

CSR Management

CSR Principle: Contributing to the Creation of a Sustainable Society

(Preamble)

T.RAD and its subsidiaries willingly contribute to sustainable development in harmony with society and the environment, based on our management philosophy.

T.RAD and its subsidiaries also comply with both the letter and the spirit of local and international laws and regulations, and will engage in sound business practices.

CSR Policy (Established September 2010)

1. Customers

We will work to provide safe, high quality, and environmentally friendly products to our customers.

- We will always strive to pursue safety, peace of mind, and satisfaction.
- We will strive to ensure the protection of personal information for all persons connected with our business activities.

2. Employees

We will provide fair and equitable working conditions for all our employees to help them be happy, and work to maintain and improve a working environment that is both safe and healthy.

- We support the self-fulfillment of our employees through work and workplaces, and through training.
- We will provide equal employment opportunities and not discriminate.
- We will respect human rights and share values through sincere dialogue and meetings.

3. Suppliers

With all our transactions based on open and fair trade, we will respect our suppliers and devote all our efforts to developing solid partnerships for our mutual development.

- We will respect environmental and quality standards and laws, and ask that our suppliers do the same.

4. Shareholders

We will constantly take a long-term point of view and work to ensure sound management through dialogue with the aim of improving our corporate value.

- We will report on our management without elaboration to ensure transparency.

5. Society

We will value our dialogue with the local community so that we can coexist with society at large.

- We will respect cultures, customs, history, and laws, and work on programs to respect humanity.
- We will take an uncompromising stance against antisocial forces and groups that threaten peace and order.

● Environment

We will work to reduce the burden on the environment through all our business activities, including products, development, production, and sales.

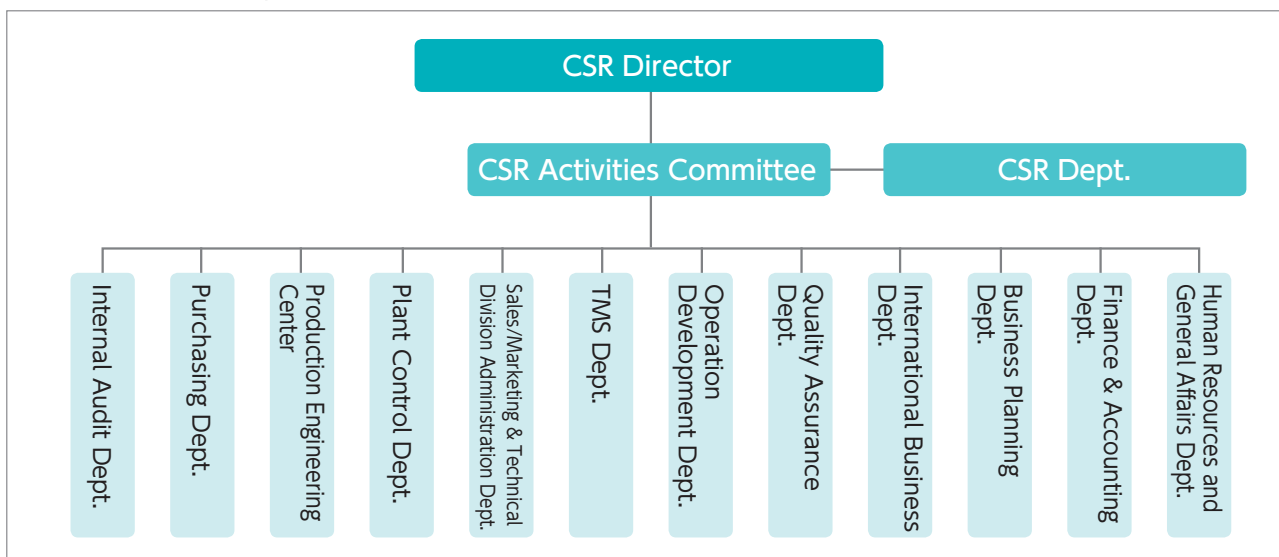
● Social contributions

We will contribute to community growth and to creating a prosperous society both independently and with our partners.

CSR Promotion System

At T.RAD, we have been building a CSR promotion system under the supervision of the CSR Department since FY 2006. Each quarter, CSR Activities Committee members from each department are called to a committee meeting to discuss CSR problems and issues, such as those related to risk management, and the progress of compliance policy implementation in each department, so that we can deploy the policy horizontally throughout the whole company.

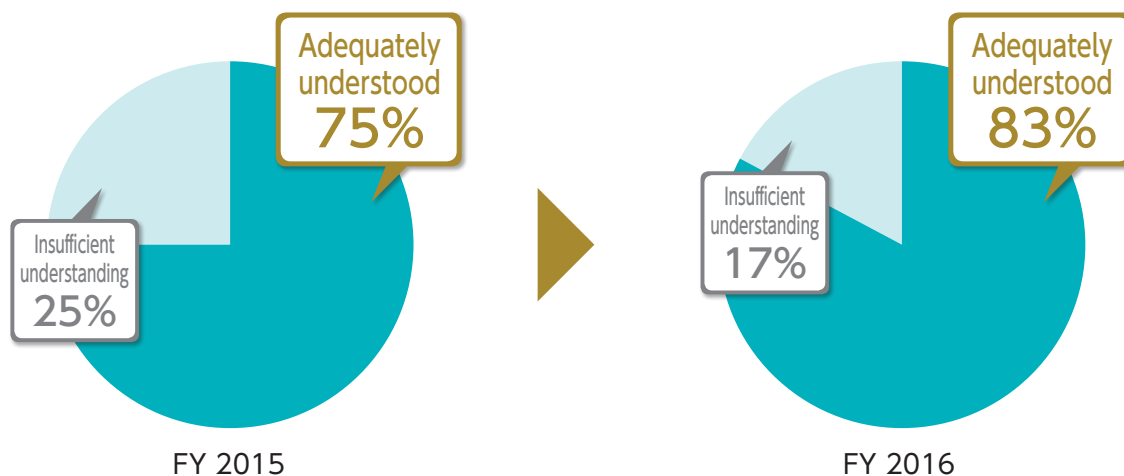
CSR Promotion System



Implementation of a CSR Awareness Survey

In FY 2016, we once again conducted a CSR awareness survey of 87 randomly selected employees in Japan and overseas. We investigated their level of understanding of CSR and any improved CSR awareness in their respective departments. We will apply the results of this survey to our CSR activities next fiscal year. The level of understanding of CSR is rising.

Improvement in Level of Understanding of CSR



CSR Medium Term Plan 2017 Targets and FY 2016 Results

This table shows the main social and environmental issues facing T.RAD (including risks and opportunities) and our efforts to deal with them.

Issues	Medium Term Plan	
	Action Items	T.RAD-10 (FY 2017) Targets
Business Management	Construction of a global management system	Promotion of the Social and Environment Medium Term Plan 2017
		Understanding and strengthening of environmental management of group companies
		Taking ISO-related training in-house
	Improvement of risk management	Enhancement of risk management
		Progress towards business continuity management
		Enhancing company-wide health and safety activities
Relationships with Employees (Human rights & labor practices)	Invigoration of human resources	Promotion of women's advancement
Relationships with Customers	Ensuring compliance observance	①Eradication of compliance problems ②Enhancement and ingraining of compliance awareness
Relationships with our Suppliers	Coordination with suppliers	Strengthening supplier relationships
Relationship with the Local Community	Enhanced information disclosure	Social and Environmental Report that provides KPI information
		Disclosure of detailed information you would find in a CSR report
	Promotion of community support activities	Promotion of community support activities by region and by site
Biodiversity	Promotion of biodiversity initiatives	Company-wide biodiversity initiatives
Climate Change Mitigation	Reduction of energy consumption during production	CO ₂ emissions: 10% reduction compared to FY 2013
		Reduction of consumption of energy converted into electricity per processing value: 10% reduction compared to FY 2013
		Development of equipment that contributes to energy savings
	Reduction of CO ₂ from distribution	Reduction of energy consumption per production: 6% reduction compared to FY 2011
		Reduction of CO ₂ emissions through EFP: 21,400 tCO ₂
		Commercialization in EV/HV fields (4 items or more)
Environmental Pollution Prevention	Reduction of environmentally hazardous substances	Commercialization in fuel cell field (2 items or more)
		Reduction in release and transfer of PRTR-specified chemicals per production
		Reduction of waste
	Prevention of air pollution	Reduction of substances of concern: To 0%
		Compliance with laws (including prevention of water and soil contamination)
		Reduction in release and transfer of VOCs per production
Recycling, Resource-saving	Development of products useful for recycling and saving resources	Implement and disclose life cycle assessments
		Ratio of EFP sales: 40%
		Downsizing and weight reduction of products (make high performance core series for vehicles)
	Resource-saving activities	Reduction of water consumption per production

Targets for FY 2016	FY 2016 Results	Rating	Related page
90% achievement of the activities planned by the T.RAD Environmental Promotion Committee Structure	Implementation of activities as planned	○	6,7 29,30
Management of CO ₂ and waste performances, promotion of improvements: 8 subsidiaries	Managed performance and presented improvement case studies to the 8 subsidiaries.	○	39-43
Support for acquisition of ISO14001 certification by overseas subsidiaries	90% of overseas subsidiaries acquired ISO14001.	○	32
Global unification of management of substances of concern (SOC)	Obtained evidence-based confirmation that 8 overseas subsidiaries had no SOC content.	○	38
① Preparation and implementation of basic ISO training for staff ② Preparation and implementation of TS standard training for supervisors	Reviewed our "Quick Guide to Environmental Laws and Regulations" and provided a differential analysis table.	○	32
Expansion of the scope of mutual legal compliance audits by adding the checking of compliance related to general affairs (notifications, etc.)	Implemented labor-related audits (4 new laws and regulations).	○	32
• Company-wide deployment of the business continuity plan and improvement of preparations for initial response activities • Investigation of production recovery scenarios (including methods for substitution)	• Introduced a tool to ensure smooth initial response activities and conducted company-wide drills. • Prepared manual for stopping main equipment.	○	17
• Promotion of continuation of RA, continuation of daily activities (KYT, near-miss incident prevention activities)	• Implemented 100% as planned. • Near-miss incident countermeasures: 97.3% including scheduled plans	△	25,26
• Increase in women's employment rate • Company climate reform (training for management, etc.)	• Up 3.9% in FY 2016 • Started recruitment activities for new graduates with a female HR manager.	○	23,24
Completion of compliance-related company policy	Promoted the deployment of the policy in each department and provided follow-up support.	○	13,14
Expansion of training to all levels	Provided specialized training for supervisors.	○	13,14
Implementation of on-site audits of selected suppliers Target: 12 audits	Achieved annual target of 12 audits.	○	21,22
• 3 improvements that reflect GRI guidelines and external feedback • Creation of pamphlets for external communication and PR	• Made the 3 improvements. • Reported at the forum.	○	28 51,52
In-house awareness building of CSR activities and an effective external PR response	• Implemented timely improvements to the CSR-related intranet screen.	○	13-16
• Domestic: Unification and horizontal dissemination of information about individual activities • Overseas: Collection of information on overseas CSR activities and sharing of that information with the domestic office	• Shared information and disclosed it as reference information. • Confirmed the latest information with all overseas subsidiaries and organized it with domestic information.	○	27
Support the implementation of at least one biodiversity initiative from the medium-term plan	Supported 3 to 9 initiatives at each site.	○	44-47
7.5% reduction compared to FY 2013	-5.5%	×	39
7.5% reduction compared to FY 2013	-5.4%	×	39
Development of energy-saving equipment	Completed development of energy-saving furnace.	○	39
5% reduction compared to FY 2011	-14.6%	○	39
19,800 tCO ₂ or more	19,856 tCO ₂	○	33
Verification of reduction in CO ₂ emissions/year achieved by heat exchanger for inverter	FY 2018: Start at 170 tCO ₂ /year, FY 2020: 2,210 tCO ₂ /year	○	33-37
Verification of reduction in CO ₂ emissions/year achieved by oil cooler for motor	FY 2013: Start at 153 tCO ₂ /year, FY 2020: 82,906 tCO ₂ /year	○	33-37
Verification of reduction in CO ₂ emissions/year achieved by waste heat recovery system	FY 2015: Start at 122 tCO ₂ /year, FY 2020: 2,430 tCO ₂ /year	○	33-37
Verification of reduction in CO ₂ emissions/year achieved by fuel gas preheater	FY 2016: Start at 84.5 tCO ₂ /year, FY 2020: 423 tCO ₂ /year	○	33-37
Verification of reduction in CO ₂ emissions/year achieved by RAD for FCV	As above	○	33-37
Verification of reduction in CO ₂ emissions/year achieved by advanced liquid/liquid heat exchanger	FY 2016: Start at 20,651 tCO ₂ /year, FY 2020: 170,843 tCO ₂ /year	○	33-37
Verification of reduction in CO ₂ emissions/year achieved by heat exchanger for stationary SOFC	FY 2016: Start at 6,884 tCO ₂ /year, FY 2020: 36,922 tCO ₂ /year	○	33-37
10% reduction compared to FY 2006	-81.2%	○	41
Resource recovery rate of 98.0% or more	98.3%	○	40
Reduction in substances containing prohibited compounds to 0%	Substances containing prohibited compounds was reduced to 0.4%.	△	38
Continue to implement the mutual legal compliance audits	Implemented August to September, 2016.	○	32
30% reduction compared to FY 2006	-75.3%	○	41
Agricultural machinery: 48 mm → 36 mm core	Completed LCA, observed an environmental efficiency indicator of 1.2 or more.	○	33-37
37.5% or more	39.0%	○	33
Verification of environmental contribution effect by fiscal year	FY 2020 25 tCO ₂	○	33-37
10% reduction compared to FY 2006	-32.1%	○	41

*GRI guideline: Global Reporting Initiative Sustainability Reporting Guidelines

Compliance, Risk Management, Information Security

Background & Reasons

As a company with global operations, we believe it is important for us to comply with laws and regulations and respond to the requests of our global stakeholders when conducting our business.

Key Standards

- Laws, regulations, social norms, supplier CSR policies, and T.RAD CSR policies

Engagement and Support

- Study group on customer themes, conflict minerals research

Impacts

- Sound management that complies with laws and regulations improves our corporate value and has a positive impact on stakeholder assessment of us.
- Improving the working environment and conducting fair trade overseas help enhance social norms and ethics.

Challenges

- Building an overseas compliance structure to cope with the globalization of our business is an issue.
- Building a company-wide business continuity management (BCM) structure is an issue.

Opportunities

- Being able to respond to stakeholder requests will help us enhance our competitiveness and profitability.
- Building (BCM) will enable management that is skilled at handling risks.

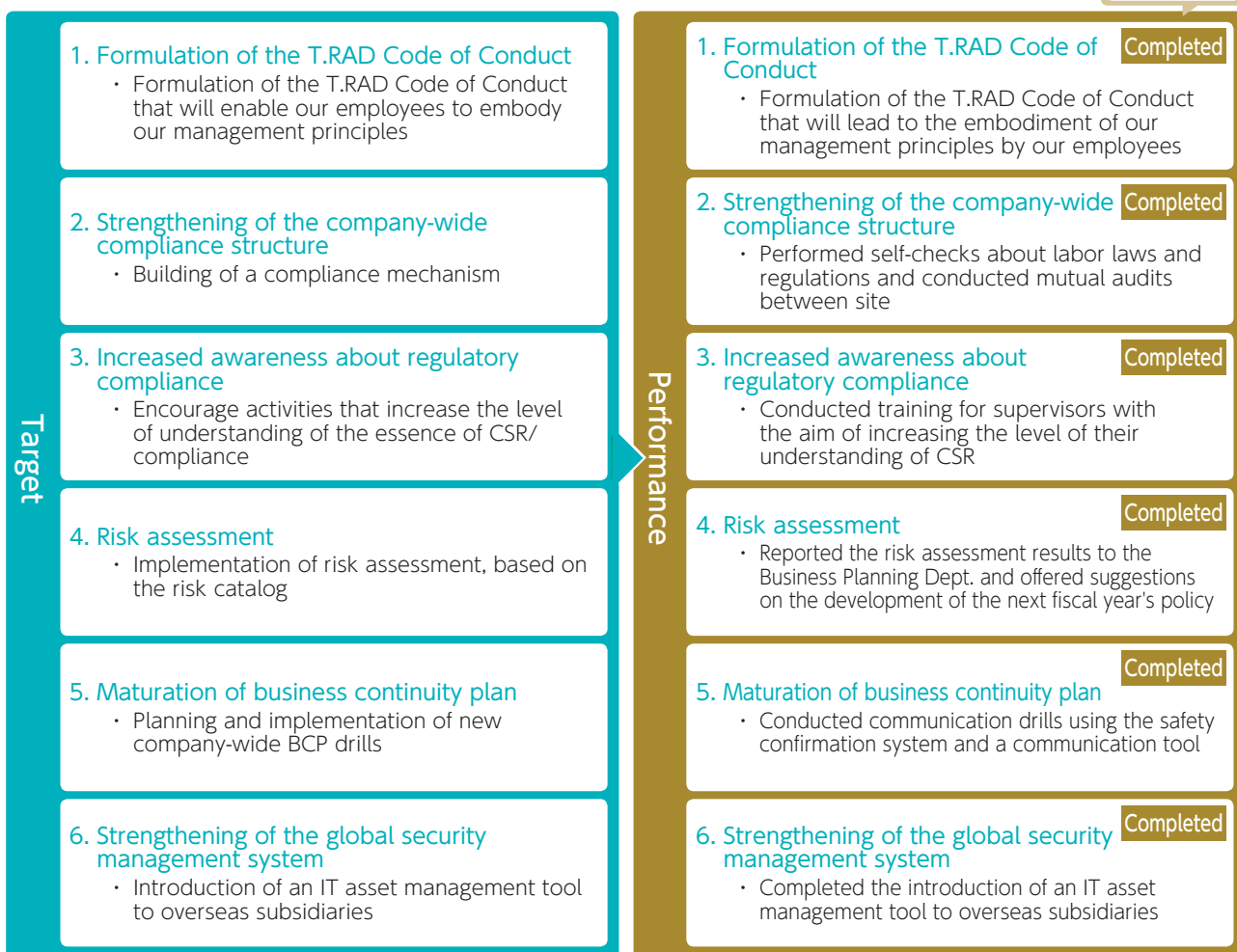
Management Approach

- A CSR activity meeting is held four times per year at which risk assessment results and compliance matters are discussed and policies and initiatives are developed in-house. A BCP Promotion Committee is also held six times per year in order to promote BCP within the company.

Evaluation

- As a result of the awareness survey conducted with employees, we were able to confirm that their level of understanding of CSR and their awareness of compliance initiatives had increased.

cf pp.11, 12



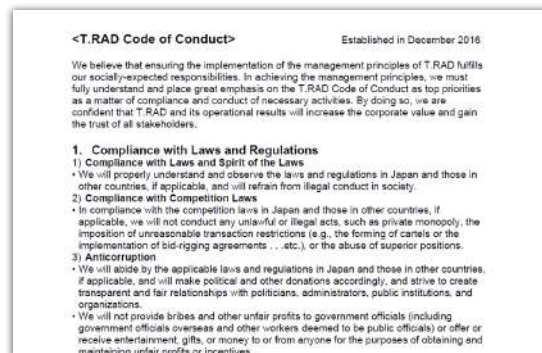
*Compliance training: Antimonopoly Act, Subcontract Act, Labor Standards Act, harassment issues, etc.

Promotion of Compliance Activities

Establishment of a T.RAD Code of Conduct

In FY 2016 we established the "T.RAD Code of Conduct."

We believe that implementing the T.RAD Code of Conduct will allow us to fulfill the social responsibility that it is expected of us. We will inform our employees about the code to ensure that they have an adequate understanding it. We firmly believe that this will increase the value of our company and our results and thereby gain the trust of all our stakeholders.



● T.RAD Code of Conduct

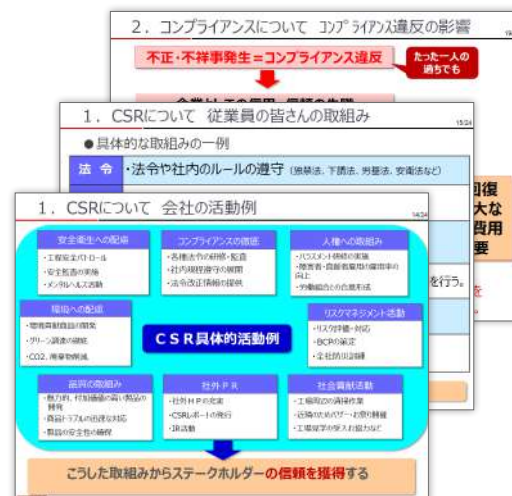
Implementation of various types of compliance training

We conduct various types of compliance-related training. For new employees and employees who have joined the company after a mid-career job change, we first provide basic training. Six months later, we conduct follow-up training to further deepen their understanding.

Managers from section chief level and above are trained mainly in labor management in the work place (Labor Standards Act, harassment issues, etc.). The intention is to provide them with the legal knowledge and awareness that they should have as managers. Antimonopoly Act training is continuously conducted every year in the Sales/Marketing & Technical Division.



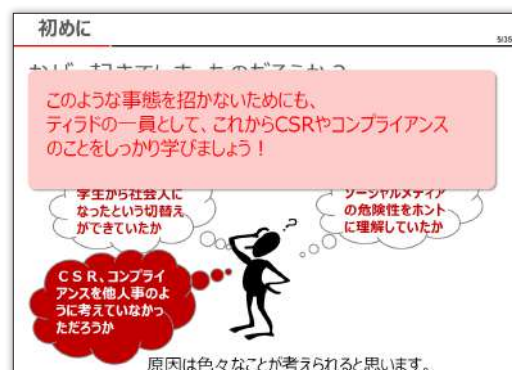
● CSR/compliance training for supervisors



● Training content for supervisors



● CSR/compliance training for new employees



● Training content for new employees

Towards the strengthening of the regulatory compliance system

Every year each of our departments performs self-checks about laws and regulations and then mutual audits are conducted by site managers. In FY 2016, we added the Labor Standards Act and other labor-related laws and regulations to the environmental laws and regulations that we had previously checked and audited for. This helps increase the level of understanding of relevant regulatory compliance items in each department. Conducting audits also prevents the leakage of regulatory compliance items.

Main check points

- Issuing a Notice of Conditions of Employment
- Content of the Notice of Conditions of Employment
- Conclusion, notification, and publicizing of the "36 Agreement"
- Granting of annual paid leave, etc.

Compliance Evaluation Sheet on Labor Relations, Laws and Regulations, and Other Requirements [Self-evaluation Use]			
* 1) The person in charge at each division shall fill out the check result of each applicable condition and attach necessary evidence. * 2) Each leader shall evaluate each applicable condition based on evidence [OK, NG, or NA if no change] * 3) The department manager performs comprehensive evaluation based on the compliance evaluation status of the applicable laws and regulations (A corrective action must be taken for any item evaluated as NG) => Lower row			
Subject: Head Office, Hatano, Kasadera, Nagoya, and Shiga			
Regulation name	Requirement (compliance matter)	Clause	Applicable condition
C-3. Labor Standards Act	Matters related to labor contract: In the case of direct employment at the Head Office or a base		
	Delivery of labor contract (notice of employment conditions) in writing	Article 15 of Act, Clause 5 of Rules	• Do you issue a labor contract in writing (or a notice of employment conditions) whenever an employee is recruited? • Do you create contracts in English or any other foreign languages to be understood by non-Japanese workers and distribute them to the non-Japanese workers?
	Items to be absolutely specified in the	Clause 5	• Does the labor contract (or notice of employment conditions) describe the following five items to be

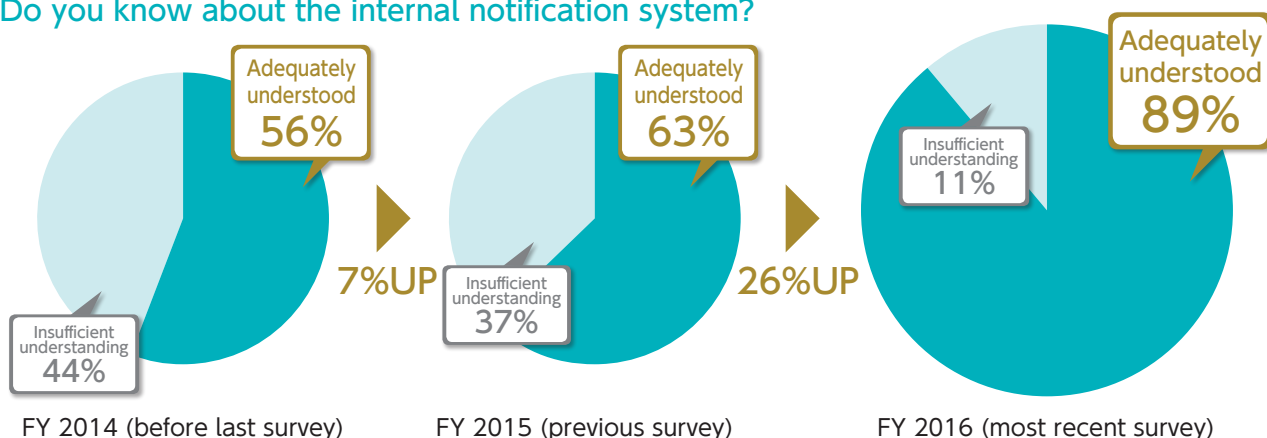
Regulatory compliance in 2016

In FY 2016, there was one missing piece of information relating to the Worker Dispatching Act. There was also one violation of the Act on Special Measures for Consumption Tax Shifting (a total of 2 cases), but both transgressions have been corrected.

Publicizing the internal reporting system

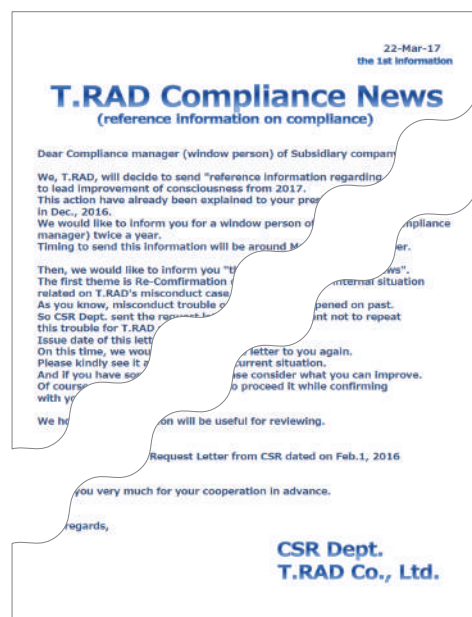
We have established an internal notification system for the early discovery and resolution of violations of our internal regulations. We have provided various methods of internal notification, such as placing a comments box in each site and allowing employees to send an email or letter to the CSR Department. Previous CSR awareness surveys revealed that this system had not been fully used within the company. As a result of publicizing the internal notification system through CSR training in 2016, a CSR awareness survey revealed that understanding has risen to 89%.

Do you know about the internal notification system?



Building a compliance structure for overseas subsidiaries

We are also working to build and strengthen the compliance structure of our overseas subsidiaries. In 2016, we decided on the compliance contact points for overseas subsidiaries and built a channel of communication between Japan and our overseas subsidiaries. The CSR Department also issues "Compliance News" in order to raise employee awareness of compliance, and has started to distribute it to overseas compliance contact points.



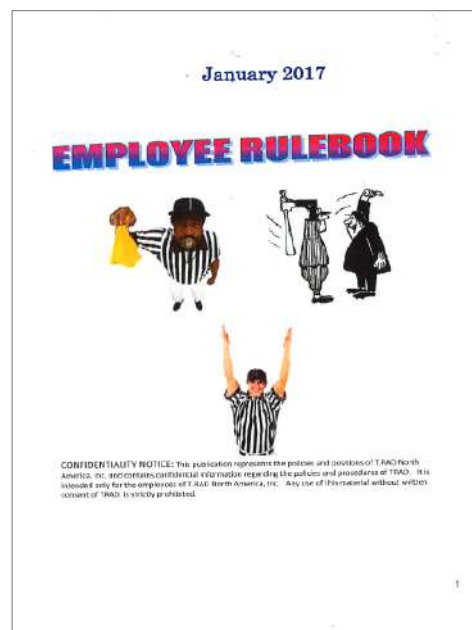
● Compliance news for overseas subsidiaries

Support to overseas subsidiaries for compliance activities

In FY 2016, members of the CSR Department visited our American subsidiary (TRA), conducted interviews regarding the current status surrounding training at TRA on compliance and other related subjects, and exchanged opinions about the modalities of training.

They told TRA's HR manager about the attitude of parent company T.RAD of CSR and compliance, and shared views about the future direction of the training.

We also gave our Indonesian subsidiary (TRIN) the self-check sheet for labor-related laws and regulations that is used in Japan and supported the building of a mechanism that would allow local managers to conduct self-checks based on local laws and regulations.



● Rulebook for TRA employees

Strengthening of the global security management system

We recognize the value of all the information that we hold within the company and endeavor to ensure information security.

We have introduced an IT asset management tool in order to prevent both internal unauthorized access and external threats to the information. It solves information security problems by taking measures against internal risks (retrieving operating logs and controlling use of devices) and by detecting malware.

In FY 2016 we also started to introduce the IT asset management tool to overseas subsidiaries in order to strengthen our global information security management system that includes these subsidiaries. This allows us to achieve the same level of IT asset management as in Japan.

We plan to continue with more global initiatives in the future, such as introducing international networks and improving our email system.

Promotion of Risk Management Activities

Implementation of risk assessment

In FY 2016, we again implemented risk assessment with domestic department heads, based on the risk catalog. This allowed us to identify items that represented a high or low risk for the company.

We also created a similar risk catalog for our overseas subsidiaries and implemented risk assessment with them.

For high risk items, we will implement a risk response and pursue activities to prevent the risks from materializing.

High risk items include delivery defects, market claims, and recalls.

We inform employees of the risk assessment results using the company's intranet.

In FY 2017, we will again review and disseminate the risk catalog to enhance our risk assessment/analysis and appropriate risk response and to ensure the proper implementation of the PDCA cycle for risk management.



● Risk assessment results

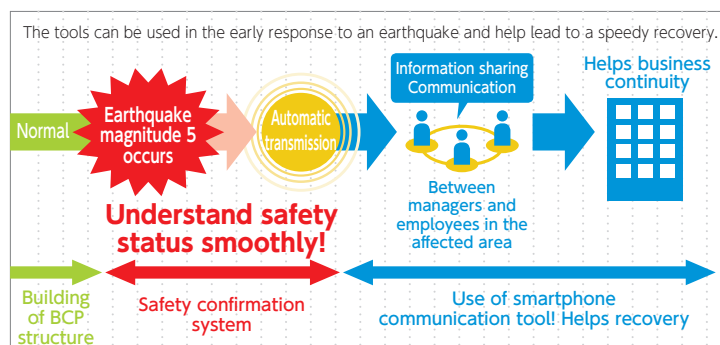
Implementation of BCP (the business continuity plan) company-wide communication drill

Once every two months, we invite concerned parties to a BCP Promotion Committee where we develop various measures. In FY 2016, we introduced a safety confirmation system and a communication tool that can be used on smartphones.

For the company-wide communication drill, it was assumed that an earthquake had occurred on a holiday. During the drill, the heads of the Human Resources and General Affairs departments in each site managed to speedily report the safety confirmation status of staff to directors and heads of other departments.

In the future, we will continue to conduct all sorts of BCP-related drills for various situations and will work to improve our ability to respond to earthquake disasters.

Overview of use of BCP tools



● Company-wide BCP communication drill scenario

Disaster drills at all sites

As well as BCP drills, all our work sites also conduct disaster drills twice a year.

We set up firefighting organizations and conduct drills to ensure that local staff and office staff can respond speedily in their designated roles in an emergency. With the help of the local fire services, we provide opportunities for the staff to learn where the fire hydrants are and how to discharge the water in the event of a fire.

We will continue to conduct drills to enhance disaster awareness on an ongoing basis.



● Evacuation (Sales/Marketing & Technical Division, Kasadera)



● Water discharge drill (Shiga Works)



● Simulation of rescuing injured people (Nagoya Works)



● Advice from the fire services (Nagoya Works)



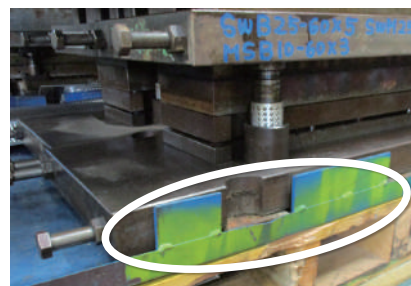
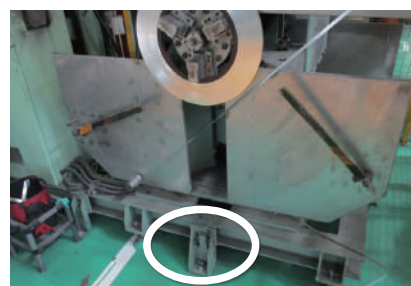
● Disaster drill at night (Hatano Works)



● Feedback from the director (Sales/Marketing & Technical Division, Kasadera)

Measures to minimize disaster damages at each works

In FY 2016, as part of our BCP activities, we completed work in all works to fasten main equipment with anchor bolts and prevent molds from falling. We also investigated the procedures for stopping important equipment such as a furnace during a disaster, and are in the process of preparing a manual for this. In terms of the procedures for stopping important equipment, we are working to make them clearer and to ensure their speedy recovery and prevention of secondary damage.



Relationship with Our Customers

Basic Quality Policy

Basic principle: Obtain the trust and satisfaction of customers by manufacturing products with priority on quality

Basic policy: In order to achieve the basic principle, we will strive to develop, design, and manufacture products in response to customer requests based on the philosophy of "Quality First" and supply products that satisfy the customers, as well as use and continuously improve our quality management system that complies with applicable standards.

Background & Reasons

As well as building a quality management system based on ISO9001 and TS16949, we are working to enhance customer satisfaction by offering "quality assurance from our customers' perspective."

Key Standards

- Customer assessment about delivery quality and process audits, and our internal quality indicators.

Engagement and Support

- Activities to make quality that meets customer needs, and active support for suppliers.

Impacts

- Affect design quality improvement activities during which high functionality and high quality are maintained.
- Affect activities done with suppliers to refine and improve incoming parts.

Challenges

- Activities to prevent recurrence to faults and their preemptive prevention by creating a database of case studies of previous faults

Opportunities

- Increase customer satisfaction by improving design quality and product quality.

Management Approach

- We share information about defects with our customers and manage it globally.

Evaluation

- We regularly conduct self-analysis, focusing on the values that we achieve in our various quality indicators and on customer assessment of our quality.

cf pp.11, 12

Target

- Preemptive prevention activities, and quality improvement activities based on designs that take into account solutions for past defects.
- Activities that prevent recurrence of defects in our internal processes and at suppliers.
- Confirm effectiveness of preemptive prevention and recurrence prevention measures with various types of quality audits and manage quality maintenance.

Performance

- Held evaluation meetings (design reviews, etc.). **100%**
- Identified cause of defects and took corrective action (first of all to stop them). **100%**
- Conducted quality assurance audits and took corrective and improvement actions on items revealed by audits. **100%**

1 Establishment of global system for ISO9001 and TS16949

We have obtained ISO9001 at all domestic and eight overseas sites where we perform manufacturing activities, and obtained TS16949 certification at domestic and six overseas sites, and use them to maintain and improve our quality. Overseas sites: North America (1 site), Europe (2 sites), China (2 sites), and ASEAN (3 sites)

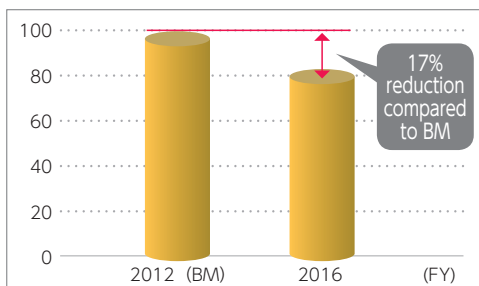
3 Education, training, and globalization

In the same way that "monozukuri" (making quality goods) is said to be achieved through "hitozukuri" (making people), we believe that employee training plays a very important role in ensuring product quality.

Within the T.RAD group, we are also strengthening overseas support by training local staff overseas so that they can operate with the same mechanisms based on the same philosophy.

2 Eliminating "customer inconveniences"

■ Number of delivery defects (index)



Employee Comments



Quality Assurance Dept.
Keita Ohori

Working on Market Quality

I'm in charge of researching and analyzing defects that have occurred in T.RAD products in the market and reporting to the people who requested the research. Based on the knowledge and experience that I have built up, I add observations to the results of this research, provide feedback to the design team and factories, and am committed to contributing to the improvement of design and production quality. I also try to follow the PDCA cycle in order to shorten lead times and to ensure that there are no omissions or leakage in our work. I strive to the utmost every day to further improve the quality of T.RAD products and to upskill myself.

Relationship with Our Shareholders

The implementation of appropriate information disclosure

We practice appropriate disclosure of management policy, financial details, and business activities to all our shareholders and investors. We exchange opinions with them through shareholders' general meetings and social gatherings for shareholders.

We also hold yearly IR briefings and financial results briefings, at which our president speaks, for all institutional investors and securities analysts.

We will continue to sincerely listen to opinions about the information that we disclose, and endeavor to build a long-term relationship of trust with our shareholders.



● Financial results briefings

About the shareholder bonus system

We provide a shareholder bonus system that is intended to thank all our shareholders for their support and also to increase the number of shareholders with medium to long term holdings by enhancing the appeal of investing in our shares. Shareholders can register at the "T.RAD Premium Yutai Club," a website exclusively for shareholders, where they can exchange points for products of their choice and make contributions to community support projects. We intend to continue to make this bonus system attractive to all our shareholders.



● The "T.RAD Premium Yutai Club" website

Insider trading regulations

We have established our internal regulations and instructed our employees not to engage in share dealing on the basis of undisclosed information about ourselves or related companies. We also strictly manage undisclosed information and rigorously ensure that third parties do not engage in improper dealings on the basis of that information.

Every fiscal year, we invite an instructor from the Tokyo Stock Exchange to provide training to new employees about the basic points of insider dealing regulations based on the latest case studies.



● Text from the seminar on insider dealing regulations

Relationship with Our Suppliers

Background & Reasons

Based on fair dealings, we will work to achieve mutual expansion with our suppliers and to collaborate with them to promote environmental conservation.

Key Standards

- EMS certification of our suppliers ... includes basic certifications (KES, Ecostage, etc.)

Engagement and Support

- Activities by the Safety and Quality subcommittee of the Toeikai suppliers association

Impacts

- Reduction of environmental burden of purchased materials and the production stage of parts used for making products

Challenges

- Training for suppliers about compliance with environmental laws and regulations

Opportunities

- Strengthening of environmental regulatory compliance in the supply chain

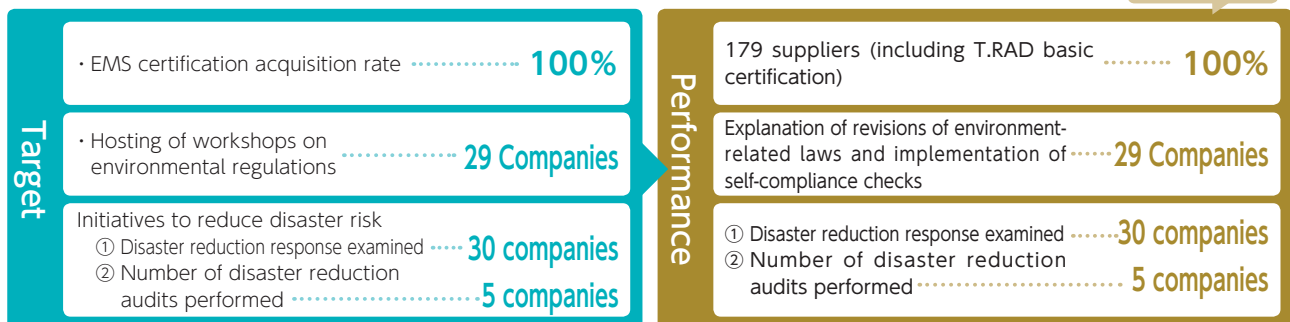
Management Approach

- Continued auditing of seven T.RAD certified companies
- Reporting and confirmation of improvements at the Management Subcommittee

Evaluation

- Suppliers' EMS certification acquisition rate

cf pp. 11, 12



Held briefing sessions to explain our purchasing policy

To give our suppliers a better understanding of our company policy and procurement policy, we held briefing sessions again in FY 2016. We also award recognition to suppliers who have excelled in the fields of "Safety," "Quality," "Price," "Delivery Time," "Environment," and "Cooperativeness." We also organized social gatherings with suppliers in order to strengthen collaboration and improve communication with them.



In March 2017, we welcomed 50 suppliers to the event. This fiscal year there was no major change to the supplier chain.



Employee Comments

Component Parts
Purchasing Dept.,
Purchasing Division
Suguru Onoda

In the Purchasing Department, we strive to avoid any impact on society and our business by working with our suppliers to ensure appropriate management and preemptive prevention of any risks. As an example of a specific initiative, we visited suppliers in FY 2016 and conducted interviews about their labor management, based on a Labor Standards Act check sheet. In FY 2017, we intend to visit even more suppliers. With the cooperation of suppliers, we will continue to promote initiatives that strengthen relationships of trust.

CSR interviews with suppliers (promotion of CSR procurement)

In 2010, we issued CSR guidelines for our suppliers and sought their understanding of CSR.

In FY 2016, as well as getting our 30 main suppliers to reconfirm their understanding of the CSR guidelines, we distributed a self-check sheet for labor-related laws and regulations, and asked them to conduct a self-check.

As a result, we were able to confirm that many of the suppliers had understood their CSR. In the future, we will continue to build a win-win relationship through CSR activities with our suppliers.

仕入先様 労務関連法令 自主チェック項目 ポイント解説

株式会社ティアド
CSR推進室
2016.11.15

自主チェック項目	
1. 就業規則関係 (常時10人以上の労働者を使用する場合)	<p>●就業規則を作成していますか？</p> <p>A: 10人以上の労働者を使用する事業場においては、就業規則を作成しなければならず(労基法89)。これに違反すると30万円以下の罰金科せられる可能性があります(労基法120-1)。</p> <p>●作成する際は労働者代表者の意見を聴いていますか？</p> <p>A: 就業規則を作成する際には、企業は、労働者の過半数が組織する労働組合がある場合はその労働組合、そのような労働組合が無い場合は、労働者の過半数を代表する者の意見を聴かなければなりません。</p> <p>●作成した就業規則を労働基準監督署に届出していますか？</p> <p>A: 企業は、上記のように労働組合又は労働者過半数代表者の意見を聴いた上で就業規則の内容を確定させた後、就業規則、意見書を添付して、所轄労働基準監督署長に届出しなければなりません。2部作成提出します。1部は労働基準が保管、もう1部について労基署の受理印を受け返却されます。</p>
2. 労働時間	●労働者が常時確認できるように備付けをしていますか？

Main check points

- Preparation of work regulations, items in the regulations
- Listening to opinions about the work regulations and the notification and publicizing of the regulations
- Content of the Notice of Condition of Employment
- Conclusion, notification and publicizing of the "36 Agreement"

BCP disaster mitigation activities by suppliers

As part of our BCP, we also ask our suppliers to work with us by taking disaster mitigation measures against large earthquakes. They have implemented measures to prevent various types of shelves from falling. We will continue to actively promote BCP activities.

- Prevention of molds from falling



- Prevention of shelves containing metal raw materials from falling



- Prevention of gas cylinders from falling



Compliance activities for the Subcontracting Act

In our Purchasing Department, we discuss complicated projects in terms of the foundations of the Subcontracting Act and consult about them with external parties as and when required. We then present them as practical case studies in internal training. Every fiscal year, the Purchasing Department and the CSR Department also jointly audit different departments for their compliance with the Subcontracting Act on a continual basis.

Cooperating with conflict minerals surveys

If we have concerns about the use of conflict minerals (gold, tantalum, tungsten, and tin), from the Democratic Republic of the Congo or surrounding countries, that could cause social problems in terms of human rights or the environment, we take measures to avoid their use.

In FY 2016, we surveyed 142 suppliers. We will continue to request our suppliers to only buy from smelters that comply with the Conflict-Free Smelter Program (CFSP) established by the CFSI* or that are certified as not being complicit in any conflicts. We will continue to ask our suppliers to cooperate with our surveys on an ongoing basis.

*Conflict-Free Sourcing Initiative

Relationship with Our Employees

Background & Reasons

Holding up the "principle of fairness," the "fostering of a willingness to take on challenges" and the "respect for a sense of independence" as our HR ideals, T.RAD is continuously building a workplace environment where employees can maximize their potential and work energetically.

Key Standards

- Labor Standards Act, Industrial Safety and Health Act, Disabled Persons' Employment Promotion Act, customer standards, our in-house standards, etc.

Engagement and Support

- Our employees, initiative-supporting institutions/companies, association for our suppliers, customer associations, etc.

Impacts

- Effect on physical and mental health of employees and their job satisfaction
- Effect on stakeholders (regulatory compliance, etc.)

Challenges

- Horizontal development with overseas group companies
- Enhancement of training efficacy

Opportunities

- Contribution to local communities, strengthening of corporate competitiveness
- Enhancement of knowledge and morale of employees and concerned people

Management Approach

- Company-wide control is implemented through the regular status reporting, including overtime hours worked and paid leave taken rate and sharing of information at regular meetings, such as the Management Committee and the labor-management council.
- The Training Promotion Committee, which consists of the heads of the Production, Purchasing, and Human Resources and General Affairs Departments, discusses the objectives and training efficacy of the training plan, curriculum, and textbooks, and implements training accordingly.

Evaluation

- Report in a top management review and be assessed by managers.

cf pp.11, 12

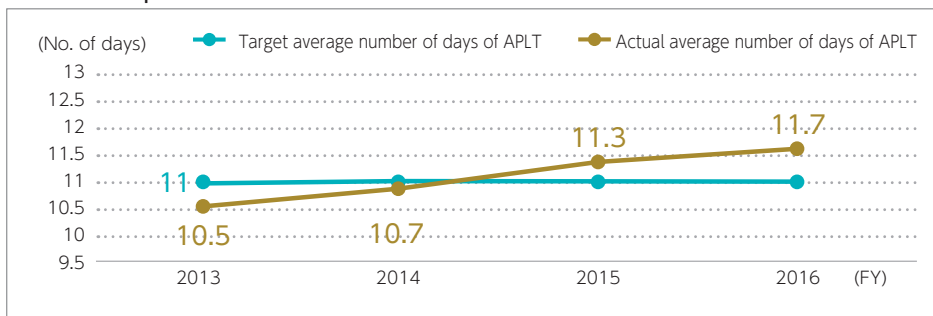
Target

- Average annual paid leave taken **11 days**
- Completion of an education system for overseas subsidiaries **Completed in three out of eight subsidiaries**

Performance

- Average **11.7 days**
- Education system for subsidiaries **Completed in three companies**

Annual paid leave taken (APLT)



	Average number of monthly overtime hours per worker
2013	26.9
2014	25.3
2015	24.6
2016	24.9

Initiatives for the promotion of employee health management

We have taken the following sorts of initiatives to enhance the physical and mental health of our employees.

- Set up a Health Management Office in each site. Staffed by nurses, they provide daily health care for employees.
- Our Health Management Offices work with industrial physicians to provide follow-up consultation to employees after health check.
- Started a mental health care consultation service under a contract with a company specializing in mental health care.
- The promotion of mental health, led by the company-wide mental health promotion committee.
- The implementation of a stress check system.

Promotion of diversity

T.RAD holds up its Principle of Fairness as its HR ideal. This principle states that the company "does not discriminate on the basis of age, gender, academic record, faith, or nationality, and generously treats employees who have put forth effort and produced good results in realizing the management principles and management policies." Based on this ideal, we have made efforts to promote the employment of disabled people, to hire foreigners, and to provide an environment for the employment of the elderly.

Support for various ways of working

In order to allow employees to work with a sense of purpose and fulfillment, and to be able to lead healthy and rich lives with enough time to bring up children and look after relatives, and enough private time for family, the community, and self-development, we have set up various systems, such as the Family Care Leave System, Maternal Health Management System, Childcare Leave System, Volunteer Leave System, and Half-Day Paid Leave System, and are also currently expanding these systems as we see fit.

Working with the Act on Promotion of Women's Participation and Advancement in the Workplace

On April 1st last year, the Act on Promotion of Women's Participation and Advancement in the Workplace came into force. In our action plan to promote women's advancement that was formulated and published in April, we firstly set an increase in the proportion of women being hired as our objective. However, our efforts don't end with their hiring. We are also building a mechanism to promote women's career advancement after they have joined the company. This is an initiative that aims to improve the career progress of not just women but men as well. The building of an environment that is easy to work in and that allows employees to achieve work-life balance is indispensable for employees to maximize their abilities. We have formulated and published an action plan for a work-life balance, and are also working to promote a reduction in overtime and the taking of paid leave.

Overview of the action plan

- Active recruitment of female employees
- Building a mechanism to promote the career advancement of employees
- Reduction of working hours
- Promotion of the taking of childcare leave
- Development of a mechanism to support the achievement of work-life balance
- Building a climate to support the achievement of work-life balance

Building an environment that is easy to work in for both women and men

Employee mental health measures

In order to promote the maintenance of the mental health of employees, we are building a support structure by making effective use of mental health committee members, Health Management Offices, and external resources.

In FY 2016, we conducted stress checks on all our employees to encourage them to notice their own stress levels and to prevent damage to their mental health. We also provided mental health training for employees to give them opportunities to learn how to deal with stress by themselves.

Personnel training initiatives

Diversity management training held

When we issued our Action Plan in FY 2016, we provided training for line managers involved in the promotion of women's advancement so that they could learn about the aims and background of the new law, the situation in T.RAD, details of our initiatives, and management methods.

They learned about the differences in the ways of thinking of men and women and the different ways of dealing with them. Solutions for everyday problems were also shared among all the participants.

Feedback from employees who received the training

- I got lots of tips about nurturing women.
- I managed to understand the meaning of diversity management.
- It is difficult to communicate with and train female subordinates.
- I want to be able to help women make the most of their abilities.
- I learned that men and women think differently, so I would like to use that knowledge in the future.



Training to improve employee skills

In order to allow employees to acquire the work skills required for "monozukuri," we have started providing periodic internal training. Additionally, by asking the workers to be trainers, those workers can also improve their own skills. We will also continue this in FY 2017.

Changes in the number of employees receiving internal training

	2012	2013	2014	2015	2016
Total number of employees who have received training* ¹	3,450	4,620	3,570	3,610	2,250
Number of employees who have received training	1,250	1,300	1,260	960	610
Training hours* ²	8,630	11,550	8,930	9,030	5,630

*¹ "Total number of employees who have received training" counts an employee who has received multiple training courses as multiple employees.

*² "Training hours" is calculated on the basis of an average of 2.5 hours per class.

List of Achievements in FY 2016

- Development of trainers for in-house stratified training and vocational training
 - Number of new certified trainers in FY 2016 45
 - Registered trainers (total) at the end of FY 2016 594
 - Number of trainers at the end of FY 2016 219
- Number of people who have completed the Safety Administrator training
 - 21 (of whom 13 were suppliers)

Building a Safe Work Environment

Core principle for safety

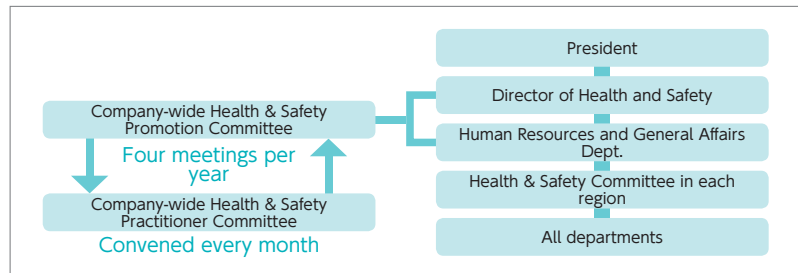
T.RAD will provide all its employees with healthy workplaces where they can work with peace of mind and achieve corporate management that aims for the happiness of employees and their families, based on our core principle of "Giving top priority to health and safety in all our activities."

Core policy for safety: T.RAD will provide "healthy workplaces where all can work with peace of mind" through all-hands health and safety activities with employees.

T.RAD-10 Health and Safety Targets

	Work accidents requiring time off work	Work accidents not requiring time off work	Minor injuries
Japan	0	0	0
Overseas	0	0	

Health and Safety Governance



Background & Reasons

We are required to provide a workplace environment where employees can work safely and with peace of mind, based on our core principle of "Giving top priority to health and safety in all our activities."

Key Standards

FY 2016 Health and safety policy

- A workplace where all risk factors are eliminated and everybody can work in a confident and healthy manner
- Zero-accident workplaces where decisions are adhered to and there are no deviations or irregularities
- Safe workplaces where all have a great safety consciousness, and anybody does not perform and make others perform any unsafe action

Engagement and Support

- Meetings about safety with the Kyohokai, the Japan Auto Parts Industries Association, and customers

Impacts

- Impact on prevention of work accidents in the workplace
- Impact on prevention of job-related illnesses and on mental health

Challenges

- Improvement of management and response by the company and promoting voluntary activities by employees

Opportunities

- Reduce risk for employees and local community, pursue and maintain their happiness

Management Approach

- Implement risk assessment and equipment safety reviews, address near-miss incidents, and regularly implement KYT
- Report on and monitor the progress of the above activities and challenges that need to be addressed at the company-wide Health & Safety Practitioner Committee and that committees in each site

Evaluation

- Reported to senior executives at a top management review meeting, where an assessment is made. The assessment is made based on numerical data, such as the number of work accidents.

cf pp.11, 12

Target

- Risk management plan implementation rate **100%**
- Implementation rate of countermeasures for risks of level 3 or higher **80%**
- Implementation rate of near-miss incident countermeasures **80%**

Performance

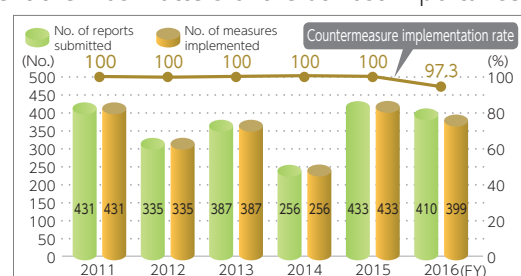
- Risk management plan implementation rate **100%**
- Implementation rate of countermeasures for risks of level 3 or higher **89.1%**
*Being complied with in the medium to long term plan.
- Implementation rate of near-miss incident countermeasures **97.3%**

Continuation of risk assessment

The company started risk assessment properly in FY 2010 with the objective of preventing particularly serious accidents. The implementation of plans and measures has since become fully ingrained and accidents during routine work have steadily decreased. We will continue to implement them as matters of the utmost importance.

Continuation of daily activities

Daily activities, such as near-miss incident activities, safety patrols, and danger prediction training form the core of our safety activities, along with risk assessment. In our near-miss incident activities, 410 reports were submitted, exceeding 400 for the second year running.



Implementation of equipment safety reviews

Equipment safety reviews are rigorously implemented with the objective of preventing work accidents and damage to employees' health. The reviews look not just at the installation of new equipment and accessories, but also at changes to equipment functions, safety devices, and layouts.

Risk assessment of chemicals

We have started performing these risk assessments in earnest following the coming into force of the revised Labor Standards Act. Based on the risk assessment results, we will rigorously work to prevent damage to our employees' health.

More safety simulators

We increase the number of safety simulators as and when needed, and conduct training.

1 Wedge simulator



(1) Install the area sensors (two types because of the difference in pitch)
(2) Install various types of switches
(3) Install the motor.
The above structure allowed us to teach employees about the importance of daily inspections and operating manuals.

2 Training about various types of switches



We use various types of switches in the production equipment, and change their shape depending on their purpose of use. We have therefore installed a new simulator to teach our employees about the safety implications of the switches.

3 Electric shock simulator



Because electricity is invisible, getting an electric shock could develop into a serious incident. We installed an electric shock simulator in order to deepen employees' understanding of electricity.

Implementation of daily improvements

In addition to implementing measures in line with near-miss incident prevention activities, the daily application of creative and inventive improvements is indispensable to building a safe workplace. Below are some case examples of such improvements.

1 Automatic discharge of steam drain water (used to be carried away manually)



Previously, when a certain amount of steam drain water had gathered in the top tank, we would open a hand valve and move the drain water into the lower tank. An operator would then manually carry the lower tank to a discharge ditch about 50 meters away.



Now, when a certain amount of the steam drain water has gathered in the tank, a pump automatically discharges the water to the discharge ditch. This has eliminated the operation of manually carrying the tank away when it is full of hot water.

2 Ensuring safety in die-changing operations (at a height) (by changing the elevation part)



When changing dies, we used to have to climb up and down a vertical ladder to reach and return from the upper part of the equipment (sometimes while carrying tools).



We got rid of the ladder and put in some stairs. Now we can safely access the upper part of the equipment, even if both of our hands are occupied.

Relationship with the Local Community

T.RAD seeks the happiness of the local community through a range of activities.



Japan

- Factory visit by local primary school children

The Shiga Works organizes a factory visit for primary school children every year in order to give local school children a learning experience.



Indonesia

- Donations to flood-affected areas

We donated essentials, such as clothes, to people affected by the flooding in West Java.



Japan

- Support activities for job-hunting by high school students

We offered internships in July to local technical high school students (from two schools). By providing the students with an opportunity to gain work experience, we are contributing to the fostering of a desirable work attitude.



Thailand

- Tree-Planting Activities

The Thai factory is engaged in tree-planting activities with employees from other companies in the development area where our factory is.



Vietnam

- Community cleaning activities

Employees and their families joined local residents in participating in cleaning activities near Hoan Kiem Lake in Hanoi in Vietnam.



Japan

- Cooperation with operations to remove illegally dumped waste from public grounds

We contribute to the beautification of Hadano City by taking part in the removal of illegally dumped waste as part of the Hadano Prevention of Illegal Dumping campaign organized by the city authorities.



United States

- Donations to the local primary school

We donated 125 books to the local primary school. The books that we donated were used as teaching materials to teach social skills.



Thailand

- Communication Activities with Children

Every year we participate in a Children's Day event and donate stationery and teaching materials to the local primary school.

Communication with local communities

Biodiversity seminar



Organizer: Yokohama Mirai Environment Conference (NPO)
Supported by: Kanagawa Prefecture

Government bodies, companies, and NPOs need to think about what they can do in terms of biodiversity conservation activities and sustainable development initiatives, and work together on these issues.

In this seminar, there was an exchange of opinions through lectures and panel discussions about how they can get involved in biodiversity conservation activities and what they should do to continue and expand them.

Content of T.RAD's lecture

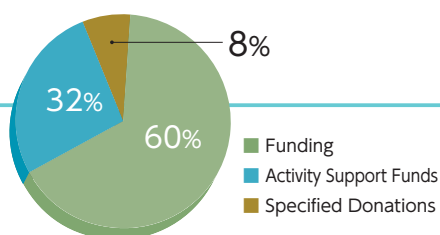
Internal activities

- Social trends (needs) → Company policy/ environmental policy
- Environmental medium term plan, etc.
- Internal case studies and results about improving drainage
- Biotope lake that uses treated waste water

Public evaluation

- Acquired the environmental rating of A from the Development Bank of Japan in 2015.
- Environmental Communication Awards Received the 18th and 19th Excellence Awards.
- Use of low interest financing
- Improvement of poorly assessed items

Through the exchange of opinions at a panel discussion, we reaffirmed the importance of sharing information with NPOs, government bodies, and companies. By taking on board the requests and opinions of these concerned parties from different professions, we build a collaborative structure and intend to expand our environment activities even more.



■ Breakdown of Donations (Non-consolidated)

The T.RAD Group carries out a range of support to enhance local cultural activities, festivals, and education, and to enrich sports and social welfare as our way to contribute to local community development.

Shonan Satokawazukuri forum



Organizer: Shonan Satokawazukuri Minnanno-Kai
 (Environmental conservation bodies in the Kaname River basin, etc., Hiratsuka City, Hadano City, Isehara City, Kanagawa Prefecture)

Joint organizer: Graduate School of Human Environmental Studies, Tokai University
 Department of Human Development—
 Environment and Resources course, School of Humanities and Culture, Tokai University
 Tokai University Regional Environment Network (NPO)

In the forum, universities, government bodies, NPOs, and companies that share the ecosystem services of the Kaname River system gave lectures and presentations about conservation and improvement activities.

T.RAD gave a presentation about its activities to improve the rivers that its factories discharge water into, based on data about the water quality of the discharged water, and explained what sort of internal activities we have conducted.

Content of T.RAD's lecture

Internal activities

- Specific initiatives for biodiversity
- Specific initiatives for Kuzuha River conservation
 - Environmental improvements by changing the items being produced
 - Reduction of water consumption
 - Improvement of water quality
 - Reduction in the release and transfer of chemicals
- Installation of a biotope pond that uses treated waste water

After the lecture, we conducted a survey that yielded requests for us to do more environmental activities. This has led to even more improvement activities which we will carry out in the future.