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## Management

In an effort to continuously enhance its corporate value, the Company is striving to ensure transparency of management and compliance, along with the maintenance and operation of an adequate governance framework while reinforcing its risk management framework.

### Business Principles

Prioritize ethics and contribute to the prosperity of customers and society as a whole  
 Encourage creativity and enterprising spirit to meet the challenges of the future  
 Build trust by focusing on quality first

### Code of Conduct

1. Respond to customers in a timely and speedy manner
2. Tackle all challenges with forethought and creativity
3. Continuous efforts toward self-development and skill improvement
4. Keep a broad perspective and influence each other toward growth
5. Act with awareness and pride of a good member of society and businessman

Established in June 2001

## Corporate Governance

### Our philosophy of corporate governance

The Group's business activities are based on the business principles that "prioritize ethics and contribute to the prosperity of customers and society as a whole." We therefore strive to attain sound corporate management through strengthening and reinforcing corporate governance, fully appreciating the significance of compliance based on corporate ethics. At the same time, we review as appropriate our management monitoring system to ensure its conformity to the changes in the business environment including social environment and relevant legislation.

### Corporate governance

We are a company with a board of statutory auditors, furnished with corporate bodies established in accordance with laws and regulations as well as the Articles of Incorporation, and include the Board of Directors, Statutory Auditors, the Board of Statutory Auditors, Accounting Auditors, along with the General Meeting of Shareholders and Directors. At its regular monthly meetings as well as extraordinary meetings held when appropriate, the Board of Directors discusses and decides on important management matters such as reports on Directors' business execution and matters to be decided solely at the discretion of the Board of Directors, while supervising Directors' business execution. In addition, the Company has meeting bodies including the Management Strategy Meeting and Executive Officer Liaison Meeting. Through these bodies, critical management matters including matters related to their execution of duties and/or those subject to the deliberation of the Board of Directors are reported to the President by the general managers of business execution departments, and are deliberated and discussed preliminarily.

### Internal audit and statutory auditor's audit

Action plans and results of internal audits are reported to the Board of Directors and Statutory Auditors by the Audit

Division under the direct control of the President as a function independent of all business operations subject to audit, as part of an effort to reinforce corporate governance. Statutory Auditors hold preliminary meetings with Accounting Auditors after the Ordinary General Meeting of Shareholders to exchange opinions regarding the audit plan. Statutory Auditors receive the results of quarterly reviews from Accounting Auditors both verbally and in writing, and confirm their action plans (if required by the reviews) to be taken at a fiscal year-end audit. Statutory Auditors also receive the results of the reviews on the fiscal year-end audit from Accounting Auditors in a statutory document along with verbal reviews. Furthermore, Statutory Auditors are in principle required to be present at inventory taking or on-site inspection at subsidiaries by Accounting Auditors.

### External Statutory Auditors and Outside Directors

Although the Company has established neither guidelines nor policies regarding the independence required for a candidate for its External Statutory Auditor, we used the criteria for the independence of members of an independent committee established by stock exchanges as a reference in appointing the External Statutory Auditors, who have excellent insight in their areas of expertise. The Company appointed three External Statutory Auditors, each of whom is playing a role to enhance audit functions required by laws and regulations while independent from the Company.

Mr. Hiroshi Hamao and Mr. Eiichi Suzuki, our External Statutory Auditors, are engaged in the auditing activities for the Company, drawing on their wealth of experience and broad knowledge developed in corporate management and service at a financial institution.

Mr. Toshio Ikeda, our External Statutory Auditor, is a certified public accountant who utilizes his professional expertise in the area of corporate financial accounting for the Company's auditing work. Meanwhile, the Company has appointed Mr. Ikeda as an independent director and registered him as such at stock exchanges.

The Board of Directors consists of Directors who are familiar with the Company's business operations, so that maintenance and enhancement of management efficiency can be ensured. External Statutory Auditors are in place to thoroughly perform auditing functions to ensure management soundness. As such, the Company has not appointed Outside Directors as of the date of submission.

● Executive remuneration

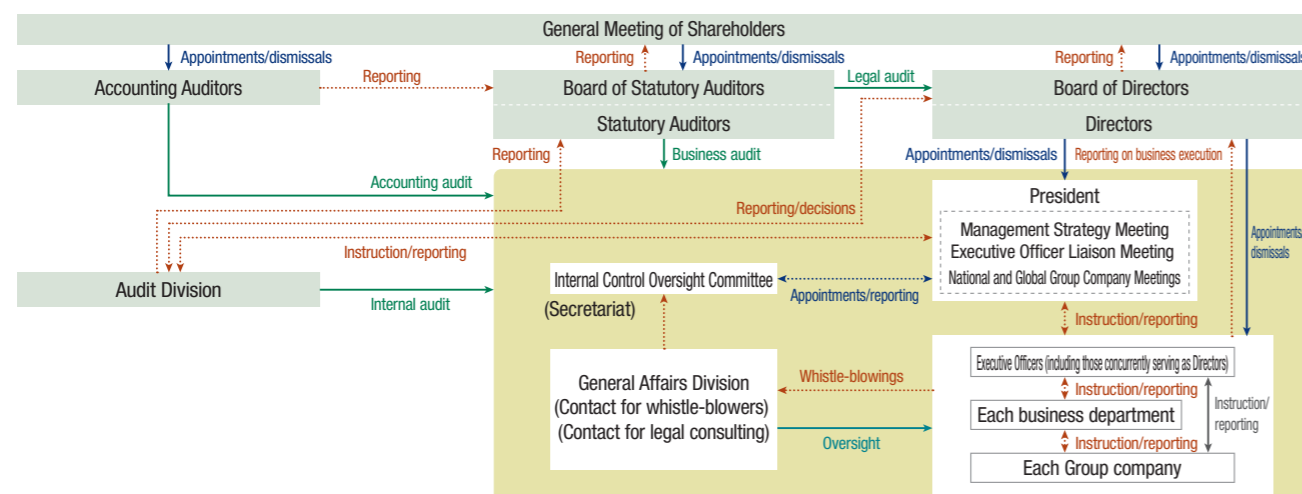
Amounts of remuneration for Directors and Statutory Auditors are decided by a resolution at the General Meeting of Shareholders. Basic remuneration for Directors is a fixed salary while a bonus is payable as determined by

each Director's contribution to management as well as business results of the Company. Basic remuneration for both Standing and Part-time Statutory Auditors is a fixed salary without bonus payments.

-As of the end of May 2014-

Category of executives	Number of executives applicable	Total amount of remuneration (Unit: Million yen)
Directors	7	147
Statutory Auditors (excluding External Statutory Auditors)	2	27
Outside Executives (External Statutory Auditors)	2	11

● Corporate governance framework



Internal control and compliance

● Internal control

The Company has developed an internal control system based on the Rules for the Internal Control Oversight Committee established in June 2006. The system reasonably ensures the achievement of objectives including effectiveness and efficiency of operations, reliability of financial reporting, compliance with relevant laws and regulations and protection of corporate assets. The Company has also introduced a self-inspection system to enhance monitoring so that an effective functioning of internal control can be ensured.

Furthermore, the Company has developed and operates an internal control system appropriately to ensure the reliability of its financial reporting, based on the Financial Instruments and Exchange Act (the so-called J-SOX Law). Accordingly, we determined that the internal control with respect to the Group's financial reporting was effective as of fiscal 2013, and we submitted an internal control report to the relevant authorities in August 2014.

The report has been endorsed as adequate by an audit report submitted by the Accounting Auditor. The report has been endorsed as adequate by an audit report submitted by the Accounting Auditor.

● Principles of compliance

The Company has set "1. adherence to rules," "2. observance of confidentiality," "3. distinction between private and public matters," "4. strictness with money," "5. prohibition of side jobs," and "6. prohibition of discriminatory and sexually suggestive statements or behavior" as principles of compliance.

● Compliance promotion framework

To focus on business principles and fulfill its social responsibility, the Company has provided all officers and employees with a copy of the Compliance Manual (Toyo Denki Seizo Ethical Standards) that stipulates its code of

conduct. The move is part of an effort to have the code and the basic rules of work fully known.

The Company has also introduced a whistle-blowing system that allows employees to provide information directly to the management. The system is aimed at ensuring that any illegal or inappropriate conduct within the Company is detected at the earliest possible stage and that adequate measures are taken promptly and as needed so that such conduct is rectified.

● Compliance education

The Company is organizing scheduled and systematic training sessions based on a compliance training master plan to enhance knowledge on compliance while promoting a conscious respect for corporate ethics.

Risk Management

● Basic policy

The Company is engaged in developing rules and a framework for risk management according to the Basic Rules for Risk Management established in August 2006.

● Promotion framework

The Company has established the Internal Control Oversight Committee, an advisory body chaired by the President and has some of its authority delegated from the

Board of Directors. It analyzes and assesses all the risks that exist in the Group and develops an effective risk management framework capable of dealing precisely with the risks of the types and degrees that the Group is exposed to. The committee specifically reviews the way such a risk management framework ought to be, and it reports periodically to the Board of Directors on the recommendations resulting from its deliberations.

Furthermore, the committee is committed to enhancing the Group-wide risk management framework in accordance with the Basic Rules for Risk Management.

Information Security

● Basic policy

The Company holds a vast amount of information assets including information presented by customers related to its business execution and confidential information concerning the Group's proprietary technologies and its trade. Each Group company is taking various measures in this respect based on an awareness of shared security under the Group's Information Security Guidelines, which have been established to adequately manage and use these information assets.

● Information security training

The Company is conducting educational activities to develop information security awareness among all employees including various training sessions, some involving the use of educational DVDs.

Risk Factors

From the perspective of proactive information disclosure, the Group intends to disclose a wide range of recognizable risks. Major risks that may affect its earnings and financial position are set out below. The Group aims for thorough understanding of these risks in order to establish a necessary risk management framework designed to prevent the risks from materializing or minimize the impact of risks if they do materialize.

- (1) Business activities, business structure, economic trends, and other factors  
The Group's sales heavily rely on the Transportation Systems and Industrial Systems segments. Its customers conduct business operations at home and overseas. As such, business climates and individual spending conditions in different countries may affect the Group's business performance.

- (2) Production bases  
The great majority of the Group's production bases are located in the Kanto area. Production capacity may be severely affected by large-scale disasters in the area.
- (3) Intensifying competition  
The Japanese market for the Transportation Systems segment has matured and thus faces intensifying competition. The Industrial Systems segment is under pressure from intensifying competition for product development. The Group's business performance may be affected by such intensifying competition.
- (4) Product quality  
Defects in products may link to materialization of a risk that requires large-scale compensation for damages. The possibility exists that insurance may not be able to cover associated costs, which may affect the Group's business performance.
- (5) Product development  
With a view to providing attractive products to customers, the Group applies itself to gathering information about customer needs and leverages it in the development of new products to support its future growth. However, delays in the development of new products to respond to rapid technological or environmental changes may affect the Group's performance.
- (6) Material procurement  
Owing to the fact that the Group's business has various distinctive characteristics, some of the materials it procures are not easily available due to factors such as a limited number of suppliers. Delays in supply or discontinuation in production of such materials may affect the Group's performance. In addition, disruptions to the entire supply chain caused by a large-scale disaster or other incidents could impact the Group's operations. Moreover, its business may be affected by the fluctuation in prices of raw materials, notably steel products and copper.
- (7) Overseas expansion  
The Group proactively pursues the expansion of overseas operations including the Chinese market. Its performance may be affected by major changes in situations overseas.
- (8) Intellectual property rights  
The Group attends to the protection of intellectual property rights. However, amid drastically advancing technical innovations and accelerating globalization of business, the Group is inevitably exposed to potential disputes with third parties over intellectual property rights. If a dispute occurs, the Group's business may be affected.
- (9) Business alliances  
With the aim of business expansion and enhancing competitiveness, the Group proactively pursues various alliances with third parties. However, if these alliances do not deliver expected results due to a failure in forging favorable relationships with partners, the Group may face an impact on its performance.
- (10) Exchange rate fluctuations  
On the back of aggressive expansion into overseas markets, the Group will inevitably face heavier impact

- of foreign currency exchange rate fluctuations on its earnings as it increases foreign currency denominated transactions.
- (11) Holding assets  
Fluctuations in the fair value of assets held by the Group may affect its performance.
- (12) Financing  
The Group's financing programs may be affected by unexpected changes in financial conditions.
- (13) Information security  
The Group retains customer information related to its business executions. Also, it possesses various types of confidential information concerning the Group's proprietary technologies and operations. If these information assets leak outside the Group for unforeseeable reasons, it may impact its performance.
- (14) Compliance  
The Group proactively pursues expansion in overseas operations, particularly the Chinese market; therefore its operations are subject to the laws and regulations of each country. Although the Group has established and conducts a robust compliance system, its operations are still at risk from the effects of unforeseeable events.
- (15) Litigation  
If the Group becomes the subject of any legal action or other legal procedures, its business may be affected.

## With Our Customers

The Company makes it one of our business principles to “build trust by focusing on quality first.” As such, we strive to enhance customer satisfaction through our commitment to thorough-going quality control as we believe delivering safe and secure products and services to customers is the Company's most important mission.

### Quality Control – Providing Safe and High-Quality Products

#### ● Basic policy on quality control

The Company's electrical equipment for rail vehicles is installed in many rail vehicles. These extremely important products play a direct role in ensuring the safety of human life and property during rail transportation. In the Industrial Systems and Information Equipment Systems segments as well, the Company's products and services are used in customers' production facilities, development sites and in the field of social infrastructure, and they form the foundation supporting the sustainable development of a society that is safe and comfortable to live in.

In order to ensure the high quality of our products and services, the Company has established a “Basic Policy on Quality Control” which is deployed at all production bases as we strive to maintain and improve our human resources education, compliance with rules, and our facilities.

#### ● Promotion framework

With regard to quality control, each fiscal year the Company develops policies and the promotion framework aimed at further maintaining and improving quality in each business unit, along with specific policies pertaining to the reduction of flaws and other issues. The Company's Corporate Quality Control Division works together with the quality assurance department in each business unit to put together a report on the status of quality control and results in each unit. The report is delivered to top management at the monthly Executive Officer Liaison Meeting where measures are debated and decided. Furthermore, in the event that a flaw is discovered after a product has been shipped, the necessary steps are swiftly taken, mainly by the quality assurance department in each business unit, while at the same time the causes that led to the flaw and its mechanism are investigated, and this information is put into a database so that the information can be shared in-house in an effort to prevent recurrence.

#### ● Quality management system

The Company has created and operates a quality management system at its production bases, the Yokohama Plant and the Shiga Factory, and has obtained ISO 9001 certification.

#### ● Year ISO 9001 certification obtained

Yokohama Plant	1994
Shiga Factory	2000
Extended companywide	2007

### Responding to the Global Market

#### ● Proper export controls

The Export Control Department at General Affairs Division is responsible for export management as the export management control department. We have created a system for the proper management of exports in order to ensure compliance with the laws and regulations concerning export management in the countries and regions where we engage in business activities as well as to avoid involvement in transactions that could hinder the maintenance of international peace and safety.

The Export Control Department handles cargo and technology parameters used in determining whether or not export permits are required, as well as investigation of transactions. In addition, the Department carries out employee education and guidance and support for Group companies.

### Towards Greater Customer Satisfaction

#### ● Customer satisfaction survey

Through its sales department, the Company regularly conducts surveys on topics such as customer requests and customer satisfaction. The results are reported to the top management at Executive Officer Liaison Meetings, and the information is shared within the Company. We strive to maintain good relations with our customers by identifying problems that need to be solved and swiftly addressing them in order to raise customer satisfaction.

## With Our Suppliers

The Company responds to the needs of our customers through the strong network we have built with suppliers in line with our unique characteristics as a business based on an individual build-to-order/multi-product small lot manufacturing model.

### Towards Just and Fair Procurement

#### ● Communication with suppliers

The Company's products possess various distinctive characteristics such as being individually built-to-order, manufactured in multi-product small lots, and demanding high reliability. Therefore, the Company can be affected by the performance of our suppliers as a result of issues such as delays in supply due to fluctuations in production quantity or delays in processing due to the quality of products received.

In order to reduce these risks as much as possible, the Company carries out instruction and support related to quality, technology, and skills for our suppliers, as well as guidance for improvement of manufacturing sites, in order to ensure stable procurement of even better quality products. In addition, we actively promote information sharing through the "Toyo Denki Cooperation Association" to which our leading suppliers belong.

#### ● Training for material procurement officers

The Company endeavors to maintain proper execution of operations by implementing a variety of training programs for material procurement officers to deepen their knowledge of the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and related laws and regulations and to cultivate awareness of legal compliance.

#### ● External whistle-blower system (for suppliers)

The Company has established an external whistle-blower system to receive consultations or reports on compliance from our suppliers. The legal compliance department handles complaints and consultations about transactions, and the Company's retained lawyer resolves issues when necessary.

## TOPICS

### Establishment of "Procurement Action Guidelines"

In March 2014, the Company improved its procurement-related regulations and established the "Procurement Action Guidelines."

#### Procurement Action Guidelines

These guidelines indicate the codes of conduct that the Company's executives and employees should comply with in the procurement of purchased parts and outsourced parts as required for the manufacturing of products ordered by customers ("procurement transactions").

1. Procurement transactions shall be conducted in compliance with the laws of the relevant countries.
2. Information concerning suppliers in procurement transactions shall only be obtained within the scope necessary for conducting procurement activities in accordance with contracts. Furthermore, efforts shall be made to carefully manage and observe the confidentiality of information gained during business operations.
3. Personal interests with suppliers shall be prohibited in procurement transactions, including the lending and borrowing of money.
4. Receiving of remuneration or any other forms of personal rewards from suppliers shall be prohibited in procurement transactions.

In addition, entertainment or gifts beyond the scope of normal social behavior shall be prohibited.

5. Forceful requests for entertainment, gifts, or donations from suppliers shall be prohibited in procurement transactions.

## With Our Shareholders and Investors

Through the timely and proper disclosure of information and various modes of communication, we strive to receive an appropriate evaluation of the Company from our shareholders and investors.

### Towards Enhancement of Corporate Value

#### ● Basic philosophy

Through timely and appropriate disclosure of information to our shareholders and investors, the Company accurately conveys our management policy and business conditions while making use of IR tools such as our website to promote a full range of IR activities that contribute to the improvement of our corporate value.

#### ● Development of IR activities

##### IR activities for institutional investors and securities analysts

The Toyo Denki management team holds a financial results briefing each quarterly period and gives a report including the state of progress of the medium-term management plan, an overview and forecast for each segment, major orders, and other topics.

In addition, we strive to deepen understanding of the Company through individual visits to institutional investors or holding factory tours, participating in small meetings organized by securities companies, and so on.

##### IR activities for individual shareholders and individual investors

The Company website includes a "For Individual Investors" page which offers a clear introduction to our business activities and our results, as well as making available a variety of IR materials.

URL "For Individual Investors"

[http://www.toyodenki.co.jp/html/ir\\_individual.html](http://www.toyodenki.co.jp/html/ir_individual.html)

#### ● Holding of company presentations for individual investors

- Friday, September 6, 2013  
Mitsubishi UFJ Morgan Stanley Securities (Osaka Branch)  
Attendance: 89 people
- Tuesday, February 18, 2014  
Mitsubishi UFJ Morgan Stanley Securities (Head Office)  
Attendance: 98 people

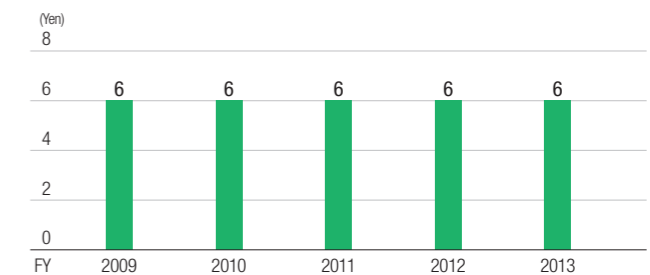
#### ● Holding of factory tour for shareholders

- Friday, April 11, 2014 at the Yokohama Plant  
Attendance: 31 people (120 applicants)

#### ● Dividends

Maintenance of stable dividends forms the basis of the Company's distribution of profit, and the dividend for the fiscal year ended May 31, 2014 was 6 yen per share (interim dividend of 0 yen, fiscal year-end dividend of 6 yen). The Company also intends to maintain dividends at 6 yen or more per share from the fiscal year ending May 31, 2015 onward.

#### ● Dividend per share



Record of 153rd Ordinary General Meeting of Shareholders  
Date held: Wednesday, August 27, 2014  
Attendance: 97 people



President Terashima greeting visitors at the factory tour for shareholders

## With Our Employees

The Company seeks to cultivate a dynamic corporate culture and to create a pleasant and safe workplace where each and every employee can unleash his or her diverse capabilities.

### Towards the Development of Human Resources with Competitive Strengths

#### Human resources development policy

The Company has set the following policy on human resources development and carries out education and training.

##### Fundamental policy

- To develop human resources who understand and practice our business principles and code of conduct and who are of value both as company employees and as members of society.
- To develop human resources who are professionals, each possessing a high degree of specialized expertise, by enhancing the knowledge, techniques, and skills they need to carry out their duties.
- To provide a variety of educational opportunities in order to promote personal development, with emphasis on a self-directed approach to study and growth.

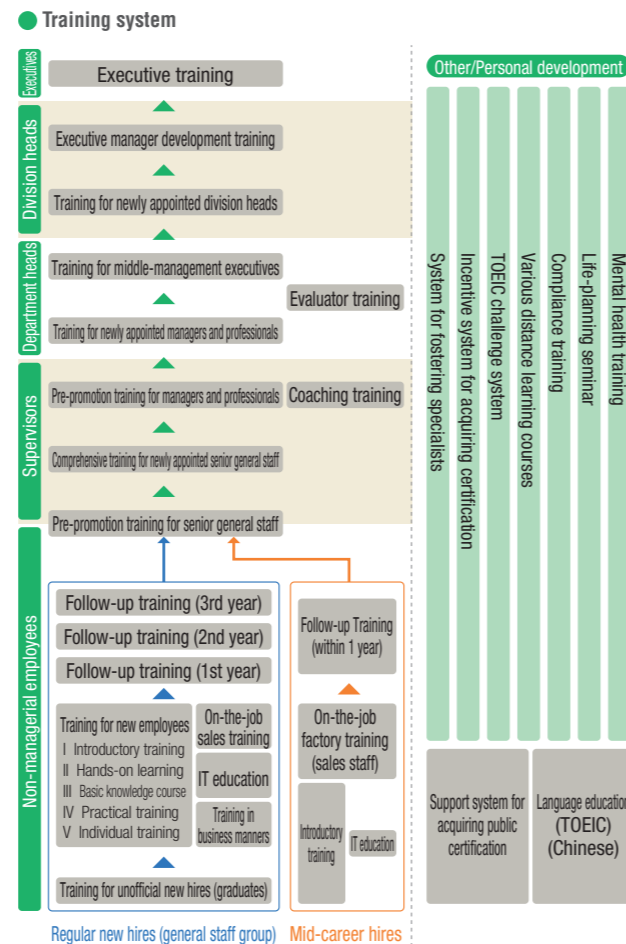
#### Education and training system

Training programs at the Company are divided into several categories according to the employee's year of service, type of work and role, and training is carried out after clarifying what part each employee is expected to play.

Furthermore, in response to globalization of the Company's operations, we offer English and Chinese language programs. The Company covers the full cost for a variety of courses tailored to the level of the participating employees, including distance learning, enrollment in schools, and classes provided by teachers in-house.



Training for new employees



#### Passing on skills

In order to proactively promote the transmission of outstanding skills to maintain high quality, the Company encourages employees to obtain official certifications. Furthermore, employees with exceptional manufacturing skills or expertise are recognized as "My Star" internally and given responsibility to instruct and train younger workers.

In April 2013, the Technical Training Center was newly established within the Yokohama Plant, where training is carried out for technical staff through lectures and various hands-on workshops.

## Creating a Pleasant Workplace

#### Safety and hygiene initiatives

The Company holds monthly meetings of the Safety and Hygiene Committee jointly with labor and management, where ongoing discussions are held in order to build a safer working environment and to reduce workplace injuries to zero, and to find solutions to mental health issues at each of our bases. In particular, sub-committees are set up to address important topics related to safety and hygiene at production bases in an effort to create an even better workplace.

#### Acquisition of the "Kurumin" certification logo (June 2014)

In recognition of our efforts as a "company that supports child-rearing," which includes a substantial childcare system, educational activities concerning a work-life balance, the creation of an environment in which it is easy to obtain childcare leave, and the acquisition record of childcare leave by male employees, we received the "Kurumin" certification logo from the Tokyo Labor Bureau in June 2014.



#### Initiatives for diverse work-styles

The Company has implemented a flexible work-style including a flextime system for sales staff and those involved in development. Furthermore, in order to encourage retention and utilization of employees with knowledge and skills, we have put in place the "System for Rehiring Employees" for employees who have resigned due to life events that occur in the course of their career (childbirth, childcare, family care, spouse's transfer, etc.), so that they can be rehired when they reach the stage when it is possible to return to work.

#### Work and family life balance

##### "Childcare leave is for men too!!" It was a very valuable period for me.

Daisuke Yokomizo (Human Resources Division)

When I learned of my wife's pregnancy, I decided to take childcare leave in consideration of my wife's recovery after giving birth.

I took leave for approximately three and a half months, and during this time I did all that I could to support my wife 24 hours a day, day and night with tasks such as preparing milk, changing diapers, daily shopping, and giving medicine to my child when she felt unwell. I also actively participated in events that were mainly for mothers and babies (such as baby massage classes), and I was able to share with people about concerns such as how to communicate with my child and concerns related to childcare.

During this leave, I was able to realize how hard it must be for my wife to take care of our child everyday, as well as

As for employees who wish to be rehired after they reach the mandatory retirement age (60), in principle, we continue to employ them until the age of 65.

#### Initiatives for employment of the disabled

The Company makes improvements to the workplace environment and carries out workplace training with the aim of creating a workplace where the disabled and those in normal health can work together energetically. We also promote collaboration with local governing agencies and special-needs schools regarding employment of the disabled.

#### Mental health measures

As measures to address mental health, the Company conducts "Line care training" for administrative professionals and "Self care training" for employees. In addition, we have partnered with an external medical institution to set up a telephone and e-mail consultation service to provide support for prevention, treatment, and return to work.

#### Implementation of employee satisfaction survey

The Company conducts an "employee satisfaction survey" once per year, and relevant departments work to resolve various issues extracted from the survey results. In addition, the company-wide "Dynamism Committee," whose purpose is to create a "dynamic corporate culture," leads various activities aimed at revitalizing internal communication.



the fact that while childcare is difficult, it is also a lot of fun. Although it was a short period of time, I feel that this valuable experience has added to my life. The fact that my one-year old daughter is very fond of me proves that the leave has really paid off, and this makes me extremely happy.

I am very grateful to my superiors and coworkers who enabled me to have this valuable opportunity. Thanks to this I was the first male employee at the Company to apply for childcare leave, and I hope that my experience will encourage other male employees to apply for childcare leave as well.

Data Concerning Personnel and Labor

Data concerning personnel and labor (at Toyo Denki Seizo K.K.)

Item	Unit	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Number of employees	Total	700 *1	748 *2	744 *2	791 *3	797 *3
	Men	649	697	693	735	737
	Women	51	51	51	56	60
Ratio of female employees	%	7.3	6.8	6.9	7.1	7.5
Number of administrative professionals	Total	170	171	155	152	156
	Men	169	170	153	151	155
	Women	1	1	2	1	1
Ratio of female administrative professionals	%	0.6	0.6	1.3	0.7	0.6
Average age	Overall	39.7	40.8	41.1	41.0	41.1
	Men	40.0	41.1	41.4	41.1	41.2
	Women	35.7	36.5	38.2	38.9	39.0
Average years of employment	Overall	16.2	16.4	16.5	16.1	16.3
	Men	16.4	16.6	16.7	16.3	16.5
	Women	13.3	13.5	14.6	14.5	14.5
Average annual salary	Yen	5,831,972	5,953,210	6,039,332	5,885,559	5,750,453
Overturn rate (within 3 years of joining the Company)	%	5.9	5.9	13.5	3.8	0.0
Number taking childcare leave	Persons	0	1	2	3	1
Number taking family care leave	Persons	0	0	0	0	0
Number of temporary staff (including part-timers)	Persons	222	155	149	167	158
Notes	*1 Number of regular employees excluding Executive Officers *2 Number of regular employees including Executive Officers and number of special employees, temporary employees and temporary and part-time employees *3 Number of regular employees including Executive Officers, and number of special employees, temporary employees, contract employees and staff on loan from other companies, etc.					

Reference data I: Number of Officers (at Toyo Denki Seizo K.K.)

Item	Unit	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Number of Officers	Total	10	12	10	10	11
	Men	10	12	10	10	11
	Women	0	0	0	0	0
Notes	For each fiscal year as of May 31 (Executives include Directors, Internal Statutory Auditors, and External Statutory Auditors)					

Reference data II: Number of employees at the Group Companies in Japan and overseas (at the 6 consolidated subsidiaries of Toyo Denki Seizo K.K.)

Item	Unit	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013
Number of employees at Group companies in Japan and overseas	Persons	373	429	431	379	404
Number of temporary staff (including part-timers)	Persons	353	262	235	256	243
Notes	As of May 31 for each fiscal year					

Reference data III: System for support of work-family balance (at Toyo Denki Seizo K.K.)

Maternity and childcare related	Prenatal leave	Can be taken from 8 weeks prior to due date (14 weeks prior in the case of multiple births). (6 weeks is required by law)
	Maternity leave	Can be taken for up to 8 weeks after birth.
	Childcare leave	In principle, childcare leave can be taken for a period as needed from the day after 8 weeks have elapsed since birth (completion of maternity leave), until the day before the child turns 1 year old. In cases where it is difficult to find a place in daycare, etc., it is possible to apply for an extension of childcare leave until the child is 1 year and 6 months, or until the last day of the month of March after the child has reached the age of 1 year, whichever is longer.
	Repeat childcare leave (Mom and Dad Childcare Leave Plus)	If an employee has taken childcare leave within the 8-week period after his spouse has given birth, he may take repeat childcare leave until the child reaches one year of age. Further, if the employee and spouse both take childcare leave, the childcare leave period can be extended until the child reaches 1 year and 2 months.
	Shorter working hours for childcare	Working hours may be set at 5 hours 45 minutes or 6 hours 45 minutes per day for a period as needed from the end of childcare leave until the child graduates from elementary school.
Family care related	Nursing leave	Up to 5 special days off may be taken per family member for nursing care for pre-elementary school age children.
	Family care leave	A total of up to 3 years of family care leave may be taken per person needing care.
Other	Family care work hours	Employees not taking family care leave may limit working hours to 5 hours and 45 minutes or 6 hours and 45 minutes per day.
	System for Rehiring Employees	Employees who have resigned due to marriage, infertility treatment, childbirth, childcare, family care, or spouse's transfer, etc., may be rehired when they are able to return to work depending on the employee's request and workplace needs.

Initiatives to Protect the Environment

With a view to realizing an environment-friendly society, the Company will further strive to provide more efficient and energy-saving products that generate lower noise, while promoting the reduction of environmental burden.

**● Environmental Philosophy ●**

The Toyo Denki Group sets initiatives to protect the global environment as its priority task and contributes to the development of a sustainable society.

**● Action Guidelines ●**

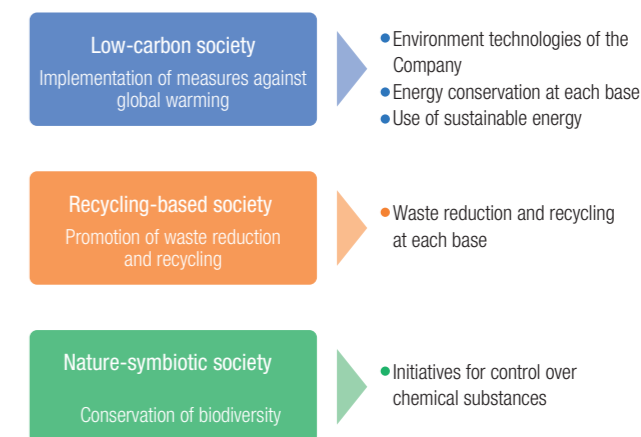
We will continue to provide products and services that are considerate of the burden on the global environment by drawing on our “future-oriented technologies friendly to the Earth and mankind.”

1. We will comply with all environmental requirements including those under the relevant laws and regulations.
2. We will strive to minimize environmental burden through a reduction of energy consumption and other measures at all stages of product lifecycle, namely planning, development, design, production, sales, use and disposal.
3. We will establish and execute a system to continuously promote activities to protect the global environment.
4. We will raise environmental awareness among individuals through enlightenment activities within the Group

Aiming for Realization of a Sustainable Society

A sustainable society as envisaged by the Company is the combination of a “low-carbon society,” a “recycling-based society” and a “nature-symbiotic society.”

The Company has produced numerous products that facilitate the efficient use of energy, including high efficiency motors and inverters that capitalize on the amalgamation of our outstanding motor drive technology and other state-of-the-art technologies. In the meantime, the Company has been striving to reduce the size and weight of its products as part of its efforts to conserve resources, while lowering the level of noise involved in their use to make them friendlier to the surrounding environment. As a member of society, the Company will make further contribution to make society more sustainable, fully utilizing on its environmental technologies on a global scale, while following through various environmental actions at each of its bases.



Environmental Management System

In order to tackle environmental issues on an independent and continuous basis, the Company has developed and operates an environmental management system and thereby obtained ISO 14001 certification. This certification has been acquired for all offices and the production bases Yokohama Plant and Shiga Factory.

**● Years of ISO 14001 certification**

Shiga Factory	2001
Yokohama Plant	2004
Extended to all offices	2010

## Initiatives to Prevent Global Warming

### Initiatives to reduce greenhouse gas (CO<sub>2</sub>) emissions

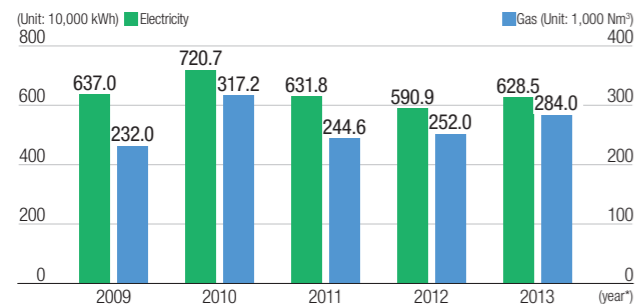
The Company is promoting energy conservation at each of its production bases and offices to reduce its CO<sub>2</sub> emissions.

At the production bases in particular, the progress of energy-saving efforts at workplaces is checked on a monthly basis to encourage an energy-saving awareness among employees, along with general power-saving and streamlining at production facilities.

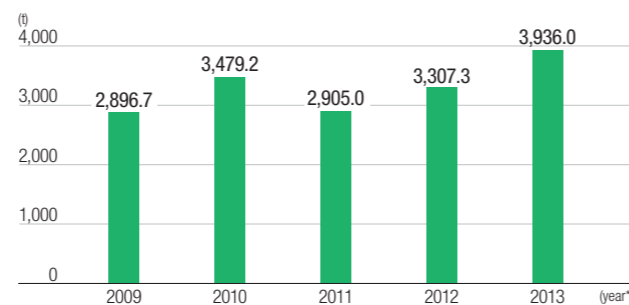
### Targeted reduction of CO<sub>2</sub> emissions and progress status

Aiming to reduce CO<sub>2</sub> emissions per unit of production output by 1% year on year, the Company's main production base, the Yokohama Plant, achieved a 1.3% reduction in fiscal 2013 with growth in production output despite an increase in power and gas consumption.

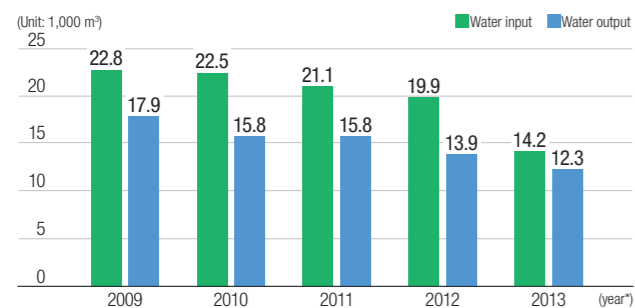
#### Total energy input at Yokohama Plant (electricity and gas)



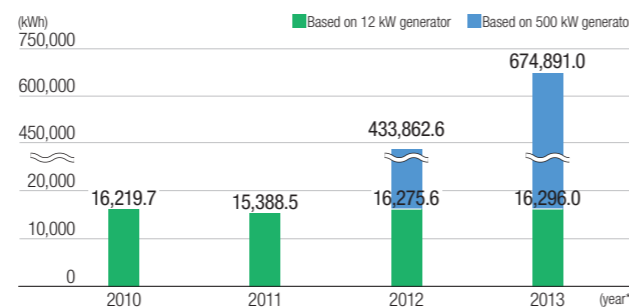
#### Total CO<sub>2</sub> emissions at Yokohama Plant



#### Total water input/output at Yokohama Plant



#### Total solar power generation at Yokohama Plant



## Environmental Data

Indices	Applicable premises	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Remarks
Electric power (10,000 kWh)	Production bases total	662.1	756.9	667.1	624.1	664.8	
	Yokohama Plant	637.0	720.7	631.8	590.9	628.5	
	Shiga Factory	25.1	36.2	35.3	33.2	36.3	
	Non-production bases total	24.8	35.5	28.9	31.2	27.9	*1
Urban gas (1,000 Nm <sup>3</sup> )	Production bases total	232.0	317.2	244.6	252.0	284.0	
	Yokohama Plant	232.0	317.2	244.6	252.0	284.0	
Water input (1,000 m <sup>3</sup> )	Production bases total	22.8	22.5	21.1	19.9	14.2	
	Yokohama Plant	22.8	22.5	21.1	19.9	14.2	
	Shiga Factory	0.0	0.0	0.0	0.0	0.0	*2
CO <sub>2</sub> emissions (t)	Production bases total	2,985.7	3,585.2	3,014.0	3,456.3	4,122.0	
	Yokohama Plant	2,896.7	3,479.2	2,905.0	3,307.3	3,936.0	
	Shiga Factory	89.0	106.0	109.0	149.0	186.0	
	Non-production bases total	-	212.0	231.0	169.0	168.0	*3
Solar power generation (kWh)	Based on 500 kW generator	-	-	-	433,862.6	674,891.0	*4
	Based on 12 kW generator	3,217.1	16,219.7	15,388.5	16,275.6	16,296.0	*5
Water output (1,000 m <sup>3</sup> )	Production bases total	17.9	15.8	15.8	13.9	12.3	
	Yokohama Plant	17.9	15.8	15.8	13.9	12.3	
	Shiga Factory	0.0	0.0	0.0	0.0	0.0	*6

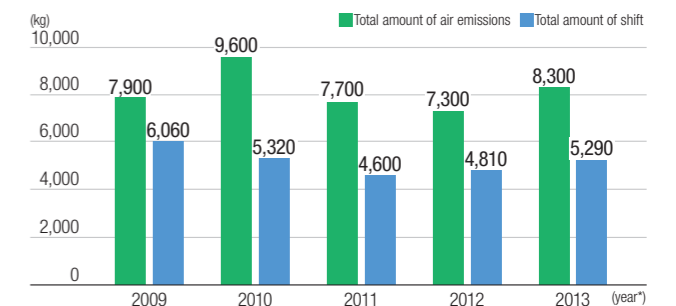
## Initiatives for Control over Chemical Substances

Volatile organic compounds (VOCs) emitted as a result of our business activities are adequately controlled and the amount of emission is monitored under the Pollutant Release and Transfer Register (PRTR).

PCB waste is also subject to adequate control, storage and disposal in accordance with Japan's Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

We will further engage in the reduction of waste through such measures including using non-VOC materials and implementing recovery and reuse of solvents.

#### Notification volume for Pollutant Release and Transfer Register (PRTR) substances



## Initiatives for Reducing Disposed Waste as Well as Recycling

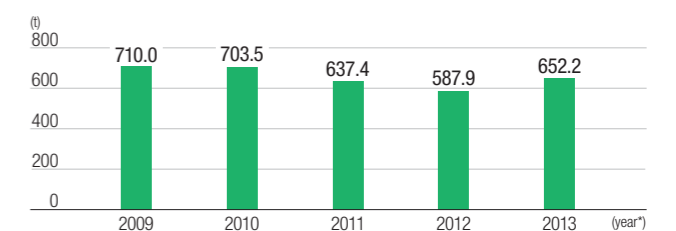
### Main actions

The Company successfully reduced its landfill waste rate to 0.9% in fiscal 2013, as a result of thoroughly implementing waste processing rules, sorting of metal waste and recycling of paper resources.

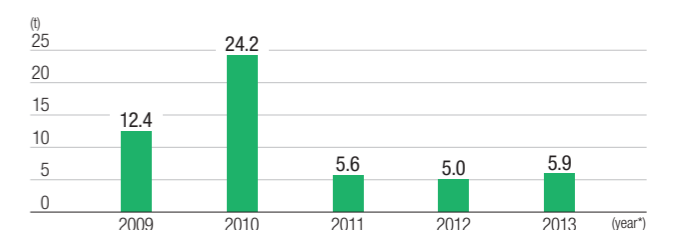
### Promotion of green procurement

The Company is promoting green procurement with respect to office equipment and supplies, stationery and worker's clothes used at the Yokohama Plant. A 75% green procurement ratio was achieved in fiscal 2013 based on purchase value.

#### Output of general and valuable waste



#### Volume of landfill waste



PRTR Data

Indices		Applicable premises	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Remarks	
PRTR*7	Total amount of air emissions (kg)		7,900	9,600	7,700	7,300	8,300		
	Total amount of shift (kg)		6,060	5,320	4,600	4,810	5,290		
	Bisphenol A (kg)	Total amount of air emissions	Production bases total	0	0	0	0	0	
			Yokohama Plant	0	-	-	-	-	*8
			Shiga Factory	0	-	-	-	-	
		Total amount of shift	Production bases total	940	0	0	0	0	
			Yokohama Plant	940	-	-	-	-	
			Shiga Factory	0	-	-	-	-	
	Ethylbenzene (kg)	Total amount of air emissions	Production bases total	1,700	2,300	1,800	1,800	2,000	
			Yokohama Plant	1,700	2,300	1,800	1,800	2,000	
			Shiga Factory	0	0	0	0	0	
		Total amount of shift	Production bases total	230	450	550	330	430	
			Yokohama Plant	230	450	550	330	430	
			Shiga Factory	0	0	0	0	0	
	Xylene (kg)	Total amount of air emissions	Production bases total	2,900	4,000	3,300	2,900	3,300	
			Yokohama Plant	2,900	4,000	3,300	2,900	3,300	
			Shiga Factory	0	0	0	0	0	
		Total amount of shift	Production bases total	190	370	450	280	360	
			Yokohama Plant	190	370	450	280	360	
			Shiga Factory	0	0	0	0	0	
	Tetrahydromethylphthalic anhydride (kg)	Total amount of air emissions	Production bases total	0	0	0	0	0	
			Yokohama Plant	0	0	0	0	0	
			Shiga Factory	0	0	0	0	0	
		Total amount of shift	Production bases total	3,700	2,800	1,600	3,000	2,900	
			Yokohama Plant	3,700	2,800	1,600	3,000	2,900	
			Shiga Factory	0	0	0	0	0	
	Toluene (kg)	Total amount of air emissions	Production bases total	3,300	3,300	2,600	2,600	3,000	
Yokohama Plant			3,300	3,300	2,600	2,600	3,000		
Shiga Factory			0	0	0	0	0		
Total amount of shift		Production bases total	1,000	1,700	2,000	1,200	1,600		
		Yokohama Plant	1,000	1,700	2,000	1,200	1,600		
		Shiga Factory	0	0	0	0	0		

Waste Data

Indices		Applicable premises	Fiscal 2009	Fiscal 2010	Fiscal 2011	Fiscal 2012	Fiscal 2013	Remarks
Wastes	① Industrial waste (tons)	Production bases total	242.5	319.8	316.7	279.9	290.3	
		Yokohama Plant	242.5	292.8	282.4	244.1	262.0	
		Shiga Factory	-	27.0	34.3	35.8	28.3	*9
	② General waste (tons)	Production bases total	113.1	130.2	114.9	101.9	99.3	
		Yokohama Plant	113.1	130.2	114.9	101.9	99.3	
	③ Valuable metal waste (tons)	Production bases total	354.4	280.5	240.1	255.6	290.9	
		Yokohama Plant	354.4	280.5	240.1	255.6	290.9	
	Waste output (①+②+③) (tons)	Production bases total	710.0	730.5	671.7	637.3	680.5	
		Yokohama Plant	710.0	703.5	637.4	601.5	652.2	
	Recycled amount (tons)	Production bases total	556.5	524.3	436.4	435.2	462.4	
		Yokohama Plant	556.5	524.3	436.4	435.2	462.4	
	Volume of landfill waste (tons)	Production bases total	12.4	24.2	5.6	5.0	5.9	
		Yokohama Plant	12.4	24.2	5.6	5.0	5.9	
	Percentage of landfill waste (%)	Production bases total	1.7	3.3	0.8	0.8	0.9	
		Yokohama Plant	1.7	3.4	0.9	0.8	0.9	
	Yearly comparison	Production bases total	-	*10	*10	*10	*10	*9
		Yokohama Plant	-	*10	*10	*10	*10	*9

\*The fiscal year is from April to March of the following year.

\*Non-production bases: Toyo Denki Seizo Head Office, Osaka Branch, Nagoya Branch, Hokkaido Branch, Kyushu Branch, Hiroshima Branch

\*1 ISO 14001 certification was obtained for non-production bases in June 2010.

\*2 Production activities at Shiga Factory recorded close to zero water input.

\*3 Data collection started in fiscal 2010.

\*4 500 kW solar panel became operational in July 2012.

\*5 12 kW solar panel became operational in January 2010.

\*6 Production activities at Shiga Factory recorded close to zero water output.

\*7 PPTR: Pollutant Release and Transfer Register

\*8 Bisphenol A has been inapplicable thus outside the scope of registration since fiscal 2010.

\*9 Data collection started at Shiga Factory in fiscal 2010, prior to which no data existed.

\*10 The recycled amount and the volume of landfill waste at the Shiga Factory are scheduled for investigation starting in fiscal 2014.

Contributions to Local Communities

We are committed to various social contribution activities, to facilitate our own co-existence with communities and to foster young people who will represent the next generation.

To Convey the Mission and the Appeal of Electrical Industry as Well as of Toyo Denki

As an electrical manufacturer that contributes to the development of social infrastructures, the Company performs various activities to promote understanding of our missions and business contents among many people.

Receiving interns

We are committed to activities that raise awareness and appreciation of our manufacturing expertise by accepting interns from local technical high schools and providing them with hands-on experience at manufacturing sites. This internship system serves as an effective means of recruiting outstanding technical staff on a consistent basis as some students in the schools apply for positions at the Company.

Factory tours

We are conducting "factory tours" to provide opportunities for members of local communities to actually see our manufacturing facilities and products in order to develop deeper understanding about the business operations of the Company. During these tours, we inform the participants of our products as well as our actions for environmental protection, in an effort to build up relationships built on trust with local communities.



A factory tour

On-demand lectures on career workshops

The Company also dispatches its employees, primarily engineers, for a career workshop at educational institutions. The employees provide useful information to promote autonomous career choice among the students at junior high schools and high schools. We offer audience-friendly presentations that provide practical information on the design and development work at manufacturers and give advice to students who are interested in becoming engineers.



A career workshop at a high school

Cooperation with Yokohama Kyodo no Mori Fund

The Company cooperates in small woodlands conservation activities led mainly by the city of Yokohama by donating part of the proceeds from vending machines installed at the Engineering Center of the Yokohama Plant to the fund.

Cleanup campaigns within the vicinity of the production bases

In cooperation with neighboring companies, we conduct cleanup campaigns within the vicinity of the Yokohama Plant and the Shiga Factory.



Cleanup campaign (Yokohama Plant)



Cleanup campaign (Shiga Factory)