

# CSR Report 2010

## CONTENTS

|  |   |
|--|---|
| ■ Message from the President                               | 2 |
| ■ Compliance   | 3 |
| ■ Environmental Initiatives                                | 4 |
| ■ Creating Comfortable Workplaces                          | 6 |
| ■ Social Contribution Activities                           | 7 |
| ■ Products and Technology Supporting Social Infrastructure | 8 |

## About This Report

### Purpose and Editorial Policy

The purpose of this report is to disclose the basic approach to corporate social responsibility (CSR) of Toyo Denki Seizo K.K., and its progress in the area of CSR initiatives, in a format that is accessible for readers. In assembling this report, the company referred to the *Environmental Reporting Guidelines* (Fiscal Year 2007 Version) issued by Japan's Ministry of the Environment as well as questionnaire items relating to socially responsible investment (SRI). In this report, the company conveys information that it considers to be important to Toyo Denki and its stakeholders.

### Scope

Toyo Denki Seizo K.K.

### Period Covered by This Report

This report focuses on the 2009 fiscal year from June 1, 2009 to May 31, 2010, but also contains some information from before and after this period.

### Publication Date

Issue date : July 2010

Next issue date (tentative): July 2010

### Reference Guidelines

*Environmental Reporting Guidelines* (Fiscal Year 2007 Version) issued by Japan's Ministry of the Environment

### Inquiries

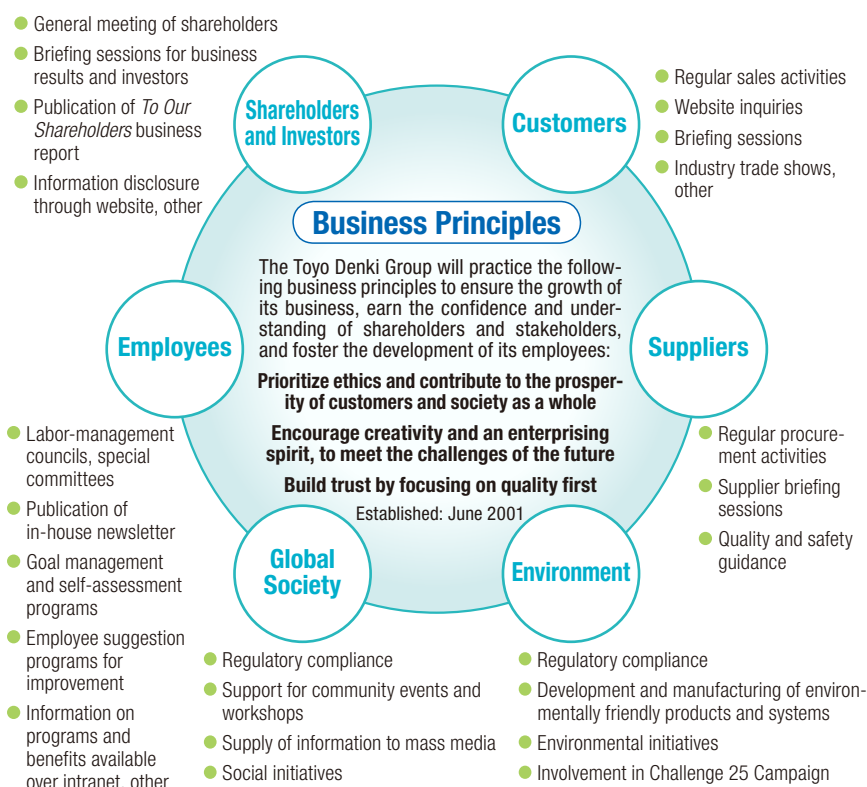
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## Communication with Stakeholders





**Hiroshi Tsuchida**  
President  
Toyo Denki Seizo K.K.

# Stepping Up CSR Initiatives with a Focus on Our Core Business

*Guided by the “Challenge Up” Medium-Term Management Plan*

## Our First CSR Report

Toyo Denki Seizo K.K. is publishing this CSR Report in order to communicate our initiatives in the area of corporate social responsibility (CSR) to stakeholders.

Toyo Denki has long had a role in expanding social infrastructure and encouraging energy and resource conservation, as a supplier of electrical equipment for rail vehicles, high efficiency motors and inverters, and information system products. In addition to these social contributions which our core business makes, we engage in environmental and social initiatives at our plants, and implement programs to build a vibrant corporate culture. I hope that this will report will help you gain an even deeper understanding of our company.

## CSR as a Key Management Priority

In the “Challenge Up” Medium-Term Management Plan that we unveiled in July 2009, we outlined the goal of strengthening our CSR initiatives. I consider CSR to be an important management priority. We have a duty to inform our stakeholders of the contributions that Toyo Denki can make, and to help realize a society that offers the level of safety, security and amenity that people seek, while enabling sustainable growth throughout the globe. Our aim is to make this message easy to understand, while at the same time inviting feedback from our many stakeholders and using it to shape the future of our management.

## Environmental and Social Contributions Unique to Toyo Denki

In this report, we examine the environmental contributions of Toyo Denki, and how we are proactively and continuously pursuing diverse environmental initiatives at our production sites. We also describe how our products and systems themselves are making positive environmental contributions through their usage in diverse business sectors. (Please see page 8, “Products and Technology Supporting Social Infrastructure.”)

We also examine the social initiatives that Toyo Denki engages in for communities. We welcome any feedback that you may have, so that we may better co-exist with and earn the admiration of members of the community.

## Building a Vibrant Corporate Culture

Since being appointed president of Toyo Denki, I have stepped up our efforts to build a vibrant corporate culture, so that our employees can fully capitalize on their own talents and rise up to the challenge in diverse fields. We are building an environment for our employees to work together for our business, driven by a passionate commitment, so that we may achieve the business targets outlined in the “Challenge Up” Medium-Term Management Plan.

Through these activities, all of us at Toyo Denki will endeavor to earn the trust of stakeholders and do an even better job of fulfilling our social responsibilities. We look forward to your continued interest in our company.

# Compliance

The foundation of good corporate governance is a commitment to regulatory compliance and upholding corporate ethics. Toyo Denki is taking action companywide to communicate this message and build a stronger framework for compliance and ethical behavior.

## Framework for Compliance

The Legal and Compliance Department is responsible for preparing a framework for compliance and taking specific steps to ensure it. Specifically, the department develops and implements training based on a master plan for compliance training, and follows up on compliance issues raised by whistle-blowers. In addition to the Legal and Compliance Department, the company designates compliance officers at each business location, who are responsible for implementing on-site activities in compliance with laws at each workplace.

## Compliance Education and Training

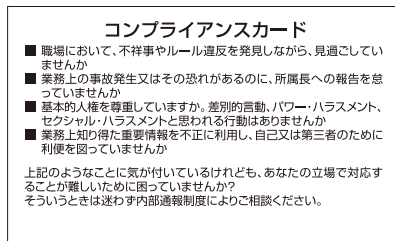
Each fiscal year, Toyo Denki designates specific themes to pursue under its master plan for compliance training. The company implements group training for management, group training for administrative professionals, and video-based training for the general workforce.

In October 2009, the company organized a monthly series of events designed to enhance compliance. The events

included seminars on preventing insider trading and managing intellectual property, and a roundtable discussion on removing social barriers for women in the workplace. In addition, Toyo Denki carried out a simultaneous compliance check for directors and all employees.

## Compliance Status

Toyo Denki was issued a cease and desist order and surcharge payment order by the Japan Fair Trade Commission in October 2008, for a violation of the Antimonopoly Act when bidding for a designated electric equipment construction project ordered by the City of Sapporo. The company has taken several steps to prevent the recurrence of regulatory violations, including making changes to its compliance manual and preparing a compliance card. The card was distributed to directors and all employees, to provide a routine reminder of the importance of regulatory compliance.



Compliance Card



CLOSE UP ▶▶▶

## Getting Everyone Involved in Compliance

Compliance activities can be challenging, because it is difficult to create an atmosphere of working in total unison to achieve a goal. This is why I believe we need to take a deeper approach by developing a corporate culture that places an even stronger emphasis on adhering to principles and rules. Rather than trying merely to assign certain compliance behaviors to our directors and employees, we must continue to pursue initiatives to create a framework in which everyone at Toyo Denki understands that compliance can only be achieved through the combined and balanced efforts of every director and employee.



**Isami Takase**  
General Manager, Legal and Compliance Department

# Environmental Initiatives

Toyo Denki established an environmental philosophy in June 2009, which commits the company to maintaining management priority on supplying environmentally friendly products and executing initiatives for environmental conservation.

## Environmental Philosophy

The Toyo Denki Group has positioned global environmental protection as a key management issue. In this context, the Group will make every effort to contribute to the development of a sustainable society.

## Code of Conduct

Through future technologies that harmoniously blend the needs of the global environment and humankind, the Toyo Denki Group will consistently deliver products and services that work to reduce adverse impacts on the environment. To this end, the Group is committed to engaging in the following conduct.

1. Strictly comply with all environment-related laws and regulations
2. Engage in activities that reduce environmental load including efforts to cutback energy consumption at each stage of its products' lifecycles from planning through development to design, manufacture, sale, use and disposal
3. Establish and implement systems that facilitate the ongoing promotion of global environmental protection activities
4. Raise environmental awareness in each and every employee through education and training throughout the Group

Established: June 2009

## Global Warming Initiatives

### Environmental Initiatives in Fiscal 2009

Toyo Denki has established a company-wide framework for energy management, complying with the most recent revisions to Japan's Act on the Rational Use of Energy. Following are some of the initiatives that the company is implementing in order to reduce carbon dioxide (CO<sub>2</sub>) and other greenhouse gas emissions.

#### 1. Energy Conservation at Plants

- Conversion to energy-efficient inverter units for air conditioning and heating fan motors and exhaust fan motors
- Upgrades to energy-efficient fluorescent and mercury lighting

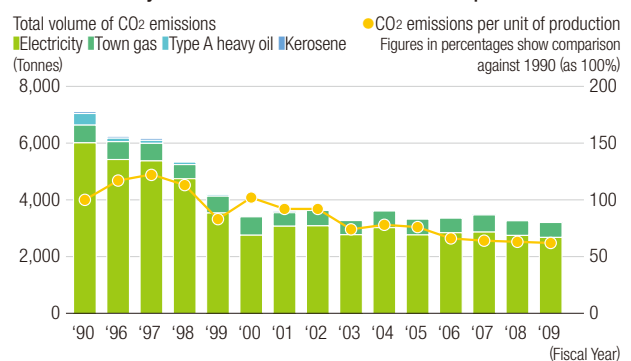
As a result of these initiatives, the company reduced CO<sub>2</sub> emissions by 55% in 2009 compared with 1990 levels, which represents a 38% reduction of CO<sub>2</sub> emissions per unit of production. The graph at right shows CO<sub>2</sub> emissions by total volume and per unit of production.

### 2. From Team Minus 6% to the Challenge 25 Campaign

Toyo Denki has been involved in the Japanese government's Team Minus 6% initiative to reduce CO<sub>2</sub> emissions since 2007, and in 2010 began participating in the Challenge 25 Campaign. The company has appointed managers and coordinators at each business location to encourage eco- and earth-friendly practices such as detailed below.

- Set moderate temperatures for air-conditioning and heating in the summer and winter
- Always switch off lights and computers when away from the desk or during lunch breaks
- Participate in the "Black Illumination" campaign by extinguishing lighting for exterior plant signage at certain times

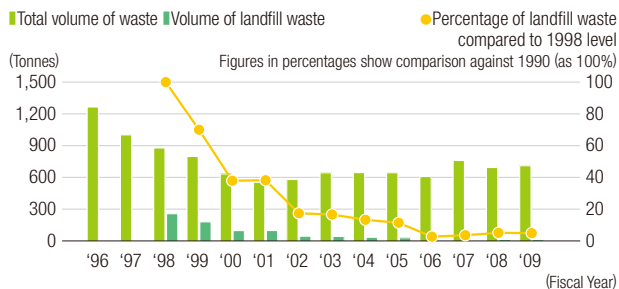
#### CO<sub>2</sub> Emissions by Volume and Per Unit of Production Output



## Waste Reduction

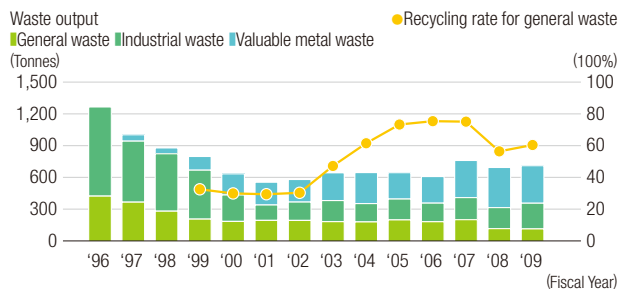
- Since fiscal 2006, Toyo Denki has reduced its landfill waste output to less than 10% of all waste compared with 1998 levels, achieved by implementing strict rules for waste processing and other measures including comprehensive sorting of metal scraps and paper recycling. The total volume of waste was over 1,200 tonnes in 1996, but in the last few years has hovered at the 600 to 700 tonne level.

### Volume of Landfill Waste



- Toyo Denki initiated paper recycling initiatives in 2002, with the result that the recycling rate has risen from 30% to approximately 75% in 2007.

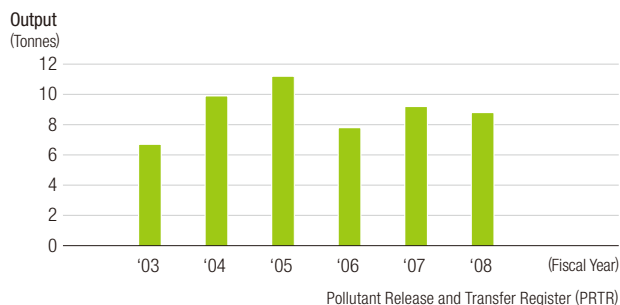
### Output of General and Valuable Waste



## Initiatives for Chemical Substance Management

- Filing for disposal of PCB wastes, through proper storage and Japanese government notification in accordance with the Act on Special Measures Concerning Promotion of Proper Treatment of PCB Wastes
- Substitution of volatile organic compounds (VOCs) and recycled use of solvents, to reduce waste output
- An ongoing focus on management of chemical substances contained in products, including green procurement

### Notification Volume for Pollutant Release and Transfer Register (PRTR) Substances



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## Company-Wide Acquisition of ISO 14001 Certification

Toyo Denki had until recently operated separate environmental management systems under ISO 14001 for its Yokohama Works and its Shiga Factory. It also operates a unified company-wide quality management system including its head office and sales offices, to engage in comprehensive initiatives for raising customer satisfaction. The company recently completed a comprehensive overhaul of its environmental management systems to establish a single company-wide system. The change will enable the company to engage in environmental management at a higher level that also encompasses its sales and administrative organizations, so that it can deliver products and services with less environmental impact.



**Tatsumi Hanamitsu**  
Deputy General Manager,  
Quality Control Department

## Wind Power and Solar Power Generation

Toyo Denki's new Engineering Center, completed in January 2010, features a 12 kW rooftop solar panel array to start using an eco-friendly source of renewable energy. The solar panel array is estimated to produce 11,000 kWh of electricity annually, providing electricity to run 350 LCD monitors at the factory, as well as to reduce 7.6 tonnes of annual CO<sub>2</sub> emissions.

Also installed on the rooftop is a wind power generation system which incorporates a breakthrough control-circuit-less (CC-less) generating unit developed by Toyo Denki that does not require standby electricity. While collecting valuable field data from the system, the company will strive to develop more effective power generating systems to provide environmental friendly technologies that can contribute to the establishment of a low-carbon society.



# Creating Comfortable Workplaces

Toyo Denki engages in various initiatives to create a safe, comfortable workplace and an environment where employees can pursue their work with motivation and pride.

## Initiatives for Creating Safe, Comfortable Workplaces

### Occupational Safety

Toyo Denki has established an Occupational Safety Committee that implements activities designed to reinforce adherence to safety rules, and works to raise awareness on safety and prevent occupational accidents in workplaces. The company also organizes fire fighting crews at each business location, and conducts regular fire fighting and evacuation drills as a precaution against unforeseen circumstances such as a fire or earthquake. These initiatives serve to raise awareness regarding disaster prevention and help to ensure the safety of employees.

### Work-Life Balance

Toyo Denki has a Work Hour Management Committee that serves as a forum for labor-management consultations aimed at achieving work-life balance for employees. The Committee primarily focuses on implementing changes to the work approach, so as to improve work efficiency and reduce overtime in each business location. “No overtime days” are also designated for each business location, to encourage employees to enjoy a better work-life balance.

### Work Schedule Flexibility

Toyo Denki conducts regular labor-management consultations to explore work schedule options so that the company can accommodate employees at various stages in their life. The company is currently considering various options that will help employees to balance their work with their parental responsibilities.

The company has published an employee handbook that summarizes its programs for child care and nursing care leave, and details the procedures for applying for leave. Toyo Denki is also introducing flexible working hours for part-time employees.



Company handbook on child care and nursing care leave

### Human Resources Development

Human resources development at Toyo Denki is focused on developing professionals who are capable of self-development and who each possess a high degree of specialized expertise.

Toyo Denki’s human resources development is aimed at making the most of the individuality of employees and drawing on their skills and motivation, while enhancing the skills of each employee through practical application. The company is committed to developing employees who understand and are capable of carrying out its Business Principles and Code of Conduct. Backed by its pride in engineering excellence, Toyo Denki will continue to endeavor to develop professionals who are more than capable of developing their own skills.

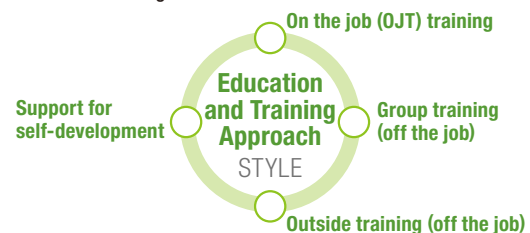
Toyo Denki seeks and develops human resources based on the basic approach outlined below.

#### Toyo Denki Approach to Human Resources Development

- Human resources who understand and carry out Toyo Denki’s Business Principles and Code of Conduct
- Human resources who are professionals, each possessing a high degree of specialized expertise
- Human resources who will take advantage of opportunities for employee self-development and growth

Education and training is implemented under the four approaches shown in the diagram.

#### Education and Training Framework



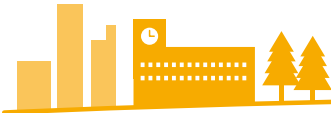
## Building a Vibrant Corporate Culture

The “Challenge Up” Medium-Term Management Plan outlines Toyo Denki’s goal of building a vibrant corporate culture. In order to provide a platform for discussion among all of its employees, the company held discussion meetings at its head office as well as its affiliates, branch offices, sales offices, and production facilities. In all, 791 employees attended 105 meetings, including temporary staff and part-time employees. The meetings produced extensive feedback on the company’s future course and the various challenges facing the company.



Discussion meeting for employees of Toyo Denki

# Social Contribution Activities



In addition to the social contributions made by its core business, Toyo Denki places a strong emphasis on community ties, engaging in diverse initiatives that focus on educating young people.

## Contributing to Local Environmental Activities

### Field Lectures on the Environment

Since 2008, Toyo Denki has been involved in providing field lectures on the environment under a program run by Yokohama City. Under the program, the company conducts workshops for students at Yokohama schools based on the theme “Building Eco-Friendly Railway Systems—Promoting Ecological Integrity through Increased Railway System Use.”

Yokohama is the place where Toyo Denki was founded, and is the first city in Japan to feature rail service. By implementing social initiatives that are closely tied to communities, Toyo Denki hopes to encourage environmental awareness and spur action by youth, as caretakers of the future.



Environmental lecture at a Yokohama school

### University Cooperation

In response to a request from the Kitami Institute of Technology, Toyo Denki arranged for Masanori Nakamura, Ph.D in Engineering and head of the company’s research center, to give a lecture in October 2009 to third year undergraduate students. The lecture focused on the current state of rotary machines and their future role in supporting Japanese industry. As a pioneer in the field of motor drive technology, Toyo Denki is committed to teaching young people about the technology and knowledge it has developed over the years, and to supporting science education.



Lecture by Masanori Nakamura, head of Toyo Denki’s research center, at Kitami Institute of Technology

### Donations to Yokohama Forest Collaboration Fund

The Engineering Center of the Yokohama Works production facility donates a portion of proceeds from company vending machines to a fund organized by Yokohama City to conserve small-scale forests.

## CLOSE UP

## Toyo Wireless Measurement System Enables Visualization of Energy Consumption

The Toyo Wireless Measurement System enables organizations to easily measure electric current, power, and temperature data for plants, office buildings and facilities. The system uses battery-free current and power sensors, and wireless data communication between sensors and the receiving unit, to significantly simplify electrical installation.



Installation of battery-free sensors

The system has been deployed on each floor of Toyo Denki’s new Engineering Center, completed in January 2010. From the show room on the first floor, it is possible to visually monitor the power consumption status of the building from a computer monitor. The systems are also installed at the Nagoya Branch (which is a tenant in an office building) and the Shiga Factory, collecting useful data for tracking energy conservation.



**Yuki Tsuruda**  
Marketing Department,  
IT Business Division

# Products and Technology Supporting Social Infrastructure

Toyo Denki is contributing to the development of safe, secure social infrastructure for sustainable growth in four business segments.

## Products and Systems Combining Environmental and Information Systems Technology

### Transportation Systems

As a leading manufacturer of electrical equipment for rail vehicles, Toyo Denki is still supporting the development of railways through its advanced electronics and motor drive technologies.



Pantograph



Traction motor



TD coupling



Driving gear unit



N700 Series Shinkansen featuring Toyo Denki components



E<sup>3</sup> Solution System (Railway Power Storage System)

### Information Systems

In addition to advanced, easy-to-use station service equipment, Toyo Denki is engaged in the development of remote monitoring systems and other such information systems products that employ sophisticated communications technologies.



Smart card charge machine



Commuter pass issuing machine



Handheld ticket issuing machine



μTOP remote monitoring system



Toyo Wireless Measurement System

### Industrial Systems

As part of Toyo Denki's environmental conservation initiatives, the company is aggressively pursuing the development of industrial motors, inverters, and other products that offer greater efficiency and consume less energy and resources.



Permanent magnet synchronous motor (ED motor)



VF66 Series Intelligent Inverter



Testing equipment for automotive development



Shaftless newspaper rotary press featuring Toyo Denki components



Application: Biomass power generation equipment

### Electric Vehicle Systems

In addition to developing electric vehicle systems for a wide range of applications, Toyo Denki is developing in-wheel motors for use in next-generation electric vehicles.

#### In-wheel motor for next-generation electric vehicles

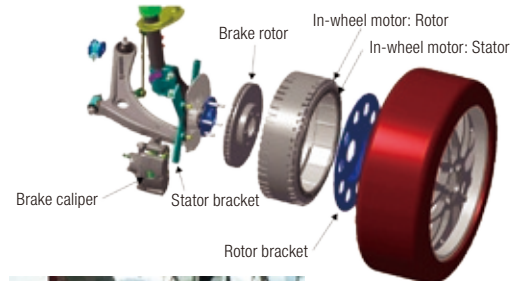


Exhibit for in-wheel motor