Human Rights and Labor Practice

Policy Regarding Human Rights

Respecting human rights in all corporate activities is the basis of Corporate Social Responsibility (CSR). The Nabtesco Group Code of Conduct provides guidelines on basic human rights that all executives, employees and other workers across the Group observe.

Since FY2014, Nabtesco has been fostering its CSR-oriented management as a signatory of the United Nations Global Compact and a supporter of the Universal Declaration of Human Rights.

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

Human Rights Monitoring System

In order to ensure that the recruitment of employees is carried out fairly, seven Human Rights Promotion Officers have been appointed to the Headquarters and each of six sites. We also conduct trainings for job interviewers every year to educate them on human rights-related issues that they should consider, including questions to be asked of candidates and tips for evaluating international graduates. As of FY2015, we have not received any complaints regarding human rights.

Prevention of Child Labor and Forced Labor

Based on the Universal Declaration of Human Rights, we are committed to eliminating child labor and forced labor. To this end, in FY2014 we have dispatched an employee in charge of personnel affairs to the corporation supporting the management of Group companies in China, and provided local employees with a consulting service for personnel and labor affairs.

After dispatching the employee, we conducted an employment survey and confirmed that there were no cases of child labor or forced labor at Group companies in China, and that these companies employ people in compliance with the labor-related laws enforced by the government departments. To prevent child labor in specific, we have revised and instructed on the rules of Group companies and amended the minimum age for an employment to be 18 across the Group.
Based on the minimum wages set by region and industry under the Minimum Wage Act, Nabtesco agrees with the labor union about its own minimum wages to be paid at each of the sites.

Legal minimum wage levels are revised every year, and Nabtesco calculates its own minimum wages for the year by adding a certain amount agreed upon with the labor union to the revised wages, thereby improving the treatment of employees and preventing noncompliance with related laws.
Management of Occupational Health and Safety

ESH Promotion Framework

Nabtesco has Group Environment, Safety & Health (ESH) Committee*. This organization, which directly reports to the president, promotes the management of issues concerning environment, safety, and health across the Nabtesco Group. The chairman and other members of this committee are appointed by the president from among the directors. The Committee holds a meeting at least once a year. The Environment & Safety Department serves as the secretariat for the meetings.

The Group ESH Committee collects, analyzes and evaluates important information about environment, safety and health, and discusses necessary measures. Based on the results of these discussions, particularly important issues that might potentially exert a serious impact on the Group’s businesses, are reported on to the members of the Management Committee, where the highest-level decisions are made for execution of business, including those on business strategies.

Also at the monthly meeting of the executive officers, issues related to accidents and disasters are reported on and discussed in terms of risk management, and necessary measures are decided.

*Refer to ESH Promotion Framework (P.74)

Activities

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. Upholding the targets of zero work-related accidents and serious incidents, we are conducting the following activities:

(1) Investigation of Reported Accidents
In the event of a lost-work time injury, non-lost-work time injury, or a commuting injury, a report on the incident is immediately submitted and shared across the Group. For a serious incident, onsite investigations are made to find out the true cause of the accident, and preventative countermeasures are implemented.

(2) ESH Audits Carried out by the Group ESH Committee
The members of the Group ESH Committee and the secretariat annually visit each site to carry out ESH audits and check for any labor-related risks.
Focusing on Employees’ Growth and Development

The number of work-related accidents decreased compared to the previous year. However, the number of accidents leading to bone fracture has been on the rise. Considering bone fracture accidents a serious issue, we carried out a research-based analysis, and identified that employees in the 40-s and 50-s are at the highest risk, while the main cause of bone fracture is falling or a bicycle accident. In 2016 we will improve the workplace safety by levelling uneven floor, promoting physical strength to prevent bone fractures, and raising the safety awareness by providing education based on the manuals for safe bicycle commuting.

In 2015, in order to improve the risk sensitivity of employees, we conducted Risk Detection Training (KYT), encouraged “near miss” incident reporting and promoted awareness-raising activities. Despite these efforts, the number of lost-time injury cases slightly increased, resulting in higher accident frequency rate.

There were no fatalities among our employees, including contract workers, within the last 5 years.

Occupational Health and Safety Management System (Acquisition of OHSAS 18001 certification)

The three major plants (Gifu, Tarui, and Tsu Plants), which comprehensively engage in processing and assembling, and together account for about 40% of the total number of our domestic plant workers, have acquired OHSAS 18001 certification as an effective tool to ensure occupational safety. These plants are establishing and operating their occupational health and safety management systems in line with the standards. The three plants undergo audit by a certification body every year in their efforts to improve their occupational health and safety level.

We will continue to pursue preventive safety management through risk assessments, and to increase safety awareness at each workplace. Moreover, we will improve the education of new employees, reinforce efforts to raise perception of existing risks, and promote the creation of workplaces without accidents.
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 with the need 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 are aiming to reduce the number of employees suffering or at risk of metabolic syndrome to zero.

Countermeasures Against Metabolic Syndrome

It is important that our employees maintain their physical and mental health so that the organization can be invigorated. Mental health problems are addressed across the Nabtesco Group. Depending on the size of the Group company, even if only one employee experiences a mental health problem, it can seriously hinder the work flow. To prevent mental health problems before they occur, it is important to build a framework to notice any signs among the staff in each workplace, to control the workload, and to follow up 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 Tokai regions and the other in charge of those in the Kansai region—are on stand-by to take care of employees experiencing mental health problems, offer counseling whenever it is necessary, and help employees 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.

Health Management

Efforts to Eliminate Mental Health Problems
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 as such, they are expected to have a positive effect on other personnel. As a result of implementing measures such 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 December 31, 2015, foreign nationals from nine countries are amongst Nabtesco’s workforce.

We aim to hire 20-30% of non-Japanese new graduates to overall new graduate positions each year.

Active Employment of Non-Japanese Nationals Including Foreign Students Studying in Japan

<table>
<thead>
<tr>
<th>Total Number of Newly Recruited Main Career Track Employees (New Graduates) and Percentage of Non-Japanese Nationals</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of newly recruited main career track employees</td>
<td>28</td>
<td>41</td>
<td>30</td>
<td>29</td>
<td>15</td>
</tr>
<tr>
<td>Number of non-Japanese nationals</td>
<td>4</td>
<td>16</td>
<td>8</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Percentage of non-Japanese nationals</td>
<td>14.3%</td>
<td>39.0%</td>
<td>26.7%</td>
<td>34.5%</td>
<td>13.3%</td>
</tr>
</tbody>
</table>

*The calculation scope covers only Nabtesco Corporation. The figures are based on the human resources data.

Proactive Employment of Women

To promote the employment of female graduates, we hold meetings specifically for female college student seeking a job as part of our new graduate recruitment campaign.

These meetings 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 FY2016, we plan to implement measures based on the three action plans under the Act on the Promotion of Women’s Active Participation in Their Occupational Lives (enforced on April 1, 2016).

Proactive Employment of Women

Total Number of Newly Recruited Main Career Track Employees (New Graduates) and Percentage of Women

<table>
<thead>
<tr>
<th>Total Number of Newly Recruited Main Career Track Employees (New Graduates) and Percentage of Women</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of newly recruited main career track employees</td>
<td>28</td>
<td>41</td>
<td>30</td>
<td>29</td>
<td>15</td>
</tr>
<tr>
<td>Number of newly recruited women</td>
<td>6</td>
<td>8</td>
<td>7</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Women as a percentage of total</td>
<td>21.4%</td>
<td>19.5%</td>
<td>23.3%</td>
<td>27.6%</td>
<td>18.0%</td>
</tr>
</tbody>
</table>

*The calculation scope covers only Nabtesco Corporation. The figures are based on the human resources data.
Our Action Plan Following the Act to Advance Women’s Success in Their Working Life

Measure 1: Propose new work styles to employees on the shorter work hour scheme by introducing home working and teleworking systems
Measure 2: Introduce a mechanism to formulate a medium-term development plan to educate employees in a systematic manner
Measure 3: Review evaluation elements and criteria by analyzing evaluation results

Promoting Employment of Senior Persons

Nabtesco’s continued employment system provides a consolidated environment for experienced employees to maximize their performance levels, such as special benefit for those with advanced expertise.

Due to the revision of the National Pension Act, the rate at which Nabtesco re-employs retired employees will further increase beyond the present level of over 70%.

Experienced employees are sharing their skills with their successors and at each production site team members are conducting activities to turn their tacit knowledge into explicit knowledge. These activities have become an intellectual asset to support our current technical capabilities.

Promoting Employment of Persons with Disabilities

Nabtesco is committed to employing persons with disabilities.

In 2013 the statutory employment rate of persons with disabilities was raised from 1.8% to 2%, and in 2015 we achieved the 2% rate by actively hiring persons with disabilities among new graduates. We will continue to promote employment of persons with disabilities in the future.

In 2015, we have established a subsidiary to promote employment of persons with disabilities.

At some sites, we cooperated with local special needs schools and communicated with the students through activities such as displays and sales of works created by the students, student internship programs and invitations to events.
Work-Life Balance

A good balance between work and a satisfying private life provide a source of new values and concepts, and will help each employee demonstrate high-quality performance. Based on this belief, we have a wide spectrum of schemes in place to promote a healthy work-life balance. We created a childcare support handbook that summarizes childcare-related laws and internal systems to help employees understand the difficult systems in place and undertake necessary procedures more easily. In January 2016, we created a nursing care support handbook to explain the nursing care leave system, which allows employees to take leave repeatedly for up to a total of two years, as well as other support systems and consultation services to provide employees with alternatives to giving up their careers while committing to family responsibilities.

Support for Childcare and Eldercare

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 two years per family member who needs eldercare, but if the number of days taken off by an employee under the system does not exceed 93 days during the two-year period, the employee can take the leave also after the end of the period. (revised in April 2013)
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. Ten days (unpaid) or any necessary number of days that can be covered by the accumulated expired paid leave system (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 nursing care: Working hours can be reduced by two hours per day.
7. Financing by the Kyosai employee cooperative society to support employees taking childcare/eldercare leave
8. Consideration for employees who are engaged in childcare/eldercare when transferred (avoiding change of workplace, etc.)

Other Support

1. Integrated benefits program
2. Nabtesco corresponding education program
3. Qualification support program
4. English/Chinese lessons at each site
5. Support for club activities
Nabtesco promotes labor management and related measures based on employee turnover data that details the reasons for leaving the company.

The graph on the right shows the rates of male and female employees that retired or resigned from Nabtesco. The rate of employees who resigned for personal reasons has remained around 1%, which shows that Nabtesco provides its employees with a good work environment.

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**Stability of Workforce**

**Breakdown of Employees who Retired or Resigned by Gender**

<table>
<thead>
<tr>
<th>Year</th>
<th>Male</th>
<th>Female</th>
<th>Rate of those who resigned for personal reasons (including both male and female)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1.2</td>
<td>0.5</td>
<td>0.7</td>
</tr>
<tr>
<td>2012</td>
<td>1.7</td>
<td>0.7</td>
<td>1.1</td>
</tr>
<tr>
<td>2013</td>
<td>3.2</td>
<td>0.6</td>
<td>1.8</td>
</tr>
<tr>
<td>2014</td>
<td>2.9</td>
<td>1.1</td>
<td>1.8</td>
</tr>
<tr>
<td>2015</td>
<td>3.1</td>
<td>0.7</td>
<td>2.9</td>
</tr>
</tbody>
</table>

* The calculation scope covers only Nabtesco Corporation. The figures are based on the human resources data.

**Breakdown of Employees who Resigned or Retired (FY2015)**

<table>
<thead>
<tr>
<th>Category</th>
<th>Total number</th>
<th>Retirees among ①</th>
<th>Those who resigned for reasons related to the company among ①</th>
<th>Those who resigned for personal reasons among ①</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>12</td>
<td>10</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>General employees</td>
<td>50</td>
<td>29</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>39</td>
<td>0</td>
<td>22</td>
</tr>
</tbody>
</table>

* The number of voluntary resignation of executive officers and those who had been re-employed are excluded. The calculation scope covers only Nabtesco Corporation. The figures are based on the human resources data.

**Breakdown of Regular Employees (as of December 31, 2015)**

<table>
<thead>
<tr>
<th>Category</th>
<th>① Number of permanent employees</th>
<th>Number of managers among ①</th>
<th>② Number of newly hired employees</th>
<th>Number of new graduates among ②</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>1,936</td>
<td>324</td>
<td>169</td>
<td>45</td>
</tr>
<tr>
<td>Female</td>
<td>197</td>
<td>1</td>
<td>16</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>2,133</td>
<td>325</td>
<td>185</td>
<td>53</td>
</tr>
</tbody>
</table>

* The calculation scope covers only Nabtesco Corporation. The figures are based on the human resources data.
**Basic Policy on Human Capital Development**

We clearly state, “Employees are essential assets” in The Nabtesco Way. In order to share the company’s ideal image of the human capital where it is the people who make the company, and to define the direction that all employees should follow, the Nabtesco Group established the Basic Policy on Human Capital Development and has been providing a range of educational opportunities in line with this policy ever since.

**Basic Policy on Human Capital 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.

**FY2015 Education Scheme**

<table>
<thead>
<tr>
<th>Category</th>
<th>Position-specific training</th>
<th>Training for specific purposes</th>
<th>Global Human Resource Development Training</th>
<th>Technical training</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 7</td>
<td>Training for New Employees</td>
<td>Training for New Employees</td>
<td>Manufacturing Technology Dept.</td>
<td>Human Resources Dept.</td>
</tr>
<tr>
<td>Grade 6</td>
<td>Training for New Employees</td>
<td>Training for New Employees</td>
<td>Human Resources Dept.</td>
<td>Intellectual Property Dept.</td>
</tr>
<tr>
<td>Grade 5</td>
<td>Training for New Employees</td>
<td>Training for New Employees</td>
<td>Human Resources Dept.</td>
<td>Compliance Promotion Dept.</td>
</tr>
<tr>
<td>Grade 4</td>
<td>Training for New Employees</td>
<td>Training for New Employees</td>
<td>Human Resources Dept.</td>
<td>Intellectual Property Dept.</td>
</tr>
<tr>
<td>Grade 3</td>
<td>Training for New Employees</td>
<td>Training for New Employees</td>
<td>Human Resources Dept.</td>
<td>Compliance Promotion Dept.</td>
</tr>
<tr>
<td>Grade 2</td>
<td>Training for New Employees</td>
<td>Training for New Employees</td>
<td>Human Resources Dept.</td>
<td>Intellectual Property Dept.</td>
</tr>
<tr>
<td>Grade 1</td>
<td>Training for New Employees</td>
<td>Training for New Employees</td>
<td>Human Resources Dept.</td>
<td>Compliance Promotion Dept.</td>
</tr>
</tbody>
</table>

**Target**

- **Position-specific training**
  - To meet qualification requirements when joining the company or being promoted

- **Purpose-specific training**
  - To achieve personal goals regarding operation of management and human resources systems

- **Global human resource development training**
  - To enhance skills and knowledge to fulfill duties on a global scale

- **Technical training**
  - To improve technical knowledge and skills
As overseas business is expected to continue to expand, it is becoming increasingly important to develop globally competitive human capital. We introduced a system to register in advance employees slated to work overseas so that we can provide them with essential training in a planned manner. It also builds a database of the experiences of those actually working overseas to share useful information on overseas work among employees, thereby enhancing the entire Nabtesco Group’s global abilities.

We organize regular English writing and presentation classes to provide our employees with opportunities to gain and improve basic English language skills required for global business communications. In FY2012, we introduced the “Overseas Trainee Program” in which our employees can study and work aboard. By the end of FY2015 we had sent a total of 13 employees overseas under this program.

* The number of trainees above includes also trainees from subsidiaries.
We provide new graduates who have joined the company with intensive training in a planned and systematic manner during their first three years of work, deeming this time to be optimal for enhancing their basic skills. Specifically, we provide them with annual training programs in consideration of their individual growth stage, thereby helping them to improve year by year.

We also give new employees on-the-job (OJT) training, believing it to be important to offer them hands-on work experience so that they can become an effective members of the workforce as soon as possible. Under the OJT system, OJT staff members provide careful instructions to individual trainees, while the trainers themselves also receive training to maintain their high ability to provide such instruction.

Improving Basic Skills of Young Employees to Immediately Become an Effective Workforce

Activity to Increase Employees’ Awareness of The Nabtesco Way

We established The Nabtesco Way in October 2012. The Nabtesco Way is a collective term that means our Corporate Philosophy, Our Promises, and Action Guidelines. In 2015, the fourth year since the establishment of The Nabtesco Way, we newly selected 13 employees from across Nabtesco bases to serve as “The Way facilitating leaders,” and simultaneously they have begun working to raise the awareness on the Guidelines throughout the Group. Further, we continued holding a workshop to help employees adapt the direction and value stated in The Nabtesco Way to their own work. By the end of December 2015, the total number of employees who had participated in this workshop from each site at Nabtesco and Group companies in and outside Japan reached 766. We also held “The Nabtesco Way Month,” which we launched in FY2015 for the third time to raise employees’ awareness on The Nabtesco Way, during which meetings were held at 400 workplaces at Nabtesco, including eight Group companies in Japan, with the participation of a total of 3,840 employees. Participants discussed and shared how they should apply The Nabtesco Way to their own business operations.