

CSR REPORT

2014

Corporate Social Responsibility Report



KURODA ELECTRIC Co., Ltd.

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Editorial Policy

The purpose of this document is to report on KURODA ELECTRIC Group's activities and approach to Corporate Social Responsibility (CSR). As a vital communicative tool, the objective of this CSR report is to promote dialogue among all stakeholders for the overall betterment of society. We sincerely hope that by introducing the CSR activities of KURODA ELECTRIC Group we will be able to further promote such dialogue.

The month of issue June, 2014 (The date of issue last time: June 29, 2013)

Target Period This report will deal with KURODA ELECTRIC Group's 79th period, the 2013 financial year (April 1, 2013-March 31, 2014) (some information, targets and forecasts from outside this period will also be included). The next report is currently scheduled for June, 2015.

Scope of Report This report will cover CSR activities by KURODA ELECTRIC Co., Ltd. as well as affiliated domestic companies (KURODA TECHNO Co., Ltd., KOMURA-TECH Co., Ltd., Sohwa & Sophia Technologies Inc., NICHIDO-DENKO Co. Ltd.) and major affiliated companies overseas.

Reference Guidelines The GRI Sustainability Reporting Guidelines 2006(3rd Edition)
ISO26000:2010「Guidance on social responsibility」
UN Global Compact Policy on Communicating Progress



**Chairman and
Chief Executive Officer
Takashi Kaneko**



**President and
Chief Operating Officer
Koichi Hosokawa**

Message from the President

With the fusion of electronics and telecommunications, our economic system is moving towards a new era. The competition over technological development has led to ever lower costs and higher functionality across a wide range of electronic and electrical goods, resulting in a pronounced spike in the development of new products over a short period of time. Additionally, with the increasing globalization of economic systems, the creation of production and circulation networks which cross national boundaries has become a more pressing matter than ever. However, as we continue to pursue the best response to this changing corporate environment, we must also strive to exist in harmony with the environment and to preserve biodiversity.

Since its establishment in 1945, KURODA ELECTRIC has remained active as an independent trading company dealing in electric materials, general electronic parts, semiconductors and machinery. Most important of all, as a supplier of manufacturing parts and materials to the electronics industry, we at KURODA ELECTRIC have always developed our business in close contact with our customers.

And since establishment our guiding policy has been to provide services vital to our customers without interruption, in a timely and efficient manner, thus contributing to the development of both the world-wide manufacturing industry and to society, and growing in trust as a corporation.

Currently, under this policy, KURODA ELECTRIC Group has expanded to 26 locations within Japan and another 32 in 14 countries overseas. As a customer-oriented supplier of parts, materials, products and services, as well as an active company in the fields of design and manufacturing, we continue to build a global network of the highest caliber which circulates the latest technologies and information.

Additionally, as of March, 2011, KURODA ELECTRIC has signed the United Nations Global Compact (GC). Signatory companies are expected to achieve better corporate management by incorporating the 10 GC principles into their management strategies, day-to-day operations and corporate cultures.

It is our intention at KURODA ELECTRIC, under the various principles of the GC, to manage according to global standards, to pursue greater growth and profitability for our company, to develop our business from a global standpoint, to increase the worth of our enterprises, and to always fulfill our corporate social responsibilities (CSR).





About KURODA ELECTRIC

Business



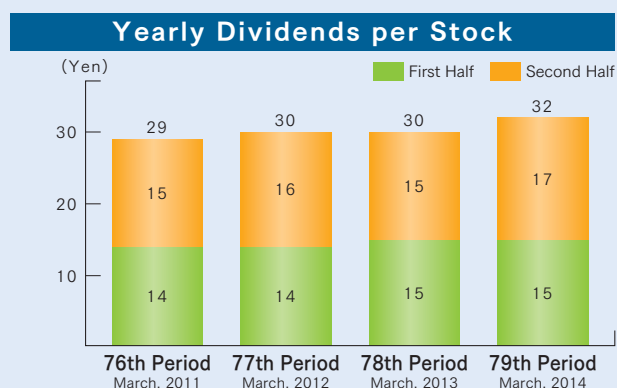
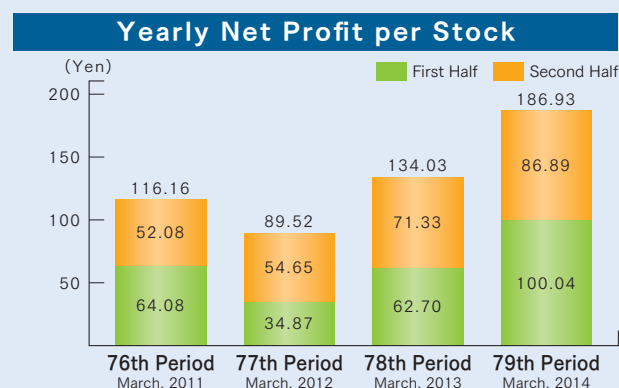
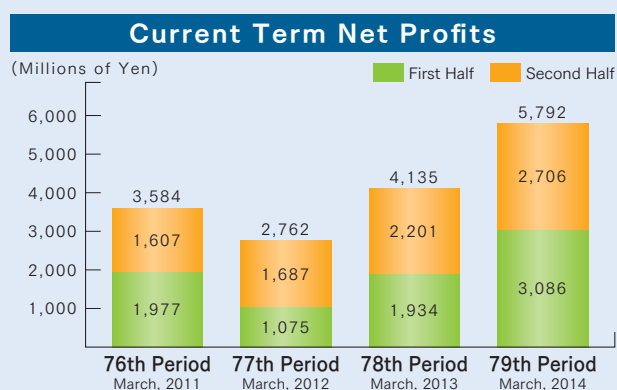
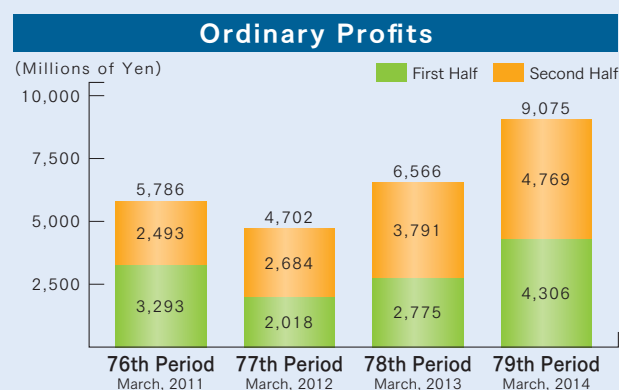
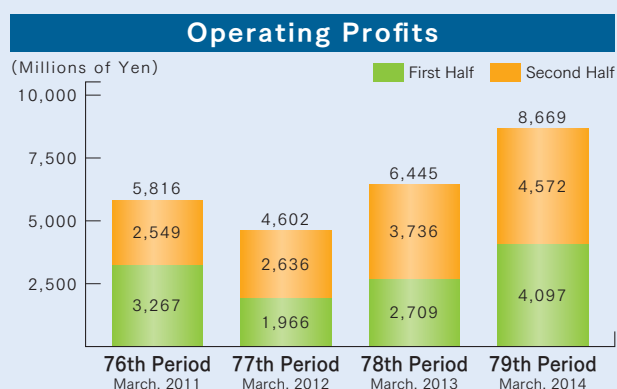
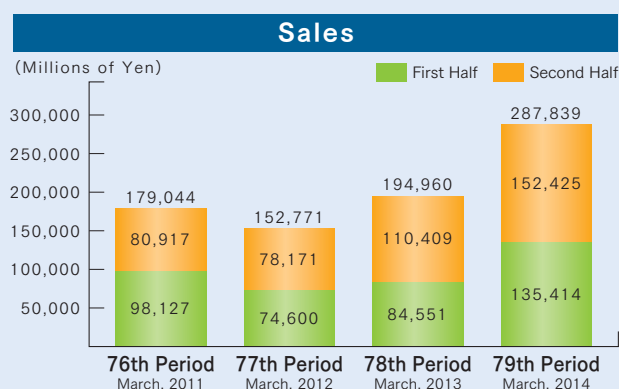
1 Company Information

- (1) **Corporate Name** KURODA ELECTRIC Co., Ltd.
- (2) **Start of Operations** October 1945
- (3) **Capital** 8,418,261,000 yen (as of March, 2014)
- (4) **Annual Turnover** 287.8 billion yen (March, 2014 term consolidated basis)
- (5) **Chairman and Chief Executive Officer** Takashi Kaneko
President and Chief Operating Officer Koichi Hosokawa
- (6) **Employees** 334 (standalone, as of March, 2014)
3,763 (consolidated companies, as of March, 2014)
- (7) **Listed Stock Exchange** First Section of the Tokyo Stock Exchange



2 Financial Reporting

(Aggregated Account Summaries)



The second half of the 77th period includes a commemorative dividend of 1 yen.

For more detailed business reports, please refer to our URL.

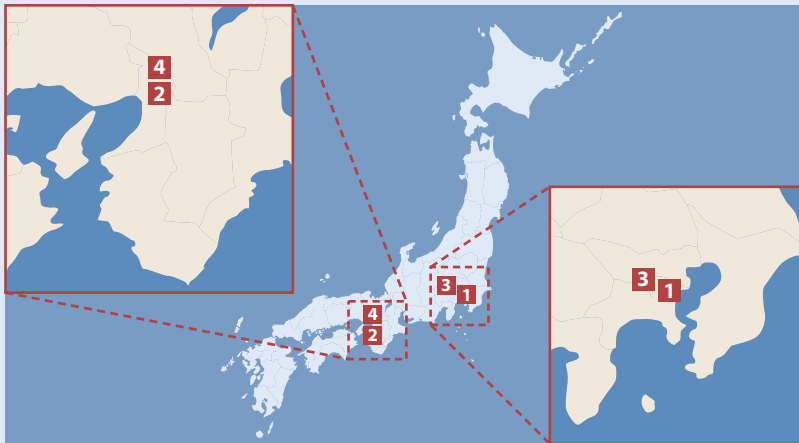
Business Reports

<http://www.kuroda-electric.co.jp/ir/finance/report.html>

Factbook

<http://www.kuroda-electric.co.jp/ir/finance/factbook.html>

③ Principal Subsidiaries

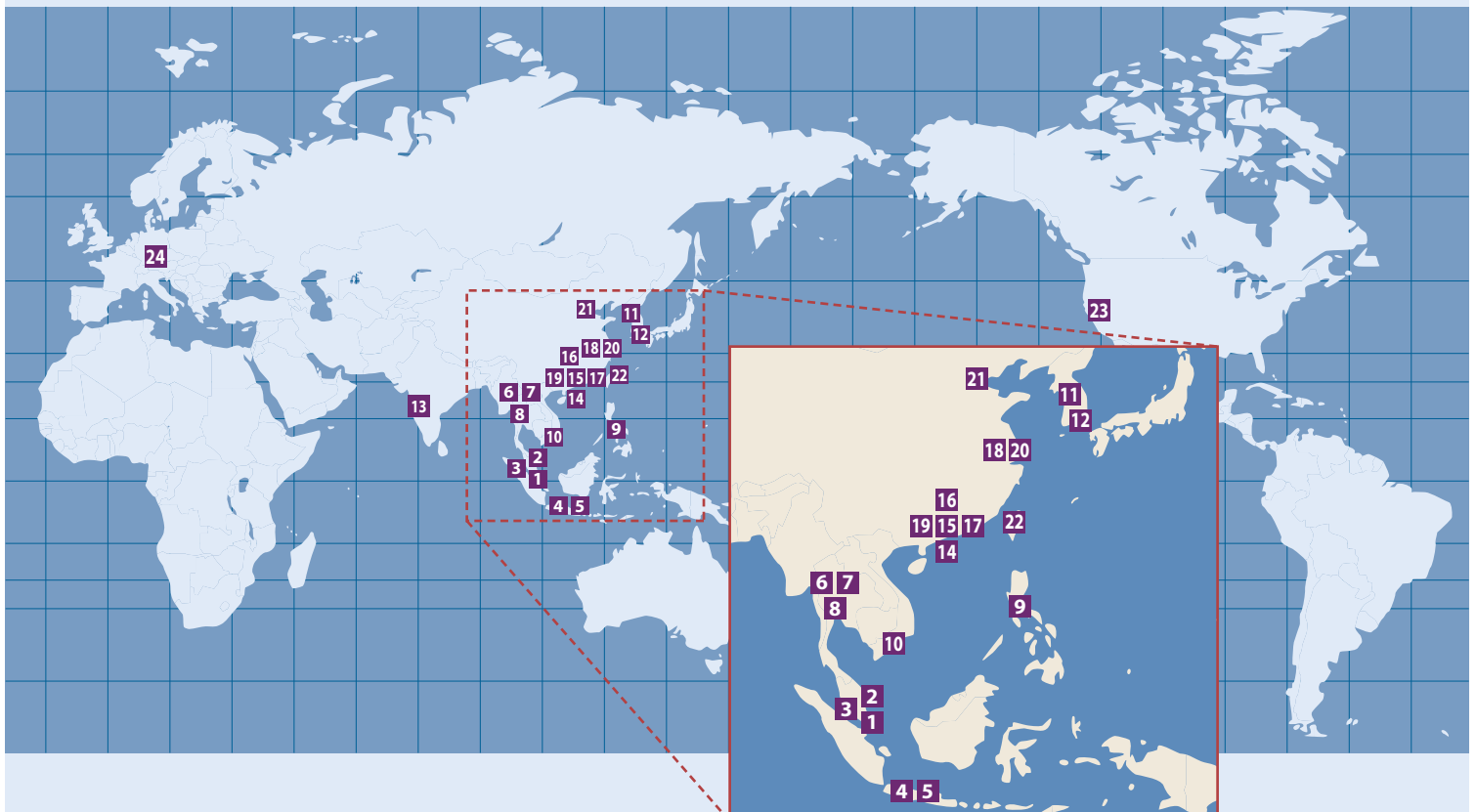


Domestic

- 1 KURODA TECHNO Co., Ltd.
- 2 KOMURA-TECH Co., Ltd.
- 3 Sohwa & Sophia Technologies Inc.
- 4 NICHIDO-DENKO Co., Ltd.

Overseas

- 1 Z. KURODA (Singapore) Pte. Ltd.
- 2 KURODA ELECTRIC (Malaysia) Sdn. Bhd.
- 3 SOHWA MALAYSIA Sdn. Bhd.
- 4 PT. TRIMITRA CHITRAHASTA
- 5 PT. KURODA ELECTRIC Indonesia
- 6 Z. KURODA (Thailand) Co., Ltd.
- 7 KURODA SHINSEI (Thailand) Co., Ltd.
- 8 KURODA Auto-Tech (Thailand) Ltd.
- 9 KURODA ELECTRIC (Philippines) Inc.
- 10 BORAMTEK (Vietnam) Co., Ltd.
- 11 KURODA ELECTRIC KOREA Inc.
- 12 Eco Techwell Investment Inc.
- 13 ECOREA & KURODA ELECTRIC INDIA Pvt. Ltd.
- 14 Z. KURODA (HONGKONG) Co., Ltd.
- 15 KURODA ELECTRIC (SHENZHEN) Co., Ltd.
- 16 KC AUTOMATION (SHENZHEN) Co., Ltd.
- 17 RAINBOW METAL TECHNOLOGIES Co., Ltd.
- 18 KURODA PRECISION TECHNOLOGY Co., Ltd.
- 19 GUANGZHOU KURODA ELECTRONIC Co., Ltd.
- 20 SHANGHAI KURODA TRADING Co., Ltd.
- 21 TIANJIN KURODA TRADING Co., Ltd.
- 22 TAIWAN KURODA ELECTRIC Co., Ltd.
- 23 KURODA ELECTRIC U.S.A. Inc.
- 24 KURODA ELECTRIC CZECH S.R.O





④ Working with our Partners

At KURODA ELECTRIC Group we regularly purchase a wide range of materials, parts and other supplies. At the heart of all our operations, however, is the positive relationship we build and maintain with our trading partners.

Therefore, when selecting suppliers, we always adhere to the strictest codes of fairness and impartiality and are careful to observe every applicable law when purchasing.

⑤ Working with our Shareholders and Investors

The support of our shareholders and investors is vital for continued and sustainable development at KURODA ELECTRIC. This is why we emphasize the importance of communication and the disclosure of pertinent information in investor relations.

(1) Information Disclosure and Investor Relations Policies

At KURODA ELECTRIC we disclose all information pertaining to our important social responsibilities, including information pertaining to financial, environment and social matters, to all of our stakeholders. We value transparency, fairness and continuity when dealing with each and every one of our shareholders and investors. Not only do we disclose information required by the securities exchange's rules on timely disclosure, but in order to proactively promote fair disclosure of information we also publish documents regarding financial results briefings directly to our website.

In addition to the disclosure of information, in order to ensure an accurate and equitable assessment of our company, we also engage each of our shareholders and investors in direct communication thereby creating a proactive dialogue which then enables us, in the course of operations, to consult the many opinions of our stakeholders before making decisions.

Our earnest wish is that, in order to maintain the fair and smooth circulation of our marketable securities (KURODA ELECTRIC stocks and bonds), we are able to utilize this dialogue to even further raise the value of our enterprises at KURODA ELECTRIC.

(2) Stock Information

Total Number of Authorized Shares 120,000,000

Total Number of Outstanding Shares 36,292,107
(Of them, treasury stocks 1,810,425)

Total Shareholders 6,094
(As of March 31, 2014)





KURODA ELECTRIC Group CSR Outline

Business



1

Corporate Philosophy—Company Motto—Mission Statement

(1) Corporate Philosophy

The items listed below, which form KURODA ELECTRIC's corporate philosophy, are the root of the company group's CSR policy. It is through this philosophy, unchanged since the company's inception, that we recognize our dues to the community and environment and continue to develop our business with freedom and creativity. It is this very philosophy which speaks to the heart of our existence as a company and our sense of social responsibility.

Life

Dynamic enthusiasm,
and appreciation for all
that the community and
environment allow.

Freedom

To allow our employees
to grow in independence
and capability through
the delegation of
responsibility.

Creativity

Most importantly,
to always avoid complacency,
and to pursue new territories
and possibilities
with bold resolution.

(2) Company Motto

For human existence, the two most fundamentally important things are **Life** and **Freedom**. Thus, for a company to continue developing in perpetuity it must respect and seek to actualize these two philosophies, and to build a corporate culture where the workplace overflows in both. With this logic in mind, KURODA ELECTRIC Group chooses the following as its Company Motto:

Let us stretch our **vital** roots deep into the earth,
and spread our limbs **freely** unto the sky.

(3) Mission Statement

Additionally, at KURODA ELECTRIC Group, our employees are united in a single fundamental approach which is defined by the following mission statement.

1. Let us remain mindful when dealing with others that we owe our existence to society at large and treat them with honesty and gratitude.
2. Let us value the gift of **life**, cherish our **freedom**, and so pursue vital living development.
3. Let us reflect always on our actions and, through **originality and ingenuity**, seek prosperity through business; Let us resolve to build character through our work.

②

The KURODA ELECTRIC Group Compliance Code of Conduct

(Hereafter 'Code of Conduct')

The Code of Conduct was established as guidelines or principles which every officer and employee of the KURODA ELECTRIC Group must comply with in all his/her daily business activities.

Our Code of Conduct does not stop at only the observance of laws and regulations but also gives heavy consideration to social and corporate ethics. The purpose of the code, rather, is to fulfill our social responsibilities and ensure the trust of our stakeholders by providing a set of fundamental rules for employees to follow in the course of their daily activities.

The Code of Conduct is comprised of seven core themes, including those prescribed by ISO26000 guidances (**Organizational Governance, Human Rights, Labor Practices, Environment, Fair Business Practices and Consumer Issues**) as well as **Community Participation and Development**. These seven themes reveal KURODA ELECTRIC's fundamental approach to its corporate activities.

③

Joining the United Nations Global Compact(GC)

A set of universal standards proposed by the United Nations regarding human rights, labor, environment and anti-corruption, KURODA ELECTRIC declared its intention of joining the United Nations Global Compact and formalized its involvement on March 2, 2011. Guided in this decision by our **Corporate Philosophy, Company Motto** and **Mission Statement**, in addition to supporting **the 10 fundamental principles** regarding these issues put forth by the Global Compact we have also chosen **the UN Millennium Development Goals** as **the backbone criteria for our CSR activities**. As a global corporation and conscientious corporate citizens, it is our duty to contribute across all corporate fronts towards the realization of a sustainable society on a global basis.

The 10 Principles of the GC

Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	make sure that they are not complicit in human rights abuses.
Labor	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	the elimination of all forms of forced and compulsory labor;
	Principle 5	the effective abolition of child labor; and
	Principle 6	the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	undertake initiatives to promote greater environmental responsibility; and
	Principle 9	encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery

While the wording may vary slightly, the 10 principles listed above can, for the most part, also be found in the KURODA ELECTRIC Group Compliance Code of Conduct. Meaning that, even before KURODA ELECTRIC formally joined the UN Global Compact, we were already enforcing these principles through the establishment of and compliance with our own code of conduct.

4

The Relationship between the UN Millennium Development Goals and CSR Activities

Environmental Sustainability and Universal Primary Education are two of the goals put forth by the UN Millennium Development Goals, and we feel that it is our personal duty to contribute to these two matters to the best of our humble abilities. For this reason, we developed **Environmental Action** and **Educational Support**. Additionally, in order to encourage individual employees to pursue environmental action and volunteerism in their own communities and households, we have introduced **the KURODA ECO Point System** as company's official program since February, 2012. We have been promoting these Activities as the 3 Pillars of our Social Contribution Activities.



KURODA ELECTRIC CSR Activities

KURODA ELECTRIC Co., Ltd.
Corporate Philosophy—Company Motto—Mission Statement

The DNA of KURODA ELECTRIC

The UN Global Compact

Formally Joined March 2, 2011

The 10 Principles of the UN Global Compact
UN Millennium Development Goals

The Backbone of our CSR Activities

The 3 Pillars of our Social Contribution Activities

**Universal
Primary Education**

**Educational
Support**

Support for the Construction of
Ban Parai Elementary School in Thailand

Periodic Release
of CSR Report

**Environmental
Sustainability**

**Environmental
Contribution Activities**

KURODA ELECTRIC Company Forest (Ome, Tokyo)
KURODA ELECTRIC Company Forest (Kurokawa, Kawanishi, Hyogo)

**Community Activities
& Household**

Environmentally-Conscious Action in the Community
Environmentally-Conscious Action in the Home

KURODA ECO Point System



2013 CSR Goals with Principal Corresponding Activities

Evaluation Method ◎:Exceeds Goal (value of 120% or higher) ○:Meets Goal △:Unsatisfactory

	2013 Financial Year —Goals and Plans—	2013 Financial Year —Principal Activities—	Eval	Page No.
Organizational Governance	Strengthening of CSR Activities and Information Disclosure in Accordance with Participation in the GC	Preparation of the 2013 CSR Report and other Information Disclosure	○	—
	Implementation of Highly Transparent Management Practices and Strengthening of Practices Related to Governance	①Inclusion of New Items Deemed Necessary by Revised Ordinances to the Securities Report in Addition to Previous Timely Disclosures ②Inspection of Management Practices by an Audit Committee in which Outside Directors (Three Persons) Form a Majority ③Nomination of One Independent Company Director (Reporting to Tokyo Stock Exchange)	○	14
	Continued Strengthening of Communication with Investors and Securities Analysts as well as Reasonable Disclosure in order to Promote Full Penetration of KURODA ELECTRIC Management Policies and Tactics.	Consistent IR Activities	○	06
Human Rights	Further Promotion of Human Rights Awareness	Inclusion of Respect for Human Rights and Prohibition Against Discrimination in the Compliance Education of all Employees	○	—
	Initiatives for Appropriate HR (Human Resources) Utilization Aimed at Total Group Optimization for Diversification of HR	Unconventional Human Resource Management in Utilizing and Appointing Personnel	○	—
Labor Practices	Construction and enforcement of an employee educational program in alignment with a class and a job.	①Web Training for All Employees ②Global Personnel Training Program intended for Selected Employees ③Support Program aimed at Language Skill Improvement for Employees	○	28
	Continuation of Employee Physical and Mental Health Measures	①Medical Checkups (Company Burden) for all Employees over 35 ②Brain Exams and Lung Cancer Screenings for Employees at the Age of 40 or Older ③Support for Gynecological Exams for Female Employees ④Mental Healthcare Program (Company Burden) for all Employees	○	29–30
Environment	Strengthening of Environmental Conservation Activities	KURODA ELECTRIC Company Forests (Ome City and Kurokawa, Kawanishi City)	○	21
		Implementation of KURODA ELECTRIC ECO Point System, with Approximately 300 Employees Participating in ECO Activities	○	22
		All Inclusive Energy Conservation Efforts	○	25
		Changing to More Environmentally Friendly Copy Paper	○	26
		Making a list of applicable “Environmental Laws and Regulations” by location based on the investigation of about 90 environmental laws	○	—
Fair Business Practices	Compliance with related laws and regulations, and thorough dissemination of the compliance code of conduct	Compliance Education in Accordance with the KURODA ELECTRIC Group Compliance Code of Conduct	○	15
		Strict Compliance with the Antitrust Act, Unfair Competition Prevention Law and Foreign Exchange Control Law	○	—
Customer / Client Interaction	Strengthening of the KURODA Group System for Legal Compliance in the Procurement of Supplies	Proper Understanding and Adoption of Subcontractors Act	○	—
	Further Improvement of KURODA ELECTRIC Group Quality Measures	①Strengthening of the Quality Assurance System as per our 2009 QA Policy ②Activities for the Stable Preservation of Quality which Meets Customer Demands	○	24–25
Community Participation and Development	Continued Social Contribution in each of KURODA ELECTRIC Group's Established Areas	Volunteers from the KURODA Group companies based in Rojana Industrial Park visited neighboring elementary schools for the purpose of cooperation and support activities.	○	20
		Support for Overseas Afforestation through the Collection of Used Stamps	○	22
		Support for Victims and Evacuees of Typhoon 30 in the Philippines	○	22

⑥ 2014 Financial Year CSR Activity Goals

Our goal every year at KURODA ELECTRIC is to elevate our CSR activities even further than before. In addition to projects carried over from 2013, we plan to set the following goals for 2014 and hope to meet them with more than 100% success.



(1) Organizational Governance

- Continued Strengthening of CSR Activities and Information Disclosure in Accordance with Participation in the GC
- Implementation of Highly Transparent Management Practices and Strengthening of Practices Related to Governance
- Continued Strengthening of Communication with Investors and Securities Analysts as well as Reasonable Disclosure in Order to Promote Full Penetration of KURODA ELECTRIC Management Policies and Tactics.



(2) Human Rights

- Continued Promotion of Human Rights Awareness
- Initiatives for Appropriate HR (Human Resources) Utilization Aimed at Total Group Optimization for Diversification of HR



(3) Labor Practices

- Construction and enforcement of an employee educational program in alignment with a class and a job.
- Improvement of labor environment, and Enrichment of Employee Physical and Mental Health care program.



(4) Environment

- Strengthening of Environmental Conservation Activities



(5) Fair Business Practices

- Compliance with related laws and regulations, and increased Group awareness of compliance issues



(6) Customer / Client Interaction

- Strengthening of the KURODA ELECTRIC Group System for Legal Compliance in the Procurement of Supplies
- Further Improvement of KURODA ELECTRIC Group Quality Measures



(7) Community Participation and Development

- Continued Social Contribution in each of KURODA ELECTRIC Group's Established Areas

Initiatives at KURODA ELECTRIC

Business



Corporate Governance

At KURODA ELECTRIC, in order to fully realize our management philosophy and further raise the value of our enterprises, we consider corporate governance to be an issue of prime importance. It is to this end that we strive to follow healthy management systems, to strengthen internal controls and to preserve administrative transparency through the timely and pertinent disclosure of information.

Additionally, we at KURODA ELECTRIC consider compliance to be a vital foundation to fulfilling our social obligations, and recognize thorough compliance as an indispensable element of business operations. As we strengthen corporate governance, we are also proactively addressing compliance management.

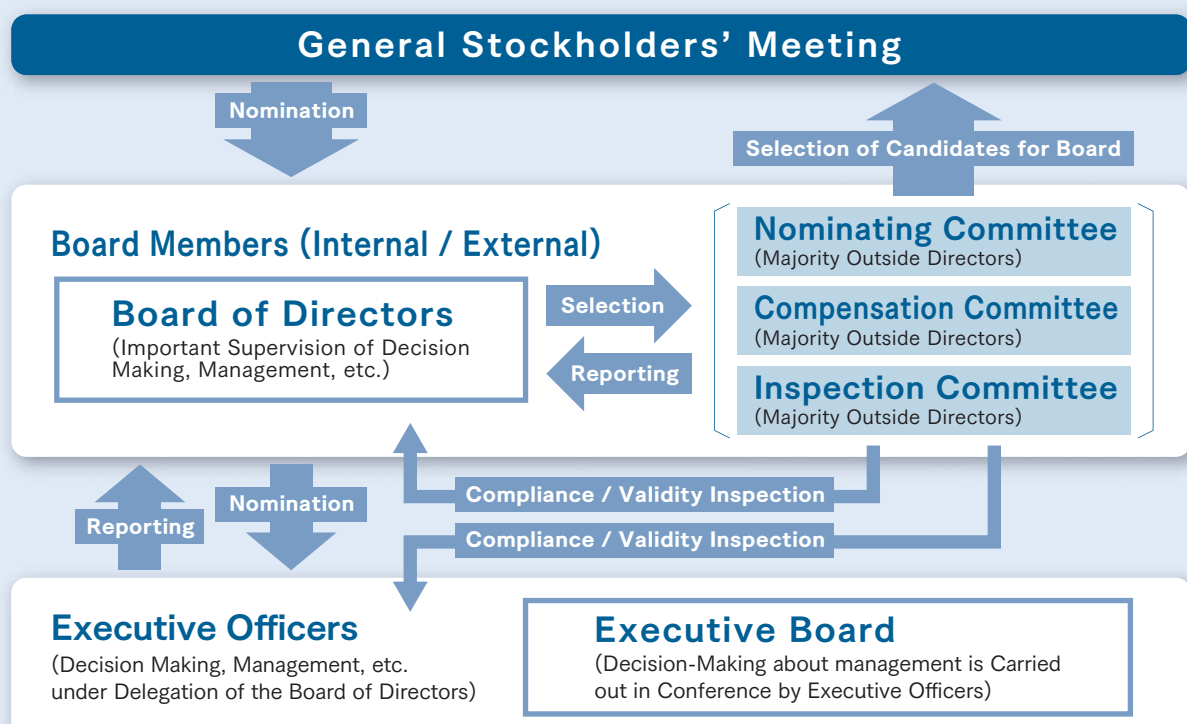
It is for this reason that we have established the KURODA ELECTRIC Group Compliance Code of Conduct, a set of principles which all officers and employees are required to follow in the course of business. At KURODA ELECTRIC we define the issue of compliance broadly, comprehending not only adherence to laws and internal regulations but also to greater items such as corporate ethics. Thus, the Code of Conduct becomes a concrete standard for the professional behavior we wish to see evinced by all group member officers and employees.

As a committee-governed corporation, we have appointed several outside directors. Outside directors are independent from the company in terms of investment, control, project management, profit and finance, and are free from any conflicts of interest. These directors work from an objective standpoint to strengthen oversight and maintain the transparency of decision making.

The separation of executive and supervisory functions is fundamental to the management of committee-governed corporations. At Kuroda Electric, this means that the right to direct management of corporate affairs is transferred to executive officers, while the Board of Directors overlooks their operations.

Additionally there are three outside directors on the board, one of whom qualifies by the regulations of the Tokyo Stock Exchange as an 'independent officer' and so reports in this capacity to the exchange.

KURODA ELECTRIC Corporate Governance



Compliance

At KURODA ELECTRIC Group we consider successful compliance as key to fulfilling our social obligations, and recognize thorough compliance as an indispensable element of business operations. Accordingly, we take a proactive stance towards compliance management. To be more precise, the KURODA ELECTRIC Group Compliance Code of Conduct has been established as a guideline which employees must follow during all business activities. Compliance Education based on the Code of Conduct is carried out on an annual basis for all employees to be informed about thorough compliance awareness.



The KURODA ELECTRIC Group Compliance Code of Conduct System

Ⓐ Basic Stance as a Corporation

- (1) Observance of Laws and Ordinances
- (2) Observance of Internal Regulations
- (3) Regard for Human Rights
- (4) Ban on Association with Anti-Social / Criminal Forces
- (5) CSR Activities

Ⓑ Relationship with Employees

- (1) Obligation of Good Faith Work
- (2) Prohibition Against Harassment
- (3) Adherence to Labor Ordinances
- (4) Abolition of Forced or Child Labor
- (5) Preservation of the Work Environment

The KURODA ELECTRIC Group Compliance Code of Conduct

Ⓒ Basic Stance Regarding Business

- (1) Procedure by Written Contract and Adherence to Terms Therein
- (2) Fair Competition
- (3) Subcontractor Relations
- (4) Import and Export Regulations
- (5) Safety of Goods and Services
- (6) Environmental Conservation
- (7) Regulations for Gift-Giving and Entertainment
- (8) Regulations for Receiving Gifts or Entertainment
- (9) Prohibition against Gift-Giving or Entertainment to Public Officials

Ⓓ Information Strategies

- (1) Protection of Intellectual Property
- (2) Third-Party Intellectual Property Rights
- (3) In-House Information Management
- (4) Management of Client & Partner Information
- (5) Protection of Personal Information

Ⓔ Development of Sound Financial Practices

- (1) Protection and Proper Use of Company Assets
- (2) Fair Accounting Procedure
- (3) Accounting and Financial Reporting
- (4) Disclosure to Stockholders and Investors
- (5) Prohibition against Insider Trading
- (6) Promotion of Common Stakeholder Interests

① The KURODA ELECTRIC Group Compliance Code of Conduct



Basic Stance as a Corporation : Preserving Laws and Ordinances and Contributing to Society

Observing the law is a basic rule of society, and is essential for the continued existence of any business. In addition to adherence to these laws, KURODA ELECTRIC also aims to realize a more affluent society through social contributions.



Relationship with Employees : Our Responsibilities as Employers and Employees

The creation of a better work environment is a group effort which depends on the workplace pride of each and every employee within the company and their desire to create good working environments. It is important that both company and employees recognize the respective rights and joint responsibilities of the other.



Basic Stance Regarding Business : Fair and Legal Business Practices

The purpose of trade is to create sound profit. However, while unfair practices in trade may produce large temporarily gains, they will inevitably lead to a drop in public credibility further down the line. By necessity, business transactions must always remain fair and legal. By preserving this basic stance a business will only grow in faith, leading ultimately to even better reputation and profits.



Information Strategies : Proper Management and Utilization of Information Assets

The information revolution continues at an accelerated pace, and we are constantly surrounded by a diverse and astounding network of information exchange. Included in that network is profitable information, such as patents and other intellectual properties or private customer information which can be used during business. Such information is not a regular possession but rather a vital management resource, an informational asset to operations, and for this reason it must be handled appropriately. The proper management and use of information assets is a necessity for the development of sound business.



Development of Sound Financial Practices : A Stable Financial Basis and the Preservation of Stakeholder Trust

The stockholders and investors who contribute funds to KURODA, as well as legislative bodies, expect absolutely trustworthy financial reports. Management must always be completely forthright when addressing stockholders and investors. As KURODA ELECTRIC Group continues to pursue greater profits and funds in order to develop and expand further we must always adopt duly appropriate management and financial practices.

② KURODA ELECTRIC Hotline

The KURODA ELECTRIC Hotline (an internal reporting system) was developed as one available method for reporting internally when compliance has been breached. If a breach comes to light in this way the Compliance Committee, Corporate Action Committee (for addressing company-wide operating risks) and General Affairs Department (Legal/Intellectual Property Division) then deliberates as to the proper response.

If employees witness a violation either of the law or of company regulations, witness actions of an unethical or immoral nature, or have questions regarding the laws or Code of Conduct, they may contact the hotline anonymously at any time.

Compliance Breach

Report via KURODA Hotline

Compliance Committee
Investigation of Proper Response

Anonymous Hotline



① Access Specialized Website and Report Information

② Report No. Issued

⑥ Confirm Resolution or Progress



③ Notification sent by Email

④ Confirm Content of Report

⑤ Report on Resolution or Progress of Investigation



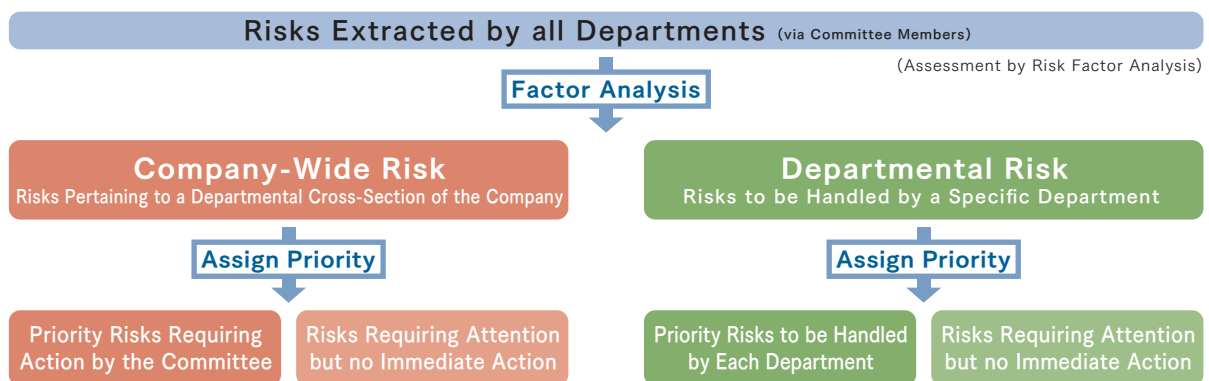
Risk Management

① The Corporate Action Committee's Response to Compliance and Risk Management

Our response to Compliance and Risk Management is one of most important problem to our Corporate Social Responsibilities. The Corporate Action Committee was established in order to raise the value of our enterprises, prevent against loss of credibility and to enforce trustworthy risk management practices.

The Role of the Corporate Action Committee Regarding Risk Management

- Formulation of Basic Policy and Risk Management Control
- Risk Extraction and Analysis



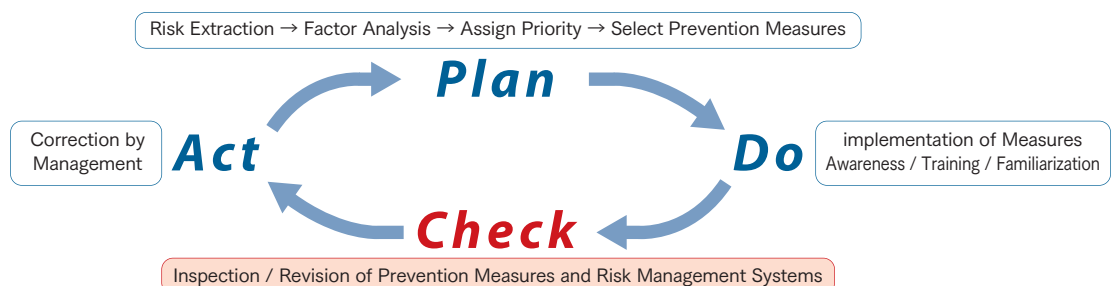
● Measures for Prevention of Important Priority Risks

Extracted and Analyzed Risks are Selected by the President for Priority



● Prevention Measures and Risk Management Systems Inspection / Revision

Continual Improvement of Risk Management Through PDCA





② Information Security

In 2008, in order to protect the private information and business secrets of clients and stakeholders alike, we formed the Information Security Subcommittee, establishing rules for Basic Information Security Policies, Rules for Information Security and Information Security Standards. Using these regulations as a guideline we strive to maintain and improve security through periodic web training for all employees as well as Information Security Self-Monitoring.

KURODA ELECTRIC Basic Information Security Policies

At KURODA ELECTRIC, we consider informational assets to be one of our vital management resources. The Basic Information Security Policies were established to ensure appropriate management and protection of our own informational assets as well client assets in our holding.

KURODA ELECTRIC Basic Information Security Policies

- KURODA ELECTRIC will enforce appropriate security measures regarding its informational assets in accordance with their priority.
- KURODA ELECTRIC will also take the utmost care to ensure the security of informational assets of clients which are handled in the course of business, and will take constant measures to prevent risk of loss, destruction, falsification or unauthorized disclosure.
- Together with the establishment of the Information Security Subcommittee, KURODA ELECTRIC will appoint managers to oversee the information security of all departments handling informational assets and through the company organizational structure will work to enforce and promote strategies for the security of informational assets.
- KURODA ELECTRIC will implement continuous information security training for all officers and employees and work to spread general and total awareness of information security policies.
- KURODA ELECTRIC will periodically review the operational status of information security measures and take corrective measures, as necessary, to ensure security.
- KURODA ELECTRIC will adhere to any laws and regulations pertaining to information security.



Social Contributions by KURODA ELECTRIC Group

Support and Contribution



Educational Support

Financial Support for the Construction of Ban Parai Elementary School in Thailand

Located approximately 500km northeast of the capital of Bangkok, in the Phayu District of Thailand's Sisaket Province, Ban Parai Elementary School is located near the Cambodian border, in an area where there are a lot of people who speak local languages such as Lao and Khmer.

The three pillars of Social Contribution Activities at KURODA ELECTRIC are "Educational Support", "Environmental Contribution" and "Community & Household Activities". In August of 2010, as a link in our overseas educational support activities, the executive committee approved a financial support for the new school building construction project for Ban Parai School resulting in donating 1.7 million baht (approx. 4.7 million yen) to the public interest incorporated foundation, Plan Japan.



KURODA ELECTRIC Group Support and Outreach for Thailand Elementary School

Donations are solicited at KURODA Group companies in Thailand to support elementary schools in the vicinity of Rojana Industrial Park. The Thailand Group companies include Z KURODA (Thailand) Co., Ltd., KURODA SHINSEI (Thailand) Co., Ltd. and KURODA AUTO-TECH (Thailand) Ltd. As part of these efforts, in March 2014 volunteers from the companies visited three Thailand schools: Wat Sambundid School, Wat Gumtae School and Wat Kokpho School.



3/28 Wat Sambundid school

A set of portable speaker and microphone for outdoor use was donated.



3/28 Wat Gumtae school

A plate engraved with the school's history was donated.



3/29 Wat Kokpho school

Teachers, students and staff from each of the Thai companies worked together to renovate the library which had remained heavily damaged since the 2011 flood. The renovation involved fixing bookshelves and painting inner and outer walls and so on.

Environmental Contribution Activities



Ome



Ome



Kurokawa



Kurokawa

KURODA ELECTRIC Forest Building (Company Forest Program)

Since 2004, as a component of our Environmental Contribution Activities, KURODA ELECTRIC has implemented afforestation, planned thinning, and other forest preservation and agricultural experience projects in Thailand, Kagawa, Kumamoto and elsewhere. Additionally, beginning in 2008, in order to offer the opportunity for steady participation in areas closer to home, our forest preservation projects were extended to Ome City, in the Tokyo Metropolitan Area. In 2011, similar activities were began in Kurokawa, Kawanishi City, Hyogo Prefecture. KURODA ELECTRIC Company is a supporting member of a public interest incorporated foundation, OISCA (The Organization for Industrial, Spiritual and Cultural Advancement-International).



① KURODA ELECTRIC Company Forest (Ome, Tokyo)

The KURODA Company Forest in Ome, Tokyo was initiated with the event of planting "low-pollen cedar" saplings in 2008. Since then, an annual maintenance event has been held during the hot period of summer to weed undergrowth and help the trees mature. Unfortunately, this year's event was cancelled due to heavy rain. We were able to raise awareness and understanding of forest preservation, however, through our Woodworking Workshops, Forest Lectures, and other programs.

② KURODA ELECTRIC Company Forest (Kurokawa, Kawanishi, Hyogo)

The high-grade "kiku-zumi" charcoal used in tea ceremonies has been made in Kurokawa, Kawanishi, in the Hokusetsu region, since the Muromachi period. At the Kurokawa Company Forest, KURODA ELECTRIC cultivates the sawtooth oaks from which this charcoal is produced, helping to promote biodiversity and contribute to local scenery and culture. Unfortunately, 2013 activities were cancelled due to heavy rain. Instead, participants went to the site by foot to see how the sawtooth oaks were maturing.

Regional, Household and other Social Contributions

Strengthening Our Bond to Society and Community

KURODA ELECTRIC Group is involved in a variety of social and regional activities both within and without the company. Through these contributions, we hope to strengthen bonds not only within the company but with the society and community at large.

① KURODA ECO Point System

KURODA ELECTRIC have introduced the Kuroda ECO Point System in February 2012 in order to encourage environmental contribution activities on the part of employees and their families, not only within the company but in the broader society and community as well. KECO (KURODA ECO) points are distributed based on activities carried out.



② Used Stamps Collection Drives

KURODA ELECTRIC supports overseas afforestation via the Defense of Green Earth Foundation. In 2012, we collect one full cardboard box worth of used stamps, etc. The proceeds earned through these collection drives are used to purchase seedlings for use in afforestation at Mt. Nansi in Tongchuan, China or at Mt. Kilimanjaro in Tanzania.



③ Support for Victims and Evacuees of Typhoon 30 in the Philippines

In 2013 Typhoon 30 (Typhoon Haiyan) caused heavy damage to Leyte Island and other areas of the Philippines. KURODA ELECTRIC Co., Ltd. donated one million yen, through authorized NPO Japan Platform (JPF), to the victims and evacuees of Typhoon 30.

We offer our deepest sympathies to those who have lost loved ones or otherwise been affected by the disaster.

④ Donations from Vending Machine Sales

KURODA ELECTRIC Co., Ltd. and Group company KURODA TECHNO Co., Ltd. donate 1% of monthly sales from the beverage vending machines at their headquarter as "Green Funds." These funds go to the Tokyo Development Foundation for Agriculture, Forestry and Fisheries, which is the administrative body in charge of the "Company Forest" initiative.

⑤ Provision of Parking Spaces for School Crossing Guards

Group company KURODA TECHNO is situated next to an elementary school, meaning that many of the roads near the factory are school routes. KURODATECHNO provides free parking spaces to nearby school crossing guards to help them ensure that children can safely commute to school.

⑥ Donation of Newspapers and Newspaper Shelves to Local Elementary and Junior High Schools

In order to contribute to the local community, Group company KOMURA-TECH Co., Ltd. donated newspapers and newspaper shelves to local elementary and junior high schools. By encouraging children to read the newspaper on a regular basis, the company hopes to raise their interest in current events and improve their reading skills.

⑦ Work Experience for Local Junior High-School Student

Group company NICHIDO-DENKO held a hands-on workshop at their plant for local junior high-school students to help them experience the fun side of work while also learning about the importance of professional manners such as appropriate term and greeting.

Quality and Environmental Management Systems

Management System



OUR QUALITY POLICY

As a supplier of products and solutions offering a clear added value to the customer via design / prototyping, provision of components, distribution of inventory and more, KURODA ELECTRIC Group's first priority is to ensure the trust and satisfaction of our customers by offering a reliable source of quality which fulfills customer demand. We therefore adhere to the following policies regarding quality at KURODA ELECTRIC :

- (1) As a business primarily concerned with supplying materials for production it is our duty to fully grasp the business environment, to conform to our client's vision and demands, and, furthermore, to proactively offer products and services which will contribute to our customers' profits.
- (2) In the area of manufacturing, we will work with associated domestic and overseas companies in order to form a global response and further maintain and improve partnerships with our customers.
- (3) We will fulfill our social obligations by adhering to all applicable laws and regulations, will establish pertinent quality management systems, and through punctual implementation of the PDCA cycle will continually work to improve the effectiveness of quality management.
- (4) In order to reduce the environmental burden and contribute to a recycling society we will manage our environmental burden and promote environmentally friendly products, thus raising environmental quality.
- (5) In order to continually offer higher quality products and services we will analyze prior problems and complaints and adopt appropriate prevention measures. In addition, through effective development of this analysis, we will also work to prevent possible future problems and complains.

We will fully fulfill our administrative responsibilities, including the provision of appropriate management resources, in order to ensure, through the concrete objectives and plans of individual departments, all possible implementation of the above policies.

June, 2009



KURODA ELECTRIC Co., Ltd.

KURODA Group
KURODA ELECTRIC Co., Ltd.
President and Chief Executive Officer
Takashi Kaneko

金子孝



1 Quality / Environmental Policies

As environmental awareness grows increasingly pressing, ecological care has become a valued component in the development of new products. In addition to recycling and the elimination of environmental pollution, the presence of radiation, noise pollution and electromagnetic waves are all important issues for companies to address.

At KURODA ELECTRIC, in order to effectively deal with problems of quality and the environment we have established official quality and environmental policies, as well as specialized in-house organizations.

OUR ENVIRONMENTAL POLICY

Fundamental Philosophy

At KURODA ELECTRIC we are aware that, in every sphere of business, global environmental conservation is the most important issue shared by us as human beings. In order to promote environmental awareness and conservation we aim to proactively contribute to such issues as energy and resource conservation, waste reduction and the recycling of resources.

Environmental Policies

- (1) To pursue work in a manner which reduces the environmental burden to its utmost minimum and to engage in environmental conservation and precautions against pollution.
- (2) To set environmental objectives and targets, to provide a framework for revision, to periodically review our environmental actions and to work for continual betterment.
- (3) To adhere to all laws and internally accepted regulations regarding environmental conservation while addressing the following:
 - ① CO₂ Reduction
 - ② Waste Reduction
 - ③ The Sale of Environmentally Friendly Products
- (4) To show appreciation for the ecological services we are gifted with through the supply chain, to work to reduce the effect of business activities on biodiversity, and to promote biodiversity conservation.
- (5) To concretely manifest and maintain these policies, and promote their awareness among all employees.
- (6) To publish these policies widely and also furnish other appropriate information.

Revised March, 2012 (Original Policy Adopted June, 2009)



KURODA ELECTRIC Co., Ltd.

KURODA Group
KURODA ELECTRIC Co., Ltd.
President and Chief Executive Officer
Takashi Kaneko

金子孝

② Quality and Environmental Controls

(1) Globally-Integrated ISO Certification

KURODA ELECTRIC acquired globally integrated ISO certification in September 2009 and renewed its certification in 2012.



(2) Recognized as a "Eco Power Company" by Shinagawa Ward

The Shinagawa Ward of Tokyo, where KURODA ELECTRIC's headquarter is located, recognizes environmentally-friendly businesses that take an initiative in carrying out greener operations as "Eco Power Companies." The KURODA ELECTRIC Tokyo headquarter was recognized as an Eco Power Company in March 2014.



Shinagawa Ward web site <http://www.city.shinagawa.tokyo.jp/hp/menu000022000/hpg000021904.htm>

(3) Energy Conservation Activities

With the electricity shortages due to the Great East Japan Earthquake, we at KURODA ELECTRIC consider contributing to counter measures (in order to prevent wide-spread blackouts and planned power outages) to be a major aspect of fulfilling our social obligations, and will adhere to the following Voluntary Action Plan Concerning Electrical Power.

Voluntary Action Plan Concerning Electrical Power

- ☒ Strict Limit of **28°C** in summer and **20°C** in winter on Interior Temperatures
- ☒ Adoption of '**Coolbiz**' Program, June 1-September 30
- ☒ Reduction of **Idle Power Consumption** by Computers
- ☒ Reduction of **Idle Power Consumption** by Unused Machinery

- ☒ **Turning Lights off** During Lunch Breaks
- ☒ **Turning Lights off** in Unused Rooms, Lavatories, Kitchenettes, etc.
- ☒ **Limiting Air Conditioning** in Meeting Rooms and Receptions to 8:00-17:30.
- ☒ **Turning off Interior Lights** whenever Possible (by Thinning Frequency of Fluorescent Lights, Turning off Lighting in Unused Rooms, etc.)
- ☒ Promotion of **Energy Reduction** Awareness (Posters, Stickers, etc.)

(4) Changing to More Environmentally Friendly Copy Paper

KURODA ELECTRIC changed the copy paper it uses, company-wide, from the previous paper used (undisclosed raw materials, not environmentally friendly) to Forest Management (CoC) Certified copy paper.

※Forest Management (CoC) Certification: An international certification system that ensures that lumber and wood products are obtained from an appropriately managed forest.

(5) Management of Chemical Substances in Products

In order to comply with all domestic and international laws and to meet customer demand, we at KURODA ELECTRIC are strengthening the reasonable management of chemical substances in products along all stages of the supply chain. Additionally, in order to provide pertinent information to suppliers, we will hold periodic information sessions, maintain the newest version of client Green Procurement Guidelines, hold audits and more. In order to enforce reasonable management of chemical substances in products, we strive to work as a capable medium between our clients and suppliers.

(6) Investigation of Conflict Minerals

Detailed rules based on Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), which were adopted by the US Securities and Exchange Commission (hereafter: SEC) on August 22, 2012, require companies listed on the US exchange to report on efforts to avoid the use of conflict minerals (tin, tantalum, tungsten, gold) originated in **the Democratic Republic of the Congo and/or adjoining countries to the SEC**. While the KURODO ELECTRIC Group is not listed on the US exchange, through its supply chain, in order to respond to customer requests (for investigation), KURODO ELECTRIC gathers information on conflict minerals from its suppliers. In 2013, in response to requests from a total of 210 customers, KURODA ELECTRIC gathered information on conflict minerals from a total of 1010 suppliers and provided customers in question with responses based on the information gathered from its suppliers.

(7) The Waste Management and Public Cleansing Law

In order to adhere to the Japanese Waste Management and Public Cleansing Law and to suitably process industrial and business-related general wastes which arise in the course of operations, KURODA ELECTRIC provided pertinent web training for all employees. Additionally, in order to prevent incorrect waste treatment and achieve total and thorough compliance, we have established a system whereby the quality assurance department confirms all waste before processing.



Environmental Performance

(Reported Scope of environmental performance data is intended only for the sites of Kuroda Electric Co., Ltd reported in Globally-Integrated ISO Certification.)

Data Concerning KURODA ELECTRIC's Environmental Performance	2011 Financial Year	2012 Financial Year	2013 Financial Year
① Energy Consumption (Unit : MWh)	1,976	2,060	1,994
② CO2 Emissions (Unit : t-CO2)	753	979	1,045
③ Business Paper Use (Unit : 1,000 Sheets)	3,126	2,972	2,900
④ General Waste (Unit : kg)	45,497	65,502	77,329
⑤ Recycled Waste (Unit : kg)	31,911	51,315	63,516
⑥ Recycling Rate (Unit : %)	70	78	82

※Since the management subject was changed, Higashi-Osaka LC had been excepted the environmental performance data including the past data.

Data Concerning Group companies in Japan's Energy Consumption & CO ₂ Emissions	2011 Financial Year		2012 Financial Year		2013 Financial Year	
	Energy Consumption (Unit : MWh)	CO2 Emissions (Unit : t-CO ₂)	Energy Consumption (Unit : MWh)	CO2 Emissions (Unit : t-CO ₂)	Energy Consumption (Unit : MWh)	CO2 Emissions (Unit : t-CO ₂)
KURODA TECHNO Co., Ltd.	251	94	228	106	227	119
KOMURA-TECH Co., Ltd.	4,047	1,260	4,307	1,939	4,208	2,163
Sohwa & Sophia Technologies Inc.(only headquarters)	373	140	338	157	315	165
NICHIDO-DENKO Co., Ltd.	2,032	651	2,072	683	1,979	1,026



Working with our Employees

with Employee



1 Developing Skilled Human Resources

(1) Job Specific Education and Training

KURODA ELECTRIC has implemented web-based job-specific education and training. These programs target not only regular employees but also part-time and dispatch employees. The web-based training carried out in 2013 consisted of 4 modules utilized by a total of 1,342 trainees. Every year, introductory training is also carried out for new employees when they first enter the company, as well as follow-up training after they are assigned to a department.

(2) Global HR Resource Support and Training

In order to cultivate future HR capable of acting on the global business stage, we are selecting young to mid-career employees to undertake foreign language and intercultural studies. We are also promoting TOEIC examinations for all employees.

(3) Skills Management and Lifelong Learning

KURODA ELECTRIC has instituted educational and training programs specific to the individual job categories and classes of employees. Most importantly, as part of this training, we strive to not only provide the information and knowledge base necessary in their professional duties, but also to offer “Lifelong Learning” which will provide employees with chances to grow as members of society and the organization, and ultimately to become members of the core management staff. The following is an overview and outline of our Lifelong Learning programs.



② Employee Welfare Programs

Group Long Term Disability Income Indemnity Insurance (GLTD)



At most companies, when an employee is unable to work for an extended period of time due to illness or injury they are often entitled to Special Paid Absence so long as their tenure continues. But if they are still unable to return to work at the end of their appointed leave and their employment is thus terminated, the strain of hospitalization and doctor's fees on their household budget can be extreme. However, in order to create a work environment where employees can enjoy consistent peace of mind, and to help guard against any worst-case scenario, we at KURODA ELECTRIC provide Group Long Term Disability Income Indemnity Insurance (GLTD), guaranteeing a portion of an employee's regular salary as compensation, potentially until the age of retirement, should they be unable to work for an extended period due to illness or injury. Additionally, this insurance provides fixed period compensation for employees who take a temporary leave due to mental disorder.

③ Mental Healthcare Programs

In order to help support our employees' mental health, an employee assistance program was introduced in 2007. In order to ensure primary, secondary and tertiary precautions concerning workplace mental health, the program has adopted the following measures.

Mental Checkups

In order to ensure early detection and treatment of those at risk for mental disorders, all employees undergo web based stress checks once per year.

Follow-up by External Specialists

Just as follow-up exams are carried out when cause is found to worry after a physical exam, in the event that a stress check should show that something is amiss follow-up exams and treatment guidance are carried out by external specialists (psychiatrists or clinical psychologists) (consultation regarding employees or family members also available).

EAP Consultation

A consultation window is open for those with physical or mental health concerns. In principle, this window is available 24 hours a day to offer support via email, phone and direct consultation (Consultations are also open to the families of employees).

Mental Training

This training, for management, focuses on mental illness prevention tactics and the appropriate response to those with mental disease in the workplace.

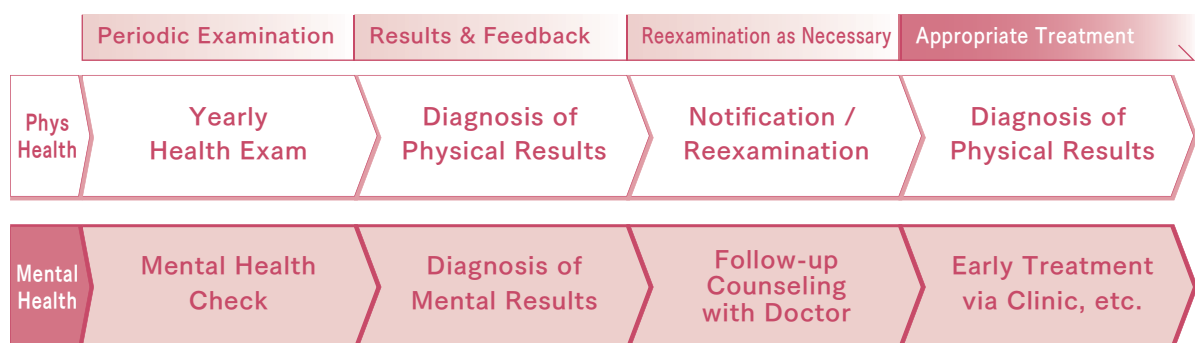
The Mental Healthcare Program

An Employee Assistance Program (EAP) offering support to employees and family via external specialist institutions.

Overview of Support Programs

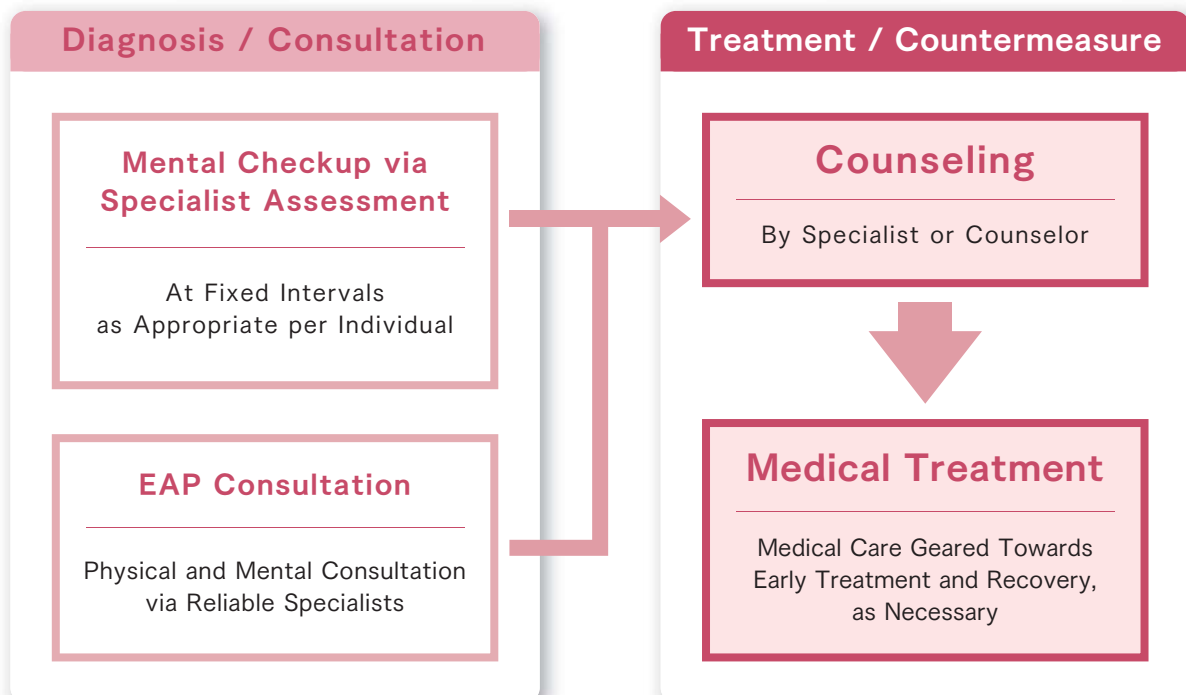
The incidence of mental health related workman's comp claims and settlements is on the increase, with some reports placing the ratio of disabled workers out due to mental disorders at 40%, thus making workplace mental healthcare more important an issue than ever before.

In previous years, while employees were required to have periodic physical checkups, no such checkup was carried out for similar mental issues. With the addition of mental checkups to regular physical exams, our goal is to provide more comprehensive total healthcare.



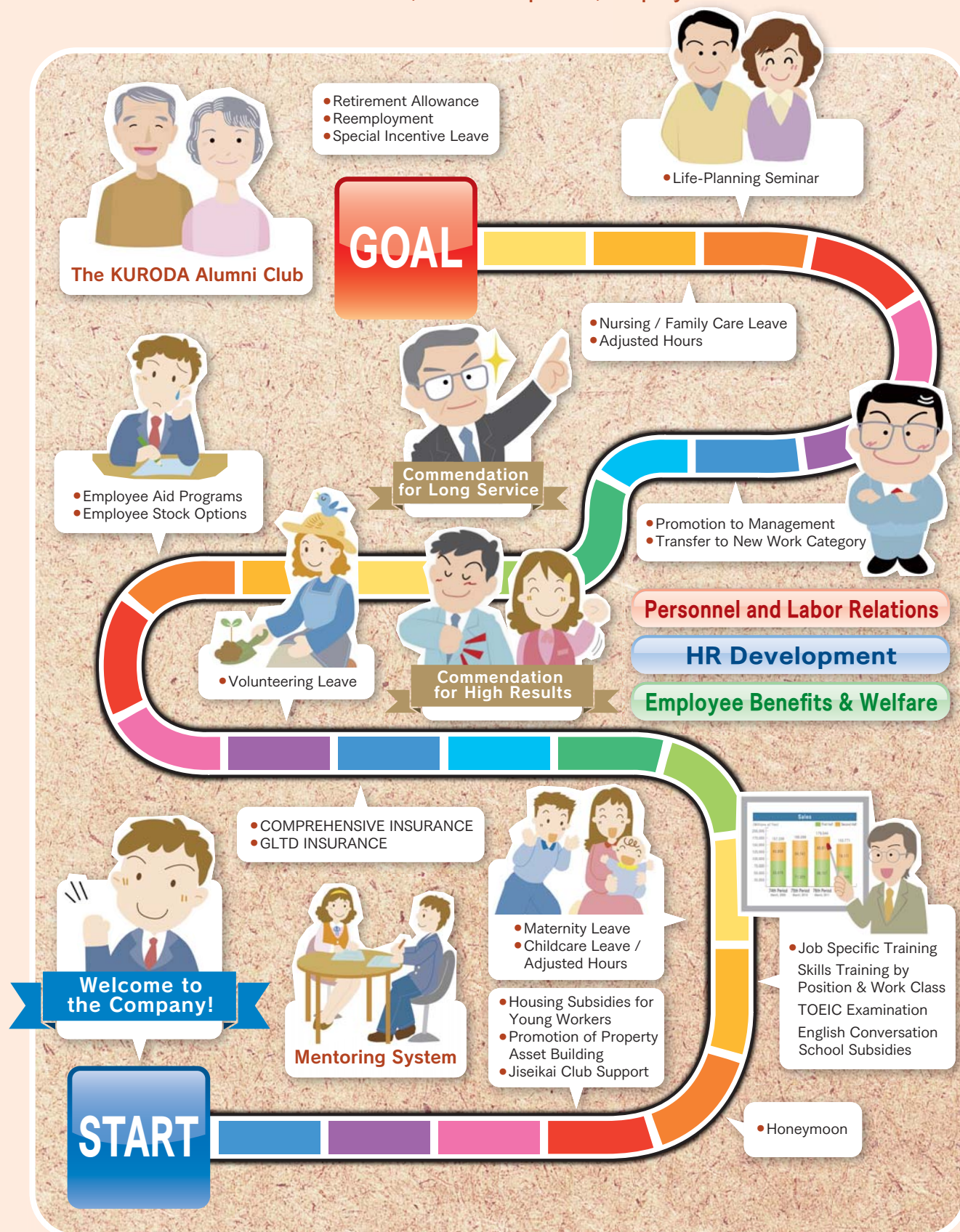
Implementation of period mental checkups makes regular diagnosis simple and possible. Additionally, EAP consultation need not only apply to personal problems, but may also concern coworkers, family members and other people close to the consulting person.

When necessary, medical treatment and consistent follow-up care by a doctor is also possible.



The KURODA ELECTRIC Roadmap

This is an image after joining a company until we retire.
Preparation will be made to fulfilling employment life by three systems,
Personnel and Labor Relations,HR Development, Employee Benefits&Welfare.





Vice President & Director of
Social Cooperation, Meiji University

Professor, Department of
Public Management

PhD, Kyoto University (Economics)

Masatsugu Fujie

Born in 1954, Masatsugu Fujie graduated from the Economics department of Kyoto University. After withdrawing from a doctorate at Kobe University Fujie went on to teach as a full-time lecturer at Iwate University, then as an associate professor at Tokyo University of Agriculture and Technology, and finally as an associate professor at Meiji University's Department of Public Management before being promoted to his current position of full professor in 1993. As a visiting researcher at Portland State University he served as the director of the Research Center for Management of Sustainability. His published works include Transfer Pricing Regulation and Local Tax Return (Chuo Keizai), An Introduction to Program Evaluation (translation, Azusa Publishing), Business Economics (Azusa) and others.

A Company with a Global Perspective: Honoring Life and Creating a Future for Man and Environment through Freedom

The most important characteristic of CSR activities at KURODA ELECTRIC is perhaps their insistence on establishing the code of conduct and CSR objectives for KURODA ELECTRIC Group from a global perspective. Having signed the United Nations Global Compact in March, 2011, and operating under the 10 principles of the GC, KURODA ELECTRIC is clearly leading the way towards a truly Global Standard of management.

Every year KURODA ELECTRIC sets CSR goals across seven fields—Organizational Governance, Human Rights, Labor Practices, Environment, Fair Business Practices, Customer / Client Interaction, and Community Participation and Development—then strives diligently to achieve these goals. As a globally developing business dedicated to the creation of the environment and the future, their clear stance, and reliance on the GC, sends an important message not only within Japan but to the world at large. (On a related note, Meiji University is likewise working in cooperation with the United Nations through participation in the UN Academic Impact initiative.)

A second important characteristic of CSR activities at KURODA ELECTRIC is their establishment of a Compliance Code of Conduct and overarching compliance system which proactively addresses compliance management in regards to their general corporate stance, their relationship to employees and to business partners, their information strategies and their financial practices. In addressing risk management (including environmental performance), their creation of a corporate action committee speaks volumes of their dedication to this issue.

Additionally, in regard to social contributions such as HR resource support and training and environmental action, KURODA ELECTRIC has discovered several unique approaches, such as the introduction of the KURODA Eco Point System. Their serious approach to mental health as part of their employee welfare program also promises a strong coping system for problems.

It should also be noted that the above principles, impressively, existed as part of KURODA ELECTRIC's corporate philosophy, company motto and mission statement even before joining the GC.

In addition to these positive characteristics, however, there are also some areas for concern. For instance, considered from a global perspective, the 'Energy Saving Measures' included under 'Environmental Management Systems' are an important issue which should demand a widespread universal approach and change of lifestyle. A title which recognizes this importance and speaks to a larger scale beyond the workplace may be necessary.

Likewise, I feel the report would also benefit by touching on the contributions KURODA ELECTRIC products themselves add to society—in other words, the manner in which KURODA ELECTRIC unites social contributions to its main business activities.

Considered collectively, however, the above points clearly show that the KURODA ELECTRIC Co., Ltd. 2014 CSR Report is of a superb quality, deserving of the company's good name.



Publisher

KURODA ELECTRIC Co., Ltd

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This is our **Communication on Progress** in implementing the principle of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.