Social & Environmental Report

2006
Yazaki Corporation has actively disclosed environmental and other data since the release of the FY2002 Environmental Report, which contained information on the environmental activities of five group companies in Japan. Starting in FY2003, information concerning the social aspects of Yazaki’s activities was also added, and the report was renamed the Social and Environmental Report. Yazaki makes every effort to disclose in an easy to understand and accessible manner information concerning how the Yazaki Group fulfills its corporate social responsibilities with respect to both the social and environmental aspects of its activities.

The FY2006 report seeks to reflect the comments and opinions of the various stakeholders who participated in the Meeting for reviewing the Social & Environmental Report held in June 2005, and the “Let’s look, listen and talk about Yazaki” stakeholder meeting held in March 2006.

In this report, we have incorporated innovations to make the content more accessible, such as descriptions of the social and environmental initiatives of the Yazaki Group in FY2005 in the Highlights section, specific workplace environmental actions in the In Focus section, and opinions from the workplace in the Looking Back section.

In addition to the data provided in this report, more detailed information concerning Yazaki’s environmental performance can be found on the Yazaki website. We hope that you will read both, and we look forward to receiving your frank opinions and impressions. It is also our hope that this report will serve as an opportunity to further dialogue between Yazaki and all our stakeholders.
Period Covered
FY2005 (June 21, 2005 to June 20, 2006)

Scope of Data:
All five group companies in Japan as well as selected overseas group companies and affiliates in Japan

Objectives of publication:
- Provide information concerning corporate activities to stakeholders
- Use evaluations and comments to review activities and make improvements
- Promote enhanced understanding and awareness on the part of employees

Guidelines referenced:
Environmental Reporting Guidelines of the Ministry of the Environment, Japan
Environmental Accounting Guidebook of the Ministry of the Environment, Japan
Sustainability Reporting Guidelines of the Global Reporting Initiative

Last published: September 2005
Next scheduled date of publication: Autumn, 2007

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Overview of Global Yazaki

The Yazaki Group boasts a diverse range of products and has achieved a significant global presence with 153 companies and 410 business sites in thirty-eight countries, including Japan, and employs approximately 180,000 people (including affiliates in Japan). In its effort to be a good corporate citizen, the Group is developing structures that will enable stable and solid responses in any region of the world while building strong ties with local communities.

Yazaki Group Structure

Business Overview 1

Company Outline

Name: Yazaki Corporation
Date of Establishment: October 8, 1941
Representatives: Chairman Yasuhiko Yazaki
                  President Shinji Yazaki
Headquarters: 17th Floor Mita Kokusai Building
             4-28, Mita, 1-chome, Minato-ku
             Tokyo, Japan 108-0073
Y-CITY World Headquarters
             Mishuku 1500 Susono-shi,
             Shizuoka-ken, Japan 410-1194
Capital: 3.1915 billion yen

Yazaki Group Companies in Japan
Yazaki Meter Co., Ltd. (established in 1950)
Yazaki Parts Co., Ltd. (established in 1959)
Yazaki Electric Wire Co., Ltd. (established in 1963)
Yazaki Resources Co., Ltd. (established in 1963)

Group Companies Total of 153
Group Companies in Japan 5
Overseas Group Companies 80
Affiliates in Japan 67
Former Affiliates:
Specific Public Benefit Corporations (corporations to which donations are tax-deductible) 1

Number of Employees: Total of 181,532
Employees in Japan: 19,433 (includes affiliates in Japan)
Overseas Employees: 162,099
*Does not include contract and part-time employees

*As of June 21, 2006

Net Sales and Sales Breakdown by Product

(Yan) ‘01 ‘02 ‘03 ‘04 ‘05
700 680.6 590.6 546.5 598.7 540.4
600 514.3 441.4 460.1 419.2 483.8
500
400
300
200
100
0

(FY) Japan Overseas

*Yazaki Corporation’s sales in Japan
Overseas sales include sales are on a consolidated basis

Yazaki Group Management Scale

Europe

Europe

Rest of Asia/Oceania

<table>
<thead>
<tr>
<th>Companies</th>
<th>Employees</th>
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<table>
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<th>Companies</th>
<th>Employees</th>
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<td>35</td>
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39 business sites in 19 countries
58 business sites in 11 countries

84,708
**Organization Chart of the Yazaki Group**

**Administrative Divisions**
- Corporate Planning Division
- Presidential Affairs Division
- Human Resources Division
- General Affairs and Personal Finance Division
- Finance Division
- IT Division
- Purchasing Operations
- Legal Affairs Division
- Quality Management Division
- Logistics Division
- Yazaki Research And Technology Center
- Environmental Affairs Division
- NYS Promotion Division
- Secretary Department

**Automotive Sector**
- Automotive Planning Division
- Automotive Business Unit
- Automotive W/H Production Operations
- Component Operations
- Automotive Electronics Operations
- General Transportation Systems Operations
- Automotive R&D Division
- Automotive Manufacturing Engineering Operations
- Business Solution Division
- Automotive W/H System Integration Division

**Environmental Systems Sector**
- Client Development Division
- Electric Wire Operations
- Energy Equipment Operations
- Branch Manager/Office Manager

**Major Business Sites of Group Companies in Japan**

- **Yazaki Corporation**
- **Yazaki Meter Co., Ltd.**
- **Yazaki Parts Co., Ltd.**
- **Yazaki Electric Wire Co., Ltd.**
- **Yazaki Resources Co., Ltd.**

**The Americas**

- 66 business sites in 7 countries

**Japan**

- 73
- 19,433

**Companies**

**Employees**

- 247 business sites

**The Americas**

- 28
- 55,040

**Companies**

**Employees**
The Yazaki Group boasts a diverse range of products in the global Automotive and Environmental Systems sectors. The Group’s integrated business system incorporates research and development, production, sales, and management. The Yazaki Group has recently begun to expand into a third business sector, mainly in the areas of nursing care and environment-related businesses.

Yazaki’s Key Business Divisions and Interests

Automotive Sector

Yazaki is a supplier of a broad range of products that support automotive electronics, with a focus on wiring harnesses (wires for automobiles) and measurement instruments. Yazaki holds a leading position in the worldwide wiring harness market and Yazaki’s wiring harnesses have been widely used by automakers both in Japan and overseas.

- **Wiring harnesses**
  - Wiring harnesses are compactly bundled electrical wires and data circuits necessary for automobiles, functioning as the central nervous system. All types of information to ensure the safe and comfortable operation of automobiles pass through the wiring harnesses.

- **Automotive parts**
  - To maintain high quality levels in its wiring harnesses, Yazaki produces its own electrical wires, connectors, junction blocks, and plug cords.

- **Meters**
  - Yazaki is responding to a wide range of customer needs by, for example, making meters easier to read, less expensive, and lighter in weight.

- **Vehicle information collection system**
  - This system senses and records a vehicle’s operating status and the running condition of its engine. It is designed to help ensure the safe operation of commercial vehicles and manage their operational schedule.
Environmental Systems Sector

Yazaki has developed and has been providing a large number of products that support the supply and utilization of the various energy sources, such as gas, electricity, and solar heat, that are essential to people’s daily lives. Through products such as electricity transmission cables, gas security systems, air-conditioning equipment, and solar powered systems, Yazaki is helping people lead safe and comfortable lives.

- Electrical wires and optical fiber products
  The Yazaki Group possesses more than half a century of experience in producing electrical wires and has developed many environmentally considerate products.

- Gas equipment
  Yazaki has been pouring its resources into developing gas meters and warning systems, as well as products with integrated sensors that simultaneously provide both safety and simplicity in meter reading and gas delivery.

- Air-conditioning equipment and household equipment
  Yazaki has been developing environmentally considerate, energy-saving equipment and solar powered systems, and is also researching new clean energy sources.

New Business Fields

In response to the hollowing out of the Japanese manufacturing industry, Yazaki has been expanding into new business sectors. Based on a basic policy of reducing environmental impact and contributing positively to society, Yazaki has been expanding its activities in various types of businesses, including nursing care, healthcare, environment-related businesses, recycling, and services.

- Environment-related businesses and recycling
  Yazaki is developing a new recycling business to help build a recycling-based society.
  - Formed paper products business
  - Glass bottle recycling
  - Food waste recycling
  - Loose cushioning material, “Wonder Cushion”
  - Lightweight, civil engineering material, “Super Sol R”

- Nursing care and healthcare businesses
  Yazaki is expanding its health-management services by building nursing homes and retirement homes and installing health-management terminals called “Healthful.”
  - Nursing care
  - Health-management services
  - Nagomi Kochi care services
  - Health-management terminal “Healthful”

- Services
  Yazaki is expanding businesses that take advantage of its manufacturing technologies related to automotive devices and environmental systems equipment, which are the core businesses of the Yazaki Group.
  - Heater maintenance
  - Chrysanthemum cultivation

- Other businesses
In 1929 Sadami Yazaki began selling wiring harnesses for automobiles. Soon he expanded the business to produce wiring harnesses, and from this foundation the Yazaki Group took great strides toward its present position as a market leader in wiring harness manufacturing. Building on technologies and expertise in wiring harness production, Yazaki has grown spectacularly over the years and has developed and marketed other products such as tachometers and other devices for automobiles, gas meters, and air conditioning and water heating systems. We always have an eye toward new areas of business that might be needed by and beneficial to society, and I believe this steadfast pursuit of business opportunities, always attentive to society’s current needs, has resulted in the diverse operations under our main business units: the Automotive Sector and the Environmental Systems Sector.

The Yazaki Group is a large corporation with more than 180,000 employees around the world. I am keenly aware of our responsibility to society, and with every decision I consider the possible impact of our large corporate body upon society and the environment.

Corporate social responsibility (CSR) has become an important catchphrase in recent years in Japan, and corporate activities and ethics are now more closely monitored for compliance with laws and regulations. In light of the potential impact that companies have on society, all developments in CSR protocols are important. At Yazaki, however, the concept of CSR is not new. Since Yazaki’s inception, we have held closely to the tenets of our corporate vision: to become a company that is trusted and respected by society; to operate on a “one for all and all for one” basis; and to be a good neighbor. Adherence to this mission has insured that CSR is part of all of our management decisions.

While we continue to strengthen rules for corporate ethics and develop guides to help employees achieve more rigorous compliance with regulations, I believe our founder’s philosophy and the quality of our business itself can help us reach higher levels of CSR. When a business is needed and appreciated by society, and when it engenders pride and satisfaction in its employees, a strong sense of ethics will take root in the company. I believe that in future corporations must create meaningful business operations, while addressing the needs of their employees and of society itself.
Going global, thinking local

Since setting up its first overseas factory in Thailand in 1962, the Yazaki Group has expanded into thirty-eight countries. We have always held “to be a good neighbor” as a guiding light as we expanded into the global marketplace. In keeping with our primary mission statement, we have endeavored to manufacture products suited to the local economy and needed by the particular geographical area in which we are operating. We make concerted efforts to develop comprehensive business plans—including product development, production, sales and administration—on a local basis and with a view toward local oversight of the entire operational flow. We believe local communities appreciate our presence in their areas.

Philanthropic activity and community involvement are also important. When we began our operations in Vietnam, for example, we made donations of books to local elementary schools. In cooperation with local city authorities, we also helped establish a middle school for our female employees who had not completed their educations. With an understanding of local needs, our employees have initiated these and similar activities in many places around the world.

No matter where it operates, a truly global company and its employees must be appreciated and recognized as integral members of a local community.

Shaping an agenda for the 21st century

Among the many challenges our world faces, environmental issues top the list. Business must address the difficult issue of sustainable development throughout the world.

At Yazaki, we have begun our new business projects fully aware of the challenges we must confront in the 21st century. Our new projects lie in the business areas of recycling, nursing care and the development and replanting of forests. These projects have been conceived to make the most of Japan’s resources and to help revitalize the country. Specific resources within Japan include an abundance of goods and materials, a large, highly skilled workforce, and rich forests covering 67% of its land.

We have been developing new businesses with local governmental organizations and local communities. With the company in the leading role, I believe that teaming up with local governments and citizens for regional development is an effective new business model that will serve us well into the 21st century.

The Yazaki Group is dedicated to advancing its vision, meeting social needs and thriving in the 21st century.

Yasuhiko Yazaki
Chairman
Yazaki Corporation
Executive
Interview

A Return to the Yazaki Vision: The Importance

Looking back on FY2005, which ended June 2006, how do you assess the year?

FY2005 showed steady growth, and in that respect a significant goal was achieved. I regret to note, however, there remained many issues and projects that were not fully addressed and pursued by year’s end, although we were aware they needed our attention. We failed to follow certain projects to completion, mainly because we did not fully comprehend the aims of these particular projects, and we were unable to provide appropriate remedies. We will strive rectify these shortcomings in the new fiscal year.

How would you evaluate the aggressive promotion of compliance during the past fiscal year?

True compliance extends beyond specific laws and regulations. Each of us must be able to grasp the essence of compliance and determine how best to act on that understanding. While the basic spirit of compliance prevails at Yazaki, there are still improvements to be made as we seek to ensure compliance and remain attentive to changes around the world. In Europe, for instance, a significant new legal environment has emerged, incorporating the End of Life Vehicles (ELV) directive and the Restriction of Hazardous Substances (RoHS) directive. Though we have worked hard to assess the impact on our business of these directives and other new laws, I am afraid we have not gone far enough. There are, in all likelihood, some regulations of which we are not fully aware, but we cannot remain uninformed. Ignorance is not a valid excuse for non-compliance with legal requirements. We must, therefore, become fully conversant with the details of all legal requirements and with their potential implications.

Editors of the Social & Environmental Report 2006 spoke with Mr. Shinji Yazaki, president, on the current state of Yazaki business and some issues and challenges that occupy the company at present. Following are excerpts from that interview.
We need to establish a unified vision for our training and educational programs, one in which employees may draw upon our shared values and clearly articulated philosophy. Understanding the Yazaki Vision fully and making it part of daily life will help reinforce a sense of common goals and shared values among employees. Our corporate vision, which has been a source of inspiration since our founding, remains true to this day: one for all, all for one; be a good neighbor every place in the world we do business; and be a company trusted and respected by society. Yazaki Juku is a discussion forum in which management and employees may exchange opinions directly about the Yazaki Vision.

In an age in which major changes are to be expected, we need not lose sight of the roots that hold us up, straight and tall; those roots are the Yazaki Vision, and they are the source of our values and our philosophy. Yazaki Juku is the principal instrument through which the Yazaki Vision is passed on to all employees.

For FY2006, one of Yazaki’s priorities is stated as “education” for employees. What is the rationale behind this goal?

The Yazaki Group has long offered training and educational programs for employees, and today we offer an enhanced range of programs. While there is clear benefit for our employees, I believe our central task is to raise the quality of all programs that take into account the goals of Yazaki and of each employee. With this as our chief concern, we clarified our vision of these programs and carefully considered our primary educational objectives. In the coming year, we will propose a more systematic educational approach and offer new and reorganized programs, primarily consisting of fundamental educational courses and skills/professional training courses. This revamping of our educational programs will help pave the way to a stronger Yazaki in the future.

Could you please elaborate on your thoughts on cultivating closer relations with stakeholders.

Management at Yazaki places high value on clear communication with our employees, our customers, and with members of the communities in which we do business. Although customers, as stakeholders, are very important to us, and we strive to meet their needs, it is equally important that we comprehend and meet the needs of local communities and of our employees.

In the past year we reevaluated our activities in order to strengthen relations with stakeholders. One significant result is a more efficient system for the dissemination of information to different stakeholders. We now update the Yazaki website on a scheduled and timely basis, and we hold regular meetings with different groups of stakeholders. I believe the sharing of information, regularly and accurately, helps all stakeholders understand our commitment to social responsibility, and we will continue to promote bi-directional communication with all who have a stake in our company.

In Japan Yazaki runs the “Yazaki Juku” (Yazaki cram school). Can you tell us what this is about?

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