



Sustainability Report

Summary





We at Calsonic Kansei Group have been supporting
the motorization of Japan and the world since its very beginning

Sustainability Report 2017

Summary

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Calsonic Kansei was ranked 9th (the highest place among Japanese companies) in the 2016 Channel NewsAsia Sustainability Ranking, a list of the 100 leading companies in corporate sustainability in Asia released by Channel NewsAsia, a Singapore-based new channel

2016 ACHIEVEMENTS

Major Achievements in Fiscal 2016

Green Procurement

(Percentage of agreements secured when establishing new supplier accounts)

Fiscal 2016 target: 100%



Target Achieved

Fiscal 2015

Fiscal 2016

100 %

100 %

Percentage of Women in Management Positions *



up 0.4%

Fiscal 2015

Fiscal 2016

1.9 %

2.3 %

Number of eco-friendly products created

Target for Fiscal 2011–2016: 10 products



Target Achieved

Fiscal 2015

Fiscal 2016

9 products

10 products

Rate of Code of Conduct Education and Pledges

Fiscal 2016 target: 100%



Target Achieved

Fiscal 2015

Fiscal 2016

100 %

100 %

Rate of Paid Leave Taken *

Fiscal 2016 target: 16 days*



up 4%

Fiscal 2015

Fiscal 2016

73 %

77 %

Percentage Reduction of CO₂ Emissions **

Fiscal 2016 target: Japan: 18.5% reduction;
Overseas: 13.6% reduction

[Compared to Fiscal 2015]



Target Achieved

Fiscal 2015

Fiscal 2016

Japan
↓ 29.6% reduction

Japan
↓ 32.3% reduction

Overseas
↓ 27.6% reduction

Overseas
↓ 26.7% reduction

[Emissions intensity: Volume emissions / sales revenue]

Customer Satisfaction

Fiscal 2016 target: 3.38 [of a possible 5 points]



Fiscal 2015

Fiscal 2016

3.35

3.36

Calsonic Kansei Group KPIs (Key Performance Indicators)

In Fiscal 2015, the Calsonic Kansei Group identified a number of global social issues and evaluated them according to their impact on the company, impact on stakeholders, frequency of occurrence, and degree of risk avoidance response. Based on this, we determined our key issues in line with the core subjects of ISO26000. Setting KPIs for each of these key issues, we are using the PDCA cycle to pursue initiatives to achieve our targets.

*Because the number of days paid leave granted differs according to years of service (16 days for the first year of service), the fiscal year target has been set as the number of days annual paid leave taken per employee

★ = Calsonic Kansei, ★★ = Japan: Calsonic Kansei and group companies in Japan; Overseas: Group companies outside Japan. Unstarred = Global

 Calsonic

 Kansei

 Calsonic Kansei

1938 

Nihon Radiator Manufacturing Co., Ltd. founded

1956 

Kanto Seiki Co., Ltd. founded

1960 

Headquarters and plant relocated to Omiya City (currently Saitama City), Saitama Prefecture

1988 

Renamed Calsonic Corporation

1990 

Listed on Tokyo Stock Exchange, First Section

1991 

Renamed Kansei Corporation

2017 

Became a wholly-owned subsidiary of CK Holdings, established by KKR



Innovation for Better Society

2018

**On the Eve of Our 80th Anniversary,
We are Moving Toward the Future, Together with Society**

On the eve of the 80th anniversary of its foundation in 2018, Calsonic Kansei is about to face some of the biggest changes in its long history. These changes represent an opportunity for us to pursue sustainable growth for the next five, ten, even twenty years

1973 Ⓒ

Listed on Tokyo Stock Exchange, First Section

1976 Ⓒ

Calsonic established its first overseas base, Calsonic Inc., in California, U.S.A.

1984 Ⓚ

Kansei established its first overseas base, Kantus Corporation, in Tennessee, U.S.A.

2000 Ⓒ

Calsonic Kansei Corporation was formed through the merger of Calsonic Corporation and Kansei Corporation

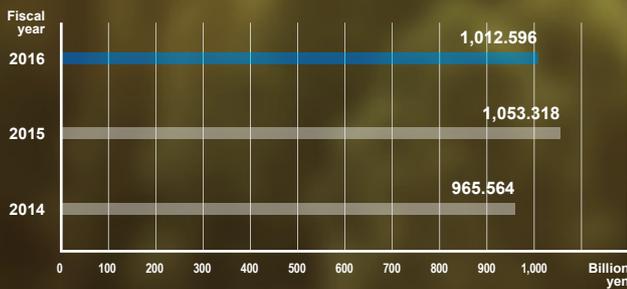
2005 Ⓒ

Capital increased through a third party allocation to Nissan Motor Co., Ltd., making Calsonic Kansei a consolidated subsidiary of Nissan Motor

2008 Ⓒ

R&D Center, Headquarters relocated to Saitama City

Consolidated Revenue

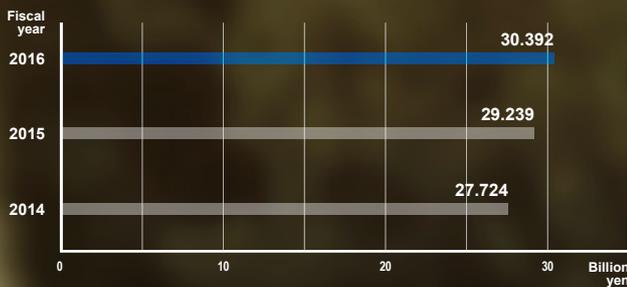


Percentage of Consolidated Sales by Region [Fiscal 2016]

Japan	35.2%
Americas	35.6%
Asia	18.4%
Europe	10.8%



Consolidated R&D Expenditures



Number of Employees by Region (Consolidated)





TOP COMMITMENT

Turning Change into Opportunity

Aiming to be a Great Company that can contribute to solutions to the world's social issues in a sustainable manner through our business

Hiroshi Moriya

President and CEO, Calsonic Kansei Corporation

Pursuit of CSR to grow as a Great Company

The Calsonic Kansei Group is a *Monozukuri** company that supports the motorization of the world.

In our position as a global supplier, we hope to be an important partner to car manufacturers all over the world, and be a company that contributes to the realization of a sustainable society as we further develop world-leading eco-friendly products and advance continuous CSR initiatives.

At the end of March 2017, our Mid-Term Management Plan, CK GX4 T10,

which we pursued for six years, drew to a close, and it came time to take up the challenge of a new stage.

The CK GX4 T10 initiatives were pursued along the themes of four G keywords.

For the first G, "Green," we successfully achieved our target of creating ten world-leading eco-friendly products.

For the second G, "Growth," we declared a target of entering the global Top 10 automotive suppliers in sales revenue (one trillion yen or more). We have achieved that target of one trillion yen in sales since 2015.

For the third G, "Global," we implemented a variety of initiatives to conduct competitive *Monozukuri* on a global scale with our unique, leading technologies.

Our global production structure of 79 sites in 15 countries and development structure of 14 locations in 8 countries are major achievements that have come from these endeavors, which I believe have contributed to the expansion of revenue and income. We have also built globally standardized production and development processes to make our operational processes more efficient.

While our Green, Growth, and Global endeavors have borne fruit, that is not to say that we have yet achieved our fourth G, to become a "Great Company." To grow into a Great Company, we need to raise the value of our existence further by contributing to society. Declaring 2015 as our "First Year of CSR" we organized our CSR activities into a more systematic structure, and elevated them to company-wide initiatives. The outcome of these endeavors has been a major improvement in our external indicators regarding sustainability.

Our Outlook as an independent Monozukuri company – "Resilient" sustainable management –

At the end of March 2017, the Calsonic Kansei Group left the Nissan Motors Group, and transitioned into an independent *Monozukuri* company manufacturing automobile components. Leveraging the abundant industry knowledge of our new partner, Kohlberg Kravis Roberts (KKR), we will build up the new, reborn Calsonic Kansei Group.

In the process, the Calsonic Kansei Group is integrating our financial and non-financial operations, and we will further evolve our "resilient" sustainable management.

The keywords for our new Mid-Term Management Plan, which launches this year, are "sustainable growth" and "raising corporate value."

"Sustainable growth" refers to consistent improvement in our financial indicators, that is, continuing to renew our record-high profits that have continued since 2013. "Raising corporate value" will involve the pursuit of two things. The first is to become a key supplier that is indispensable to our customers, the automotive manufacturers. The second is to continue to raise the value of our existence in non-financial CSR aspects. We will set milestones that will allow the Calsonic Kansei Group to achieve its goal of

becoming a Great Company in 2021.

The key to achieving this goal will be just how far each and every employee can act with a “CSR mindset.” This will require not only taking on board society’s demands, but also fostering a mindset for thinking about how they can contribute to society as individuals.

Our employees are one of the important stakeholders in our CSR activities. In addition to their contributions outside the company, we will continue to advance workplaces that have a pleasant and rewarding working environment for our employees.

Responding promptly to the demands of global society amidst fast-paced change

The pace of change of global society continues to accelerate. The speed with which the Paris Agreement, the new international climate change framework, has come into force is symbolic of that trend. The Calsonic Kansei Group, as a member of the automobile industry, which has a deep association with the environment, is actively engaged in finding solutions to environmental issues. We will respond sensitively to these kinds of international developments and place even more efforts into our initiatives. One major achievement of our CSR activities in Fiscal 2016 has been our response to human rights, which has become an issue of increased interest around the world. The Calsonic Kansei Group established a Human Rights Policy in April 2016, declaring our intention to respect international standards and protect basic human rights. As such, we are engaged in the respect of human rights not only of our own employees but also in our supply chain. In September 2016, we released a statement as required by the U.K. Modern Slavery Act that came into force in 2015. We will also engage proactively, through our business operations, in achieving the Sustainable Development Goals (SDGs). We will also encourage our employees to be involved and contribute to resolving social issues as a good corporate citizen.

Creation of social value and approaches to diversity

The Tokyo Olympic and Paralympic Games will take place in 2020. One of the key concepts of these Games is “Unity in Diversity.” As a corporate group with its global headquarters located in the host country of Japan, we will be even more proactive in our approaches to diversity. Specifically, in consideration of diversity, we will thoroughly cultivate our valued human resources in a way that will make the most of the individual characteristics of each and every one of our employees, and we will strengthen our business management to “grow together” with our employees. Diverse ideas spring forth from organizations whose members come from a wide range of backgrounds, including gender, age, birthplace, culture, faith, and beliefs, and it is from those ideas that innovation is born. In other words, fostering an organization with diversity is essential to the

Calsonic Kansei Group as it continues to take on the challenge of creating new value for society.

To become a group that can grow and prosper sustainably for 100 years and beyond

The Calsonic Kansei Group will mark the 80th anniversary of its foundation in 2018. For the Group to grow and prosper sustainably for the next 100 years and beyond, the pursuit of CSR activities will be imperative.

I hope that our stakeholders will watch over the Calsonic Kansei Group with anticipation of how it will proceed amidst such great changes. Turning those major changes into opportunities, we will continue to build up our initiatives within and outside the company, in the hope of drawing closer, step by step, to our goal of becoming a Great Company.

At the Calsonic Kansei Group, each and every employee will, as one team, enjoy the changes ahead and press forward in their daily work with even more confidence and pride than before.

* *Monozukuri* refers to the creation of value in all respects, through manufacturing fine products and providing excellent services in a timely manner to meet customers’ expectations.



Sustainable Development Goals (SDGs)

STAKEHOLDER ENGAGEMENT

Public-Private Cooperation Creating Innovations to Propel Saitama Prefecture

Kiyoshi Ueda, Governor of Saitama Prefecture, and Hiroshi Moriya, President and CEO of Calsonic Kansei Corporation, who have been pursuing a government-industry partnership, exchanged views about the significance of their business operations in Saitama and the concept of government-industry creation of innovation.



Kiyoshi Ueda

Governor of
Saitama Prefecture

Hiroshi Moriya

President and CEO,
Calsonic Kansei Corporation

Moriya: After a change in its major shareholder, Calsonic Kansei has embarked on a new course as an independent *Monozukuri* company, a manufacturer of automotive components and creator of innovation. Next year, 2018, we will mark the 80th anniversary of our foundation. It will also be ten years since we relocated our headquarters to Saitama Prefecture. Positioning these milestones as the company's "second foundation," we hope to give fresh thought to what we should do for society.

Governor Ueda: I am delighted that a leading company such as yours is located in our prefecture. Saitama Prefecture's increase in nominal GDP between 2003 and 2013 was second only to Aichi Prefecture. This momentum is the result of the efforts we have placed into attracting companies to the prefecture and into the support of industry. These companies are contributing to Saitama Prefecture's economy through the taxes paid by the companies in the prefecture and the consumer behavior of their employees.

Your company does businesses on a global scale, but what is your view of your relationship with the local community?

Moriya: We currently have 79 sites in 15 countries around the world, each of which has close relationships with its local community. Our R&D Center and corporate headquarters are located in Saitama City, our advanced electronic components plant is in Kodama-cho, Honjo City, and our Production Engineering Center and interior components plant is in Yoshimi-cho, Hiki-gun. The areas in which we are focusing our efforts in our CSR initiatives are contributions to the local community and the environment. We want to build good relationships with the local community and government, which are our important stakeholders in Saitama Prefecture, and become a model for our colleagues around the world.

Governor: The Prefectural Government has designated 563 sites in the prefecture that excel in technological capabilities and environmental approaches, including your Kodama and Yoshimi Plants, as Sai no Kuni (Land of Color and Splendor) Factories. We think it would be a good idea if these designated sites were to form some kind of group that could hold networking events and the like. What do you think?

Moriya: We would like to deepen our learning through collaboration with other companies.

Governor: I think there are many ways in which the public and private sectors can cooperate, creating a win-win situation for both sides. What are Calsonic Kansei's views on solutions to social issues?

Moriya: Firstly, we believe that it is important to create a sustainable society through our business operations. Calsonic Kansei is a creator of eco-friendly

products. Our sites in Saitama have obtained ISO14000 certification and are conducting appropriate environmental management. At corporate headquarters, we hold "environmental communication" meetings. Further, as a contribution to local residents, we have opened up our electric vehicle charging stations to the general public free of charge and installed groundwater filtering systems. This latter move is so we can provide drinking water to local residents in the event of a disaster. Also, as a global company, we are driving diversity through the recruitment of a diverse range of people, to realize a society in which everyone can work with vitality.

Tell me what your expectations are of companies in the prefecture.

Governor: I would like to see them hold more site tours. I would also like to see you promote your company's key technologies more.

Moriya: In particular, we want to convey the fun of *Monozukuri* to children, who will be responsible for the future. Since 2012, we have conducted a "Supporting What You Want to Do Project." This consists of traveling classrooms, in which our employees visit elementary schools to teach them about *Monozukuri*. Last year, we also held site tours for elementary schoolchildren and their caregivers.

Governor: The Prefectural Government is also engaged in initiatives for cooperation between the private and public sectors to cultivate the human resources of the next generation. In Fiscal 2017, we established the "Saitama Window to the world scholarship" named scholarship program, a Saitama fund for Active Global Talent for the active participation of global human resources, to assist people who want to study abroad. This program promptly received cooperation as the Calsonic Kansei Next Generation Scholarship, for which I thank you.

Moriya: Support for the next generation is a pillar of our social contribution initiatives. We also conduct a Saitama Prefecture Overseas Internship Program, in which university students from the prefecture are offered the opportunity to intern at our overseas sites. Our hope is to cultivate people from the prefecture who will contribute to future innovation and *Monozukuri*. We hope to collaborate further with the Prefectural Government going forward and to continue the steady progress of our social contribution initiatives.

Governor: I look forward to cooperation between the private and public sectors to boost Saitama Prefecture further.



2016 in Review

Our Initiatives Across the Globe

**Working toward the Realization of
a Sustainable Society on a Global Scale**

The Calsonic Kansei Group has 79 sites in 15 countries around the world. Our mission as a global company is to establish roots in the respective countries and communities and, through initiatives that take advantage of diverse perspectives and values, contribute to the sustainable growth of society. Currently, we are expanding our CSR initiatives, including in the areas of diversity and the environment, through collaboration between the individual sites and global headquarters, and a CSR mindset is being gradually fostered in each and every one of our employees.

Innovation and Management to Support Environmentally-Conscious Business Management on a Global Scale

As a front-runner in our industry, the Calsonic Kansei Group has continued to come up with one eco-friendly product after another. We also view the environment from a global perspective, and have actively encouraged our stakeholders, including our employees to think and act in a more environmentally-conscious manner. Some of our key people explain the Group's progress in these areas, as well as the outlook for solutions to environmental issues through our business operations into the future.



Satoshi Kimura

Senior Manager, Green Technology Development Group, Global Technology Division
Calsonic Kansei Corporation

Innovations for Better Energy Efficiency

As a control tower responsible for improving the energy efficiency of cars

I am responsible for advance development of energy management products to improve vehicle fuel efficiency in the Environmental Technology Development Group. Advance development refers to development that creates something where previously there was nothing. We develop leading-edge products that answer questions such as how far we can minimize the energy used by automobiles, how we can ensure comfort with limited energy, and how we can use renewable energies efficiently.

As a supplier of heat exchange products, climate-control products, and exhaust products, the products we supply to our customers, the automotive manufacturers, are connected with the release of energy by automobiles. In other words, we are a supplier and developer of products that control a large proportion of vehicles' energy. As a control tower that strives

to improve overall energy efficiency, we are able to contribute to the realization of a sustainable society.

Our EGR Cooler, a heat exchange product, is a good example of this kind of advance development. With the adoption of VG (Vortex Generator)-FIN® technology, which improves the heat-transfer coefficient, we were able to supply a product that raised the engine's combustion efficiency, offering better performance in a smaller, more lightweight form.

We have also participated in the NEDO* project, "Research and Development of Innovative Technologies for Using Unused Heat Energy." We began the development of a system that used waste heat to operate the air conditioning in 2013, and have reported on our progress every year.

Achievement of our target for the creation of eco-friendly products

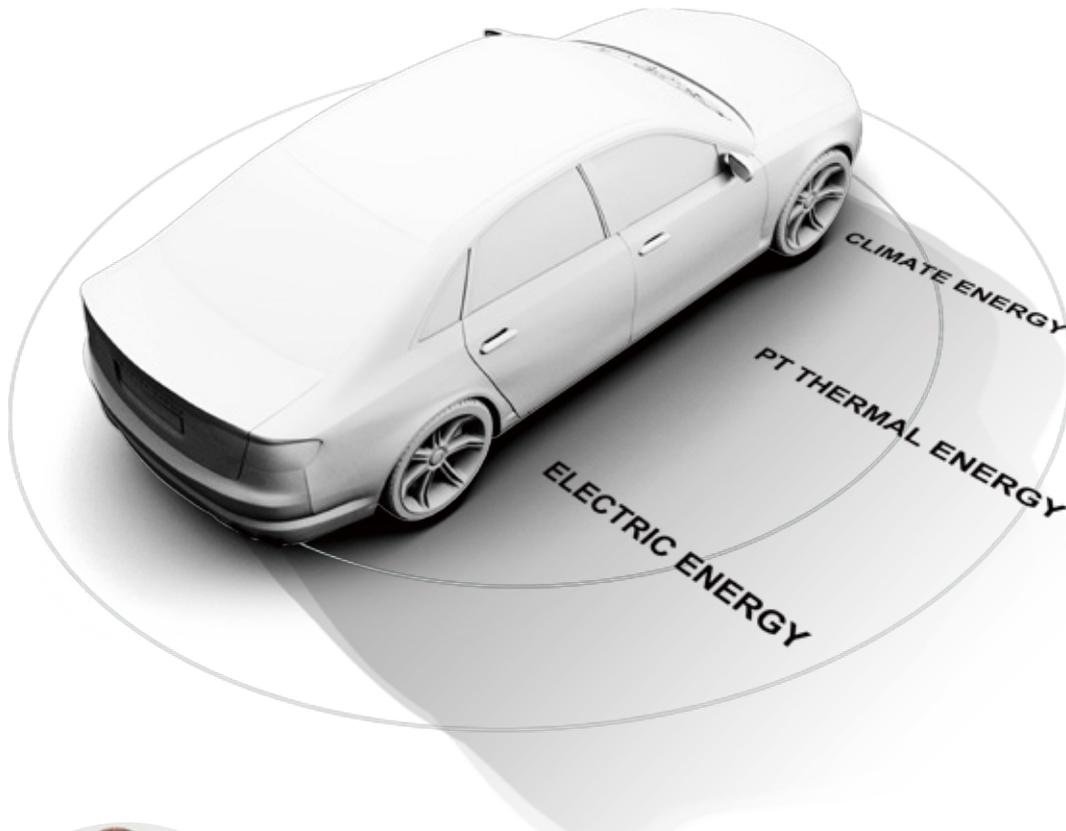
Our Mid-Term Management Plan, which ran until 2016, under the "Green" part of the 4 Gs, we had a target of creating ten world-leading eco-friendly products, and, through our

development activities, we succeeded in creating ten products as planned. Going forward, as the electrification of cars for the reduction of CO₂ emissions picks up pace, we will need to take a comprehensive view of the two forms of energy, heat and electricity, and manage them accordingly. We will set up a cross-functional team (CFT), spanning the departments that deal with these two forms of energy, to create products with even more appeal.

Creating new value with world-first products

Calsonic Kansei is currently in the midst of a major transition. For our company to grow as a systems supplier, we need to create further innovation. We will need to devote even more efforts to research and development and collaborate with a variety of companies, as well as forming industry-academia collaborations. You can look forward to us leveraging our proprietary technologies for the creation of new social value and sending world-first products out into the world.





Tadayoshi Tajima

Manager, Environment & Energy Control Group,
Global Production Division
Calsonic Kansei Corporation

Promoting Environmental Management on a Global Scale

Environmental Management that Supports Environmentally-Conscious Business Management

My role is to pursue environmental management on a global scale in the Calsonic Kansei Group, and to contribute to business management that is in harmony with the environment.

I would like to talk about three aspects of my work. The first is our global initiatives to prevent environmental incidents.

I check monitoring outcomes and, where there

are risks, provide advice before something happens, to nip environmental incidents in the bud at an early stage.

The second aspect is the job of transitioning to ISO14001:2015, which was revised in September 2015. Of our 33 global sites, three sites, including Global Headquarters, completed transition in Fiscal 2016, and the remaining 28 sites are scheduled to do so by the end of Fiscal 2017.

The third aspect is the promotion of environmental protection initiatives that use ISO14001 as a management tool. By communicating information that will encourage each and every one of our employees to take an interest in environmental activities and to be aware of their importance, I undertake initiatives designed to view individual operations from an environmental perspective.

Stepping up our activities in the hope of becoming a company that is given more credit for its social value

Conventionally, the indices for evaluating companies were financial figures, but in recent years, in addition to financials, the international community has come to place more importance on how companies are addressing criteria such as ESG (environmental, social, and governance) criteria, Sustainable Development Goals (SDGs),

and human rights. You could say we have entered an era in which companies are assessed on the degree of their contribution to society.

While continuing and expanding the initiatives that Calsonic Kansei has built up to date, I see it as our mission to step up our communications so that all of our employees can become more aware of the need for environmental initiatives. Of course, such environmental activities should not be confined to Japan. Our corporate philosophy is the realization of a sustainable society, and to achieve that goal, supporting the Paris Agreement and conducting activities that incorporate science-based targets (SBT) for emission reductions that are consistent with the "2°C target" will be an essential global initiative.

Responding to the requirements of the international community through environmental communication

Because environmental regulations vary from country to country and are becoming stricter every year, close communication is extremely important. For the Calsonic Kansei Group to become a company that will continue to meet the requirements of the international community, we hope to promote environmental communication even further.



[China Region]

Toward the Improvement of the Labor Environment and Protection of the Global Environment

China is a major power that has the world's second largest GDP*¹, a population of just over 1.3 billion*², and more than 16 million live births a year*³. To contribute to the realization of a sustainable society, the Calsonic Kansei Group pursues a range of CSR initiatives at its various sites in China, such as environmental conservation, improvement of the working environment, and diversity in employment.



Traffic safety education



Tree-planting activity



*1 *2: The China Statistical Yearbook-2016 on the National Bureau of Statistics of China Website

*3: News release (2016 Statistics Communiqué) of February 28, 2016 on the National Bureau of Statistics of China website



Earth Day participants

Calsonic Kansei (Guangzhou) Corporation Dalian Branch

Building for a Safe Working Environment

Aiming for zero accidents through traffic safety education

Calsonic Kansei (Guangzhou) (CKGH) is conducting a campaign with the aim of an annual accident rate of zero, to raise awareness of traffic safety among its employees. In November 2016, the company organized a training seminar by police officers from the Huadu District Traffic Department. The instructors thoroughly impressed on the participants the following three points: (1) prevention of pedestrian and bicycle accidents while commuting to and from work; (2) correct wearing of seatbelts in both front and back seats when traveling in a passenger vehicle, and; (3) the eradication of drink-driving. After the police officers' traffic safety lecture, the employees enthusiastically participated in other activities, including talking about their own experiences, which helped to raise their awareness of traffic safety.

Thorough implementation of fire prevention measures, including fire drills

CKC conducted a fire drill in November 2016. Employees practiced evacuating via the emergency staircases, and confirmed what they should do in the event of a fire.

A safety and fire prevention seminar was also held as part of the company's fire-fighting initiatives. Employees listened to a lecture by an instructor, toured the facilities, learned about the history of fire-fighting in Shanghai by watching a 3D video, and learned how to use the various fire-fighting equipment and how to evacuate.

Through these kinds of activities, we are endeavoring to make employees more conscious of fire prevention and to become more capable of responding calmly in the event of a fire.

Creating a beautiful local environment

Employees uniting as one to actively pursue initiatives

To contribute to the realization of a sustainable society, growing our business together with society is essential. To achieve this, we are undertaking a variety of global environmental initiatives, such as the efficient use of energy, roads and park clean-up drives, and forest maintenance.

In China, March 12 is designated "Tree-planting Day." On Tree-planting Day in 2017, managers from the various departments of Calsonic Kansei (Guangzhou), including accounts, human resources, finance, general affairs, and production, gathered to plant a total of six trees, such as sweet osmanthus, moutan peony, and camphor trees, around the plant gate and in front of the cafeteria. These trees have been imbued with the intentions of encouraging employees to "develop a mindset of nurturing nature," and to "grow together with trees we have planted."

On Earth Day on April 22 every year, Calsonic Kansei (Guangzhou) Corporation Dalian Branch encourages employees to express their appreciation for the Earth, for the protection of the beautiful environment. The theme for Fiscal 2016 was "environmentally friendly commuting to reduce CO₂ emissions." On that day, employees who usually drive their own car to work commuted by bus, bicycle, or on foot.

Expansion of initiatives through stronger global collaboration

Our sites in China have only just begun engaging in CSR initiatives, but by collaborating with Global Headquarters and each other, they will work to strengthen their initiatives further.



[Europe Region]

Further Respect for Basic Human Rights Prompted by the Modern Slavery Act

The United Kingdom is one country that is proactively engaged in the human rights area, such as passing the Modern Slavery Act to combat the increasingly serious problem of modern slavery around the world. The Calsonic Kansei Group, which has its headquarters for the Europe region in the U.K., is also striving to respect basic human rights in accordance with international standards.





Karen Myring

Section Leader
Corporate Office
Calsonic Kansei Europe plc.

For the Protection of Human Rights, Including Our Supply Chain

What is the UK Modern Slavery Act?

The UK government passed the Modern Slavery Act in March 2015. The Act includes a "Transparency in Supply Chain Provision," which requires organizations with a business or part of a business in the UK with a turnover of £36m (approx. ¥5.04 billion)*¹ or more to publish an annual Modern Slavery Statement on their website, addressing slavery and human trafficking, that encompasses not only the organization itself but also its supply chain.

A serious problem caused by globalization

Modern slavery has become a serious problem on a global scale, with international human rights organization, Walk Free Foundation, estimating that there are some 45.8 million people*² in modern slavery*³ throughout the world. With the globalization of supply chains, corporations are being called on to take responsibility not only for what happens in their own company, but for the entire supply chain associated with their products.

Development of human rights policy that also encompasses supply chain

Prompted by this situation, the Calsonic Kansei Group began development of our own global human rights policy, which was formally established on April 1, 2016. The policy declares that the Group's employees, as well as our supply chain, will respect international standards and strive to protect basic human rights.

In accordance with the Modern Slavery Act, Calsonic Kansei Europe (CKEU), the Group's U.K. subsidiary, collaborated with Global Headquarters (GHQ) and the relevant subsidiaries to publish an annual statement in September.

Identifying existing initiatives and necessary actions

Our first task was to conduct research into the best industry practice. We studied a wide range of materials including government papers, NGO guidance and benchmark studies into the CSR and Sustainability practices of major automotive manufacturers and suppliers.

Using the results of our research, we prepared a detailed questionnaire containing almost 100 indicators of good/poor internal controls, policies, procedures or practices. This

questionnaire was circulated to CKEU and GHQ departments on the basis that our statement needed to cover our entire supply chain. The subsequent replies allowed us to understand where we already had good procedures, where we had room for improvement, and where we need to implement new measures.

Our activity identified many controls already in place to ensure that modern slavery practices do not occur within our own business, including employment contracts and our Code of Conduct.

Within our supply chain we could also identify some good practices with our 2nd tier suppliers, such as site visits to observe supplier conditions and contractual obligations included in their supply contracts.

A special feature article on the issue appeared in the CKEU Newsletter, and we are conducting a range of activities to educate people within the company.

To Fulfill Our Global Responsibilities

Our activity identified that there is still room for improvement, especially in the area of our supply chain. Improvement ideas have been developed and have been included in the statement. Going forward, we will expand our initiatives on a global scale beyond the U.K. to prevent forced labor, human trafficking and illegal child labor. Specifically, we plan to conduct due diligence*⁴ of our supply chain, distribute Supplier CSR Guidelines seeking our suppliers' cooperation in CSR endeavors, and conduct educational programs to promote understanding within the company.

*1: Calculated at £1 ≈ ¥140

*2: Modern slavery: Defined as a person who is working in conditions that he or she is unable to refuse or escape from, such as human trafficking, forced labor, debt bondage, forced or servile marriage, forced sexual exploitation, and child exploitation.

*3: Modern Slavery Index 2016, published by international human rights organization, Walk Free Foundation

*4: Due diligence: Identify the negative social, environmental, and economic impacts of an organization's decisions and activities, and avoid or mitigate those impacts.

[Americas Region]

Taking Pride in our Efforts to Contribute to the Community and Help Our Employees Live Better Lives

In the Americas Region, we promote programs that will enable our employees to live better lives both at work and in private, and to participate in community events with the pride that they belong to a company with firm roots in the local community.



Habitat for Humanity event



Health and Safety Fair





Shawn Ryan

Design Engineering Manager
Technical Resource Management
Calsonic Kansei North America, Inc.

Building homes, communities, and hope

Benefiting the local community

In Fiscal 2016, Calsonic Kansei North America Technical Center (CKNA MI) participated in several Habitat for Humanity* events to benefit the local community of Metro Detroit.

Civic pride and social responsibility

The DE Management team kicked off these events by working together on a future home for a local family. Several of the DE groups did smaller scale projects that promoted a sense of team building. The final project was a group of DE team members from different communities coming together to support the Rock the Block community event. The aim of this event is to revitalize the region and benefit families, individuals, and veterans in need.

CKNA MI has shown a strong sense of civic pride and social responsibility through its participation in these events, and we hope to continue to support this cause in the future.

* An international non-governmental organization that addresses housing problems in more than 70 countries throughout the world, with the vision of "a world where everyone has a safe and decent place to live."



Kim Concialdi

Generalist
Human Resources
Calsonic Kansei North America, Inc.

Caring for the health and safety of our employees at the Health and Safety Fair

An opportunity to learn and think about safety

The Health and Safety Fair has been in existence for several years. It is an opportunity to educate employees on the various benefits we have, and allows departments that deal with matters such as health, legal affairs and retirement issues to interact with employees directly. There is also a safety aspect in which representatives from the Fire Department, Police Department, and water safety organizations provide information on car, house and personal safety.

Health and safety advice from outside experts

In Fiscal 2016, during the month of June, the CKNA Benefits and Safety teams combined efforts to host the annual Health and Safety fairs for all locations.

Insurance representatives, local law enforcement and emergency services, and healthcare providers came onsite to answer team members' questions and to promote awareness on healthy lifestyle choices and safety efforts outside of work.

Overall, the events were a success and reached over 1,200 team members!



Manufacturing Leadership Development Program Generation II

Calsonic Kansei North America, Inc.

Leadership Training to Encourage Further Growth

Participants say it helped them see the bigger picture

CKNA began its Manufacturing Leadership Development Program (MLDP) in Fiscal 2015, with 12 "Generation I" members participating in the inaugural program.

The MLDP is a 3-month training program that provides all Hourly team members with the opportunity to develop leadership skills that will enable them to promote up into various positions and across all functions at CK. Participants are recommended for the program by their team leader, supervisor, or manager. Training includes a 4-week site management module, 1-week QSES*1 module, 1-week NPL, PC, In-House Cost, and human resources modules. Team members also complete 6-weeks of Job Shadowing*2 with production supervisors at the various Tennessee locations. In Fiscal 2016, 11 team members graduated from Generation II of the MLDP program. Each team member shared how this training has helped them understand their own jobs better and to see the bigger picture of the business.

To help every single member continue to grow

CKNA will continue to support our members into the future so that they grow not just at work but in their private lives as well.

*1: Quality System Evaluation Standard: Calsonic Kansei's proprietary quality system evaluation standard

*2: Accompanying the supervisor on his or her operations and learning how to do the job.

[Asia Region]

Contributing to Local Communities Through the Promotion of Diversity and Environmental Initiatives

Thailand is one of our major production sites in the Asia Region. We are benefitting the local community by creating equal employment opportunities through the promotion of diversity, and through environmental activities such as recycling and tree-planting.



Tree-planting



Team members donating pull-tabs to the Foundation of People with Disability International





Chalavalai Wutthikornkriengkrai

Vice President
Organization Promotion Division
Calsonic Kansei (Thailand) Co., Ltd.

Equal Employment Opportunities by Hiring People with Disabilities

Harsh employment situation for people with disabilities*

In Thailand, the Disabled Persons Promotion and Development Life Quality Act came into force on September 18, 2007, resulting in the further promotion of employment of people with disabilities. There are an estimated 1.74 million people with disabilities in Thailand, about half of whom have a physical disability, followed by the hearing impaired and sight impaired. Approximately 250,000 people with disabilities are in the workforce, about 85% of whom work as informal workers or are self-employed in agriculture and other areas. In contrast, only 6.3% work for private-sector companies, and government agencies hire only about 1.5% of people with disabilities.

Providing equal employment opportunities and an environment for making the most of one's abilities

Calsonic Kansei Thailand (CKT) embraces diversity, and as part of this, actively hires people with disabilities. There are currently 15 people with disabilities working at CKT, with equal rights and opportunities to other employees. They are assigned to different functions in all of our plants. To provide an environment in which they can keep working for a long time, we conduct training of supervisors and other initiatives to determine how best to support them. In June 2016, the National Commission for Promotion and Development of Disabled Persons Life Quality visited CKT to observe how our employees with disabilities were faring. CKT will continue to promote diversity going forward, and will strive to ensure that all of its employees can work with vitality and enthusiasm.

* Employment of People with Disabilities in Thailand from the Japanese Embassy in Thailand website



I am hearing impaired, but I am able to communicate by reading lips and with sign language. I have many friends around me who support me. At CKT, I am able to do a very rewarding job, work with wonderful colleagues, and earn an income. I am truly happy to be able to work at CKT as a valuable member of the company and society.

Taksapon Pannaraj



Employees Representative Group

Calsonic Kansei (Thailand) Co., Ltd.

All employees united to engage in social contribution and environmental conservation

Recycling to help make prosthetic limbs more affordable

With nearly 2,000 employees, the CKT workplace generates a large volume of recyclable waste such as cans every day. This waste is usually sold to recycling operators as scrap, but we decided that we could put the pull-tab rings to good use to help those in need.

These recycled pull-tab rings are used to make prosthetic limbs. Due to the high cost of new materials used to make prosthetic limbs, they are hard for the less economically well-off to afford. Our donation of pull-tab rings has made it possible to manufacture prosthetic limbs in Thailand, without the need to import them.

Protecting the environment through tree-planting.

In December 2015, CKT President, along with representatives of the CKT staff, conducted a tree-planting ceremony in honor of the 88th birthday of His Majesty King Bhumibol Maharaj. This was a joint initiative with companies in the Amata Nakorn Industrial Estate, where CKT's plant is located. 3,000 trees have been planted in the area around the new road linking Bangkok and Chonburi Province, contributing to the mitigation of environmental issues.



2016 in Review Highlights

Highlights of Initiatives in Fiscal 2016

In light of the social issues facing the globe, the Calsonic Kansei Group has identified key CSR issues in line with ISO26000's "7 core subjects," and is pursuing a wide range of initiatives with the aim of resolving those issues. We were able to achieve many things in Fiscal 2016, including the establishment of our human rights policy and the development of eco-friendly products.

Sustainability Management Policy

As a member of the global society, the Calsonic Kansei Group believes it must fulfill the trust and expectations of all of our stakeholders, including our customers and business partners, and must move forward and develop together with them. Under the awareness of this requirement, the Calsonic Kansei Group has set a "Corporate Vision" that describes the ideal state we aspire to, a "Mission Statement," and "Values: the CK WAY" (action guidelines), which our employees must possess in order to achieve the Corporate Vision, and is engaged in business management based on social ethics.



Corporate Vision

A global automotive company, inspired to be world-leading in innovation and monozukuri while contributing to a sustainable society

Mission Statement

Global

We create the strongest worldwide automotive supplier brand by cohesively blending our diverse cultures into one dynamically agile team.

Inspired

We persistently invest in the CK core values, generating pride, passion, and loyalty in all of our team members.

World Leading Innovation

We harness creativity and a *monozukuri* spirit from our team members to be first-to-market with high quality products and processes for our customers.

Sustainable Society

We are committed to being a socially responsible corporate citizen that brings value to our shareholders, communities, and team members.

Values: the CK WAY (Action Guidelines)

Individual

1. Challenge
2. Independence
3. Learning

Team

1. Cross Function / Cross Region
2. People Oriented
3. Diversity
4. Transparency

Task

1. Fact-Driven
2. Continuous
3. Commitment & Target



CSR Policy

Responsibilities to Stakeholders and Society

Calsonic Kansei's CSR Policy outlines the responsibilities and policies Calsonic Kansei promises to fulfil for its stakeholders, with a view to achieving its "Corporate Vision." Based on this policy, each employee contributes to the achievement of a sustainable society by conducting their daily operations with an awareness of social responsibilities and with well-balanced business management based on environmental, social, and economic aspects.

Responsibilities to Customers

We aim to be the most trusted parts supplier by responding to the diversified needs and expectations of society and providing high-quality products and services that satisfy our customers.

Responsibilities to Business Partners

We will collaborate with our business partners, who provide us with components and services, as equals, and aim to create mutual improvement and sustainable growth through fair and ethical business practices.

Responsibilities to Employees

We respect the diversity and value of each employee and provide opportunities for them to develop talents that contribute to the company and to society, as well as securing a healthy and safe workplace environment. With this approach, we will create a company in which every employee can enjoy a rich life of hope, passion, and pride.

Responsibilities to Employees' Health and Safety

Based on the basic principle "the Health and Safety of employees takes precedence over all," we are committed to creating the safest and most appropriate workplace in the auto-parts industry through the participation of all employees.

Responsibilities to Shareholders

We aim to improve our profitability by continuously developing competitive products, and at the same time, we aim to enhance the company's corporate value by conducting fair business trade and with proactive information disclosure in order to return the generated benefits to our shareholders.

Responsibilities to Society

Monozukuri

We will contribute to the automotive society through our products by focusing on three key technologies: Environment, Safety and Comfort

Environment: Technologies for developing eco-friendly-vehicles

Safety: Technologies for creating automotive society without car accidents

Comfort: Technologies for developing vehicles which drivers can drive with comfort

Environment

We will contribute to creating an enriched society by each employee always being aware of the importance of nature and putting effort into conserving the environment through intellectual innovation gained from the integration of new technologies.

Participation in Social Activities / Social Contributions

We will contribute to the sustainable development of society as good corporate citizens by proactively participating in social activities of local communities through our business activities.



[Organizational Governance]

Establishing the Foundations for Responsible Management

The Calsonic Kansei Group believes it is vital to contribute to creating a prosperous society through our business activities and to have excellent relationships with all of our stakeholders. To remain a trusted company in society, we have established corporate governance policies with a strong focus on CSR. With a commitment to law-abiding and ethical management, we are enhancing risk management and building systems able to achieve stable product supply in emergency situations.

Highlights of Initiatives in Fiscal 2016

» CK

Corporate Governance System

Calsonic Kansei is a company with a board of company auditors, and has established a corporate governance system that centers on the Board of Directors, the company auditors, and the board of company auditors.

Calsonic Kansei complies with the Corporate Governance Code that came into force on June 1, 2015 and with its various principles. We also strive to provide timely and appropriate disclosure of information through our corporate governance reports and sustainability reports.

Two of the five directors are external directors. They bring diverse perspectives to the management of the company's business, and enhance the mutual monitoring functions of the directors. The company auditors audit the directors' execution of their duties with strict impartiality from an expert viewpoint, and with two of the four company auditors coming from outside the company, we are able to ensure that our audits are conducted from a more independent standpoint. In this way, we are striving to strengthen our auditing functions.

» Global

BCP Preparation

At the Calsonic Kansei Group, we have established Disaster Management Regulations, to serve as our business continuity plan (BCP) in preparation for disasters such as earthquakes and typhoons. We have also developed the Company-Wide Disaster Prevention Manual as a guide for action to be taken by employees, based on these regulations.

In the event of a disaster with the potential to disrupt production continuity within the Group, a Central Disaster Task Force will be set up at Group Headquarters.

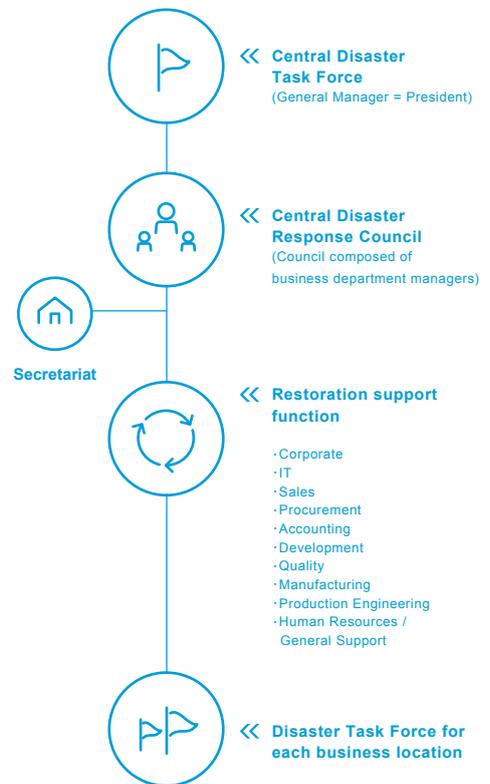
To date, this Central Disaster Task Force has come into action on two occasions—the Great East Japan Earthquake and the major flooding in Thailand. In these cases it managed to secure the safety of employees and achieve rapid recovery of production.

Furthermore, in preparation for large-scale major earthquakes, we have installed emergency earthquake warning systems in the Group's business locations in Japan, as well as emergency power generators in manufacturing locations where there is the possibility of fire, so that fire-fighting action can be taken at any time.

Additionally, at the Calsonic Kansei R&D Center and Headquarters, the main building has systems in place to enable it to serve as a temporary shelter for people who are unable to return home following a disaster.



Disaster Prevention System



MY CSR

Calsonic Kansei Group employees tell us about CSR activities they are carrying out personally, either at the company or outside, and their personal CSR motto



(From left) Dong Jia Min, Chen Xi, Huan BinBin

To support the health, lifestyles, and education of children who are the bearers of the future, on February 28, 2017, we made a donation to the China Children and Teenagers' Fund, a fund that assists socially vulnerable children.



[Human Rights]

Fostering a Corporate Culture of Respect for Human Rights

In the Calsonic Kansei Code of Conduct, the Calsonic Kansei Group clearly states that it respects diversity and human rights.

We established the Basic Policy for Human Rights and the Human Rights Priority Policy. Through these concrete policies, we are thoroughly promoting human rights and labor considerations among employees, and accelerating Group-wide actions that will encourage more respect for human rights in the supply chain.

Highlights of Initiatives in Fiscal 2016

» Global

Establishment of human rights policy in support of international standards

In April 2016, the Calsonic Kansei Group established a Basic Policy for Human Rights and Human Rights Priority Policy. In consideration of the increasingly globalized nature of our business, we support international standards regarding human rights, including the UN Universal Declaration of Human Rights, UN Guiding Principles on Business and Human Rights, UN Global Compact, and ILO Declaration on Fundamental Principles and Rights at Work. We are educating and training all of our employees throughout the entire Group to thoroughly adhere to the Group's human rights policies so we can do our work with respect for human rights and culture in the various countries and regions in which we operate.

» Global

Towards Solutions for Global Challenges

In accordance with the Modern Slavery Act established in the United Kingdom in March 2015, Calsonic Kansei Europe published its annual statement for Fiscal 2015 (April 2015 – March 2016) on its website on September 30, 2016.

Going forward, we will expand our initiatives to prevent forced labor, human trafficking, illegal child labor and other forms of modern slavery on a global scale beyond the U.K., and we will continue to ensure that our responsibilities are met across the entire supply chain.

>> See Pages 12-13 for details.

» Global

Encouraging more respect for human rights



Company CSR Newsletter



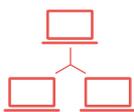
Company Newsletter



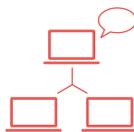
CSR in-house e-learning
(Printed learning materials distributed to e-employees without Internet access)



Posters displayed in company workplaces



Intranet notices about Human Rights Week



Message from the corporate officer responsible for human resources posted on the Intranet during Human Rights Week



In-house training for purchasing departments *



New employee induction training (approximately 120 trainees) *

*CK only

» Global

Human rights due diligence of supply chain

In 2016, we conducted a human rights due diligence trial in the form of a questionnaire survey of nine major suppliers, and received responses from eight of those companies. We will use the comments and results of the trial to develop and conduct a full-scale questionnaire survey in Fiscal 2017.



Human Rights Due Diligence Questionnaire Survey

8 companies responded

out of 9 companies,



Mal Hughes

I arranged a day where 23 ex-employees who had given long service and after several years of retirement were welcomed back to the Llanelli Plant (CKLL). We reviewed the plant history and future plans, and they were given a presentation on the changes. It was very successful and improved the morale of current and past employees.



Sangchan Thammanok

I love seeing smiles on children's faces and I often go to visit children of the "Thai hill tribes" in the mountains. Sharing and giving mean so much to me. Though I am just a single member of society, I dream big and will continue to do what I can to help them.

[Labor Practices]

Creating an Organization that Values Individuality and Diversity



In order to create a workplace where all employees are able to work with vitality, the Calsonic Kansei Group has established the “CK WAY” (common action guidelines) for all employees, and the CK Leadership Competencies (CKLC), which forms the foundations for the actions of management-level staff. These two guidelines define the values to be shared and put into practice in workplaces across the entire Group. As for career development, we recognize the importance of capitalizing on the abilities and diversity of all our employees, and therefore strive to enhance both our evaluation systems and our human resource development systems. We also encourage a positive work-life balance to support the diverse lifestyles of our employees.

Highlights of Initiatives in Fiscal 2016

» Japan

Fair conditions and evaluation that capitalizes on individual abilities and diversity

The Calsonic Kansei Group and its Group companies in Japan carry out a competency evaluation, centering on the CK WAY and CKLC. The evaluation is linked to annual salary and base pay, as well as to individual performance evaluation, which is linked to incentive pay. There is no difference in base pay or total compensation between male and female employees of the same labor rank.

Competency evaluation is held once a year, while the individual performance evaluation is held twice a year, in the form of interviews between an employee and their supervisor. During these meetings, evaluation feedback is provided and individual career development is also discussed.



» Global

Human resources development that extends individual capabilities

The Calsonic Kansei Group believes that human resources are vital above all else for achieving sustainable growth, and is committed to human resource development, with an emphasis on “*monozukuri*” and “global.”



Introduction of the Skills Meister System (CK only)

With five new Skills Meisters certified at a meeting of the Meister Certification Committee held in April 2016, we now have ten Meisters playing an active role in the company.



Monozukuri Human Resources Development

In order to further improve *monozukuri* capabilities strengthened through global competition and roll these capabilities out on a global level, we conduct training for the acquisition of knowledge and skills in a planned manner, including the Calsonic Kansei Production System (CKPS) training, which is the foundation for *monozukuri* at Calsonic Kansei, and various specialized technology training programs.

We have also introduced a Skills Meister System to clarify the skills required for *Monozukuri*.

Global Human Resources Development

For the purpose of developing the next generation of global business leaders, each year we conduct group training in English (Global Business Leader Training: GBLT) for leader candidates from each country and region, including Japan.

We also conduct Global Plant Manager Training for current plant managers and plant manager candidates from each region, to develop global *Monozukuri* human resources.



 **Cristina Ghita**

The hiring of minorities is encouraged in our workplace. This is why we have colleagues who are from the Romani minority. They are great people to work with!



 **Elvira Gallardo**

To introduce our culture, I wrote two articles about Catalan traditions for the CK Europe Newsletter. One was about our traditions regarding Christmas presents, and the other one was about La Diada de Sant Jordi, which is the feast day for the patron saint of Catalonia. On that day, Catalans exchange books and roses in the name of love.

» Global

Promotion of diversity

Employees with a range of diverse values create new innovations through healthy conflict, which leads to the growth of the company and individuals. The Calsonic Kansei Group considers the promotion of diversity to be one of the most important management strategies of the entire Group.

» Japan

A company where women can shine

Calsonic Kansei aims to create workplaces and ways of working that will enable women in various life stages, such as childbirth and raising children, to maximize their potential. Accordingly, we listen to our employees' voices through employee opinion surveys and through the Working Style Improvement Committee and Diversity Promotion Team, incorporating the results of such activities into various initiatives. Furthermore, we have set the goal of at least doubling the number of female managers from the current level (15 as of the end of March 2016) by the end of March 2021. This is part of the General Employer Action Plan that we were required to create under the Act to Advance Women's Success in their Working Life.

» CK

Improving company infrastructure based on employee feedback

In February 2017, work was completed to convert the security doors between the common-use areas and office areas on each floor of the headquarters building from manual to automatic. This was done to improve accessibility, in response to feedback from wheelchair-bound employees who found it difficult to pass through the manual door. In October 2016, in response to requests from employees, one of the conference rooms in the headquarters building was made into a prayer room. Rules for operating this room have been established so that its use is not confined to any one particular religion.

» CK

Employee Data

	2014	2015	2016
Employee Data	3,622	3,643	3,741
Number of regular employees	3,346	3,352	3,419
Male	276	291	322
Average age (years)	44.2	44.4	44.2
Length of continuous employment (years)	19.6	19.4	18.3
Turnover rate (%)	1.2	1.0	1.3
Average yearly salary (yen)	6,055,373	6,237,718	6,394,249
Rate of employment of people with disabilities (%)	1.85	1.93	2.07
Number of employees taking nursing care leave	15	13	14
Number of employees taking childcare leave	2	0	1



» Japan

Encouraging a good work-life balance

Calsonic Kansei and its group companies in Japan have put systems in place to support the different lifestyles of our employees, which are becoming increasingly diverse every year as the structure of society changes. The systems we have put in place under the Act on Advancement of Measures to Support Raising Next-Generation Children exceed the standard required by the legislation.

Childbirth



Pre- and post-birth maternity leave

Expectant mothers are entitled to 6 weeks' maternity leave or, in the case of multiple pregnancy, 14 weeks, dating back from the due date, and to 8 weeks' leave counted from the day after the child is born.



Measures for health examinations, etc.

On request, pregnant women and new mothers may be excused from work for the time required to receive health guidance or undergo health examinations during pregnancy and up to one year after the child's birth.

Nursing Care



Nursing Care Leave Scheme

Employees with less than one year's service may also take nursing care leave (under the legislation, employers may exempt employees of less than one year from such leave).



Flexitime Scheme

A flexitime scheme has been introduced that has no core time requirements, with the exception that employees work at least one hour between 8:30 a.m. and 5:30 p.m.

Child Care



Child Care Leave

Employees may take child care leave up to the April after the child turns two years of age (the legislative requirement is for up to eighteen months of age).



Regular Consultation Scheme

Consultations are set up for employees on child care leave to make it easy for them to return to work.



Shorter working hours to care for children

Employees may work shorter hours until the child graduates from elementary school (the legislative requirement is for up to third grade).



Leave to accompany spouse being posted overseas

Employees accompanying their spouse on an overseas posting, and who wish to remain with the company, may take up to three years' leave of absence while their spouse is posted overseas.



Kanapod Panyasiriboon

Opportunity and our own current circumstances permitting, there is so much we can do to fulfill our responsibility to society. Being a giver warms my heart. I find joy in all kinds of activity for society's benefit, such as building toilets for a better sanitary environment, and finding foster homes for animals in shelters.



Ian Hodgson

The company supports Work Discovery Week for local schools in the area. 1,500 teenagers are given the opportunity to participate in workshops, practical demonstrations, careers fairs and much more. This is followed up by visits to CK sites.

[The Environment]

Approaches to the Environment



The Calsonic Kansei Group has developed an Environmental Policy in order to establish fundamental principles for all Group activities. Under this policy, we are striving to protect the global environment, a common challenge for all humankind.

By working to reduce the environmental burden through all stages of our corporate activities and developing eco-friendly products, the Group seeks to be a company trusted by society, customers, and all other stakeholders, and to achieve sustainable development of the company and society going forward. We will also make active contributions to new global approaches to the environment, such as the Paris Agreement.

Highlights of Initiatives in Fiscal 2016

» Global

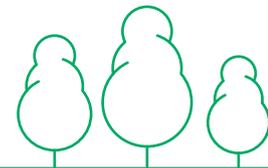
Create 10 types of world-leading eco-friendly products

10 PRODUCTS

In our six-year Mid-Term Management Plan, CK GX4 T10, which covered fiscal years 2011 to 2016, we declared “Green” as one of the keys to our growth strategy, and aimed to create at least ten types of next-generation environmental technologies or products that would lead the world. By the end of Fiscal 2016, we had commercialized ten such products, thus achieving our target.

For example, we improved operating fuel efficiency and reduced CO₂ emissions with our High-Performance Built-in Oil Cooler/Warmers, and with our Brushless Motor for Motor Fans, we contributed to energy conservation by optimizing cooling performance through effective control of revolutions. Going forward, we will continue our endeavors to create world-leading products.

State of Implementation of the “Green” elements of the Mid-Term Management Plan



EGR Cooler

- Injection Molding Skin for Instrument Panel
- Soft-Feel, Hard-Installment Panel



Target

2 products

Achievement

3 products

Brushless Motor for Motor Fans

- Water-Based Painting for Instrument Panel
- CR Compressor
- Blower Motor for Battery Cooling



Target

5 products

Achievement

4 products

High-Performance Built-in Oil Cooler/Warmer

- Vacuum-Formed Stitched Skin for Instrument Panel
- 3D-Sewn Skin for Instrument Panel



Target

3 products

Achievement

3 products



Weera Baimo

If we try to live for ourselves, we live only day to day. If we try to live for others, even if we are not in their world, what we have done for others will live on in those who need it.



Yuuko Nakagawa

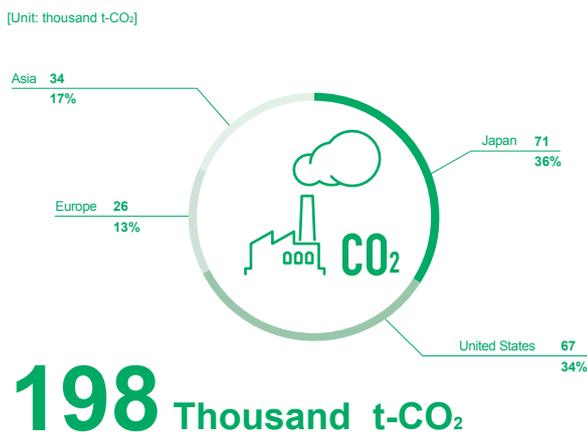
I was interested in volunteer work, so I am taking part in volunteer activities for the reconstruction after the Great East Japan Earthquake.

» Japan Overseas

Approaches to climate change

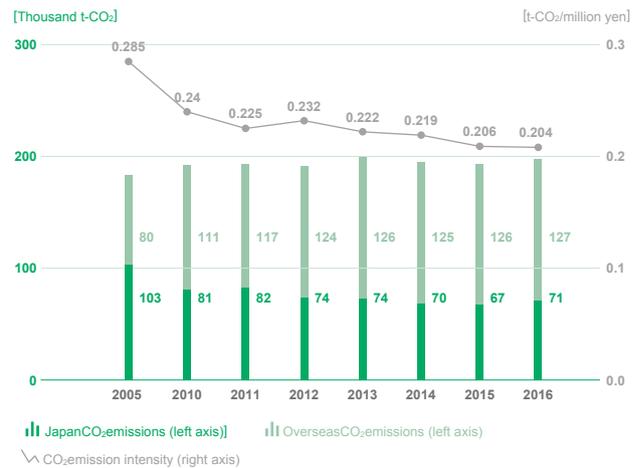
The Calsonic Kansei Group is engaged in carbon-minimum trend endeavors (activities to reduce environmental loads) with the hope of achieving a low-carbon society. In line with the Fiscal 2011-2016 Mid-Term Management Plan, CK GX4 T10, we established the Calsonic Kansei Green Program 2016, which set out our Fiscal 2016 targets and annual milestones, and worked towards those goals.

Calsonic Kansei Group CO₂ emissions by region



Continuing on from the previous year, our Japan operation rolled out a special energy-saving campaign, with all of our locations participating. Areas for improvement were identified and case studies shared, leading to improvements. Overseas, we conducted energy conservation diagnoses to identify issues, shared case studies, and pursued improvement initiatives.

Transition of Calsonic Kansei Group's CO₂ emissions and emission intensity



» Japan Overseas

Recognition by CDP



CDP is an international non-profit organization that calls on companies and municipalities around the world to disclose their environmental performance data. These disclosures are analyzed and evaluated for the use of institutional investors and the world's policy decision-makers. The CDP Climate Change Report 2016, a survey on climate change initiatives, gave the Calsonic Kansei Group an A- (Leadership) score, up from the D we received in 2015.

» Japan Overseas

Promoting Resource Recycling and 3R (Reduce, Reuse, Recycle)

The Calsonic Kansei Green Program places emphasis on resources recycling in our 3R initiatives, and we are engaging in the reduction of waste and zero landfill.

Waste Intensity [Waste / Sales revenue]	Zero landfill [Landfill volumes / Waste volumes]	Water Use Intensity [Usage volume / Sales revenue]
Japan -26.1 % Fiscal 2016 target: 18.1% reduction [Compared to Fiscal 2005]	Japan 0 % Target continuously achieved since Fiscal 2006	Japan -19.7 % Fiscal 2016 target: 21.4% reduction [Compared to Fiscal 2009]
Overseas -18.8 % Fiscal 2016 target: 6.0% reduction [Compared to Fiscal 2010]	Overseas 0 % Fiscal 2016 target: Maintain zero landfill	Overseas -2.6 % Fiscal 2016 target: 4.0% reduction [Compared to Fiscal 2010]



Shauna Wilkinson

I recently supported an Easter Egg donation collection with a recruitment agency. Our aim was to collect as many eggs as possible for The Great North Children's Hospital (GNCH) in Newcastle. It is one of only 14 major children's medical centers in the U.K. We have several black bags full of all different kinds of eggs!



Masaru Hashiba

I have been a member of my local volunteer fire brigade in the city of Kitakami in Iwate Prefecture for about 30 years, where I have been working to enhance and strengthen the local community's fire-fighting and disaster-prevention capabilities. There are ten members of the brigade in the company, which is contributing to the local community as a Kitakami City designated fire-fighting cooperation workplace.



[Fair Operating Practices]

Adhering to Standards of Ethical Conduct

The Calsonic Kansei Group recognizes the importance of all employees practicing compliance, based on a strong sense of ethics, in order to facilitate business activities. In 2003, we established the Calsonic Kansei Global Code of Conduct and took the opportunity to conduct education and awareness activities in order to strengthen our global compliance structure. In recent years, we have been enhancing communication with our business partners and driving initiatives across the entire supply chain.

Highlights of Initiatives in Fiscal 2016

» Global

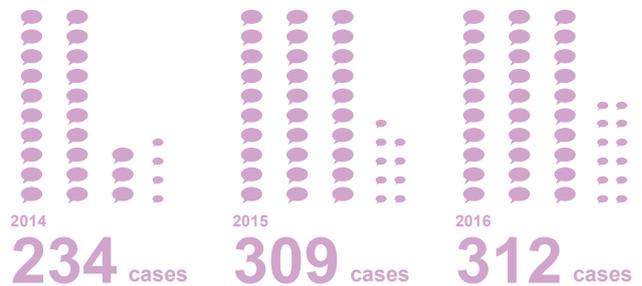
Building a stronger compliance mindset

To build a stronger mindset among our employees, the Calsonic Kansei Group conducts Code of Conduct training every year, and collects pledges from the participants. The rate of recovery of pledges in Fiscal 2016 was 100% both in Japan and overseas. In response to the global risks of anti-trust and anti-bribery laws, we have developed basic policies and rules for Global, Japan, and our overseas sites as part of our Code of Conduct education, and engaged in publicizing and raising awareness about the policies and rules throughout the whole company. In Fiscal 2016, in addition to a total-participation education program, we conducted training for our executives in Japan on anti-bribery laws, and training for relevant departments in Japan, the Americas, and Europe on anti-bribery and anti-trust laws. We will progressively introduce similar training programs in Asia going forward. We have also rolled out Supplier CSR Guidelines to our suppliers and are seeking their cooperation for thorough compliance in areas such as prevention of bribery.



Anti-bribery law training for corporate officers in Japan

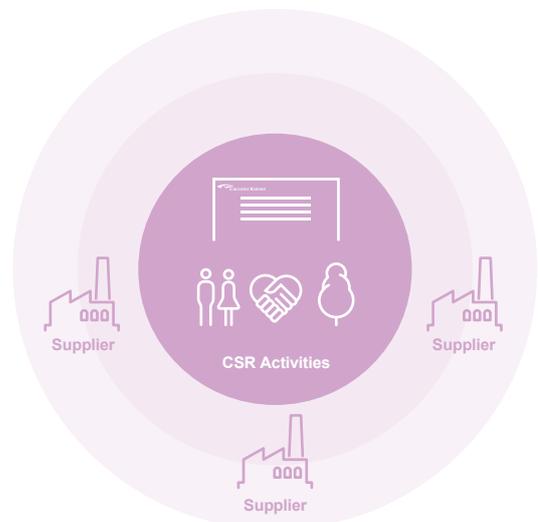
Trend in number of internal whistle-blowing incidents



» Global

Supply Chain Management

With the globalization of the Calsonic Kansei Group's business, our supply chain is also expanding globally. We are striving to improve our CSR management while sharing our thoughts and policies about how to promote CSR activities with our suppliers. In Fiscal 2016, we strengthened our in-house systems regarding human rights, labor, and environmental issues, in which interest is growing around the world, as well as CSR, and conducted a trial supplier due diligence questionnaire survey. In May 2016, we added several new requirements to the Calsonic Kansei Supplier CSR Guidelines (Japanese and English) that we developed in Fiscal 2015, including handling of conflict minerals.



Wang Chen

To contribute to the company's Mid-Term Management Plan, I ride my bicycle to and from work every day. It has made my commute a lot shorter. Why not join me in starting energy-saving activities.



Kazuyo Oyama

Our group, called FREE STYLE, collects the pull tabs from empty cans discarded at the plant and donates them to a nearby elementary school. The school apparently finds them useful for welfare activities and as learning materials for the children's use.



[Consumer Issues]

Providing Safe, Quality Products

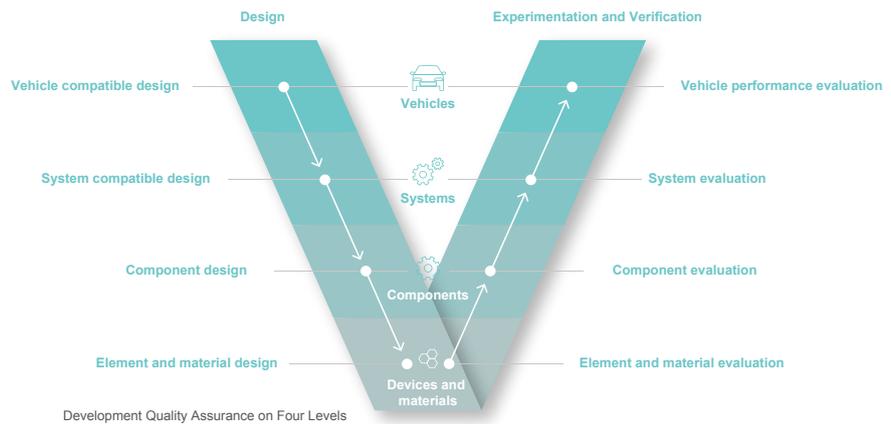
The Calsonic Kansei Group is focused on quality as an essential element required to meet the expectations of various customers, from improving performance to ensuring safety and reliability and achieving comfort. Based on this approach, we consider quality to be one of the most important key issues for the company as a whole, and continue to provide high quality in all processes, including development, design, production, and logistics. We also focus on improving our customer responsiveness through such activities as ongoing customer satisfaction surveys.

Highlights of Initiatives in Fiscal 2016

» Global

Initiatives for improvement of quality and reliability

Calsonic Kansei is taking the lead by working to improve our technological capabilities related to quality and reliability. In 2003, our air-conditioning business unit promptly received ISO/TS 16949 certification, a new quality standard for the automotive industry. By 2005, all of our Group companies had acquired this certification for all products. In addition, in order to ensure a high degree of quality in development, we have reproduced market environments based on examinations on those in the world and through state-of-the-art equipment and experimental technologies, and conducted product development at the four levels of vehicles, systems, components, and elements and materials. We have robust development quality assurance processes in place for the pursuit of development of products that are highly safe and reliable and that will meet with our customers' satisfaction.



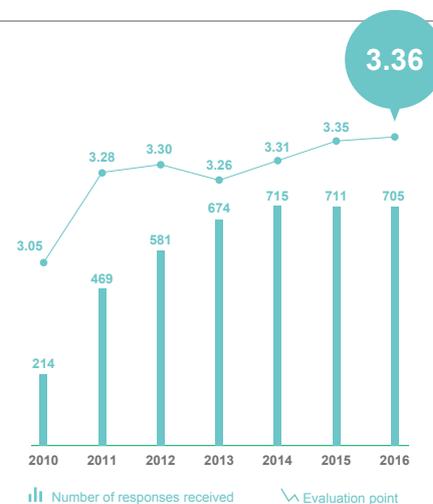
» Global

Customer Evaluation

The Calsonic Kansei Group's goal is to lead the industry through *monozukuri* activities in an automotive society and to continue to provide new value in many areas. We strive to achieve "good *monozukuri*," delivering at a high quality and appropriate price that meets the needs of our customers, while also focusing on improving our customer responsiveness.

Since 2005, we have conducted a customer satisfaction survey once a year.

The survey asks customers to apply a rating from 1 to 5 on items related to quality, cost, delivery, development, management, and sales activities (QCDDMS) along with comments on specific improvement requirements. In Fiscal 2016, we received 705 responses and achieved an average rating of 3.36 points out of a maximum of five points. We aim to use this survey as a contact point for further enhancing communication with customers and for improving customer satisfaction.



Atipong Tahla

Sharing knowledge is like sharpening a saw. The more we share the more we know because we will keep on learning more and more as well. I enjoy sharing my knowledge with others.



Kaori Numabe

As a diversity promotion leader, I try to share information and set a good example for others in the pursuit of activities that give due consideration to objectives and effects. Future activity plans include engaging in the development of a working environment that is equally pleasant for everyone, regardless of gender or occupation.



[Community Involvement and Development]

Contributions to Local Communities

From the perspective of creating a sustainable society, companies are being called on to build relationships of co-existence and co-prosperity with the diverse communities with which they come in contact through their business operations. As a corporate citizen, the Calsonic Kansei Group is actively involved in support for future generations and in local community activities, and rolls out multi-faceted social contributions that make the most of the Group's characteristics and know-how.

Highlights of Initiatives in Fiscal 2016

» Global

Strengthening social contribution activities in our global operations

In order to contribute to the development of a better society, the Calsonic Kansei Group is expanding and enhancing our social contribution activities. In Fiscal 2016, we deliberated on the directions for future activities, centering on four main themes, and made the decision to strengthen and roll out our social contribution activities on a global scale.



Supporting the next generation



Safety



Environment



Community

» Japan

Support for the monozukuri human resources of the future

Team SKETT is a group made of staff from Calsonic Kansei and our domestic Group companies who responded to an open call for participants. The team provides a variety of hands-on *monozukuri* experiences for elementary school students.

Team SKETT has participated in Kids Engineer, a hands-on exhibition for elementary schoolchildren organized by the Society of Automotive Engineers of Japan, Inc. since the inaugural event in 2008.

In Fiscal 2016, Team SKETT participated in Kids Engineer 2016, held in Yokohama in August, and in Mini Kids Engineer in Tohoku, held in the Tohoku region in November. More than 4,000 participants learned about the enjoyment of *monozukuri* at these events. The team has also been conducting traveling classrooms for elementary school students since 2012. In Fiscal 2016, it conveyed the fun of science to more than 800 students at more than 16 elementary schools.



Number of participants attending Kids Engineer (2016)



More than **4,000** participants attended

Traveling classrooms for elementary schools



Traveled to more than **16** elementary schools

More than **800** school students participated



● **Miki Yamamoto**
Whenever I see Fair Trade coffee for sale, I make a point of buying some.



■ **Hu Jun**
To provide assistance for the lives of seriously ill patients, in March 2017, I made a donation to the Wuxi Charity Federation (a government-established fund for the Wuxi region).

» Global

As a good corporate citizen

Both in Japan and overseas, we aim to contribute to local communities as a good corporate citizen by recommending and sponsoring staff volunteers at government-hosted events. We also strive to forge partnerships with local communities by setting up various opportunities for communication with them.



● Junichi Hamasaki

Through a range of activities, I continue to strive to put smiles on faces in the workplace, on my family's faces, and on the faces of the neighborhood children. Those smiles are the source of my vitality.



🇪🇸 Alexis Valverde

I wrote an article about CSR and our workplace for the CK Europe Newsletter. It was about the wonderful party to celebrate the 25th Anniversary of the foundation of CK Spain. I wanted to share the joy of the wonderful time we had at the party with our colleagues from across Europe.

Third-Party Opinion

Kumi Fujisawa

Co-Founder, Think Tank SophiaBank

Serious about realizing a sustainable society

Firstly, above all, I would like to pay my respects to the Calsonic Kansei Group for its commitment to releasing a sustainability report despite having delisted its shares from the stock exchange. Further, the decision to also produce a printed summary version for distribution to its employees and the words of the CEO, Mr. Moriya, in his message, "The key to achieving this goal will be just how far each and every employee can act with a "CSR mindset," indicated to me just how serious the Group is about realizing its vision of contributing to the realization of a sustainable society.

Respect for individual employees as the ones charged with carrying out the sustainability vision

That seriousness of intent was not only evident in the CEO's words. I could detect sustainability-based approaches in every aspect of the company's business activities as described in the report. For example, I learned about the detailed initiatives being implemented, such as the environmental awareness at production sites in Japan and around the world, and the CSR procurement and CSR guidelines for its supply chain. What impressed me the most was the value that management places in every single one of the Group's employees, that is, the people charged with carrying out the Group's vision for sustainability, which

was very evident in the report. The initiatives directed at human rights and labor practices were, of course, very impressive, but I thought that the "MY CSR" comments of employees from the various countries at the bottom of the page in the second half of the report was a wonderful innovation that really conveyed the fact that each individual employee is responsible for the company's sustainability initiatives.

Stakeholders' Voices

If I were to make a suggestion for future reports, the inclusion of more comments from stakeholders, such as the suppliers that together form the Group's supply chain, would give added depth to the detailed reports of the Group's CSR initiatives. Also, as an unlisted company, mention of relationships with investment funds and the reflection of the opinions of the funds' shareholders would give shareholders further peace of mind in holding expectations for the future of the company.

Further, if I may make a very minor quibble, overall, the report has an abundance of diagrams and a very soft color scheme, but I did feel that much of the content assumed an understanding of the company's business on the part of the reader. A little more ingenuity in the sub-headings and explanations would help people with little knowledge of Calsonic Kansei to read the report with interest and give them a better understanding, which may serve to increase readership of the report. In that respect, it may be a good idea to involve new employees or people from the local community in the production of the report. The online version does an excellent job of describing the certain initiatives that the company is taking towards sustainability, which the Group perceives as a major pillar of its business. A little more ingenuity in the presentation would help to attract even more people both in Japan and overseas to read it. I hope

that the employees of the Calsonic Kansei Group will continue to engage in their day-to-day work with confidence and a sense of pride that they are contributing to society.



Kumi Fujisawa

After having worked for Japanese and foreign investment fund management companies, Kumi Fujisawa founded the first investment trust evaluation company in Japan. She later sold that company to a global credit-rating firm, and helped establish the think-tank, SophiaBank. She has interviewed over 1,000 business owners and, through partnerships with the Davos Conference, is engaged in creating mutually beneficial bonds between the public and private sectors in Japan and overseas.



Response to Third-Party Opinion

Seiichi Kakizawa

Executive Vice President and CFO, Calsonic Kansei Corporation

I would like to thank Ms. Fujisawa for her valuable observations about our Group's CSR activities and report.

The Calsonic Kansei Group positioned Fiscal 2015 as our First Year of CSR, and has engaged in CSR activities with the mission of contributing to society through our business. We have recently undergone a major change in shareholders, but we have made the decision to expand these activities even further and are currently working on concrete plans.

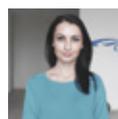
Regarding Ms. Fujisawa's comment about our stakeholders' voices, we will pursue dialogue with more of our stakeholders and deepen our engagement with them. Also, we have been working

since last fiscal year to communicate the information in this report a way that is easier for people reading it for the first time to understand, but we will work on improving this aspect of the report even further. In our aim to become a corporate group that will develop sustainably alongside society, our executive team and each and every one of employees will face our CSR activities seriously and strengthen our engagement even further.



Jenwit Nala-ong

Every time I see people like the homeless who are suffering, I wonder what I can do to help them. I cannot give much but I do what I can, such as donating my used books. Sharing with and helping others make me so happy.



Corina Schiopu

Last Christmas, I organized a donation drive for one of our colleagues, a single parent who was at risk of losing their home after falling into financial difficulties.

Global Network



Major Overseas Locations

▼ United States of America

Calsonic Kansei North America, Inc.

▼ Mexico

Calsonic Kansei Mexicana, S.A. de C.V.

▼ Brazil

Calsonic Kansei do Brasil Industria e Comercio Ltda.

▼ United Kingdom

Calsonic Kansei Europe plc.
Calsonic Kansei UK Limited
Calsonic Kansei Sunderland Limited

▼ Spain

Calsonic Kansei Spain, S.A.

▼ Russia

Calsonic Kansei RUS LLC

▼ Romania

Calsonic Kansei Romania S.R.L.

▼ France

Calsonic Kansei Europe plc.
France Branch Office

▼ Germany

Calsonic Kansei Europe plc.
German Branch Office

▼ China

Calsonic Kansei China Holding Company
Calsonic Kansei (Wuxi) Corporation
Calsonic Kansei (Shanghai) Automotive Technology R&D Co., Limited
Calsonic Kansei (Guangzhou) Corporation
Calsonic Kansei (Xiang Yang) Corporation
Calsonic Kansei Components (Wuxi) Corporation
Calsonic Kansei Components (Guangzhou) Corporation
CK KS Engineering (Guangzhou) Tooling Center
Calsonic Kansei (Haimen) Corporation
Calsonic Kansei (Shanghai) Corporation
CK Electric Machinery Development (Shanghai)

▼ Republic of Korea

Calsonic Kansei Korea Corporation

▼ Malaysia

Calsonic Kansei (Malaysia) Sdn. Bhd.

▼ Thailand

Calsonic Kansei (Thailand) Co., Ltd.
Siam Calsonic Co., Limited

▼ India

Calsonic Kansei Motherson Auto Products Limited

Major Business Locations in Japan

▼ Major Locations in Japan

R&D Center, Headquarters
Testing Research Center
Production Engineering Center

▼ Major Facilities in Japan

Utsunomiya Office
Atsugi Office
Hamamatsu Office
Nagoya Office
Kurashiki Office
Hiroshima Office

▼ Manufacturing Plants in Japan

Gunma Plant
Yoshimi Plant
Kodama Plant
Oppama Plant

▼ Group Companies in Japan

CKF Corporation
CKK Corporation
Tokyo Radiator Mfg. Co., Ltd.
CKP Corporation
Calsonic Kansei Utsunomiya Corporation
KS Engineering Co., Ltd.
CK Engineering Corporation
Calsonic Kansei Yamagata Corporation
Calsonic Kansei Iwate Corporation
Calsonic Kansei Business Expert Corporation
CK Sales Co., LTD

Company Overview

Name	Calsonic Kansei Corporation
Location of headquarters	2-1917 Nisshin-cho, Kita-ku, Saitama City, Saitama
Main products	Cockpit modules, front-end modules, exhaust systems, air conditioning units, compressors, meters, radiators
Number of group companies	Consolidated: 34*
Number of employees	Consolidated: 22,424*
Major clients	Audi AG, Daihatsu Motor Co., Ltd., Daimler AG, Geely Automobile, General Motors Corporation, Hino Motors, Ltd., Honda Motor Co., Ltd., Isuzu Motors Limited, Jaguar Land Rover Limited, Mazda Motor Corporation, Mitsubishi Motors Corporation, Nissan Motor Co., Ltd., Peugeot S.A., Renault S.A.S., Subaru Corporation, Suzuki Motor Corporation, UD Trucks Corporation, Volkswagen AG
Capital	¥1.6 billion

* As of March 31, 2017



Editorial Policy

About this Report

The Calsonic Kansei Group published its first Sustainability Report in 2014, reporting on its ideas and various initiatives as a communication tool to stakeholders and as part of efforts to release information about its Corporate Social Responsibility (CSR) activities.

The Sustainability Report 2017 is the fourth issue of this report. To communicate information in a timely manner and to provide our stakeholders with better access to the information they require, we have made changes to the composition of the report, centering on the website version. The website version can be accessed at the following URL.

We have also produced a digest of the report in the form of this booklet. It provides a compact summary of the contents of the report to familiarize even first-time readers with the Group's sustainability endeavors. We visualized information as much as possible.

Website CSR Page

www.calsonickansei.co.jp/en/csr



Applicable Scope

Calsonic Kansei Corporation and Group companies

Applicable Term

Mainly Fiscal 2016 (April 1, 2016–March 31, 2017)

Publication Date

June 2017 (previous report: June 2016; next report: June 2018 (scheduled))

Reference Guidelines

Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines
Environmental Reporting Guidelines of the Ministry of the Environment of Japan

Support for various principles, etc. concerning the environment, society and management

Calsonic Kansei is in agreement with the initiatives laid out in policies such as the UN International Bill of Human Rights, the UN Guiding Principles on Business and Human Rights, the UN Global Compact, the ILO Declaration on Fundamental Principles and Rights at Work, ISO 26000 (Guidance on social responsibility) and the Keidanren (Japan Business Federation) Charter of Corporate Behavior, and implements initiatives to help achieve these important management indexes.

Third-Party Assurances and Opinions

No third-party assurance was obtained for this report.

A third-party opinion of a noted CSR and ESG (environmental, social, and governance) expert is included in the summary version and website of the Sustainability Report 2017.

We look forward to receiving your opinions and comments of this report.

CSR/Public Relations & IR Group

Corporate Planning Division

Calsonic Kansei Corporation

2-1917 Nisshin-cho, Kita-ku, Saitama City, Saitama 331-8501

Online Contact Form

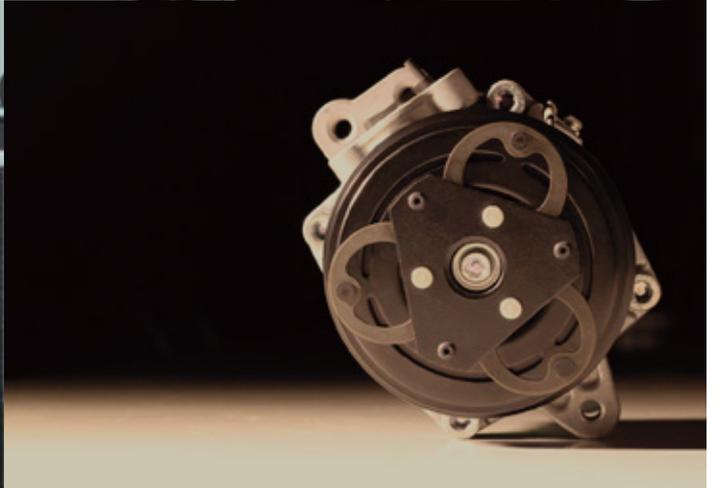
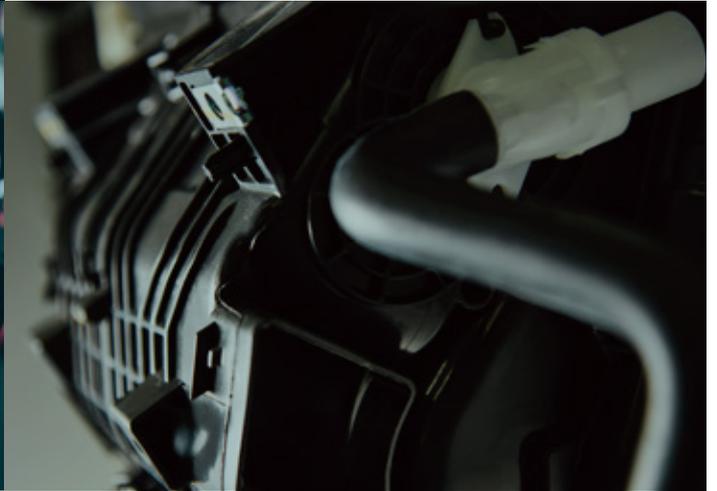
www.calsonickansei.co.jp/en/csr/opinion



Please Note:

This report contains forward-looking statements. Please be aware that actual results may differ due to various industry-related factors.

In case of doubt or difference of interpretation, the Japanese version shall prevail over the English version.



Calsonic Kasei Corporation

CSR/Public Relations & IR Group

Corporate Planning Division

R&D Center, Headquarters

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