines referenced

G3 Guidelines published by the Global Reporting Initiative (GRI)  
ISO 26000 (international standard on the social responsibilities of organizations)

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## We will provide society with new value and foster the fulfillment of CSR to become a “Global Partner with Best Solutions.”

Kazuaki Kotani

Representative Director, President & CEO, Nabtesco Corporation



### What does CSR mean to Nabtesco and what do you think the public expects from companies in terms of CSR?

#### ■ Role to be played by global companies

Companies have traditionally given first priority to economic rationality in order to maximize their economic value, believing it good for their corporate management. Now, however, people are becoming increasingly concerned about the sustainability of the global society against the backdrop of global environmental degradation, including issues like climate change and increasing poverty. This being the case, global companies, mainly those based in Europe and the U.S., which are powerful players in society, are expected to take on a more important role in terms of promoting sustainability. We at the Nabtesco Group deem it necessary to take serious measures to address global problems through our CSR activities. We have made this call based on the recognition that we can both increase our competitiveness and achieve sustainable economic growth by making the pursuit of economic rationality compatible with environmentally and socially responsible management.

#### ■ Nabtesco's business domains and social mission

Establishment of social infrastructure to support daily life  
The Nabtesco Group supplies a range of important components for various forms of social infrastructure that support daily life. This is in keeping with our Corporate Philosophy: “The Nabtesco Group, with our unique motion control technology, will provide safety, comfort and a sense of security in daily lives as well as any form of transportation.” We operate in a variety of

sectors, including transportation (components for railroad vehicles, aircraft, marine vessels and automobiles); industrial equipment (including robots and construction machinery); everyday social infrastructure (automatic doors, welfare devices); and environmental facilities (wind power and solar thermal power generation facilities). I believe it is our mission and most important social responsibility to provide safety, comfort and a sense of security in all of these fields.

#### Achieving growth together with our customers and society

The Nabtesco Group is a supplier of components. As such, we make most of our products in cooperation with our customers. In the past, we tended to try to contribute to society solely by meeting the needs of our customers. These days, however, we need to proactively propose solutions to problems faced by customers that will also contribute to solving issues affecting a wider range of stakeholders. As described in our long-term vision, “Global Partner with Best Solutions,” this is the goal we have set for ourselves for 2020.

#### ■ Our priority CSR themes

As the priority focus of its CSR activities, the Nabtesco Group is planning to implement measures for the environment and the fulfillment of CSR across its supply chain.

The Group includes “consideration for the global environment” among its top priority management challenges and has formulated the Environmental Philosophy and the Environmental Action Plan as specific Group-wide action guidelines. Under these guidelines, we proactively work toward reducing the environmental impact of our business activities and improving the environment by setting quantitative targets whenever possible. In terms of supply chain management, we are striving to establish

### <Long-term vision>

#### “Global Partner with Best Solutions”

- (1) Continue to provide society with new innovative solutions (products, services and business models)
- (2) Pursue excellence through continuous technological innovation, thereby enhancing rapport and trust with customers
- (3) Value open communication and creative thinking regardless of language and cultural differences
- (4) Encourage each employee to proactively take on challenges under the slogan, “Enjoy the Challenge.”

### <Business performance>

	Sales	Operating profit
Status in FY2012 (Year ended March 31, 2013)	179.5 billion yen	15 billion yen
Status in FY2020 (Year ending March 31, 2021)	400 billion yen	60 billion yen

a CSR-oriented procurement system and enhance our awareness of global human rights issues, such as child labor, forced labor and the issue of conflict minerals.

the Purchasing Planning Department. Based on the policy, we will enhance our measures concerning issues related to human rights and occupational safety across the supply chain.

### Please tell us about the major CSR initiatives implemented by the Group in FY2012 and the plan for FY2013.

#### ■ New environmental initiatives and their results

Establishment of the New Energy Business Development Division  
Mitigation of climate change is an issue that needs to be tackled by the whole international community. In connection with this, there is now greater public expectation for the use of renewable energies. We established the New Energy Business Development Division in April 2013 with a view to meeting the needs of customers in the area of new energy. Prior to its establishment, we had been fostering the development of two businesses operated by different in-house companies: drive units for wind turbine generators and solar tracking equipment for solar thermal power generation. We then integrated these businesses, including both the engineering and marketing functions, to create the new division, which is designed to take the form of a cross-organizational team under the in-house company system. The integration will generate synergy effects within the Group and also help us create new businesses.

#### Anti-global warming measures

In order to foster energy conservation activities across the Group, we introduced the in-house certification system for energy-saving products and commendation system for energy conservation activities in FY2012. These systems are expected to raise the awareness of individual employees concerning the importance of energy conservation for the prevention of global warming.

Nabtesco has been participating in the initiative implemented by the UK Carbon Disclosure Project (CDP), advocating the organization's approach of tackling the issue of climate change through the management of greenhouse gases. Participation in the project means disclosing and reporting our greenhouse gas emissions and strategies against climate change to the CDP. In 2012, we were rated by the organization as being among the top 10 percent of Japanese companies. Encouraged by this high ranking, we will continue to foster measures to combat global warming and the disclosure of relevant information in a proactive manner.

#### ■ CSR measures in the supply chain

In the Nabtesco Group Code of Corporate Ethics, the Nabtesco Group states its commitment to conducting “implementation of fair and proper business.” In connection with this, we have been implementing CSR initiatives along our supply chain based on the relationships of mutual trust and two-way communication that we have built with our business partners. These initiatives include incorporating CSR-oriented provisions into contracts. In FY2013, to foster responsible procurement, we began to formulate our CSR-oriented procurement policy under the leadership of

### What activities will you conduct to achieve the long-term vision?

#### ■ Nabtesco's long-term vision for FY2020

The Nabtesco Group established its long-term vision for FY2020 in May 2012 with the aim of achieving further growth by becoming better able to adapt to changes in the business environment. In the vision, we note our aspiration to be a “Global Partner with Best Solutions” and set four specific targets.

The first of these is to provide society with new innovative solutions and pursue an expertise that customers rely on. To do this, we established the New Energy Business Development Division, as I have already mentioned. Also, in February 2013, we released our own in-house development, the CONPAL rollator equipped with a speed control system for use by the elderly outside the home. We have thus been making steady preparations to provide society with new value.

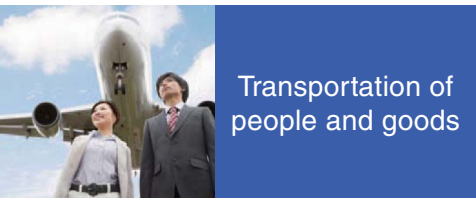
Next, to foster open communication and creative thinking regardless of language and cultural differences, we began to create the Group portal site and an internal social network in April 2013 as the first step to build up a system to allow Group employees in Japan and abroad to communicate with each other in an open manner. We will implement further measures to this end—while also fostering workplace diversity through the proactive employment of foreign nationals—in order to advance our globalization efforts and expand our business, especially in emerging economies in Asia.

#### ■ Implementation of the long-term vision and The Nabtesco Way

We established The Nabtesco Way in October 2012 by adding specific action guidelines to the Corporate Philosophy and Our Promises, believing it necessary for Group employees to share common values and have clear guidelines to align them, against the background of the globalization of the Group companies and diversification of their workforces.

I hope that each and every employee will consider the commitment made in The Nabtesco Way to be their own commitment and that they will keep the commitment in mind as they make decisions and take actions as part of their daily routine. I further hope that the commitment will be passed down to each new generation of employees at the various workplaces.

Toward the achievement of the long-term vision, the management team, including myself, deems it necessary to create a corporate culture that encourages each employee to proactively take on challenges in line with The Nabtesco Way under the slogan, “Enjoy the Challenge.” While trying to meet this requirement, we will work to expand our corporate value and foster the fulfillment of our CSR through our business activities. The Nabtesco Group will do its best to live up to your expectations.



## Transportation of people and goods

- Improve the safety and comfort of railroad vehicles, aircraft and commercial vehicles
- Foster the use of clean energy and safe navigation for marine vessels



## People's daily lives Welfare/medical care



## Manufacture Urban development

- Contribute to the establishment of industrial infrastructure in emerging economies
- Spread the use of renewable energy
- Increase the precision of processing and transportation at factories
- Increase the efficiency of manufacturing facilities



## Production of daily commodities

- Ensure the safety of food and daily consumables
- Reduce the use of packaging materials for food and daily consumables
- Increase efficiency and conserve energy at factories
- Contribute to product research and development

As a leading manufacturer of automatic doors, we have consistently been pursuing technological innovations for half a century, aiming to provide doors that are friendly to both all kinds of people and the environment.

**Feature Article**

# Past and Present Manufacturing of Automatic Doors

It is difficult to make automatic doors open and close in a timely manner. In order to prevent incidents of people coming into contact and/or colliding with automatic doors, it is necessary to implement safety measures based on an understanding of the demographic attributes of the people passing through them, how they move and the surrounding environment. We also need to give special consideration to infants, the elderly and people with disabilities, including those in wheelchairs, so that they too can pass through the doors safely.

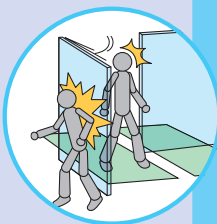
Nabtesco has been making contributions to ensure safety, comfort and a sense of security in relation to automatic doors for half a century by combining sensor and switch technology that detects human movement near doors with motion control technology that enables the flexible opening and closing of doors, and by further advancing these technologies.

## 1950s

### Automatic door technology initially developed in Western countries Swing-type doors



In the 1950s, swing-type automatic doors were the norm, but there were a number of incidents in which an opening door hit someone approaching it from the opening side. It therefore became necessary to implement measures to prevent such incidents, including employing access controllers.



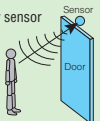
### Floor mat-type switch

The door opens when a person stands on the mat, but not if they are under a certain weight.



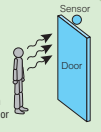
### Radio-frequency sensor

Detects the presence of a person through the Doppler effect caused by radio wave reflection. Sometimes fails to work if the person remains still.



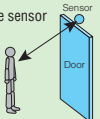
### Heat ray sensor

Detects people walking by through changes in the temperature within the area (the quantity of extreme infrared radiation), but sometimes cannot detect in times of high temperatures or when people are stationary.



### Infrared reflectance sensor

Detects people walking by through changes in how much projected light is reflected, but is sometimes unable to detect people within the area because of imprecise light-ray density.



## 1960s

### First release of Japanese-style automatic doors Sliding-type automatic doors

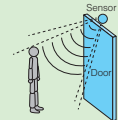


Inspired by the mechanism of traditional Japanese paper doors, Nabtesco developed and released sliding-type automatic doors in 1961. This marked the beginning of the spread of highly safe automatic doors at supermarkets and other facilities in Japan.



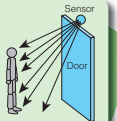
### Vector sensor

Detects the direction and speed of human movement in the high-density matrix area and prevents the door from opening when a person is just passing by.



### Matrix sensor

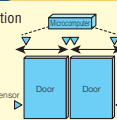
Can detect an approaching person over a wider range due to the high-density matrix of infrared beams.



## 2000s

### CAN communication

Sensors and controllers connected via CAN share door positioning- and sensing-related information for optimum opening/closing.

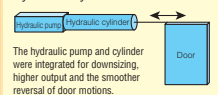


## Development of sensor and switch technology

The door opens/closes in a way that is comfortable to users due to the positioning of the door by the door engine and to communication between the speed controller and the sensor.

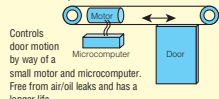
### Hydraulically driven

The hydraulic pump and cylinder were integrated for downsizing, higher output and the smoother reversal of door motions.



### Electrically driven and microcomputer-controlled

Controls door motion by way of a small motor and microcomputer. Free from air/roll leaks and has a longer life.



## Progress of motion control technology

Diversification and combination of sensors for more precise detection of human movement

## 2010s

### Intelligent eco Door System, which contributes to the energy-saving and barrier-free operation of automatic doors

Automatic doors equipped with the Intelligent eco Door System precisely detect human movement so as to open only when people approach with the intention of passing through the doors, rather than reacting to mere passerby. It is suitable for installation at store entrances opening onto a pedestrian thoroughfare and places where the use of touch switch-type automatic doors is not desirable.

People in wheelchairs and those with baby buggies can pass through automatic doors equipped with this system without having to go through the bother of touching the doors. Also, the system helps improve the indoor environment and increase the effectiveness of air-conditioning by reducing unnecessary opening/closing caused by people simply passing by. It thus contributes to both the energy-saving and barrier-free operation of automatic doors.



Conventional doors open when a person simply passes by.



Doors equipped with the Intelligent eco Door System will not open when a person passes by.

The Intelligent eco Door System won a prize in the safety design division at the 6th Kids Design Award 2012 in recognition of its ability to prevent infants from passing through automatic doors unintentionally and its convenience for people whose hands are full, including those pushing baby buggies.

At Haneda Airport (Japan Airport Terminal) in August 2012, 68 sets of the systems were adopted based on the expectation that the system would help increase the efficiency of air-conditioning at the terminal and improve the indoor environment.



### Interview with the developer of the Intelligent eco Door System

**Hisayuki Kanki**  
Controller Development Group, Technology Dept.  
Accessibility Innovations Company



We developed this system in response to the needs of customers. By developing it in cooperation with the customers, we were able to come up with a system that can satisfactorily help customers solve the problem whereby automatic doors installed in places that attract a lot of passersby are kept constantly open.

### Shift from swing-type to sliding-type doors: Japanese-style doors with greater safety

Nabtesco's manufacturing skills, which improved the safety of doors through the full-fledged structural reform of replacing swing-type doors with sliding doors, did not stop there but are continuing to move forward and evolve. By combining our sensor switch technologies and motion control technologies we have sought to improve the precision of the way automatic doors open and shut, and pursued both safety and comfort.

Firstly, we extended the lives of doors by changing their mode of operation from pneumatic/hydraulic to electrical; we then further improved precision and safety by enabling microcomputer and CAN (controller area network) transmission. Operation activation evolved from the mat-switch format to the sensor format that rarely malfunctions, and through matrix sensors it has become possible to detect the movement of people with a high degree of precision. Moreover, with the commercialization of vector sensors the movement of passers by is detected and the unnecessary opening and closing of doors reduced, leading to an intelligent eco door system that enhances the comfort of segregated spaces. Nabtesco will continue to create products that provide people everywhere with safety, peace of mind and comfort in all the familiar places where they move around and carry out their lives.

### Roles of automatic doors: provide safety, comfort and a sense of security by partitioning spaces

Doors that open and close automatically are not just highly convenient, but also provide many types of safety, comfort and a sense of security by separating spaces where people move around or live in.

- (1) Separate a safe space from a dangerous space to ensure human safety (Platform doors and disaster control doors)
- (2) Separate an indoor air-conditioned space from the outside for energy conservation (General automatic doors (sliding and folding types))
- (3) Separate a clean space from an unclean space to prevent infection/contamination (Airtight doors)
- (4) Separate a managed space from the outside for higher security (Security doors and gates)
- (5) Separate a silent space from an acoustic space for comfortable living (Sound insulation/isolation doors)



# Socially Beneficial Products and Services

As a company creating a part of social infrastructure, we deliver products and services which provide maximum safety, comfort and a sense of security to win the trust of customers.

## Incorporating safety, comfort and a sense of security into products

The Nabtesco Group has established long-term relationships of trust with our customers, and has worked together with them to create markets, develop new products and ensure the safety of products. In addition to the safety of products themselves, we also ensure safety, comfort and a sense of security for customers who purchase our products as well as for end users by collecting and analyzing information on the actual conditions and environment in which products are used. We then use this information to define the safety, reliability and stability required, as well as the functionality and performance necessary for realizing maximum comfort, and reflect these data in the production of products.

As a result, we have received high evaluations from corporate customers in various technologically demanding fields and can now offer products and services—many of which command the top market shares—with high value based on our unique motion control technology.

We will continue making maximum efforts to ensure safety, comfort and a sense of security throughout the life cycles of our products.

## Nabtesco Group Quality and PL (Product Liability) Policy

The Nabtesco Group has established the Nabtesco Group Quality & PL (Product Liability) Policy based on the belief that one of the most important CSR missions for the Group, which provides highly technical products to a wide range of fields and markets, is to deliver products with maximum safety and security, as well as with maximum comfort resulting from the functionality and performance of products.

To fulfill our corporate social responsibility (CSR) by delivering products with maximum safety, comfort, security and reliability, we will:

1. give priority to safety over anything else based on the principle of respect for people;
2. meet safety and other quality needs of products through the integration of business activities and quality and PL activities; and
3. realize product quality that satisfies market demand by conducting safety and other quality evaluations prior to releasing products to the market.

## Safety promotion by the Quality & PL (Product Liability) Committee

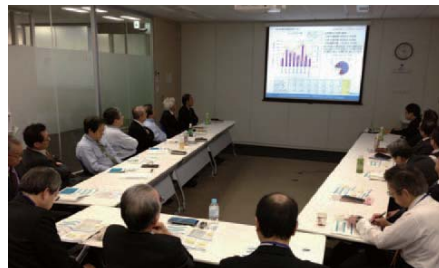
The Quality & PL (Product Liability) Committee promotes the safety of products by listening to the opinions of customers and end users to meet the ever-changing needs of society as well as by incorporating quality engineering and stringent quality control and PL management processes (including those for product safety management) into the production of products.

### Quality and PL management activities

The Quality & PL Committee holds an annual meeting to identify any problems and challenges affecting the entire Group and set the annual activity policies. Based on the decisions made at this meeting, the in-house companies conduct specific activities as part of their business operations.

Because each in-house company has its own unique products and customers, however, it is difficult to audit the activities of the in-house companies based on common rules and criteria. The head office organizations in charge therefore regularly hold meetings with individual

in-house companies to understand their unique situations, give tailored advice and consider what kind of support they can offer the in-house companies in their efforts to make improvements and implement more effective measures.



The Quality & PL (Product Liability) Committee

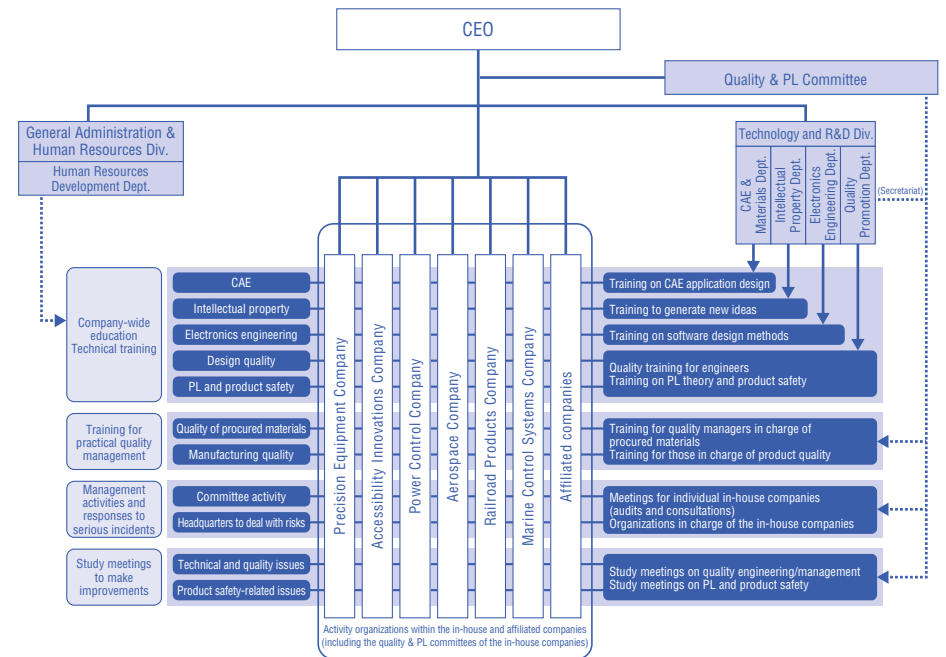


Prioritized issue during 2012: training of product quality managers (seen here at the Nabtesco Automotive Corporation Yamagata Plant)

### Systematized and regularized activities of the Quality & PL (Product Liability) Committee

1. The Quality & PL (Product Liability) Committee has been established within the company. (Secretariat: Quality Promotion Department)
2. The objective of the committee is to formulate the standards of quality control and product liability and safety management for the Nabtesco Group, to establish standard processes to prevent any instances of compromised quality, such as safety defects, and to respond appropriately to any quality or product liability problem should it occur, so as to maintain and improve the quality and safety of products. The committee thus strives to help the Group to win the trust of customers and continue to grow.
3. The committee also reviews activities conducted during the previous fiscal year according to the prescribed rules, and discusses such matters as annual policies and priority issues. The annual policies and priority issues decided are communicated to each in-house company.

## Educational system for quality and PL management and the safety promotion structure



## Measures against product accidents

### Prevention system

Included in our product lineup are such products as aircraft flight control actuation systems, brake components for railroad vehicles, remote control systems for marine vessels, and doors for railroad vehicles, platforms and buildings. Due to their very nature, such products could pose serious risks to human life in the event of a malfunction-related worst-case scenario. Based on this recognition, we have established a fail-safe system to enable us to respond appropriately to any contingency.

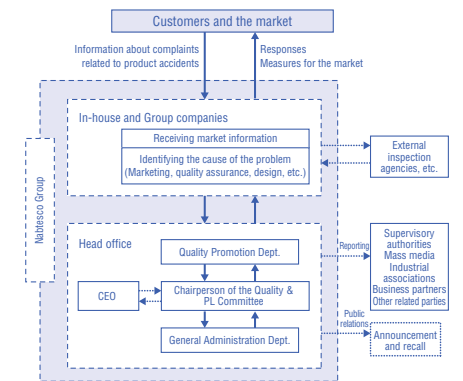
In particular, with customers who use our component products to manufacture finished goods, we are fostering close communications and cooperation to help them ensure the quality and safety of their products and prevent product-related accidents. These customers consistently give our products a high reliability rating.

### Results

With regard to our products, we have never been held liable for causing any serious physical injury.

### Certification for quality management systems

All the production bases of Nabtesco Corporation and major Nabtesco Group companies in Japan as well as the production bases of major overseas Group companies have obtained certification for their quality management systems in line with local industry standards. In terms of the amount of sales, 90% or more of the Group's products are



manufactured based on such certified quality management systems. The number of certifications obtained amount to 14 in Japan and nine abroad. (For details, please refer to the Nabtesco Corporation website.)

## Socially Beneficial Products and Services



## Focusing on Employees' Growth and Development

Based on respect for human rights, we create a workplace where maximum attention is paid to employee safety, disaster protection and health, and where every employee can fully express their individuality and strength.

### Education and training

#### Company-wide training (technical training)

Quality management training for young engineers

For young to mid-career design engineers, who comprise the next generation of leaders, we have been regularly holding an internal quality management training program since May 2007 with a view to developing highly quality-conscious engineers over the medium to long term.

#### Technical training seminar on product liability and product safety

We have been holding this Group-wide training seminar since 2007 to raise the product liability awareness of individual employees engaged in design, manufacture, marketing and servicing in order to ensure the provision of safety, comfort and a sense of security not only to purchasers of our products but also to all users of the products.

Giving first priority to safety in our corporate values, we share with our employees the importance of ensuring that our safety concepts conform to international safety standards as a precondition of our products becoming widely accepted by society. Furthermore, we

communicate that we can meet this precondition as part of our major compliance activities while providing customers with safety, comfort and a sense of security and contributing to society by making use of our advanced technologies.



Quality management training (measurement practice)



PL/PS education (risk assessment practice)

#### Training for those in charge of manufacturing quality

Practical training on quality management at manufacturing facilities

Since 2012, we have been holding a full-scale program to give practical training on quality improvement methods. Mainly targeting those giving quality instructions at our manufacturing bases, this program helps trainers increase their abilities to analyze problems and provide education on quality issues. Through it we are enhancing our quality education, particularly at our overseas manufacturing bases such as those in China and Thailand.



Product quality manager training (process analysis)

#### Study meetings to make improvements

Responding to the demand for higher quality

In line with the diversification and globalization of the economy, we are receiving a broader range of requests regarding our products.

For example, it is no longer enough to provide products that meet the needs of customers in terms of functions and performance. We must also ensure that the products can demonstrate the necessary functions and performance under various use conditions.

In response, in addition to performing ordinary performance tests, we test the behaviors of our products in various environments based on the actual usage by our customers. With reference to the test results, we then examine how to make further technical and quality improvements to our products so that customers can use the products safely under their own use conditions, which differ for every customer.

#### Product safety

With regard to product safety, our in-house companies have been implementing all safety measures deemed necessary by related industries and we have already reached a satisfactory level regarding product safety.

In the market, however, product safety has been attracting even more public attention, as evidenced by the establishment of the Consumer Affairs Agency in Japan in response to a rise in safety concerns. Against this backdrop, more people are now expecting manufacturers to implement product safety measures as part of their CSR activities.

In response, the Nabtesco Group is committed to ensuring even

greater safety and security for its products. Based on the recognition that it is necessary to build up a safety assurance system in line with international safety standards, we are implementing necessary measures in our business operations while simultaneously raising the awareness of our employees.

In FY2012, we began to hold a study meeting on practical product safety as a company-wide activity. Through this meeting we are fostering exchanges between operational leaders and sharing actual examples.

In launching the activity, in light of the fact that product safety measures are implemented in a top-down fashion, we invited an external expert to present a lecture to our directors. Through the lecture, the directors learned about due diligence and the requirements of organizations responsible for product safety in a globalized business environment.



Quality improvement research (soldering)



Product safety lecture for directors

### Efforts to protect human rights

#### Policy regarding human rights

Respecting human rights in all corporate activities is the basis of corporate social responsibility.

The Nabtesco Group Code of Conduct provides guidelines on basic human rights that all directors and employees across the Group and other workers working at each Group company are encouraged to observe.

#### Human right monitoring system

In order to ensure that the recruitment of employees is carried out fairly, seven Human Rights Promotion Officers are appointed at the Headquarters and each plant. We also conduct training for job interviewers every year to educate them on human right-related issues that they should consider, including questions to be asked of candidates and tips for evaluating international graduates. We have never received a complaint regarding human rights as of FY2012.

We respect basic human rights, and make sure that no discrimination based on race, beliefs, sex, age, social status, nationality, ethnic origin, religion, or disability; sexual and other forms of harassment; or any act that may insult personal dignity is conducted, allowed to be conducted, or overlooked.

Plants in which Human Rights Promotion Officers are appointed to monitor the fair recruitment process



### Health and safety management

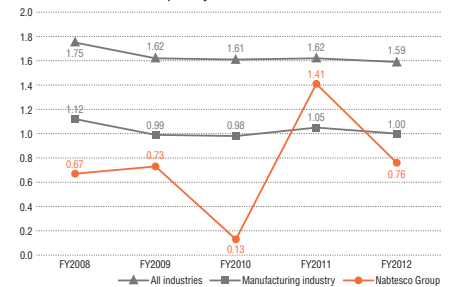
The Nabtesco Group is committed to creating a workplace where maximum attention is paid to employee safety, disaster protection and health, and where every employee can fully display their personality and strengths.

In FY2012, in addition to eager initiatives towards instances of close call reporting, we implemented hazard prediction training and risk assessment, and as well as boosting safety patrols we were thorough in displaying safety declarations and educating new staff with a view to raising safety awareness among all personnel.

As a result of these endeavors the rate of accidents resulting in injured persons requiring time off work was reduced to 0.76, around half of last year's figure.

We will continue to pursue preventative safety management through risk assessments, and as well as trying to make fundamentally safe workplaces we will improve the education of new employees, reinforce efforts to raise perception of dangers, and promote the creation of a place to work with no accidents.

#### Industrial accident frequency rate



### Health management

Ensuring the physical and mental health of employees, who are irreplaceable resources for companies, is an essential factor for vitalizing organizations and maintaining business operations.

#### Efforts to eliminate mental health problems

Mental health problems are addressed across the Nabtesco Group. Even if only one employee experiences a mental health problem, it can seriously hinder the work flow depending on the size of the Group company. To prevent mental health problems before they occur, it is important to notice any signs among staff in each workplace, control the workload, and monitor the condition of the person. We therefore organize various seminars and lectures, and invite the company's industrial physician or experts from other organizations to give presentations. Furthermore, our two nurses—one in charge of the sites in the Kanto and Tohoku regions and the other in charge of those in the Kansai region—are on standby to take care of employees experiencing mental health problems, offer counseling whenever necessary and help them return to work. For employees whose workload may be considered high, each site and the industrial physician cooperate with each other to conduct an interview regularly to protect the employees' mental health.

In order to promote the mental health of employees more

proactively, we introduced an Employee Assistance Program (EAP) in FY2011. Since then, employees who are to be transferred overseas and their families can use the program to seek advice if they have any concerns or problems in relation to the transfer.



Joint meeting held by the Personnel Dept., nurses and the Health Insurance Society

# Focusing on Employees' Growth and Development

## Countermeasures against metabolic syndrome

Improving the lifestyles of employees who are suffering or at risk of suffering from metabolic syndrome, one of the causes of lifestyle-related diseases, is important not only for safeguarding the health of those employees but also for reducing future medical costs.

At Nabtesco, employees who are identified as needing to improve their lifestyles are encouraged to receive health guidance from a public health nurse or a registered dietitian from the institution designated by the Nabtesco Group Health Insurance Society.

We also support all employees who need to improve their lifestyles in their efforts to achieve their goals in cooperation with a registered dietitian who conducts dietary checks and offers advice and an instructor who sincerely encourages each employee, as well as by delivering to each such employee a report called "Healthy Support," which specifies their numerical goals and actions to be taken. Through these efforts, we aim to reduce the number of employees suffering or at risk of metabolic syndrome to zero.

## Work-life balance

Well-balanced fulfilling work and a satisfying private life provide a source of new values and conceptions, and will help each employee to perform high-quality work. Based on this belief, we have a wide spectrum of schemes in place to promote a healthy work-life balance.

One such scheme is our parental leave system, which was used by 100% of qualified female employees and one male employee in FY2012.

In October 2012, we provided further support for employees engaged in child-rearing by introducing a program to subsidize childcare fees.

We also offer nursing care leave. The number of employees who have taken this leave is increasing in line with the demographic shift to a

larger elderly population needing care. Because the leave period taken is also becoming longer, we plan to further enhance the nursing care leave system.



Koji and Yumi Tajima and their children (Kobe Plant)  
(Both took parental leave.)

### Support for childcare and long-term care

1. Parental leave: Up to two years. This leave can be taken even when the spouse is devoted to full-time child-rearing.
2. Nursing care leave: Up to a total of 180 days (up to two years starting from April 2013) per family member who needs long-term care
3. Shorter working hours for childcare: Working hours can be reduced by two hours per day until the beginning of the child's fourth grade of elementary school.
4. Sick/injured childcare leave: This leave is available until the beginning of the child's fourth grade of elementary school. Seven days (unpaid) or any necessary number of days that can be covered by the number of days of accumulated expired paid leave (paid)
5. Paternity leave: This leave can be taken when the employee's wife gives birth to a child. Five days (paid)
6. Shorter working hours for long-term care: Working hours can be reduced by two hours per day.
7. Financing by the *Kyosaikai* employee cooperative society to support employees taking childcare/nursing care leave
8. Consideration for employees who are engaged in childcare/long-term care when transferred (avoiding change of workplace, etc.)
9. Childcare fee subsidy program: Employees can receive a payment of 1,700 yen per household per day for up to 240 days per year for childcare services for children who have not yet reached the fourth grade of elementary school.

### Other support

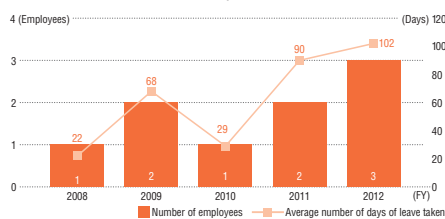
1. Integrated benefits program (WELBOX)
2. Nabtesco corresponding education program
3. Qualification support program
4. English/Chinese lessons at each site
5. Support for club activities

### Parental leave—the number of employees who took parental leave

	FY2008	FY2009	FY2010	FY2011	FY2012
Women	8	8	6	3	1
Men	1	0	0	0	1
Total	9	8	6	3	2
Percentage	100%	100%	100%	100%	100%

Note: The percentages are calculated for female employees with children younger than one year.

### Nursing care leave—the number of employees who took nursing care leave and the number of days of leave taken



## Fostering workplace diversity

### Active employment of non-Japanese nationals including foreign students studying in Japan

Due to the maturity of the economy and the fact that the Japanese population is decreasing as a result of the declining birthrate, we can no longer expect significant economic growth to take place in the domestic market, and therefore need to promote further globalization.

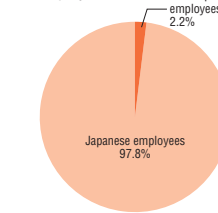
Non-Japanese employees have a different way of looking at things and an active attitude toward work, and are expected to have a good effect on other personnel.

As a result of implementing such measures as holding meetings to provide information on our company targeted specifically at foreign students studying in Japan and conducting recruiting activities at overseas colleges, as of April 1, 2013, Nabtesco employs foreign nationals from 10 countries. Moreover, of the 41 main career track employees newly recruited in FY2013, 16 are foreign nationals, which means we have attained our goal of increasing the proportion of non-Japanese nationals to 30% of all newly recruited main career track employees.

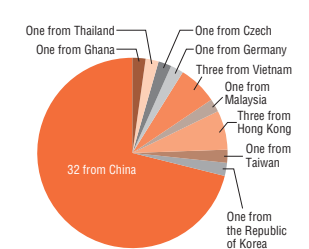
### Total number of newly recruited main career track employees (new graduates) and percentage of non-Japanese nationals

	2009	2010	2011	2012	2013
Total number of newly recruited main career track employees	42	19	19	28	41
Number of non-Japanese nationals	4	2	2	4	16
Percentage of non-Japanese nationals	9.5%	10.5%	10.5%	14.3%	39.0%

### Non-Japanese employees as a percentage of total number of employees



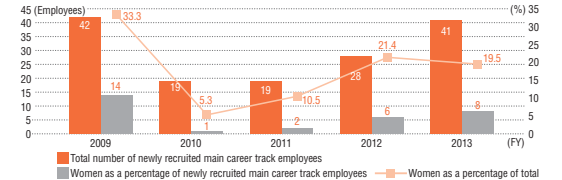
### Breakdown of non-Japanese employees



### Proactive employment of women

As a machinery manufacturer, traditionally Nabtesco has employed few new female graduates. To correct this situation, we began to hold meetings specifically for female college student job seekers from FY2011 as part of our new graduate recruitment campaign. In these meetings, our female employees are responsible for explaining the company's businesses and answering students' questions. The meetings thus provide the students with an opportunity to directly listen to female employees' experiences regarding available childcare schemes and work-life balance. As a result, we have been achieving the goal of maintaining the number of women as a proportion of the total number of new recruits at no less than 20% since the FY2012 recruitment activities (conducted to recruit employees scheduled to start work in April 2013).

### Total number of newly recruited main career track employees (new graduates) and percentage of women



### Breakdown of regular employees

	(1) Number of regular employees	Number of managers among (1)	(2) Number of newly recruited employees	Number of new graduates among (2)
Male	1,770	266	88	45
Female	179	1	16	12
Total	1,949	267	104	57

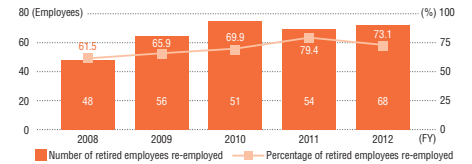
### Promotion of employment of seniors

Upon enforcement of the revised Act on Stabilization of Employment of Elderly Persons, we introduced a continuous employment system and have since been working to provide experienced employees with supportive workplaces that allow them to demonstrate their full potential, including the establishment of a system to provide special treatment to those with advanced expertise.

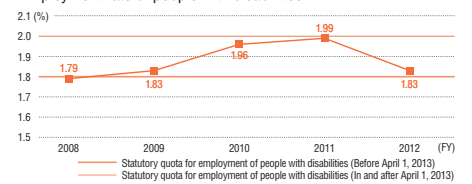
In the future, due to the revision of the National Pension Act, the rate at which Nabtesco re-employs retired employees will further increase. Experienced workers have expertise, knowledge and skills built up over many years, and are encouraged to fully display their abilities even after retirement. At each production site, we encourage experienced workers to share their skills with their successors and promote activities to turn their tacit knowledge into explicit knowledge. These skilled

workers and their knowledge are an invaluable asset for maintaining our technological excellence.

### Re-employment rate of retired personnel



### Employment rate of people with disabilities



### Promotion of employment of people with disabilities

Nabtesco has been committed to employing people with disabilities. The statutory employment rate of people with disabilities will be raised from the present 1.8% to 2% in FY2013. In response, we will promote the employment of people with disabilities even more proactively. At some sites, we cooperated with local special needs schools and developed communication with their students through such activities as the display and sales of works created by the students, internship programs for the students and invitations to events organized at the sites.



# Focusing on Employees' Growth and Development

## Stability of the workforce

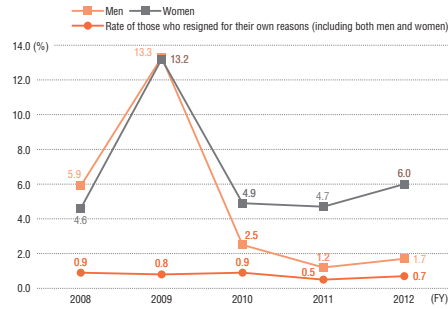
Nabtesco has been collecting data on employee turnover by reason for leaving the company.

The graph on the right shows the rates of male and female employees of Nabtesco who have resigned from the company or retired from the workforce. It also shows the rate of employees who resigned for their own reasons, which has remained below 1% for the past five years, proof that Nabtesco provides its employees with a good work environment.

Breakdown of employees who resigned or retired (FY2012)  
(Unit: persons)

	(1) Total number	Retirees among (1)	Those who left for reasons related to the company among (1)	Those who left for their own reasons among (1)
Managers	24	22	0	1
General employees	89	71	0	13
Total	113	93	0	14

Breakdown of employees who resigned or retired by gender



## Labor-management relations

Nabtesco Corporation was established following the integration of TEIJIN SEIKI Co., Ltd. and NABCO Ltd. in October 2004, and the labor unions of the two companies were united on October 30, 2010.

The union is a union shop, and currently has about 1,700 members.

The labor and management of Nabtesco maintain good relations by jointly discussing ways to improve the company's various systems, as well as salaries and bonuses, and by meeting regularly to exchange

opinions regarding business management.

The written agreement with the union includes a clear statement on management's obligations to make efforts to implement the no overtime day system and encourage employees to take planned annual paid leave. Labor and management thus cooperate with each other to help maintain the work-life balance of employees.

## Human resources development

### Basic Policy on Human Resources Development

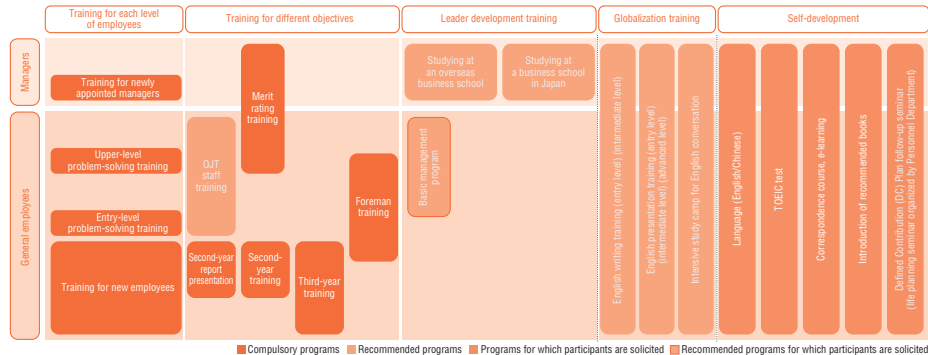
In order to share its ideal image of the human resources that the company would like its employees to develop into, and to define the direction that all employees should face, the Nabtesco Group established the Basic Policy on Human Resources Development and provides a range of educational opportunities in line with the policy.

### Basic Policy on Human Resources Development

Develop personnel who can think and learn on their own at all times as members of a global corporate group, and create a culture that values and supports learning.

### FY2012 education scheme (training provided by the Human Resources Development Department)

Training to build specialized skills and knowledge in technological, legal, compliance-related and other areas is provided separately by relevant divisions.



## Education

### Globalization of employees

As overseas business is expected to continue to expand, it is becoming increasingly important to develop internationally competitive human resources. In order to provide employees slated to be transferred overseas with essential training in a planned manner, we have made these employees "visible" by introducing a system to register them. We have also created a database of information provided by those who have worked overseas in the past as a means to enhance the international savvy of the entire Nabtesco Group.

In addition, we regularly hold seminars on English writing and presentations to provide employees with opportunities to acquire the basic skills required for global business operations. In FY2012, we introduced an overseas trainee program to provide young to mid-level employees with opportunities to study and work outside Japan.

Number of trainees (FY2012 training provided by the Human Resources Development Department)

Training program	No. of trainees	Training program	No. of trainees
Training for new employees	57	Merit rating training	31
Entry-level problem-solving training	54	Foreman training	83
Upper-level problem-solving training	37	Basic management program	20
Training for newly appointed managers	22	Studying at a business school in Japan	6
Second-year report presentation	21	Studying at an overseas business school	3
Third-year training	26	English presentation training	29
OJT staff training	33	English writing training	21
		Intensive study camp for English conversation	3

The number of trainees above includes those from subsidiaries.



English language presentation training

### Improvement of basic skills of young employees to develop them rapidly into an effective workforce

We provide new employees with intensive training in a planned and systematic manner during their first three years with the company, the time deemed most optimum for enhancing their basic skills. Specifically, we provide them with training for new employees, second-year report presentation opportunities, second-year training and third-year training, thereby helping them to improve year by year. In addition to these off-the-job training opportunities, we also provide new employees with on-the-job (OJT) training, assigning an OJT staff member to mentor each employee on an individual basis in order to foster the rapid development of an effective workforce.

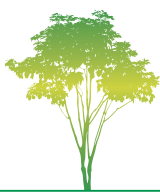


Training for new employees

### Fostering the implementation of The Nabtesco Way

We began conducting a three-part activity to foster the implementation of The Nabtesco Way in 2012, starting with the first step of "awareness raising." This will be followed by the subsequent steps of "deeper understanding" and "steady implementation." By the end of March 2013, we provided briefings on The Nabtesco Way a total of 714 employees at our bases and Group companies in Japan and China, including its background and objectives. We also started publishing a series of feature articles on The Nabtesco Way in our in-house magazine, have distributed copies of the brochure (in Japanese, English and Chinese) and carry-size card, and created a poster to further increase employee awareness of The Nabtesco Way.





# Striving for Harmony with Global Environment

We care for the global environment in every aspect of our business activities to be at the leading edge in environmental performance and safety.

## Environmental policy

Nabtesco Group formulated the Environmental Philosophy and Environmental Action Plan in May 2005 to promote activities reflecting

our strong sense of social responsibility and to help realize a sustainable society.

### Nabtesco Group Environmental Philosophy

At all times, we acknowledge the impact of our business activities on the global environment; we strive to produce products and an environment which are both people-friendly and nature-friendly; and we aim to achieve a future society which is enriched and comfortable.

### Nabtesco Group Environmental Action Plan

1. We acknowledge that the preservation of the global environment is a crucial issue that is common to humankind. With participation by all employees, we will actively promote the establishment of targets which aim to improve the results of our environmental preservation activities, and we will actively promote initiatives for sustainable improvements.
2. We will strive to improve energy, resource and recycling efficiency during the planning, development and design stages of each product by understanding the impact on the environment throughout the life cycle of the product.
3. We will strive to reduce the burden on the environment during the production, sales, distribution and servicing of each product by actively employing or engineering advanced environmental technology, such as for the conservation of energy, the effective use of resources and meeting the challenge of zero emissions.
4. We are committed to voluntary activities designed to realize environmental targets. We will comply with environment-related laws and regulations, as well as with social norms, and we will set independent control standards as necessary.
5. We will actively promote exchange and links with society, and strive to gain wider understanding and trust through such action as the disclosure of environment-related information and participation in social activities.

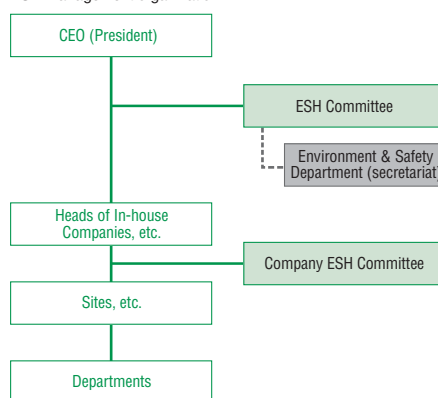
## ESH promotion framework

The Nabtesco Group works toward environmental preservation under the combined efforts of the individual ESH\* systems of each in-house company and Group company (see chart on the right).

The ESH Committee establishes basic policies on environmental conservation, disaster prevention, health and hygiene in connection with all business activities conducted by the Group, and formulates the criteria for cross-company management matters. It also aims to assure the environmental conservation of local communities, maintain the safety and health of our employees, achieve symbiosis with the environment, and fulfill our corporate social responsibility.

\* ESH: Environment, safety & health

### ESH management organization



## ESH audits

The chairperson of the Nabtesco Group's ESH Committee visits each site to carry out an audit that includes checking the results of ESH-related activities. Instructions are then given based on the result of the audit.

At the end of each fiscal year, the Group's management team reviews the ESH management system based on the results of the ESH activities, including the results of the audits and follow-up surveys.

### Results of FY2012 ESH audits

Type of audit	Outline	Auditor	Audited organizations
ESH audit	On-site audit: Check the results of activities conducted in the previous fiscal year and the activity plan for the current fiscal year; check the responses to accidents/disasters and their appropriateness	Chairperson of the ESH Committee President of the in-house company Manager of the Environment & Safety Dept.	Nabtesco: Six plants Group companies: Four companies
Follow-up audit	On-site audit: Check the measures implemented in response to the issues pointed out in the ESH audit	Environment & Safety Dept. (ESH secretariat)	Nabtesco: Six plants Group companies: Four companies
ESH audit II	Documentary examination: On-site examination will also be carried out as necessary. Check the achievements (to be made by the end of the fiscal year) of the ESH activities	Environment & Safety Dept. (ESH secretariat)	Nabtesco: Six plants Group companies: Eight companies

## Environmental management system

The Nabtesco Group acknowledges that the ISO 14001 international standard is an effective tool for environmental management and uses it in the building and operation of our environmental management system. Since the Accessibility Innovation Company first obtained ISO 14001 certification in October 1999, all Nabtesco plants, as well as five plants operated by major Group companies, have become accredited under ISO 14001.

The Nabtesco Group is also working hard to maintain consistency in our environmental activities across the entire Group by promoting alignment, information sharing and collaboration between our sites, in order to realize effective environmental performance. We are also aiming to establish a sustainable system that integrates ecology and economy.

### Situation regarding attainment of ISO 14001 certification

	Date when credit rating is decided	Last updated	Certification agency
Konan Plant (Hyogo Pref.)	October 22, 1999	March 5, 2012	LRQA
Tsuji Plant (Mie Pref.)	March 28, 2000	March 28, 2012	ISC
Gifu Plant (Gifu Pref.)	June 1, 2001	July 1, 2013	LRQA
Tarui Plant (Gifu Pref.)	June 1, 2001	July 1, 2013	LRQA
Seishin Plant (Hyogo Pref.)	November 30, 2003	November 30, 2012	LRQA
Kobe Plant (Hyogo Pref.)	March 26, 2004	March 26, 2013	JQA

## Environmental education

The Nabtesco Group provides its employees with diverse environmental education to raise their awareness about environmental protection, safety and health.

In the environmental education for newcomers, we explain the company's environmental activities and achievements, and stress that every small step made by each employee will eventually result in a great stride in the reduction of our environmental impact.

We also organize ESH training for ESH managers and their staff at each site to share such information as the latest ESH trends and revisions of important laws and regulations.

## Violation of environmental regulations

In FY2012, the Nabtesco Group identified and documented laws and regulations applied to prevent the occurrence of legal violations, and confirmed the company's compliance with them. There were no penalties or sanctions against Nabtesco for the violation of any environmental regulation during the period covered by this report.

## Topics

In FY2012, we held an environmental seminar on climate-change-related risks/opportunities for Nabtesco, targeting managers and those charged with promoting energy conservation. Participants deepened their understanding of the importance of implementing environmental measures and disclosing relevant information.



# Striving for Harmony with Global Environment

## Combating climate change

### Prevention of global warming (Energy conservation)

Group long-term target (for FY2014)

- Reduce energy consumption (unit energy consumption) by at least 10% from the FY2004 level

The Nabtesco Group is fostering the efficient use of energy resources across the board as a means to mitigate global warming. Specifically, we set improvement targets for energy conservation in the maintenance, management and operation of our equipment, and quantitatively evaluate the effectiveness of the implemented measures to conserve more energy.

In FY2012, we reduced our CO<sub>2</sub> emissions by 4% year on year due to a decrease in production resulting from market stagnation in emerging economies as well as the implementation of energy conservation activities. These include replacing conventional air conditioners with

more energy-efficient models and launching the operation of solar power generation facilities. As for the long-term target for CO<sub>2</sub> emissions per unit of sales, we decreased emissions by 22.4% from the FY2004 level, far exceeding the target of 8%. Emissions, however, increased by 6.1% relative to the previous fiscal year and we were thus unable to achieve the year-on-year target. For the achievement of the Group long-term target, we will further foster energy conservation by making proactive use of renewable energy and the energy monitoring system.

### FY2012 results

CO <sub>2</sub> emissions	Target	Actual results*	Status
Per unit of sales in FY2012	Reduce by at least 1% over the previous year	Increased by 6.1%	Not achieved
Per unit of sales in the long term	Reduce by at least 8% over FY2004	Reduced by 22.4%	Achieved

\* The CO<sub>2</sub> conversion factors used to calculate actual results are the FY2008 factors, except the factor for electricity, for which the default value of 0.555 kg-CO<sub>2</sub>/kWh is used.

### CO<sub>2</sub> emissions in FY2012

49,050 CO<sub>2</sub>-tons<sup>\*1\*</sup> (51,100 CO<sub>2</sub>-tons in FY2011)

The Nabtesco Group has been making a concerted effort to upgrade facilities and equipment and improve processes to reduce the amount of electricity used by the Group. As a result, and also due to a decrease in production, we reduced our CO<sub>2</sub> emissions by 4.0%<sup>\*2</sup> year on year.

Regarding electricity, the CO<sub>2</sub> emissions calculated using the actual and adjusted CO<sub>2</sub> conversion factors published by each electric power company are as follows:

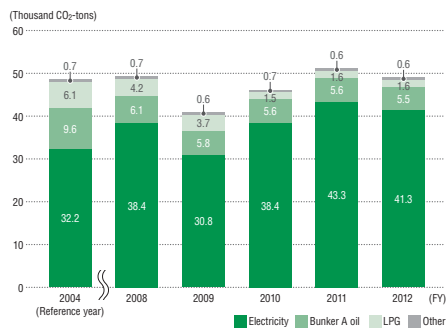
45,660 CO<sub>2</sub>-tons<sup>\*1\*</sup> (based on the actual emission factor)

42,060 CO<sub>2</sub>-tons<sup>\*1\*</sup> (based on the adjusted emission factor)

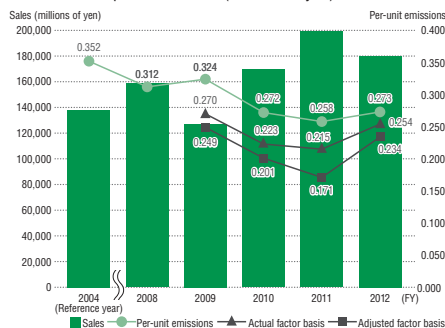
### Per-unit CO<sub>2</sub> emissions (sales base)

In FY2010 and FY2011, we increased our sales in response to greater demand in emerging economies. As a result, our total CO<sub>2</sub> emissions increased. We did, however, reduce our per-unit CO<sub>2</sub> emissions. In FY2012, following a 10% decrease in sales, our total CO<sub>2</sub> emissions also decreased but there was a 6.1% increase in our per-unit emissions.

### CO<sub>2</sub> emissions



### CO<sub>2</sub> emissions per unit of sales (one million yen)



\*1: The period subject to calculation is from April 2012 to March 2013.

\*2: The policy and standards of the calculation are as per the Act on the Rational Use of Energy and the Act on Promotion of Global Warming Countermeasures. The calculation was made in accordance with Nabtesco's Rules on Environmental Information Management.

The CO<sub>2</sub> emission factors used for the calculation are basically in accordance with the Act on Promotion of Global Warming Countermeasures. However, regarding the factor for electricity, either of the following is used: (1) the default value of 0.555 kg-CO<sub>2</sub>/kWh in the case of the fixed factor; (2) the emission factor of each electric power company published by the Ministry of the Environment in the case of the actual emission factor; or (3) the emission factor of each electric power company published by the Ministry of the Environment in the case of the adjusted emission factor.

\*3: The scope of the calculation covers only the business sites located in Japan, which are: Nabtesco Corporation (Gifu Plant, Tarui Plant, Tsu Plant, Kobe Plant, Konan Plant, Seishin Plant, Headquarters [including Kawasaki]), Nagoya Office, Kobe Office, Kitakyushu Office), Nabtesco Automotive Corporation (Yamagata Plant, Yokosuka Technical Center, Headquarters), Diavac Ltd. (Head Office and Factory), CMET Inc. (Head Office, Yokohama Resin Development Center), NABCO DOOR Ltd. (Head Office), Nabtesco Service Co., Ltd. (Kobe Techno-Center, Yokohama Techno-Center), Toyo Jidoki Co., Ltd. (Iwakuni Plant), TS Precision Co., Ltd. (Head Office/Plant), Aishin Kikoo Co., Ltd. (Head Office/Plant).

### Renewable energy

Nabtesco installed 400 kW solar panels on the roof of the Tarui Plant and launched operations in August 1, 2012. In FY2012, the system generated 283 MWh of electricity. As a result, CO<sub>2</sub> emissions from the plant decreased by 157 tons and grid power consumption during peak hours was also reduced.



### Energy conservation of transportation

The transportation volume of Nabtesco (unconsolidated) decreased by 5% year on year to 16.5 million ton-kilometers. Although the volume has not reached a level that would allow us to be designated as a specified consigner under law, we will continue working hard to improve logistics efficiency through such means as enhancing storage efficiency, minimizing the transportation frequency, reviewing transportation routes, and making effective use of return trips after deliveries.

### Commendation system for energy conservation activities

The Nabtesco Group established guidelines on the internal commendation of energy conservation activities in September 2012 with a view to fostering energy conservation at each Group site. Based on the guidelines, commendations are given to Group sites according to a comprehensive evaluation of the extent to which they have cut CO<sub>2</sub> emissions (absolute quantity), improved unit consumption and the results of their energy-saving activities. Sites that have achieved outstanding results are rewarded under the system. This commendation system targets the six plants and six affiliates of Nabtesco Corporation.

In FY2012, the Gifu Plant, Diavac Ltd. and Konan Plant received commendations under the system.

All of the plants were positively evaluated for the way they had cut CO<sub>2</sub> emissions over the year despite the rise in sales.

Name of site	Reduction in total CO <sub>2</sub> emissions from the FY2010 level (%)	Reduction in per-unit CO <sub>2</sub> emissions from the FY2010 level (%)	Energy conservation effect (in CO <sub>2</sub> -tons) (Improvement rate %)
Gifu Plant	-0.3	-8.2	320.5 (3.9)
Diavac Ltd.	-20.0	-31.2	6.1 (3.1)
Konan Plant	-12.0	-6.2	11.8 (2.3)



Commendation ceremony held at the Headquarters



Commendation ceremony held at Gifu Plant

### Our initiatives regarding the Carbon Disclosure Project (CDP)

The CDP is an international NPO that provides a system for companies and cities to measure, disclose, manage and share important environmental information. CDP represents 655 institutional investors with combined assets of 78 trillion dollars, and conducts research into the climate change strategies and greenhouse gas emission volumes of 5,000 companies across the world, including 500 in Japan. It collects and analyzes the disclosed data, and publishes scores based on the contents of each company's efforts for the entire world to see.

Nabtesco agrees with the gist of CDP's initiatives against climate

change through greenhouse gas management, and discloses and reports its strategies on climate change and the amount of greenhouse gases it emits.

Nabtesco disclosed and reported its data, based on the FY2009 results, to CDP for the first time in 2010. In 2012, CDP gave us an extremely high evaluation, placing us in the top 10% of Japanese companies. We will continue to enthusiastically support efforts to prevent global warming and disclose information.



# Striving for Harmony with Global Environment

## Certification system for energy-saving products

We established this certification system to foster the design and development of energy-saving products in order to promote environmental protection and the development of a sustainable society. Through this system we are contributing to the mitigation of global warming while increasing the environmental awareness of our employees.

For products that have obtained the certification, we issue certificates, approve the use of the certification mark and make announcements about the certification in our in-house magazine.



Certification mark (Nabtesco's eco label)



### Certification criteria

We evaluate products to be released on the market based on the following criteria. If they meet the criteria items, we shortlist them for internal certification as energy-saving products. To obtain the final certification, however, the product must be at least on par with previous models for all criteria items.

<b>Downsizing and weight reduction</b> By 15% or more compared with previous models	<b>Higher efficiency and less energy loss</b> By 15% or more compared with previous models
<b>Longer life</b> By 20% or longer compared with previous models	<b>Non-use of hazardous substances</b> Not contained

## Energy-saving products certified in FY2012

Product name	Evaluation criteria			
	Downsizing and weight reduction	Higher efficiency and less energy loss	Longer life	Use of hazardous substances
N-IEPV brake operating unit	Reduction in volume/reduction in weight	Reduction in power consumption	Extended life	On par with previous models
"Rack☆Star" electric pocket sliding type door system	Reduction in size and weight	On par with or better than previous models	On par with or better than previous models	On par with or better than previous models
MCG-700 governor	Reduction in volume/reduction in weight	On par with previous models	On par with previous models	On par with previous models
Intelligent eco Door System (IeDS)	On par with previous models	Reduction in unnecessary opening and closing	On par with previous models	On par with previous models

### N-IEPV brake operating unit



This device comprises a core part of an air brake system for railroad vehicles. We have designed it to be one of the world's lightest and smallest by adopting small electromagnetic valves, developing a small two-channel integrated pressure sensor, partially computerizing the air pressure valve function and optimizing the valve output capacity.

### "Rack☆Star" electric pocket sliding type door system



This door system for railroad vehicles is equipped with a thin motor and a rack-and-pinion-type sliding system. Built with a number of aluminum parts, it is one of the world's lightest and smallest.

### MCG-700 governor



This device is used as an output controller for marine vessels. By efficient wiring, adoption of a large liquid crystal touch panel and improvement of compatibility with conventional governors, we have designed it so as to help customers increase their profits while making it far smaller and lighter than previous models.

### Intelligent eco Door System (IeDS)



For details, please visit the following website:  
<http://www2.nabco.co.jp/lineup/method.html>



Intelligent eco Door System

Conventional automatic doors will open and close if a person moves into their vicinity, regardless of whether or not the person actually wants to pass through the door. IeDS will reduce the frequency and time of needless opening and closing, thereby increasing the wind protection effect of the doors and minimizing changes in room temperature for energy conservation.

## Reduction of waste

### Zero emissions

- Group long-term target (for FY2014)
  - Zero emissions rate of 1% or less (percentage of landfill waste vs. total emissions)

We promote the reduction of all types of emissions generated in the course of business based on the 3Rs (reduce, reuse, recycle), the basic practice for establishing a recycling-based society, in order to realize zero emissions.

Our emissions started decreasing after FY2008 due to the impact of the Lehman collapse, the subsequent global recession and reduced production. However, in FY2010, our production recovered significantly, leading to an increase in total emissions.

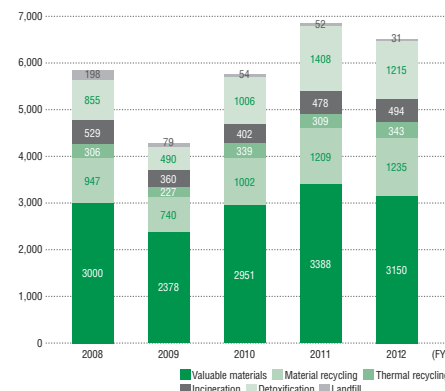
As regards landfill waste, we undertook various efforts including

the 100% recycling of incinerated ash of brake shoes into roadbed materials as well as the recycling of end-of-life computers and OA machines and various other types of waste. These efforts resulted in the reduction of landfill waste by 40% compared to the previous fiscal year. The percentage of landfill waste to total emissions thereby decreased to 0.48% (FY2011: 0.76%), meaning that we achieved the FY2014 target of 1% or less for three consecutive years. In addition to making further efforts to reduce landfill waste, we will also focus on the recovery of valuable materials from waste.

### Reduction of landfill waste

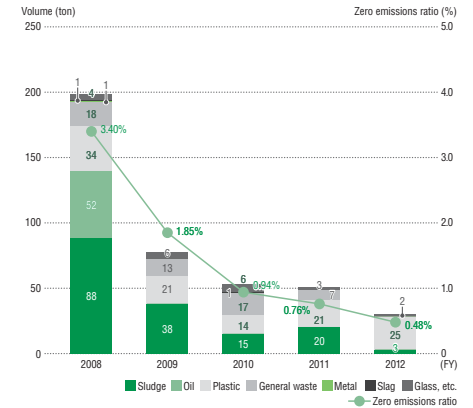
Target for FY2014	FY2012 results	Status
1.0% or less of total emissions	0.48% of total emissions	Long-term target achieved

### Volume of waste generated



Note: We have reviewed previous years' figures for the sake of precision.

### Volume of landfill waste and zero emissions ratios



Note: We have reviewed previous years' figures for the sake of precision.

### Breakdown of emissions

Valuable materials: metal, oil, cardboard, etc.  
 Thermal recycling: packaging, general waste, plastic, etc.  
 Detoxification: water-soluble oil, alkalis, etc.

Material recycling: oil, sludge, wood, liquid, plastic, etc.  
 Incineration: general waste, plastic, etc.  
 Landfill: sludge, plastic, glass

# Striving for Harmony with Global Environment

## Control of chemical substances

### PRTR substances

The Nabtesco Group is promoting such activities as the identification of amounts of Pollutant Release and Transfer Register (PRTR) substances handled, as well as the appropriate management and reduction of use of such substances, in accordance with the PRTR law enforced in March 2003.

The total amount of PRTR substances used at Nabtesco in FY2012 was 73.1 tons, down 14% year on year.

Among these substances, we have been mainly focusing on reducing the use of toluene, xylene and hydrochlorofluorocarbon-225 (HCFC-225).

Most of these substances are contained in diluents and cleaning solvents used in coating processes. In order to help reduce environmental impact, we are working in close cooperation with paint manufacturers and customers to promote a switch to alternative eco-friendly paints, one-coat processes and water-based cleaning solvents.

In FY2012, we used a total of 31.6 tons of toluene, xylene and HCFC-225, down 8.9 tons from the previous year. The use of these three substances as a proportion of the total amount of PRTR substances used also decreased, from 48% in FY2011 to 43% in FY2012.

We will continue to make efforts to reduce the use of toluene and xylene and to completely discontinue the use of HCFC-225.

### Waste containing PCBs (electrical facilities)

The Nabtesco Group reports all PCB-containing transformers, capacitors, etc. to the authorities and stores them appropriately in accordance with the Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes promulgated in June 2001.

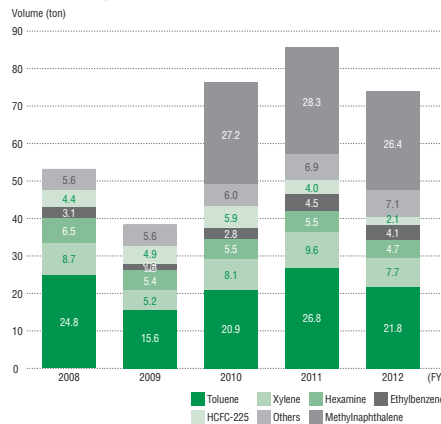
High-concentration PCB waste currently stored at TS Precision, our Group company, is scheduled to be treated in FY2013. With regard to waste still stored at two other plants, we are awaiting notification from JESCO on when it should be delivered for treatment.

### Soil contamination

Based on the understanding that harmful substances accumulated in soil are a great threat to society, the Nabtesco Group is working hard to prevent contamination of soil and groundwater as one of its most important CSR tasks.

A survey on the soil and groundwater conducted in May 2005 at the site of the former Yokosuka Plant revealed that the site was contaminated by volatile organic solvents and other harmful substances. We reported it to the authorities in accordance with the law, and engaged in soil melioration and groundwater purification in close collaboration with the authorities. The works for soil remediation and groundwater purification were completed in April 2011 and March 2012, respectively, and groundwater monitoring is now underway. The monitoring is scheduled to be conducted until the end of FY2013.

Volume of major PRTR substances used



Note: Methylnaphthalene contained in fuel oil was added upon the FY2010 revision of substances subject to the PRTR law.

### Asbestos

The Nabtesco Group has performed extensive investigations on present and past use of asbestos in products, processes, facilities and constructions within the Group, and is implementing appropriate measures based on the results in accordance with the relevant laws and regulations.

At the Nabtesco Group, workers in some workplaces have had some previous contact with asbestos. We notified and recommended all ex-employees to undergo health checkups in FY2006, and in response to the revision of the Act on Asbestos Health Damage Relief, sent a health checkup notice to ex-employees again in FY2009. The asbestos health checkups have continuously been offered at medical institutions. We also support ex-employees for whom any abnormality is found during the checkup in their procedure to receive a personal health handbook on asbestos from the authorities.

Although we have long adopted every possible measure to discontinue the use of products containing asbestos, we discovered in February 2007 that shipped gaskets containing asbestos had been used in parts for railroad cars, repair parts for aircraft and in limited equipment for construction machinery. We reported this to the relevant authorities and customers immediately upon discovery, recalled those products and took the necessary corrective actions. We will commit ourselves to further reinforcing the management system in the future.

Since the asbestos used for those products was of a solid type and sealed within the machines, there was no risk the harmful substance would scatter.

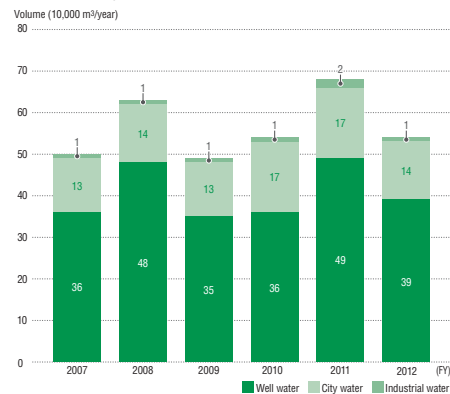
## Water consumption

In the Nabtesco Group, water is mainly used for the purpose of cooling test stands.

The total volume of water used by the Nabtesco Group in FY2012 reduced year on year by 21.3% (144,000 m<sup>3</sup>) to 530,000 m<sup>3</sup>.

We are newly reducing the use of water by suspending the supply of cooling water while test stands are not in use.

### Water consumption



Notes:

1. The period of tabulation is from Apr. 2012 to Mar. 2013.
2. The scope of the tabulation covers Japan only. Nabtesco and the 16 places of business of its 8 consolidated companies.

## Third-party assurance

**Nabtesco Group CSR Report 2013 Independent Verification Report**  
To: Nabtesco Corporation  
June 28, 2013

Bureau Veritas Japan Co., Ltd.  
System Certification Services Headquarters

Bureau Veritas Japan Co., Ltd. (Bureau Veritas) has been engaged by Nabtesco Corporation (Nabtesco) to conduct an independent verification of the environmental data selected for inclusion in the Nabtesco Group CSR Report 2013 (the Report), issued under the responsibility of Nabtesco. The aim of this verification is to assess the accuracy of environmental data reported in the Report and to provide verification opinion based on objective evidence.

**1. Verification Outline**

Scope of Verification	Site Visited	Verification Methodology
CO2 emissions from energy use through business operations of 22 sites in Japan of Nabtesco and its 8 consolidated subsidiaries	Nabtesco head office Nabtesco Tama Plant Nabtesco Kofu Plant Nabtesco Aomori Nabtesco Aomori Nabtesco Aomori Nabtesco Aomori Nabtesco Aomori	Review of documentary evidence produced by Nabtesco head office and the sites visited Interviews with relevant personnel of Nabtesco head office and the sites visited Site inspection and review of data monitoring procedures Comparison between the reported data and supporting documentary evidence

**2. Findings**

- the environmental impact data stated in the Report is consistent with the data collected and consolidated by Nabtesco head office;
- no significant errors were detected in the environmental data reported by site visited to Nabtesco head office.

Bureau Veritas has implemented a code of ethics across its business which is intended to ensure that all our staff maintain high standards in their use of our business activities. We are particularly rigorous in the prevention of conflicts of interest. Bureau Veritas activities for Nabtesco are for social reporting verification only and we believe our verification assignment did not use any conflicts of interest.

## Creation of the New Energy Business Development Division

In April 2013 Nabtesco established its New Energy Business Development Division. Hitherto the Precision Equipment Company (the Precision Equipment Segment) had been pursuing the business of solar tracking equipment for solar thermal power generation, while the Power Control Company (the Aircraft and Hydraulic Equipment Segment) had been pursuing the business of drive units for wind turbines. By newly establishing the New Energy Business Development Division, we will fuse the two businesses into the New Energy Business Development Division, with the aim of generating synergistic effects to further develop the businesses on a medium- to long-term basis.





# Implementation of Fair and Proper Business

We will maintain fair, proper and transparent purchasing practices, and—together with business partners—contribute to the development and maintenance of a sound society.

## Core philosophy

Nabtesco is well aware of the importance of meeting the demands of society, and—by developing mutual trust with business partners through fair, proper and transparent transactions—is committed to meeting our social responsibilities not just through the efforts of the Nabtesco Group alone but with the cooperation of the entire supply chain.

## Promotion framework

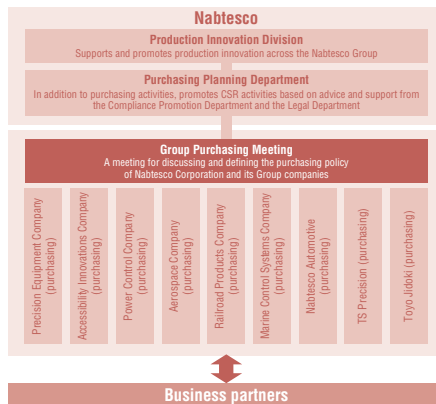
In collaboration with the Compliance Promotion Department and the Legal Department, the Production Innovation Division and the Purchasing Planning Department play a central role in promoting activities to fulfill Nabtesco's social responsibilities across the entire supply chain by gaining the consensus of the Nabtesco Group Purchasing Meeting members and also by receiving support from business partners through the in-house companies.

## Initiatives undertaken

### CSR measures implemented across the supply chain

Based on the philosophy stated above, we included provisions on CSR in the Basic Purchase Agreement since the latter half of FY2010, and have been working toward signing the agreement with all of our business partners in Japan.

In pursuing the globalization of our business, we need even more than before to respond to demands relating to the environment and



human rights in our supply chain. Therefore, since March 2013 the Purchasing Planning Department of the Production Innovation Division has been at the heart of efforts to formulate CSR procurement guidelines. In the future, as well as stipulating CSR procurement guidelines, we will further improve mutual communication with our business partners, and promote CSR procurement.

- Assurance of health and safety; optimization of working conditions**  
Health and safety must be assured and lawful working conditions must be maintained not only at Nabtesco but also at business partners.
- Compliance**  
Compliance must be promoted as the basis of CSR.
- Prevention of pollution; environmental management; management of designated hazardous substances**  
Pollution must be prevented before it occurs through environmental conservation and the elimination of designated hazardous substances.
- Obligation to prevent accidents**  
Efforts must be made to prevent accidents on a daily basis.
- Prohibition of bid rigging and bribery**  
Bid rigging and bribery must be prohibited to develop fair, proper and transparent relationships with business partners.
- Elimination of anti-social forces**  
Nabtesco will discontinue transactions with any business partner who is found to be associated with an anti-social force.

## Measures for conflict minerals

The term "conflict minerals" refers to four minerals (gold, tantalum, tin and tungsten) that constitute a source of funds for armed groups in conflict areas of the Democratic Republic of the Congo and surrounding countries. In the United States, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act established in 2010, companies using these minerals are required to report such use to the Securities and Exchange Commission.

As neither Nabtesco Corporation nor its Group companies are listed on US stock markets, none are subject to the law or the reporting obligations. The Nabtesco Group, however, is committed to conducting responsible procurement activities and avoiding becoming complicit in the activities and/or human rights abuses of armed groups. To this end, we are endeavoring to ensure the transparency of our supply chain in cooperation with our business partners.



# Coexistence with Society

We respect cultural backgrounds and customs in the areas in which we operate, while sharing the same values to live harmoniously together, thus contributing to the development of local economies, education and culture.

## Donation of Assist Wheel electric wheelchairs

We developed the Assist Wheel (AW) to help ease the physical burden of caretakers of wheelchair-bound people in moving their charges from place to place. The AW is an electric wheelchair equipped with a sensor that automatically switches on the motor and brake and delivers superior performance, especially on both ascending and descending slopes, irregular ground and other places where moving ordinary wheelchairs is difficult.

The Nabtesco Group has been donating AW wheelchairs to local governments in areas in which the Group has bases or where many of its employees reside since 2008. In FY2011, we also began donating the wheelchairs to areas afflicted by the Great East Japan Earthquake, where the superior performance of the AW on irregular ground is particularly useful. We have so far donated 139 AW wheelchairs in total.



We hope to be able to contribute to improving the lives of more people through the provision of AW wheelchairs.

General Manager Morieda of the NAM Yamagata Plant donating an AW wheelchair to Yamagata Prefectural Kahoku Hospital

Site/Region	Local government	2008	2009	2010	2011	2012	Total number
Headquarters in Tokyo	Tokyo Kanagawa Pref.	2	2	2	2	2	10
Tarui and Gifu Plants	Gifu Pref.	3	1	1	2	2	9
Tsu Plant	Mie Pref.	2	2	2	2	2	10
Kobe, Konan and Seishin Plants	Hyogo Pref.	4	4	4	4	4	20
NAM Yamagata Plant	Yamagata Pref.	2	2	2	2	2	10
TS Precision and Toyo Jidoki	Iwakuni City		2	2	2	2	8
Aishin Kikoo	Ehime Pref.	2	1	1	1	2	7
3 Prefectures in Tohoku	Iwate Pref.				16	5	21
	Miyagi Pref.				17	5	22
	Fukushima Pref.				17	5	22
Total number of AW wheelchairs donated		15	14	14	65	31	139

NAM: Nabtesco Automotive

## Exchange with local educational facilities: initiatives at the three plants in the Kobe district

During the period from July 31 to August 2, 2012, we invited three teachers from elementary and junior high schools in Nose, Osaka to participate in an education program held at our three plants in the Kobe district (Kobe, Konan and Seishin Plants). Through the program, the teachers learned about Nabtesco's business and employee training through plant tours and other activities, and met and talked with employees.

Subsequently, we invited students from the three schools to visit the Konan Plant. Following the visit, one such student reported that "It was great to be able to see the plant's manufacturing processes up close." In FY2012, as part of internship programs and plant tours at the three plants, the Nabtesco Group hosted a total of 890 people in 66 groups, including school and university delegations and members of the general public. In the future, we will increase the number of visits by elementary and junior high school students, by fostering the aforementioned exchange with elementary and junior high school teachers.

### Sample of comments by teachers invited to the plants to participate in the education program

- The program provided me with a great opportunity to get a close-up look at the world outside the school environment and to also take a good look at myself. It also served as a good reminder that most of my students will work in these kinds of jobs in the future.
- I learned that the company appreciates and respects its employees and is spending a lot of time and money on developing its workforce, which is also an important asset for the company.



Teachers participating in the training program

## Activity to plant mangroves conducted by overseas Group companies

In June 2013, Nabtesco Automotive Products (Thailand) Co., Ltd. (NAPT) planted around 250 mangrove seedlings on tideland located within the premises of the Bang Pu Nature Education Center in the province of Samut Prakan.

Mangroves grow in intertidal zones where seawater mingles with fresh water. The seedlings planted are expected to contribute to the prevention of global warming, the maintenance and restoration of ecosystems and the mitigation of natural disasters.

Of NAPT's 78 employees, 69 participated in and enjoyed the planting activity. NAPT will continue to conduct social contribution activities on a regular basis.



### Hideki Katada General Manager of administration, accounts and sales, NAPT

Based on the teachings of Theravada Buddhism, Thai people believe that they can be happy in their next lives if they do tambun (good deeds) in their present lives and therefore deem it a virtue to contribute to society and help others. The planting activity counts as a good deed for Thai people and our employees were able to feel proud of belonging to the Nabtesco Group, which sponsored the activity.

We at NAPT will continue to make concerted efforts to make even more contributions to local communities based on Thai values.





# Management Systems

Nabtesco is conducting business by promoting transparent business management and maintaining high ethical standards, as well as ensuring compliance with laws and regulations, in order to earn the trust and respect of shareholders and other stakeholders.

## Corporate governance

Given the content and characteristics of business operations covered by our Group, we have adopted an executive officer system and an in-house company system as a means of expediting decision-making and clarifying who is responsible for executing certain business operations. As a means of controlling these systems, we have established corporate governance under which the Board of Directors, (the Board of) Corporate Auditors, Accounting Auditors, and the Management Committee—an organization tasked with carrying out the deliberation of important issues relating to executing business operations—have been set up to clearly divide the functions of decision-making, control and execution of business, and the monitoring and supervision of management.

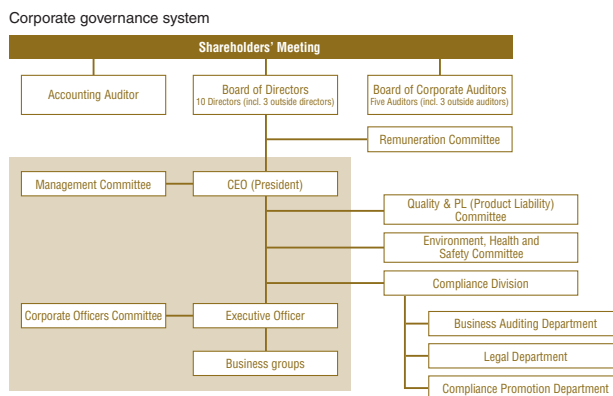
Corporate Auditors are supposed to attend a meeting sponsored by the Management Committee. This committee will deliberate over important issues to be discussed at the Board of Directors and clarify focal points, before presenting these issues to the Board of Directors. The prior deliberations are meant to promote appropriate decision-making and enhance the efficiency of decision-making at the Board of Directors.

At present, our company's Board of Directors is composed of 10 persons, including three Outside Board Directors. The articles of incorporation stipulate that Board Directors are not allowed to sit on the Board of Directors for more than one year, a rule designed to clarify the management responsibility of Board Directors. Furthermore, the company has set up the Remuneration Committee, which serves as an advisory organization to the Board of Directors. That committee, consisting of three persons including two Outside Board Directors, is supposed to deliberate on guidelines relating to the financial

treatment of full-time Board Directors and Executive Officers, and the implementation of the guidelines. The committee has been instrumental in achieving the payment of appropriate remuneration to full-time Board Directors and Executive Officers.

The Board of Corporate Auditors of our company is composed of five persons including three Outside Corporate Auditors. Moreover, the Board of Group Corporate Auditors, whose members include Corporate Auditors at Group companies, has been established as a way of strengthening auditing among Group companies.

By improving and reinforcing this corporate governance system, we will speed up and maintain flexibility in business execution, strengthen our overall corporate governance and clarify where responsibility lies, thus realizing efficient and transparent business management, which is considered helpful in enhancing the corporate value of the Nabtesco Group.



### Explanation of company's organizations

Organization Name	Outline
Board of Directors	The Board of Directors is composed of 10 persons including three external directors. As the organization that formulates the Group's basic policies and strategies, makes decisions about the execution of important business matters and audits the way business is carried out, it meets in principle once a month. It met 18 times during the period covered in this report.
Corporate Officers Committee	The Corporate Officers Committee adopts a corporate officer system as the body devoted to the execution of business pursuant to the policies, strategies and audits of the Board of Directors. It is composed of 22 people including the corporate officers of the Group's five main companies, and hold regular meetings, five of which were held during the period covered by this report.
Board of Corporate Auditors	The Board of Corporate Auditors consists of five people including three external auditors. The Board of Group Corporate Auditors, whose members include Corporate Auditors at Group companies, has also been established as a way of strengthening auditing among Group companies. During the period covered by this report the Board of Corporate Auditors met 13 times and the Board of Group Corporate Auditors twice.
Management Committee	In line with the policies decided by the Board of Directors, the Management Committee serves as the body that discusses important matters relating to execution of the Group's business, reports on results and the execution of business. It is composed of standing directors and corporate officers and meets twice a month in principle. It held 26 meetings during the period covered in this report.
Business Auditing Department	With the aim of contributing to sound management control and in an attempt to improve the effective operation and quality of Group management activities, the eight-member Business Auditing Department was established to strengthen internal business auditing. During the period covered by this report it has conducted internal business audits of head office divisions, in-house companies and consolidated companies.
Remuneration Committee	The Remuneration Committee was established as a consultative body of the Board of Directors, and discusses the outline and operation of the benefits of directors and corporate officers and contributes to their reasonable setting. The committee is composed of three people including two external directors.

## Current status of internal control system

Based on its Basic Policies for the Construction of an Internal Control System, the Nabtesco Group is working to enhance all the areas associated with internal control—such as increased efficiency of management, compliance, information management, risk management and collaboration with the Board of Corporate Auditors—under consistent principles, and integrate them to construct an internal control system.

**Outline of Basic Policies for the Construction of an Internal Control System**  
Internal control for the Nabtesco Group shall be based on making the Corporate Philosophy, Code of Corporate Ethics and Group Code of Conduct the cornerstones of proper and fair business activities, and

ensuring compliance with these by Directors, Corporate Auditors and all Group employees.

The Chief Executive Officer (CEO) shall be the top executive responsible for the promotion of internal control, and a Compliance Division shall be responsible for assisting the CEO in this regard. The Board of Directors shall examine the maintenance of internal control systems on a continual basis in line with changes in the business environment and social needs, revisions to laws and regulations, risk diversification and other factors, and shall conduct a review yearly and whenever else necessary.

## Risk management

The Nabtesco Group has a system in place to ensure that profits and losses, asset efficiency, quality issues, accidents and other matters concerning the execution of operations are reported to the Board of Directors in a suitable and timely fashion. The system is also designed in such a way that when any potential hazard that may cause serious damage to the Group is detected, it will be reported to the (Board of) Directors promptly and precisely. We are thus making efforts to discover risks early to minimize losses. More specifically, we are working to manage and prevent the following types of risks and losses while forming cross-group organizations and developing regulations as needed:

- (1) Risks concerning economic and market trends
- (2) Risks concerning overseas business development
- (3) Risks concerning major natural disasters
- (4) Risks concerning the electricity supply
- (5) Risks concerning fluctuating exchange rates
- (6) Risks concerning procurement

- (7) Risks concerning product quality
- (8) Risks concerning competition

We also ensure the suitability and legality of decision-making and manage risks through compliance with, and thoroughgoing implementation of, Group regulations for responsibility and authority.

We have also established company regulations that set forth reporting requirements that must be observed in the event of accidents, disasters or critical quality problems, and have introduced a system to ensure that information is conveyed promptly and suitably in accordance with these regulations to facilitate the immediate taking of appropriate contingency measures.

With regard to monitoring, expert members of the Headquarters, particularly in the Business Auditing Department, conduct cross-organizational audits of operational risk management, and offer necessary and appropriate advice with regard to operational improvements.

## BCP activities

To prepare for large disasters and other contingencies, Nabtesco has been fostering activities to create business continuity plans (BCPs) at each of its in-house companies since FY2010. As of the end of FY2012, all of the companies had finished formulating their plans.

In and after FY2013, we will expand the BCP activities to Group companies in Japan.

In our headquarters district (Tokyo), once a year we conduct role-playing map-based simulation drills in which the damage caused by a massive earthquake disaster in the metropolitan area is envisaged.



Disaster countermeasures simulation

# Management Systems

## Practice and engendering of compliance

We formulated the Nabtesco Group Code of Corporate Ethics and the Nabtesco Group Code of Conduct in April 2005 to ensure that corporate activities are conducted in accordance with even higher standards of ethics across the Group, and, based on these codes, have been working hard to implement business ethics strictly.

The Compliance Promotion Division, an organization dedicated to addressing compliance issues, plays a central role in promoting the employees' compliance with the Code of Corporate Ethics, as well as with laws and regulations, to help enhance the Group's corporate value over the medium to long-term.

### Nabtesco Group Corporate Ethics Code

This code provides principles regarding how to behave during business activities and what we need to pay attention to when pursuing the company's goals.

1. Socially beneficial products and services
2. Improved management transparency
3. Implementation of fair and proper business
4. Coexistence with society
5. Striving for harmony with global environment
6. Focusing on employees' growth and development
7. Pledge

### Nabtesco Group Code of Conduct

This code provides judgment standards that need to be observed by all employees from the viewpoints of corporate ethics and legal compliance.

1. The aim of the standard and scope of application
2. General provisions
3. Business activities
  - (1) Pursuit of safety, security and comfort (2) To protect the environment
  - (3) To maintain and promote fair and free dealing
  - (4) Dealing with suppliers and partners (5) Export and import transactions
4. Relationship with shareholders and investors
  - (1) Disclosure of corporate information (2) Prohibition of insider trading
5. Moral and Honest acts
6. Appropriate management of information
  - (1) To properly manage and utilize information
  - (2) Protection of intellectual property rights

## Promotion of compliance

### Corporate Ethics Month

In FY2011, we designated October every year as "Corporate Ethics Month" and decided to conduct an intensive campaign, led by top management, to raise awareness of compliance among employees of Nabtesco Group companies in Japan.

In FY2012, as in the previous year, the CEO offered a message for the month-long campaign, as did other top executives. Moreover, prior to the start of the campaign, special training was provided at each workplace to develop employees who could chair and promote compliance meetings. A total of 3,921 employees participated in the campaign activities in FY2012.

### Compliance education for employees

- (1) Training for each level of employees  
We incorporated compliance education into the training given by the Human Resources Development Department to employees at each job grade.
- (2) Compliance education through e-learning  
We continued the e-learning program launched in FY2011 and offered courses on security export control and the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors (Subcontract Act).

Course	No. of employees who undertook the courses	No. of employees who completed the courses	Completion rate
Security export control	245	221	90%
Subcontract Act	135	121	90%

### Examples of activities conducted in the FY2012 Corporate Ethics Month

- (1) Dispatch of a message from the CEO
- (2) Dispatch of messages from the presidents of the in-house companies, general managers of the divisions and presidents of Group companies
- (3) Putting up campaign posters
- (4) Holding workplace meetings and making a compliance declaration
- (5) Provision of training to develop people who could chair and foster compliance meetings (prior to the campaign)

### Breakdown of the training for each level of employees

- Training for newly appointed managers
- Entry-level problem-solving training
- Upper-level problem-solving training ● Foreman training
- Second-year training ● Training for new employees



Compliance meeting

## Compliance awareness survey

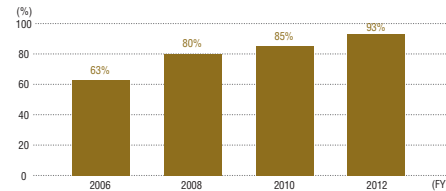
We have been conducting a biennial survey on compliance awareness of Nabtesco Group employees (in Japan) since 2006.

In the fourth survey, conducted in 2012, we received replies from 93% of targeted employees and confirmed that employees' compliance awareness has been increasing each year since 2006, when the survey

was started.

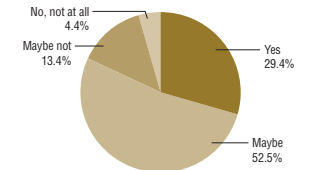
The bar chart shows the response rates and the pie chart indicates the level of employee compliance awareness identified in the FY2012 survey. We will continue to conduct surveys and do our best to engender an awareness of compliance.

### Response rate of awareness survey



### Compliance awareness level

"Do you know what compliance means?"



## Internal hotline system for reporting or consulting from employees

We have established a "hotline" system for the purpose of preventing and discovering legal violations, illegal acts and scandals at an early stage, enhancing our "self-purifying" function, controlling reputational risk and maintaining internal mutual trust.

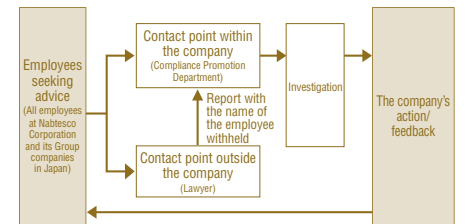
This hotline system, which offers a contact point not only within

the company but also outside the company (a lawyer), is available to all employees (directors, regular/part-time/temporary employees) at Nabtesco Corporation and its Group companies in Japan. Contact can be made via the dedicated telephone number/e-mail address or written letter.

### The number of calls received through the hotline system in FY2012 (classified by type of problem reported)



### Hotline flow



## Activities at overseas Group companies

### Compliance activities in China

In FY2012, we provided compliance training at nine Group companies in China, with a total of roughly 160 employees participating.

We will continue to make efforts to promote educational support and increase local employees' compliance awareness.

### Risk management activities at overseas Group companies

In FY2012, we conducted research on potential risks at Group companies in Asia excluding China, where we had examined such risks in the previous year. At each of the targeted bases, we identified potential risks and implemented measures to prevent the materialization of serious risks. Moreover, we formulated guidelines to prevent bribery in China, where we have been accelerating the expansion of our business.

In and after FY2013, we will conduct research on potential risks also targeting Group companies in the United States and Europe.



Pamphlets of the Code of Corporate Ethics created for the overseas Group companies (from left, Chinese, English and Thai versions)

Compliance training provided at a Group company in China





# Improved Management Transparency

We disclose our corporate information in an accurate, easy-to-understand and timely manner to ensure the transparency of our business management based on the policy of "open, fair and honest" information disclosure.

## Core philosophy (policy on the disclosure of information)

We pledge that we will "continue to reinforce our sense of ethics and highly transparent business activities" as stated in Our Promises and take actions in a highly transparent manner in line with the basic policy of "open, fair and honest" information disclosure. Based on this policy, we commit in our guidelines on the disclosure of PR and IR information that we will make broad efforts to help our stakeholders, including individual investors, shareholders, creditors, institutional investors, securities analysts, media organizations and governmental agencies, to understand the details of our business, business performance and growth strategies.

In order to gain the understanding of and be appropriately evaluated by our stakeholders, such as shareholders and investors both within and outside Japan, we disclose management and financial information that we believe to be relevant to their investment decision-making. We make such disclosures in line with laws, regulations and the timely disclosure rules set by stock exchanges. Moreover, we also disclose non-financial information regarding our environmental and social activities (CSR-related information) in a proactive manner.

## Facilitating participation in the General Meeting of Shareholders and execution of voting rights

Nabtesco regards the General Meeting of Shareholders as a precious opportunity to meet shareholders and takes the following measures to

encourage as many shareholders as possible to attend the meeting.

Item	Description
1 Selection of a date on which few other companies hold their shareholders' meetings	We hold the meeting on a date on which few other companies hold their shareholders' meetings so as to facilitate the participation of a greater number of shareholders.
2 Introduction of an online voting system	We have been operating an online voting system for our shareholders since 2006.
3 Early dispatch of the notice of convocation	We have been sending the notice of convocation to shareholders three weeks prior to the meeting since 2007.
4 Participation in the ICJ platform*	We have participated in the ICJ platform* in 2007 to enable institutional investors and others in Japan and abroad who cannot attend the meeting to execute their voting rights via the Internet.
5 Organization of a meeting to explain the Group's business activities	Since 2009, following the General Meeting of Shareholders, we have been holding a further meeting to explain our business activities to shareholders and deepen their understanding of Nabtesco.
6 Provision of an English summary of the notice of convocation	We have been translating the summary of the notice of convocation and posting it on our website since 2011.
7 Posting of the materials used in the General Meeting of Shareholders on the website	We post the notice of convocation for the General Meeting of Shareholders, visual materials used in the meeting, notice of the resolutions to be proposed at the meeting, our <i>Kabunushi</i> Tsushin shareholder newsletter and the results of the resolutions on our website. With regard to the notice of convocation for the meeting held in 2013, we posted it on the website one day before sending it to shareholders.
8 Materials containing visual representations of data used in the General Meeting of Shareholders	In order to create easy-to-understand reports and proposals for use at the general meeting, we are promoting the visual representation of data used in business reports and other materials. In the meeting held in 2013, we also used narration to increase the intelligibility of reports made to participants.

\* ICJ platform: Infrastructure to facilitate the disclosure of information concerning the agenda of shareholders' meetings, execution of shareholders' voting rights and tabulation of voting results. The platform was established by ICJ, a joint venture launched by three companies including the Tokyo Stock Exchange, and has been in operation since 2005.

## Investor relations (IR) activities for institutional and individual investors

We have been conducting a range of IR activities to help both institutional and individual investors deepen their understanding of our business.

In FY2012, we expanded our overseas IR activities. Specifically, we conducted IR activities in Hong Kong and mainland China in addition to the conventional activities in Europe, the United States and Singapore. In the future, we will foster the engagement of our business sectors in our IR activities and enhance communication between these sectors and investors by such measures as holding more factories tours at our production bases in Japan and abroad.

### IR activities for institutional and individual shareholders

IR activities for institutional shareholders	
Briefings on financial results	We organize a meeting following the end of the second and fourth quarters in which the CEO reports the financial results to participants.
Participation in IR conferences and implementation of overseas roadshows	In order to foster communication with institutional investors both in Japan and abroad, we participated in four IR conferences in Japan and three overseas, as well as holding five overseas roadshows in FY2012.
Organization of one-on-one/small meetings	We proactively share information with securities analysts and institutional investors to gain their understanding and help them to make appropriate evaluations. In FY2012, we accepted over 600 requests from analysts and investors for face-to-face/telephone interviews.
Factory tours	We organize factory tours at our production bases in Japan and abroad as often as deemed appropriate.
Overseas IR activities	In FY2012, we conducted IR activities also in Hong Kong and mainland China in addition to conventional activities in Europe, the United States and Singapore.
IR activities for individual investors	
Briefing on the company	We hold IR briefings across Japan, including sessions specifically targeted at security firm representatives, through whom we connect with individual shareholders. In FY2012, we indirectly communicated with more than 500 individual shareholders via such briefings.
Posting of IR information on the website	We post financial information, securities reports, our shareholder newsletter, annual reports and various other IR documents on our website and also provide streaming video of meetings held to announce our financial results.

## Dividend policy (returns to shareholders)

We are committed to distributing corporate earnings in an appropriate manner based on the performance of the entire Nabtesco Group and in consideration of providing a stable dividend and creating a balance among strategic investment for supporting business growth; securing a sound financial position; and return of profits to shareholders.

In line with this policy, it was resolved at the 10th Annual General Meeting of Shareholders held on June 25, 2013 that the year-end dividend would be 16 yen per share. The interim dividend was set at 18 yen and the annual dividend will therefore be 34 yen per share, which is equal to the amount paid in the previous fiscal year.

## Global IR activities



**Toshihiro Matsumoto**  
General Manager  
General Administration Dept.  
General Administration &  
Human Resources Div.

Nabtesco is proactively conducting overseas IR activities to keep in touch with overseas investors and shareholders, who account for as much as 47% (as of March 31, 2013) ownership of the company's outstanding shares.

In FY2012, we visited Europe and the United States twice to hold IR meetings, and held a total of 137 IR meetings in those regions plus Singapore, Hong Kong and mainland China. Although there are some difficulties involved in organizing both domestic and overseas IR meetings and conferences, the overseas meetings in particular provide us with opportunities to receive frank assessments of our



management and such meetings are highly evaluated by our top executives, who report them as being inspiring.

We have already succeeded in making our company understood to a certain extent by both domestic and overseas institutional investors. We therefore now intend to focus our efforts on attracting more attention from individual investors.

## Recognition of our IR activities

Annual IR Grand Prix Awards by the Japan Investor Relations Association	The Japan Investor Relations Association holds its Annual IR Grand Prix Awards for its member companies in order to give commendations to listed companies that have achieved outstanding results by proactively conducting IR activities and winning trust from market players. Nabtesco won an IR Special Award for the first time at the 2012 Annual IR Grand Prix Awards.
MSCI Japan Index	The MSCI Japan Index is an index developed by U.S. organization, MSCI Inc. It is composed of shares listed on Japanese securities exchanges and is widely used as a leading investment benchmark for Japanese shares. Nabtesco has been included in the index since November 2009.
Internet IR awards by Daiwa Investor Relations	Daiwa Investor Relations Co., Ltd. evaluates the IR websites of listed companies based on its own criteria. Nabtesco has been receiving IR awards from the company for seven years in a row, including the Internet IR Excellent Company Award won in 2012.
Listed Company Website Quality Ranking by Nikko Investor Relations	Nabtesco has received a high placing for seven straight years in the Listed Company Website Quality Ranking conducted by Nikko Investor Relations Co., Ltd. In 2012, we were ranked No. 4 in the Machinery Section and 161st in the overall ranking.

## Active communication with socially responsible investors

In addition to financial information, we also enthusiastically disclose non-financial information as a part of our IR activities. Furthermore, we eagerly respond to requests for interviews focusing on our CSR efforts from stock analysts and institutional investors. As part of this effort, we provide frank responses to questionnaire surveys conducted by research institutions for the world's leading SRI indexes, such as the FTSE4Good Japan Index, Dow Jones Sustainability Index and Carbon Disclosure Project (CDP).

As a result, Nabtesco has been included in the FTSE4Good Index Series for eight consecutive half-year periods since September 2009. In the CDP survey conducted in 2012, Nabtesco scored in the top level

for Japanese companies (89 points) for information disclosure on greenhouse gas emissions and climate-change-related business risks and opportunities, and received a Performance Band "B" evaluation for our CO<sub>2</sub> emissions reduction measures.



## Providing information in an easy-to-understand and friendly format

As Nabtesco is a typical B-to-B company, general consumers are not particularly familiar with many of our businesses and products (mainly components). Based on this recognition, we provide a range of friendly and easy-to-understand information about the company on our website for a general audience.

With regard to IR information, we provide streaming video of meetings held for institutional investors and post downloadable materials to ensure equality of access for all stakeholders. We also send out

our *Kabunushi* Tsushin newsletter twice a year. Packed with photos, illustrations and figures, this easy-to-understand newsletter helps readers deepen their understanding of our businesses.

To broaden the level of general public recognition of our company, including among individual investors, we also run on-board commercials on trains in the Kanto and Kansai regions and television commercials in the Chubu region.

# Company Overview

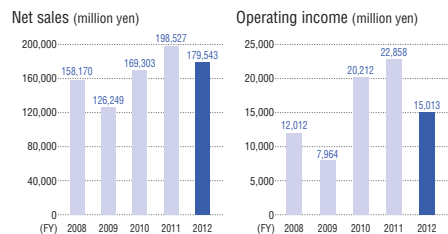
## Corporate Profile (as of March 31, 2013)

Company Name	Nabtesco Corporation
Established	September 29, 2003
Address	7-9, Hirakawa-cho 2-chome, Chiyoda-ku, Tokyo 102-0093, Japan TEL: +81-3-5213-1133 FAX: +81-3-5213-1171
Capital	10 billion yen
Number of issued shares	128,265,799
Employees	Non-consolidated: 2,060 Consolidated: 5,081
Consolidated companies	In Japan: 11 (plus 6 companies accounted for using the equity method) Overseas: 31 (plus 3 companies accounted for using the equity method)

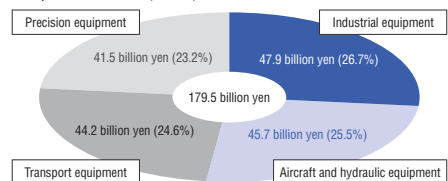
## Directors (as of June 25, 2013)

Representative Director, President & CEO	Kazuaki KOTANI
Representative Director, Senior Managing Executive Officer	Yujiro IMAMURA
Director, Senior Managing Executive Officer	Yosuke MISHIRO
Director, Managing Executive Officer	Hiroyuki AOI
Director, Managing Executive Officer	Nobutaka OSADA
Director, Executive Officer	Tsutomu SAKAMOTO
Director, Executive Officer	Kenichi NAKAMURA
Outside Director	Nobuyoshi YAMANAKA (part-time)
Outside Director	Toshiya MIYAKE (part-time)
Outside Director	Yutaka FUJIWARA (part-time)
Corporate Auditor	Nobuhiko TAKAHASHI
Corporate Auditor	Masao IMAMURA
Outside Corporate Auditor	Tetsuya ISHIMARU (part-time)
Outside Corporate Auditor	Masahiko YAMADA (part-time)
Outside Corporate Auditor	Hiroshi MITANI (part-time)

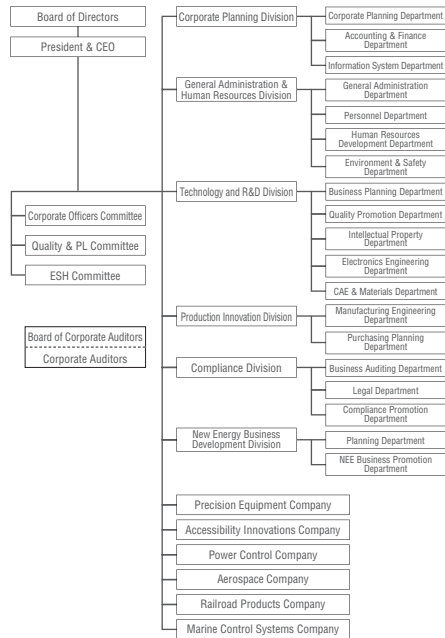
## Business Performance Data (Consolidated)



## Composition of sales (FY2012)



## Management Structure (as of July 1, 2013)



## History

April 2002	Initiation of hydraulic equipment business alliance between Teijin Seiki Co., Ltd. and NABCO Ltd.
September 2003	Nabtesco Corporation established as a holding company with Teijin Seiki Co., Ltd. and NABCO Ltd. as wholly owned subsidiaries and listed on the Tokyo Stock Exchange (First section market)
October 2004	Nabtesco consolidates Teijin Seiki Co., Ltd. and NABCO Ltd. and becomes an operating holding company.
February 2008	Nabtesco Power Control (Thailand) Co., Ltd. established (Manufacturing and sales of traveling motors and swing motors for excavators)
December 2009	Nabtesco Automotive Corporation established (Manufacturing, sales and service of automotive equipment)
January 2011	Jiangsu Nabtesco KTK Railroad Products Co., Ltd. established in China (Manufacturing and sales of equipment for railroad vehicles)
April 2011	Acquired the automatic door business of Kaba Holding AG of Switzerland and established Gilgen Door Systems AG
October 2011	Jiangsu Nabtesco Hydraulic Co., Ltd. established in China (Manufacturing and sales of traveling motors for excavators)
August 2012	NABCO DOOR Ltd. made into a 100% subsidiary of Nabtesco
May 2013	Nabtesco Marine Machinery (Shanghai) Co., Ltd. established in China (Design, manufacturing, sales, quality assurance and after-sale service for marine vessels equipment)
June 2013	Acquisition of OCLAP S.R.L. in Italy, which changed its name to Nabtesco Oclap S.r.l.

## GRI Guidelines Comparison Table

Index	Report Page	[Environmental]
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3.2	Date of most recent previous report (if any).	2
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3.4	Contact point for questions regarding the report or its contents.	2
3.5	Process for defining report content, including: - Determining materiality; - Prioritizing topics within the report; and - Identifying stakeholders the organization expects to use the report.	2
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	2
3.7	State any specific limitations on the scope or boundary of the report.	2
3.8	Basics for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	NA
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4.6	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. Explain the degree to which these: - Are applied across the organization in different regions and department/units; and - Relate to internationally agreed standards.	30
4.8	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	30
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