

# CSR Report 2013



For the Beautiful Future  
of the Earth



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### Corporate Philosophy

#### The TANAKA Group:

A leading company in the field of precious metals,  
With superior creativity and technical excellence,  
We build customer trust through rapid responses that exceed expectations,  
Contribute to the creation of a prosperous society,  
As well as to the future of the planet through sustainable use of precious metals.

### Code of Conduct

#### The Five attributes of TANAKA employees:

TANAKA employees strive to be continuously chosen  
by our customers, yet remain earnest and humble in our efforts,  
and practice the following five principles:

1. Greetings: We cultivate bridges of trust through genuine heartfelt greetings
2. Smile: We smile brightly in a cheerful and open manner
3. Thanks: We express feelings of appreciation and promote humanity
4. Safety: We put safety first and do our best work
5. Challenge: We challenge ourselves with a flexible mindset to realize our dreams

TANAKA



In accordance with the new Corporate Philosophy and Code of conduct established in October 2012, the TANAKA Group strives to improve communications between employees in the daily operations while all Group companies continuously unite their efforts in the business activities.

This fiscal year, we named the initiative to improve communication “Challengeship” and created the symbol mark to promote it more vigorously.

## Businesses of the TANAKA Group

### Industrial Products



We pursue the full potential of precious metals as products that underpin industrial development. In recent years, we have focused on medicine, environment and energy, which are increasingly important sectors on a global scale.

- Au and Ag related business
- Chemical recovery business
- PGM-related business
- HD target business
- Catalyst development business
- BW business
- Plating business



### Precious metals for jewelry

Jewelry shines brightly in various scenes of life. We offer jewelry with reliable quality that is worth treasuring for a long time.

- Jewelry
- Artifacts
- Memorabilia and gifts
- Buyback and recycling



### Assets bullion

Precious metals can be used as assets. We produce and sell gold and platinum bullion and coins with reliable quality while also offering accumulation plans.

- Bullion
- Gold and other coins
- Accumulation plans



TANAKA is accredited as a Good Delivery Referee for gold and silver by the London Bullion Market Association (LBMA), and also appointed as a Good Delivery Referee for the London Platinum & Palladium Market (LPPM). In both cases, TANAKA is one of the only five Good Delivery Referees in the world (and the only one in Japan), which are responsible for assessing Precious metals melting technologies and analytical skills of all accredited gold and silver refiners.

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## Message from the President

**While promoting continuous business development in the new economic environment, we are enhancing preparedness for emergency situations. We are also focusing on social contribution activities, such as support of Japan's Paralympic athletes, and moving forward to be a company that makes people and society shine brightly.**

Two years have passed since the Great East Japan Earthquake. While the scars of the disaster still linger in the affected areas in the Tohoku region, local people are making desperate efforts to regain their life. I would like to express my respect for their strength.

I sincerely hope that those who were forced to move from their homes near the Fukushima nuclear plant and still live temporarily in other parts of Japan can return home as quickly as possible.

In 2012, Japan had a sequence of good news such as completion of the Tokyo Skytree, good performance of Japanese athletes in the London Olympic Games and the award of the Nobel Prize in medicine to Professor Yamanaka. I think that they are signs of the recovery of Japan as a whole from the shock of the earthquake.

On the other hand, the world had bad events including spread of bird flu (H7N9) in China, a terrorist attack in Algeria which killed 10 Japanese nationals, development of small nuclear warheads and a test launch of a missile that can mount the warhead in North Korea, deterioration of the relationship between Japan and China over the Senkaku Islands and Boston Marathon bombing. It is difficult to predict what will happen these days.

While our Group has suffered a decrease in orders for main industrial products under the severe economic conditions since the second half of 2011, our assets bullion trading business is performing well thanks to rising precious metal prices. Especially, the "RE:TANAKA" program to buy back bullion and jewelry from customers is expected to grow to be one of our Group's main businesses. In the jewelry sector, we implemented various projects to entertain our customers, such as sale of goods in collaboration with Disney including oval coins made of pure gold to commemorate the 110th anniversary of Walt Disney's birth, as well as production, display and sale of a life-size golden replica of Barcelona footballer Lionel Messi's left foot. We are also planning to establish new partnerships with luxury brands and expand our mail-order and on-line retailing business. We are thus making efforts to bring our customers a "Precious Moment of Happiness."

While the TANAKA Group has also continued to pay attention to business continuity planning (BCP) since the great earthquake, I think that we need to further enhance our awareness of business continuity. As an effort for business continuity, while our Group has worked with focus on three key pillars of (1) Strengthening of employee training, (2) Strengthening of

"e-Challenge\*" and (3) Eradication of unsafe conditions, we will add (4) Selection and concentration of businesses and (5) Strengthening of CSR and BCP to the main subjects in fiscal 2013 to establish five key pillars in our corporate activities.

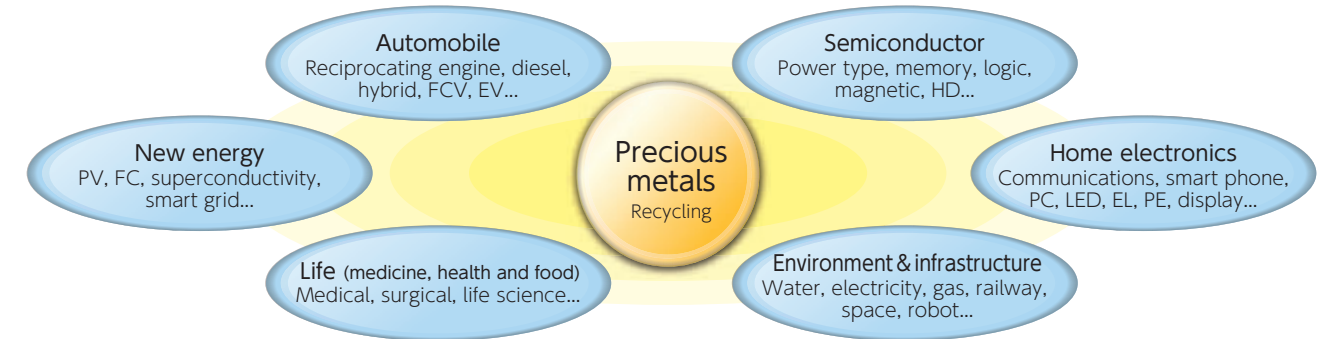
As an initiative for (1) Strengthening of employee training, which is based on our belief that people are the fundamental for business continuity, we are planning a "see and learn" training program. In our Group, busy sections sometimes receive personnel support from other sections. The support staff made some positive comments such that they enjoyed supporting other sections because they had new experience and that they got to know new people. It was surprising because we expected them to complain about unfamiliar jobs. We reviewed this experience in the examination of our training programs, and decided to adopt a program to actively send employees to other sections for personnel development.

Through (2) Strengthening of "e-Challenge," we aim to establish new core businesses for the future of the TANAKA Group, and have decided to try to enter six markets of automobile, semiconductor, home electronics, environment & infrastructure, life (medicine, health and food) and new energy.

As to (3) Eradication of unsafe conditions, the efforts of our employees resulted in reduction of unsafe conditions and unsafe actions in the previous fiscal year. Although accidents and disasters in our worksites are decreasing each year, we have not reached the target of reducing accidents by 50%. I have ordered CSR Promotion Department to further enhance our commitment to elimination of unsafe conditions and eradication of unsafe actions. Meanwhile, traffic accidents keep increasing, and it is urgent to take fundamental measures to reduce them. We are now analyzing the traffic accidents that have occurred from various aspects, including whether we caused it or we were victims, as well as age, gender, car color and the time of occurrence. Other ongoing initiatives to prevent traffic accidents include preparation of a sticker to place on the rear of the vehicles of our employees commuting by car to prevent rear-end collisions.

In our efforts for (4) Selection and concentration of group activities, we currently focus on the industrial business among the three businesses operated by the TANAKA Group, namely industrial, Assets and jewelry. It is scheduled to divide all activities in the industrial

## e-Challenge / Six major target markets to create new businesses for TKG



business into "those on which we will place more emphasis," "those which we should maintain at the conventional level" and "those from which we should withdraw" by September this year. This process will be applicable to the Assets and jewelry businesses as well as indirect sections. The idea of "selecting what we should do and concentrating on it" is similar to that of 3S, namely Seiri (orderly disposition), Seiton (neat arrangement) and Seiso (cleanup), and this process can be considered to be 3S for business continuity.

For the last pillar of (5) Strengthening of CSR and BCP, we took a wide range of measures to prepare for earthquake disasters last year, including "establishment of Osaka Second Headquarters and operation of BCP with the system where the top executives are divided into two to stay and work in Tokyo and Osaka in turns" and "structure to have two bases for the computer system in the Tokyo Metropolitan Area and the Kansai Region," as well as "stockpiling of precious metal materials," "maintenance of product inventory to ensure delivery to customers" and "stockpiling of light oil to ensure the distribution line in the Shonan area." This year, we plan to construct storm surge barriers in the Shonan Plant, which is located near a river.

The TANAKA Group considers social contribution activities to be one of its objectives for business continuity. In fiscal 2012, from our wish to help those who take on challenges with integrity and patience, we became an official partner of the Japan Paralympic Committee (JPC) and sponsored the Japanese team

at the London Paralympic Games. While Paralympic athletes in Japan have more opportunities to be covered by media these days, which is leading to better understanding of them, recognition of them is still insufficient in comparison with other sports. As a result, Paralympic athletes have difficulty in finding sponsors, which limits their activities. I feel that our support as an official sponsor has contributed to the strengthening of the Japanese athletes.

We also agreed on the purpose of the Robot Contest for technical college students, and started to support them, sending a supporting message "Shine your ideas and advance to the future!" We hope that our financial support of the young contestants will contribute to Japan's manufacturing sector in the future when they will play leading roles in it. I actually went to a competition to support the students, and was overwhelmed by their passion.

Lastly, I made a calligraphy work for TANAKA Group employees in the beginning of this year. This work represents my message to them: "Do not be too mellow but spiky. Each one of you should be a star with a smile." The TANAKA Group believes that "a company where people shine brightly also makes society shine brightly." With this motto in mind, we will continue to promote our CSR activities.



\* "e-Challenge" is an original initiative of the TANAKA Group in which all employees register the subjects they will tackle in their duties and clarify the progress, performance and evaluation. "e" stands for evolution, and it is named to encourage employees to always make innovative challenges.





**Tanaka Holdings Co., Ltd. (THD)**  
 Stock holding entity of Tanaka Kikinzoku Group  
 Headquarters : ① Marunouchi, Tokyo  
 Osaka second headquarters : ② Osaka



**Tanaka Kikinzoku Kogyo K.K. (TKK)**  
 Manufacturing, research and development of all types of industrial precious metals products and precious metals bullion  
 Headquarters : ① Marunouchi, Tokyo  
 Distribution center : ⑬ Shonan Distribution Center



② Iwate Plant

• Clad materials, etc.



③ Tomioka Plant

• Wire and plate materials • Electrical rivet contacts  
 • Precious metal pipe processing  
 • Silver blazing alloys • Gold and silver targets, etc.



④ Ichikawa Plant

• Recovery and refining of platinum precious metals  
 • Platinum precious metal compounds  
 • Manufacturing of various catalysts, etc.



⑤ Sodegaura Plant

• Recovery and refining of platinum precious metals



⑥ Isehara Plant

• Processing of platinum materials  
 • Platinum equipment for glass melting  
 • Materials for various sensors • Platinum targets, etc.



⑦ Hiratsuka Plant

• Electrical crossbar contacts  
 • Materials for electronic parts • Welded products, etc.



⑧ Shonan Plant

• Recovery and refining of gold and silver precious metals, recovery equipment  
 • Gold and silver precious metal compounds  
 • Insoluble electrodes • Various plating processes  
 • Thick film pastes



⑨ Tsukuba Facility (Technical Center)

• Chemical technology development  
 • Manufacturing of platinum targets



⑩ Hiratsuka Technical Center

• Development of high-performance materials that use precious metals (for medical, automobile and energy sectors)



⑪ Isehara Technical Center

• Development of high-performance materials



⑫ FC Catalyst Development Center

• Development and manufacturing of electrode catalysts for fuel cells



## TANAKA in the World

The TANAKA Group operates R&D, production and marketing bases for its three main businesses (industrial products, jewelry and assets) in Asian countries, North America and Europe, in addition to Japan.



⑬ Tanaka Kikinzoku International K.K. (TKI)

Export/import and sale of the products of the Tanaka Kikinzoku Group

Headquarters : ① Marunouchi, Tokyo  
 Overseas base : ② Seoul Branch  
 ③ Hong Kong Branch  
 ④ Singapore Branch  
 ⑤ Taipei Branch  
 ⑥ Kaohsiung Sales Office  
 ⑦ Manila Representative Office  
 ⑧ Tanaka Kikinzoku International (Shanghai) Co., Ltd.  
 ⑨ Tanaka Kikinzoku International (Shanghai) Shenzhen Branch  
 ⑩ Tanaka Kikinzoku International (America) Inc.  
 ⑪ Tanaka Kikinzoku International (America) San Jose Branch  
 ⑫ Tanaka Kikinzoku International (Europe) GmbH  
 ⑬ Tanaka Kikinzoku International (Thailand) Co., Ltd.  
 ⑭ Tanaka Kikinzoku International (Malaysia) Sdn. Bhd.



⑮ Tanaka Kikinzoku Hanbai K.K. (TKH)

Sale of the products of the Tanaka Kikinzoku Group in Japan

Headquarters : ① Marunouchi, Tokyo  
 Branch/office : ② Sendai Branch ⑦ Kyoto Branch  
 ③ Mito Branch ⑧ Osaka Branch  
 ④ Yokohama Branch ⑨ Okayama Branch  
 ⑤ Nagano Branch ⑩ Fukuoka Branch  
 ⑥ Nagoya Branch ⑪ Shiga Sales Office



⑯ Taiwan Tanaka Kikinzoku Kogyo Co., Ltd. (T-TKK)

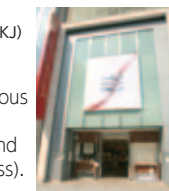
Various electrical contacts, wire rod processing, recovery and refining

Headquarters : ① Taipei (Taiwan)  
 Plant : ② Hsinchu (Taiwan)  
 ③ Hukou (Taiwan)



⑰ Tanaka Kikinzoku Jewelry K.K. (TKJ)

Sale of gold and platinum jewelry, import jewelry, bridal jewelry, precious metals art objects and various commemorative gifts; remodel of jewelry sale and purchase of gold and platinum bullion and coins; and RE:TANAKA (jewelry buyback and recycling business).



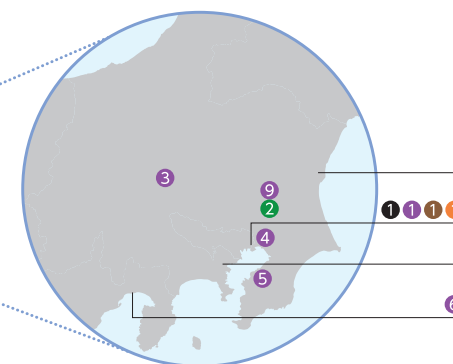
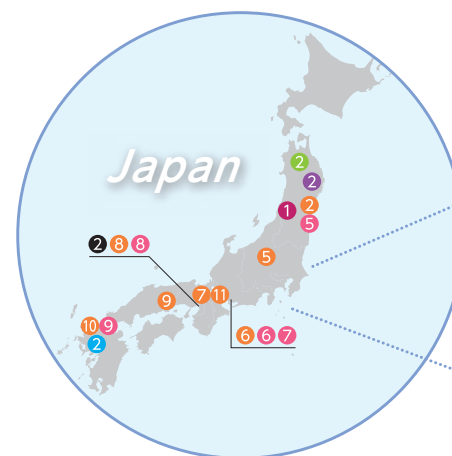
Store : GINZA TANAKA

① Ginza Main Store ② Shinjuku Store  
 ③ Store are Hotel Chinzanso Tokyo  
 ④ Yokohama-Motomachi Store ⑤ Sendai Store  
 ⑥ Nagoya Store ⑦ Sakae Store (Bridal)  
 ⑧ Shinsaibashi Store ⑨ Fukuoka Tenjin Store

⑱ Tanaka Kikinzoku Business Service K.K. (TKBS)

Outsourcing and management of indirect operations of the Tanaka Kikinzoku Group

Headquarters : ① Marunouchi, Tokyo



⑲ Tanaka Denshi Kogyo K.K. (TD)

Development and manufacturing of various bonding wires and supply of technical support services to customers

Headquarters : ① Marunouchi, Tokyo  
 Plant : ② Saga ③ Shonan  
 Support Center : ④ Taiwan Technical Center



⑳ Tanaka Electronics Singapore Pte. Ltd. (TES)

Development and manufacturing of various bonding wires and supply of technical support services to customers

Headquarters : ⑤ Singapore



㉑ Tanaka Electronics Malaysia Sdn.Bhd. (TEM)

Development and manufacturing of various bonding wires and supply of technical support services to customers

Headquarters : ⑥ Penang (Malaysia)



㉒ Tanaka Electronics (Hangzhou) Co., Ltd. (TEC)

Development and manufacturing of various bonding wires and supply of technical support services to customers

Headquarters : ⑦ Hangzhou (China)



㉓ Tanaka Electronics Taiwan Co., Ltd. (TET)

Development and manufacturing of various bonding wires and supply of technical support services to customers

Location : ⑧ Zhongli (Taiwan)

㉔ Electroplating Engineers of Japan, Limited (EEJA)

Manufacturing, sale, research and development of precious metal plating solutions and other surface treatment agents, as well as plating, testing and other equipment

Headquarters : ① Marunouchi, Tokyo  
 Office : ② Hiratsuka  
 Laboratory : ③ California (U.S.A.) ④ Hsinchu (Taiwan)  
 ⑤ Incheon (South Korea)



㉕ TC Catalyst, Inc. (TCC)

Development, manufacturing and sale of catalyst equipment for purification of exhaust gas from gasoline and diesel engines

Headquarters : ① Marunouchi, Tokyo  
 Laboratory : ② Tsukuba  
 (located in Tsukuba Facility of TTK)



㉖ Heesung Metal Ltd. (HEESUNG)

Various types of precious metal products

Head office/plant : ① Juan (South Korea)  
 Office : ② Seoul (South Korea)  
 Plant : ③ Namdong (South Korea) ④ Gajwa (South Korea)  
 ⑤ Dohwa (South Korea) ⑥ Shenzhen (China)  
 ⑦ Tianjin (China)



㉗ Nippon PGM Co., Ltd. (PGM)

Recovery of precious metals from used catalysts for the purification of automobile exhaust gas and used petrochemical catalysts

Head office : ① Akihabara, Tokyo  
 Plant : ② Kosaka, Akita ③ New Jersey (U.S.A.) ④ Liberec (Czech)



㉘ OKI Tanaka Circuits K.K. (OTC)

Development, design, manufacturing and sale of printed circuit boards, electronic devices and electronic parts

Head office/plant : ① Tsuruoka, Yamagata



㉙ CDGM Tanaka Environmental Catalyst Co., Ltd. (CGTEC)

Development, manufacturing and sale of catalyst equipment for the purification of exhaust gas from gasoline and diesel engines

Head office/plant : ① Chengdu (China)

## We promote CSR activities based on the governance system to ensure sound business management and ISO 26000.

The TANAKA Group is monitoring and improving its own activities with a proper organization to implement sound business management. We are also committed to promotion of CSR activities based on ISO 26000 in order to respond to global social demands.

### Corporate Governance

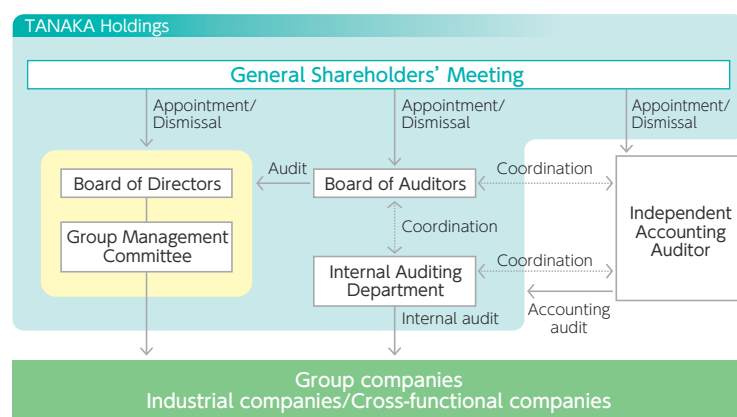
#### Corporate Governance Structure and Internal Control System

The TANAKA Group ensures efficient and competitive corporate management through the establishment of an optimal management structure and appropriate business operations. To facilitate execution, the Group strives to enhance its management and oversight framework and practice highly sound and transparent management.

The TANAKA Group has created Corporate Governance and Internal Control Principles to ensure respect for the rights and interests of customers, employees, shareholders and other stakeholders, as well as business operations in a legitimate and reasonable manner and appropriate and transparent accounting, in the corporate management.

Based on these principles, an internal control system has been established and is operated to facilitate the achievement of the TANAKA Group's management goals. This system is designed to ensure the Board of Directors, Management Committee and the Internal Audit Department execute their respective duties.

#### Corporate Governance System

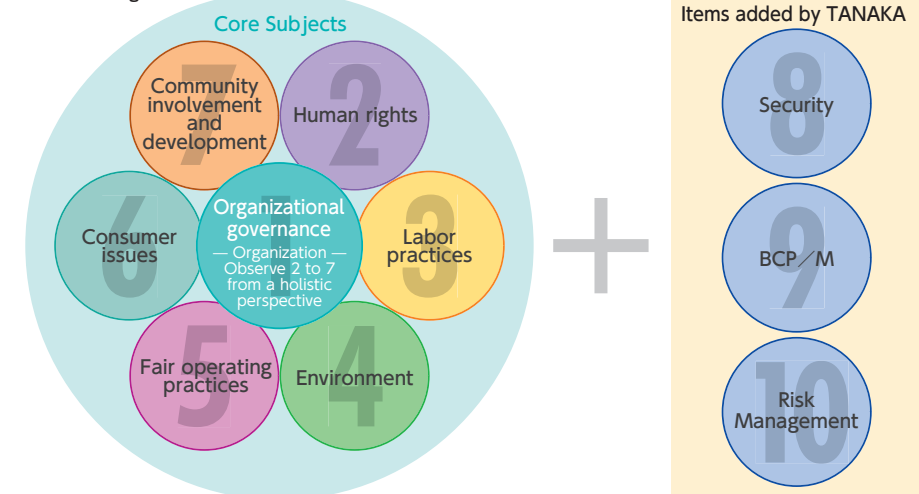


#### Internal Auditing Department's Efforts

The purpose of the Internal Auditing Department is to facilitate the efficient achievement of management goals by TANAKA Group companies. To fulfill this purpose, the department conducts audits from the viewpoints of legality and reasonableness, employing an organizational structure which ensures a fair and independent approach. The department creates an annual auditing plan from the standpoint of risk management and other factors. Based on the plan, the department conducts audits, to confirm that TANAKA Group companies are executing business in an appropriate and efficient manner. Audit reports are provided to internal organizations with recommendations and advice on areas of improvements. The audit results, along with proposals on new measures, are also presented to the president during regular meetings. Additionally, the department exchanges views with corporate auditors twice a year to promote coordination with the Board of Auditors.

### CSR Management

#### Approach to CSR Management



#### Approach to CSR

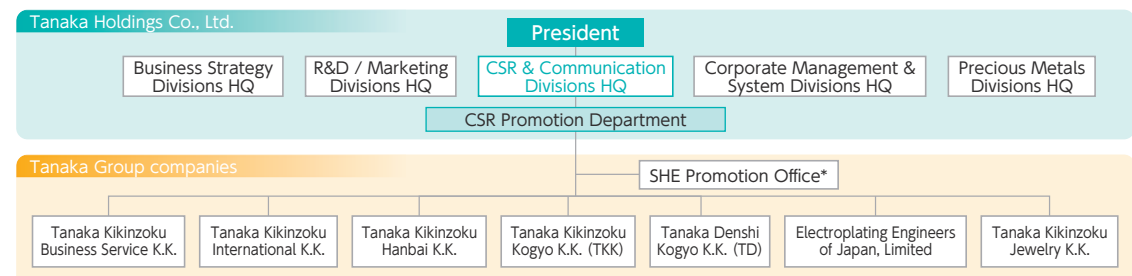
As a leading precious metals company, the TANAKA Group will respond to the trust and expectations of customers in a rapid manner, based on its new Corporate Philosophy. In addition, we will promote sound business activities, and fulfill our social responsibility as a member of the local communities in which we operate. We aim to establish presence not only in Japan but all over the world by contributing to the realization of a prosperous society and a beautiful future for the Earth supported by precious metals.

As a result of globalization, companies are required to reflect a wide range of social demands -- such as compliance with law, protection of consumers, environmental conservation, improvement of the working environment, protection of human rights and contribution to the local community -- on their management activities. Accordingly, companies now need to consider impact on their stakeholders more carefully and enhance their commitment to CSR activities.

The TANAKA Group launched CSR promotion activities based on ISO 26000, international guidelines on social responsibility, in fiscal 2012. We are promoting our commitment to the seven core subjects of ISO 26000 as they are the most important issues for measuring the impact of corporate activities on stakeholders. In addition to the seven subjects, the TANAKA Group has adopted three original issues of security, BCP/M (business continuity planning/management) and risk management in order to further enhance the efforts.

#### CSR Promotion Structure

The TANAKA Group does not have a committee in charge of promoting CSR activities but positions CSR & Communication Divisions HQ and CSR Promotion Department as the sections in charge of the promotion in the business organization.



\* SHE Promotion Office is an organization that promotes safety, health and environmental activities at each worksite.



#### TANAKA NOW

This fiscal year, the TANAKA Group added the strengthening of CSR and BCP to its policies. Accordingly, we changed the name of the responsible section from Corporate Planning & Communication Divisions HQ to CSR & Communication Divisions HQ. We will further enhance CSR activities and strengthen the structure for corporate governance, which is one of the activities, while actively working to prevent scandals and make social contribution as well.

Manager of CSR & Communication Divisions HQ **Osamu Ikeda**



In response to the expansion of our operations in foreign countries, we will enhance our awareness of respect for human rights beyond national boundaries.

All TANAKA Group employees not only in Japan but also abroad are aware of respect for human rights when performing business activities.

Respect for Human Rights

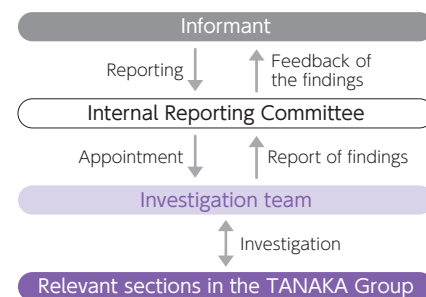
Basic Approach

The TANAKA Group is making efforts to promote sound business activities and establish steadfast credibility and trust as a leading precious metals company. Respect for human rights is an important subject in such efforts. In addition to compliance with the relevant provisions of the Labor Standards Act, we declared in the code of conduct and standards of conduct we published in November 2008 that we will respect basic human rights and avoid any discriminatory treatment in all business activities and that we will not allow child labor or forced labor. We also prepared the English and Chinese versions of the charter and rules in February 2009, and distributed them to staff abroad to train them with the materials. Thus, an environment to respect human rights has been created in overseas sites as well. Moreover, we designated Greetings, Smile, Thanks, Safety and Challenge as Five Attributes of a TANAKA Employee in the previous fiscal year, and adopted them as our action guidelines. Based on them, we will unite the efforts of all employees and operate as a company that respects people even more.



Internal Reporting System

The TANAKA Group adopts an internal reporting system to address human right issues such as power harassment and sexual harassment. When a report on human right issues is received, the Internal Reporting Committee sets up an investigation team composed of members in an impartial position. The team collects accurate information while bearing in mind the position of the informant, and delivers the findings to the Internal Reporting Committee, which then seeks a prompt and fair solution based on the report.



TANAKA NOW

We are working to help TANAKA continue to be a company that respects people.

In pursuance of the TANAKA Group's policy of considering itself as an extended family, we at the Human Resources & General Affairs Department work to support employees from a wide range of perspectives including the personnel system, welfare and training. Valuing the idea of mutual trust that has been built up and inherited in the Group, we are committed to promotion of group activities, activation of corporate culture and improvement of communication abilities of employees. I have a renewed sense of the importance of enhancing awareness of respect for people.

Chief Manager, Human Resources & General Affairs Department, Corporate Management & System Divisions HQ  
Akiko Ueda



We are providing education in a planned and systematic manner to develop an environment where diverse human resources can work successfully.

The TANAKA Group is working to create workplaces where various workers can demonstrate their abilities. In addition, we are cultivating personnel in a planned and systematic manner in accordance with our policies of using employee training to build self-awareness and self-reliance, linking education closely to business and spending as much as 20% of work time on education.

Employment and Human Resource Development

Employment

On the belief that precious metals are the future, the TANAKA Group values diversity of the workforce. While sparing no effort to recruit new university graduates, we are working to establish appealing work environments for female employees and offering job opportunities for non-Japanese and for people with disabilities based on their capabilities. We believe that harnessing the combined capabilities of a diverse and multi-faceted workforce is critical in our quest to survive international competition and raise the global presence of TANAKA. We consider that people represent both resources and assets of a company.

TANAKA Group Employees as of March 31, 2013

Number of employees	3,509 (3,731)
Domestic employees	2,733 (2,987)
Overseas employees	776 (744)
Average age	41.0 (36.3)
Average male age	41.9 (37.1)
Average female age	38.8 (30.5)
Ratio of employees with disabilities	1.80% (1.63%)

\* The numbers in parentheses are data from the previous fiscal year.

Human Resource Development

The TANAKA Group recognizes education as one of its 10 management priorities, and defines its approach by such policies as using employee training to build self-awareness and self-reliance, linking education closely to business and spending as much as 20% of work time on education. We provide education with the aims of enabling diverse individuals to demonstrate their talents to the maximum and helping all employees pursue self-realization and improve their satisfaction while working to create an active and vibrant working environment. With an educational system that ensures that all employees receive the knowledge they need through regular training and guidance from the time they enter the company to the time they retire, we are cultivating human resources in a planned manner. We have a systematic program to provide training on engineering and production skills and call it Manufacturing University.

Basic Education for Newly Hired Employees at Manufacturing University

**[Subjects in the curriculum]**  
Basics of bullion, basics of safety, basics of the environment, knowledge on precious metals, basics of quality control, basics of manufacturing, special license, reform of consciousness, process management, plant tours at other companies (Toyota, Denso, Fuji Heavy Industries, Nissan), basics of facility maintenance, TSP, practice of mechanical processing, extracurricular lessons (walk rally, Zen sitting meditation, sutra transcription)



TANAKA NOW

Considering the future of our global business, we receive trainees from India.

In anticipation of developing a business in India, a promising market, we operate an internship program to train staff from the country for two months from May to July every year. In 2013, which was the third year for the program, we received four interns and provided training at Saga Plant of Tanaka Denshi, Tsukuba Facility and other sites. This program also gives us good opportunities to directly experience globalization and learn the aspiration of overseas trainees.





## Giving the highest priority to safety, we are committed to development of a safety culture.

Based on the policy of placing safety, health, environmental conservation and disaster prevention above any operations, we perform continuous health and safety activities with focus on the development of a safety culture.

### Safety and Health

#### Action Policies

##### Top Safety Policy

Assurance of safety and health, environmental preservation and prevention of disasters take priority over any other corporate activities. We prioritize assurance of safety in local communities, environmental preservation, safety of employees and maintenance and improvement of employees' health in our business operations. All employees are responsible for maintaining mechanical and environmental equipment in perfect conditions, and required to strictly prevent health and safety, and environmental violations. In addition, they have to always be careful to detect any unsafe actions and conditions and correct them promptly in order to eliminate occupational accidents, environmental pollution and impairments of health.

#### Fiscal 2012 Safety and Health Policy and Target

**Policy** Create a new safety culture and move up to a higher level

##### Priority measures

- I Develop activities to eradicate unsafe conditions under the initiative of frontline supervisors
- II Enhance skills to predict dangers to eliminate accidents and disasters
- III Use risk assessment to eradicate unsafe actions and conditions

##### Activity guideline

Finish the "dependent" stage and start to prepare for climbing up to the "independent" stage

**Action guideline** Review employees' awareness of safety

##### Target

Reduce accidents, disasters and traffic accidents by 50% year-on-year

#### Basic Approach

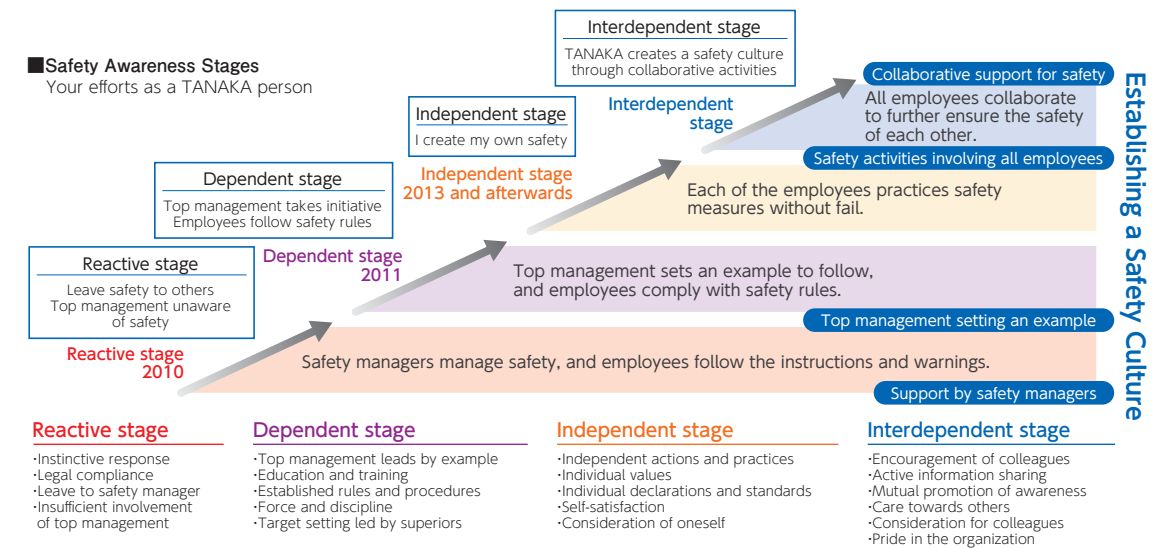
The TANAKA Group promotes safety and health activities in line with the basic stance of giving the highest priority to safety and health, environmental conservation and disaster prevention in all business activities, as stated in the Top Safety Policy.

Based on the safety awareness stages approach, we are working to eliminate disasters and accidents by enhancing employees' awareness of safety and developing a more sophisticated safety culture.

#### Efforts in Accordance with the Safety Awareness Stages Approach

The safety and health activities of the TANAKA Group moved up from the "Reactive" stage, where measures are left to a central organization and safety managers, to the "dependent" stage, where company leaders are setting an example for others to follow, in fiscal 2011. To climb up to the next "independent" stage, we implemented drastic structural change, including establishment of the SHE Promotion Office, which provides overarching management of safety, health and environmental activities, at each worksite.

In fiscal 2012, to further ensure that safety management activities are performed at each worksite, we improved the relevant rules and reviewed the organization for the activities. At the same time, new initiatives for moving up to the "independent" stage, such as individual declarations of safety, were launched. We have also introduced a method to evaluate the safety culture of the whole Group on a trial basis so that we can identify vulnerable parts of the culture and overcome the weakness.



#### Improvement of Safety Awareness through Traffic Accident Eradication Activities

With the aim of enhancing safety awareness to the "independent" stage, we are committed to eradication of occupational accidents in our worksites. In particular, we attach great importance to a traffic safety campaign because car driving is usually a one-person operation and "independent" awareness plays a major part in it. To raise the "independent" awareness, we develop such initiatives as thorough implementation of risk prediction and "point and call" and the placement of a sticker to prevent rear-end collisions. Thus, we are promoting traffic accident eradication activities as well as the improvement of safety awareness.

#### Sticker to prevent rear-end collisions

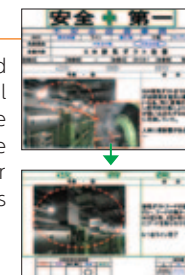


#### Main Safety and Health Activities in Fiscal 2012

Driven by each worksite, safety and health measures such as detection of potential accidents and proper and quick response to findings from safety inspection tours were taken. We also worked actively to provide risk prediction training and conduct risk assessment to prevent disasters. Some of the successful safety improvement initiatives in fiscal 2012 are presented below.

##### Tomioka Plant

As the exhaust air duct was located too far from the places where oil smoke was generated, the smoke did not reach the duct but filled the worksite when an air conditioner was used in summer. The duct was renovated.



##### Ichikawa Plant

A soundproof lid was attached to reduce noise from a vibratory grinder. As a result, the noise level was improved from Class 3 to Class 1.



##### Tomioka Plant

An emergency stop button attached behind the machine, where the button was difficult to find and press, was moved to a better position.



##### Hiratsuka Plant

When a forklift went out of the worksite, it was possible for a pedestrian to walk to the front of the machine. => Chains were installed to prevent pedestrians from crossing the dangerous zone.



#### Safety Managers Sub-committee and Working Groups

The Safety Managers Sub-committee discusses important issues and selects the subjects to be addressed by its Working Groups. The subjects in fiscal 2012 included preparation of proposals for the safety education system (Safety Education Working Group), as well as selection of rules to be removed from the existing ones and proposal of management methods (Rule Revision Working Group), which were all handled from fiscal 2011.

The Safety Education Working Group proposed a design of the safety education system in a matrix of job positions (roles) versus job functions (skills) in order to implement exhaustive training programs and develop successors.



## While continuously reducing environmental impact, we are improving the quality and transparency of environmental management.

Based on an environmental management system, we are committed to continuous reduction of environmental impact on a Group-wide basis. We also endeavor to improve the quality and transparency of environmental management by comprehensively identifying the environmental impact and adopting environmental efficiency indicators and environmental accounting.

### Environmental Management

#### Environmental Management System

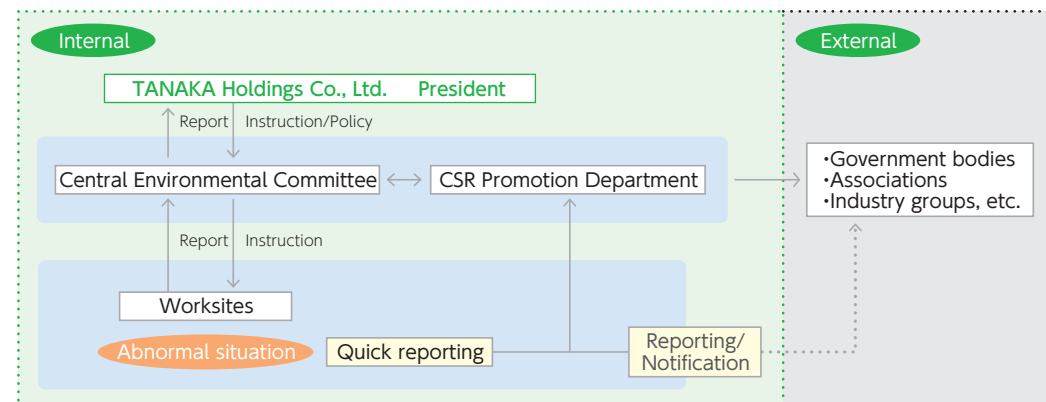
The TANAKA Group promotes environmental conservation activities based on an environmental management system. Manufacturing and technology units, which play crucial roles in environmental conservation, as well as sales units, which play key roles in forming network with business partners, have acquired ISO 14001 certification, which is the international standard for environmental management systems.

We are making continuous efforts to address main environmental aspects including reduction of CO<sub>2</sub> emissions and waste with medium-term quantitative targets on a Group-wide scale. Each worksite also sets its own targets relevant to its facilities and duties.

#### Environmental Compliance

The TANAKA Group has set strict internal management standards for environmental protection. In particular, the internal standards for air and water pollutants are set at 50% of the legal standards. We thus aim not simply to comply with the law but also to minimize environmental impact in our business activities. To respond without delay to abnormal situations and prevent their reoccurrence, we have established a communication system to internally share information in a rapid manner and make notifications to relevant government bodies in accordance with the reporting and notification standards.

#### System to Respond to Emergency Situations



### Business Activities and Environmental Impact

#### Environmental Impact

The TANAKA Group compiles data on the environmental impact caused by activities of each business unit in the form of input and output data. They include manufacturing, research, and technical development data on plant activities, along with sales and management data associated with offices and retail outlets. Production activities account for a large part of the Group's business activities, and are the source of most of the environment impact.

#### Fiscal 2012 Input and Output Data

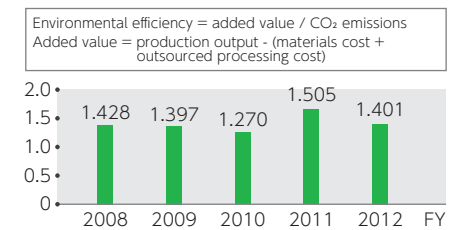
INPUT		Business activities	OUTPUT	
Electricity	74,326 MWh		CO <sub>2</sub> emissions	34,878 tons
LPG	94 tons	NO <sub>x</sub> emissions	11 tons	
City gas	2,967,000 m <sup>3</sup>	Effluent (process wastewater)	228,000 m <sup>3</sup>	
Heavy oil	107 kl	Waste discharge	11,708 tons	
Water	357,000 m <sup>3</sup>	PRTR emission and transfer (total)	80 tons	

#### Environmental Efficiency

The TANAKA Group uses an environmental efficiency indicator in an effort to reduce environmental impact per added value and develop more productive business activities.

Environmental efficiency is defined as added value divided by CO<sub>2</sub> emissions while added value is calculated by subtracting the sum of materials cost and outsourced processing cost from production output. We employ CO<sub>2</sub> emissions as the representative indicator of environmental impact because they are most closely related to the business activities of the TANAKA Group.

#### CO<sub>2</sub> Indicator: Environmental Efficiency



#### Environmental Accounting

The TANAKA Group has introduced environmental accounting, which relates environmental activities to financial data, in order to improve the quality of environmental management and the transparency of business activities.

This report compiles data on the following types of cost:

- Environmental conservation cost
- Cost based on a unique classification to present the characteristics of our environmental activities
- Cost in line with the guidelines issued by the Ministry of the Environment

#### Cost in Line with the Guidelines Issued by the Ministry of the Environment (FY2012)

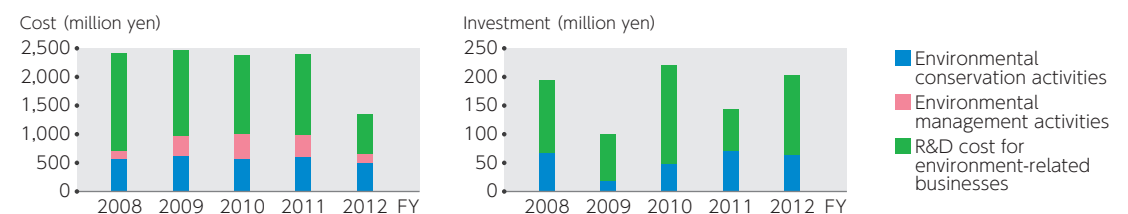
Category	Cost	Investment
① Pollution prevention cost	304.7 (395.3)	54.3 (72.1)
② Global environmental conservation cost	0.1 (0.2)	
③ Resource circulation cost	165.5 (185.1)	
Upstream/downstream cost	0.0 (0.0)	
Administration cost	177.9 (419.2)	9.4 (0.0)
R&D cost	695.4 (1,362.0)	138.0 (71.2)
Social activity cost	0.0 (0.0)	
Environmental remediation cost	0.0 (0.0)	
<b>Total</b>	<b>1,343.7 (2,361.8)</b>	<b>201.8 (143.3)</b>

#### Environmental Conservation Cost (FY2012)

Category	Main initiatives	Cost	Investment
Resource and energy saving cost	Domestic wastewater recycling equipment, etc.	0.0 (0.9)	0.0 (0)
Air pollution prevention cost	Construction of new and additional exhaust gas scrubbing towers, measurement, chemicals, etc. for prevention of air pollution	9.5 (62.7)	0.0 (0)
Effluent treatment cost	Upgrading of wastewater treatment equipment, water quality inspection, chemicals, etc.	327.6 (357.6)	63.8 (72.1)
Waste treatment cost	Industrial waste treatment	153.8 (166.7)	0.0 (0)
Recycling cost	Recycling process	13.0 (17.5)	0.0 (0)
Other global environmental conservation cost	Noise soundproof walls of exhaust gas scrubbing towers, soil survey, etc.	0.4 (4.9)	0.0 (0)
Environmental management activities	Personnel cost, regular examination and annual registration fees to maintain ISO 14001 certification, expenses to prepare a CSR report, etc.	143.8 (389.5)	0.0 (0)
R&D cost for environment-related businesses	-R&D of cadmium free materials -R&D of electrode catalyst for fuel cells to be used in fuel cell cars and other equipment which uses the chemical reaction between hydrogen and oxygen to create power without generating hazardous exhaust gas -R&D of catalyst to remove odors from organic matter and hazardous materials -R&D of three-way catalyst for purification of exhaust gas from cars	695.8 (1,362)	138.0 (71.2)
Environmental loss and compensation	No fine paid	- (-)	- (-)
<b>Total</b>		<b>1,343.7 (2,361.8)</b>	<b>201.8 (143.3)</b>

Unit: million yen \* The numbers in parentheses are data from the previous fiscal year.

#### Environmental conservation cost





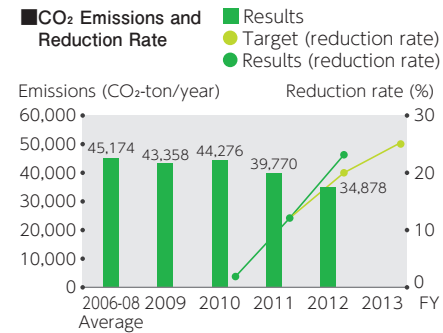
# On the basis of enhanced environmental awareness of employees, we steadily take improvement measures to achieve the targets.

Based on enhanced environmental awareness of each employee, we work for the achievement of targets for reduction of CO<sub>2</sub> emissions, reduction of waste and other initiatives. We are making steady efforts with improvement methods suitable for respective worksites, which have been developed from various perspectives.

## Initiatives to Reduce Environmental Impact

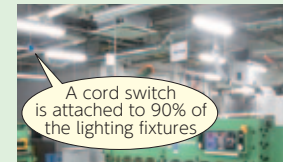
### Reduction of CO<sub>2</sub> emissions

We are committed to reduction of emissions of carbon dioxide (CO<sub>2</sub>), which is the main culprit of global warming. Our activities are aimed at reducing CO<sub>2</sub> emissions by 25% from the average of the 2006-2008 period by fiscal 2013. We successfully achieved reduction by 23%, which exceeded the target of 20% reduction, in fiscal 2012. In fiscal 2013, we will further stimulate the activities involving all employees in order to meet the target of 25% reduction.



#### Improvement Case 1

CO<sub>2</sub> reduction by turning off lights  
Reduction of 260 tons of CO<sub>2</sub>/year (Isehara Plant)



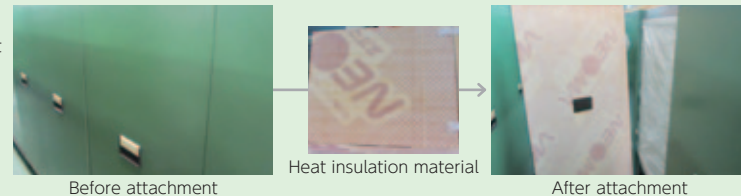
#### Improvement Case 2

CO<sub>2</sub> reduction by replacing exit lights with LED lights  
Reduction of 2.9 tons of CO<sub>2</sub>/year (Shonan Plant)

Type	Conventional exit light	LED exit light
Photo		
Average life	approx. 6,000 hours	approx. 60,000 hours

#### Improvement Case 3

CO<sub>2</sub> reduction by attaching heat insulation material at the outlet of an electric furnace to control heat release  
Reduction of 2.0 tons of CO<sub>2</sub>/year (Hiratsuka Plant)



#### Other Improvement Cases

The facilities that need to be continuously provided with electricity during a plant shutdown around the New Year holidays were identified to ensure shutdown of all other facilities and reduce CO<sub>2</sub> emissions (Hiratsuka Plant).

\* Realizing that there are more facilities which can be stopped than those which cannot be stopped, we were able to identify the former efficiently.

## TANAKA NOW

The TANAKA Group is making concerted efforts to reduce CO<sub>2</sub> emissions.

The TANAKA Group aims to reduce CO<sub>2</sub> generation by 25% from the average of the 2006-2008 period by March 2014. To meet the target, all Group companies are working together to save energy.

In Tanaka Kikinzoku Kogyo, which operates production units that consume an especially large amount of energy, all plants promote energy saving activities in a systematic manner to meet the 25% reduction target. The cumulative efforts of individual plants to reduce CO<sub>2</sub> emissions with involvement of all employees have resulted in great achievement. As a manufacturer, we will continue to work to reduce environmental impact actively.

Manager of PGM Business Department  
Manager of Au-Ag Business Department **Sadatoshi Sonoda**

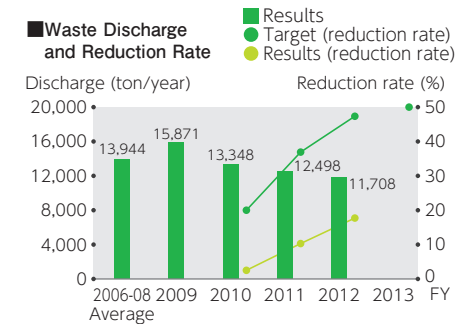


### Waste Reduction

We are making waste reduction efforts to meet the target of reduction by 50% from the average of the 2006-2008 period by fiscal 2013.

We reduced waste by 16%, which was below the target of 46% reduction, in fiscal 2012.

In fiscal 2013, we will install large-scale equipment and pursue the target of reducing waste by 50%.

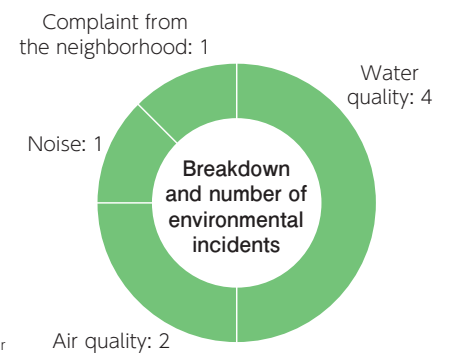


### Environmental Incidents

In fiscal 2012, we had eight incidents, a decrease from 15 incidents in the previous fiscal year. When an environmental incident occurs, we take measures to address the sources and prevent recurrence.

The countermeasures we have taken to combat the sources include optimal operation management of scrubbers, as well as proper monitoring of rainwater drainage.

#### Breakdown in FY2012



#### Incidents Where Internal Limits are Exceeded

(Internal limits are set at 50% of the legal standards)

FY	2006	2007	2008	2009	2010	2011	2012
No. of incidents	22	14	9	8	8	15	8

### Other Initiatives

#### Development of Products for Environment

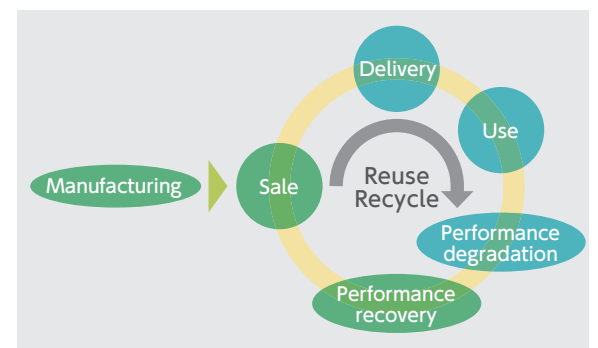
We are developing, manufacturing and selling electrode materials for fuel cells.

As a product that contributes not only to energy saving but also to energy production, we are working to develop electrode materials for fuel cells. Completion of a dedicated plant in Hiratsuka, Kanagawa is scheduled in fiscal 2013. Fuel cells derive electric energy from the reaction of hydrogen with the air. The TANAKA Group uses limited precious metals in the core of the electrode materials, and engages in the development, manufacturing and sales of them.

#### Recycling of Precious Metal Products - Production, Sale, (Use, Performance Degradation), Performance Recovery

We recover the performance of used metal honeycomb catalyst and reoffer it to customers.

The TANAKA Group manufactures and sells metal honeycomb catalyst used mainly for deodorization, which helps conserve the air environment and eliminate offensive odors. In addition, to reuse the limited precious metal resources, we receive used catalyst from customers and return it after recovering the performance. We thus contribute to effective use of resources.





## We operate a Group-wide system to ensure adherence to corporate ethics in business management.

In addition to legal compliance, the TANAKA Group strives to ensure observance of corporate ethics to conduct fair and sound business activities. Based on the understanding that compliance is part of risk management, we operate a Group-wide system to identify and address problems promptly.

### Compliance

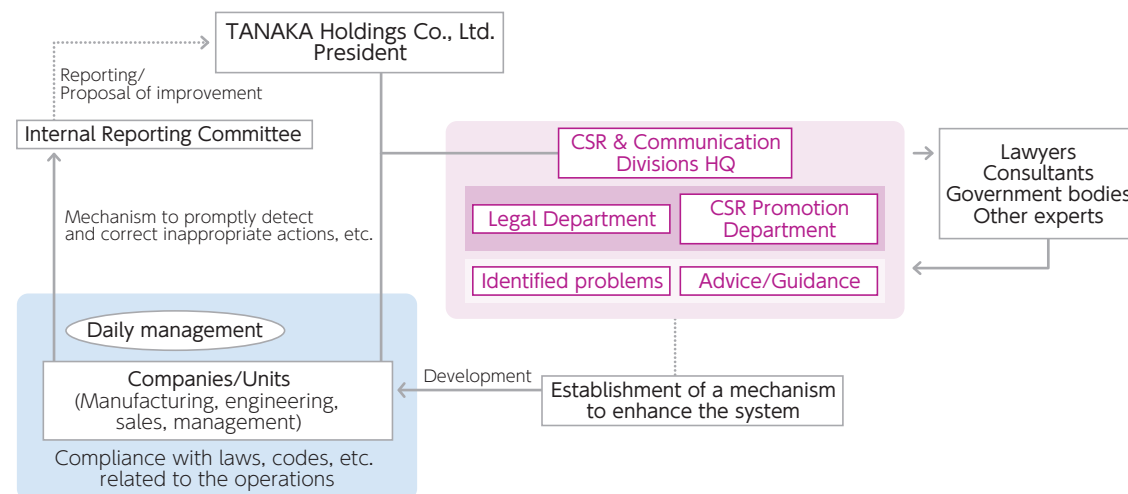
#### Basic Approach

The TANAKA Group will implement fair and sound business management based on corporate ethics as well as legal compliance. In addition, we will respect culture and custom in each country/region in our business activities and contribute to sustainable development of a rich and safe society.

#### Promotion Structure

The TANAKA Group understands that promotion of compliance is part of risk management. Based on the information on compliance-related problems and relevant information from external sources gathered at CSR & Communication Divisions HQ, necessary actions are taken on a Group-wide scale. Additionally, we establish committees in charge of specific priority issues on an as-needed basis, and also provide relevant education and training.

#### Compliance System



#### Non-use of Conflict Minerals

The TANAKA Group has established Procurement Policies on Precious Metals to prevent trading of conflict minerals, which are considered to be an international problem. Conflict minerals are produced in countries where armed groups are committing inhumane acts, and payment to such minerals is a funding source for the groups and can cause more conflicts. The Dodd-Frank Financial Reform Act designates tin, tantalum, tungsten and gold mined in the Democratic Republic of Congo (DRC) and its neighboring countries as conflict minerals.

#### Procurement Policies on Precious Metals

- We do not purchase or procure any precious metals produced or refined in a country if the metals produced in the country are designated as "conflict minerals."
- We conduct no transactions with any companies that produce or deal in "conflict minerals."
- We do not support or have partnership, contract or other relationship with any organization involving or related to "conflict minerals."

#### Handling of Antisocial Forces

Elimination of antisocial forces from society is a crucial challenge for securing social order and safety. The TANAKA Group has included relevant rules in its Code of Conduct and Standards of Conduct and also formulated basic rules on handling of antisocial forces. Based on these rules, we take such countermeasures as appointment of sections and persons in charge of handling antisocial forces, review of contracts with business partners (addition of a clause to exclude criminal gangs) and cooperation and information sharing with competent authorities.

#### Basic Principles on Handling of Antisocial Forces in the TANAKA Group

- ① We will handle antisocial forces systematically on a Group basis.
- ② We will cooperate with external specialized agencies (police, the National Center for the Elimination of Boryokudan, lawyers, etc.).
- ③ We ban any relations, including transactions, with antisocial forces.
- ④ We will take decisive legal actions including civil and criminal measures in times of emergency.
- ⑤ We prohibit engagement in secret transactions with and provision of funds to antisocial forces.

#### Protection of Intellectual Property Rights

We believe that patents, utility models, trademarks, designs, copyrights and other intellectual property rights and knowhow represent valuable assets for the company. Based on this recognition, we actively try to create intellectual property rights. In fiscal 2012, the TANAKA Group as a whole acquired 48 patents in total.

When researching new technology and developing, producing and/or selling products, we respect intellectual property rights of third parties and avoid intentional infringement. We also deal with infringement by other companies in a strict manner in accordance with the law of the relevant countries.

#### Some of the Patents Acquired in FY2012

Publication Number	Title of the invention
4970851	• Colloidal gold and the production process
4976563	• Noble metal product purchasing system
4989771	• Regeneration method of catalyst for purifying exhaust gas
5053456	• High purity copper fine wire for connection with semiconductor equipment
5185035	• Pd-Cu alloy with excellent hydrogen permeability
5140053	• Method for manufacturing a palladium nitrate solution

### TANAKA NOW

#### Accumulation of information from worksites leads to enhanced compliance.

Compliance represents activities to handle complaints from customers and internal reports from employees with sincerity and minimize damage to the company. While compliance is often interpreted as "compliance with the law" in newspapers and magazines, I believe that "protection of an organization" is the real intent of compliance. The most important policy in the protection of an organization is to praise the subordinates who deliver bad news and punish those who do not. To be the first to collect crucial information on what is happening in the worksite and respond to it is the core of compliance, in my opinion.

Chief Manager, Legal Department, CSR & Communication Divisions HQ Takatoshi Sugiyama





## Always keeping promises with customers, we also pursue responses that exceed their expectations.

With the motto of responding promptly to the trust and expectations of customers, we always aim to bring exciting moments to them. While keeping our promises with customers by offering reliable quality, we also focus on making responses that exceed their expectations.

### Customer Engagement

#### Customer-oriented Basic Approach

The TANAKA Group sets the policy of responding promptly to the trust and expectations of customers in the Corporate Philosophy, and always aims to bring exciting moments to them. We are making every effort to build trust relationships through adherence to promises, respond in a way to exceed customers' expectations and continue to be their partner that offers real value.

#### Supply of Reliable Quality

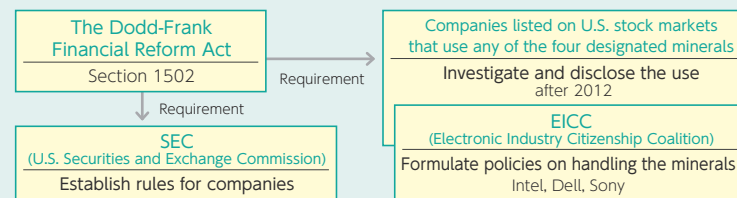
To keep promises with customers, the TANAKA Group endeavors to thoroughly ensure the quality and safety of products and services. We have accumulated and improved reliable traditional techniques in our business activities for more than a century since our foundation, which enable us to offer reliable quality. In addition, we operate sales bases located all over Japan to establish a community-based sales network and deliver our products to customers without delay, while providing products and services that meet global market demand in an accurate manner.

### Response to U.S. Regulation on Conflict Minerals

The Dodd-Frank Financial Reform Act enacted in the United States in July 2010 requires U.S. listed companies to report whether or not they use conflict minerals (metals)<sup>\*1</sup> to U.S. Securities and Exchange Commission (SEC).

In response, listed companies in the U.S. demand their supply chains to enhance traceability of raw materials so that any conflict minerals used in them can be identified.

Tanaka Kikinzoku Kogyo obtained EICC<sup>\*2</sup> Conflict Free Smelters (CFS) program certification, which certifies that the company uses no conflict minerals in the gold bullion or gold materials it procures, refines and/or delivers, on June 12, 2012.



<sup>\*1</sup> Conflict minerals (metals)  
Minerals (gold, tin, tantalum and tungsten) used as funding sources for inhumane acts such as conflicts, human trafficking, slave/forced labor, child labor, abuse and war crimes, as well as illegal acts such as terrorism and money laundering, in the Democratic Republic of Congo (DRC) and adjoining countries.

<sup>\*2</sup> EICC (Electronic Industry Citizenship Coalition)  
An electronic industry organization composed of electronic equipment manufacturers and major suppliers and the only agency that implements audits on traceability of conflict minerals in the world.

### Strong Commitment to the Quality of Jewelry

To deliver jewelry with beauty and reliable quality, Ginza Tanaka conducts a strict inspection of products three times: at shipment from the factory, acceptance and delivery to the retail store. In the inspection, a wide range of quality issues, including appraisal, beauty grade, surface condition, shape, size and wearing comfort of jewelry, along with the width, thickness and strength of the claw, are carefully checked with a 10-power loupe. The jewelry that has passed the examinations has the inscription of the "Star S" logo.



A product with diamond of 0.2 karat or more is attached with a third-party certificate, and the harsher one of the evaluations made by two appraising companies is adopted. We also follow the Kimberley Process<sup>\*1</sup> and the System of Warranties<sup>\*2</sup>, and deal in diamonds only from conflict-free areas.

<sup>\*1</sup> Kimberley Process  
Rough diamonds traded between Kimberley Process countries are delivered in sealed tamper-resistant containers. Rough diamonds are attached with a certificate of origin (Kimberley Process certificate) to guarantee that they are supplied from conflict-free areas.

<sup>\*2</sup> System of Warranties  
When diamonds and diamond jewelry are traded, they need to be attached with an invoice that declares that the diamonds were mined in conflict-free regions.

### Technical Development

Through technical development, the TANAKA Group works to create new uses of precious metals and improve manufacturing and usage efficiency, which will provide various values for customers and society. A representative example is catalyst for fuel cells, which currently attract attention as a distributed power source to be used in cars and houses. Tanaka Kikinzoku Kogyo employs the precious metal catalyst technology and electrochemical technology that it has cultivated for many years to develop platinum-based catalyst as a material of electrodes for fuel cells. In the future R&D efforts, the company will seek the reduction of platinum used in catalyst for fuel cells by enhancing the resistance and efficiency of the catalyst. With a plant dedicated to development and manufacturing of catalyst for fuel cells completed in the spring of 2013, we will also strive to improve the production process for further cost reduction. Using the platinum recycling technology as well, we will provide comprehensive support to encourage widespread use of fuel cells.



Catalyst for fuel cells

### Commendation from Customers

The TANAKA Group receives high evaluations, sometimes in the form of an award, from customers for its efforts to support their production activities behind the scenes. Encouraged by such evaluations, we will continue our commitment to customer support activities.



Best Partner Award (left)  
Leading Partner Award (right)

Award for Excellence in Contribution to Cost Reduction

#### Major Awards from Customers (FY2012)

Customer name	Award name	Reason for the award
Hakodate NDK Co., Ltd.	Most Excellent Suppliers Award	Overall assessment
Seagate Technology International	Appreciation Award	Overall assessment
Nippon Electric Glass Co., Ltd.	Best Partner Award / Leading Partner Award	Commendation for proposal of VA
Panasonic Corporation AIS Company	Award for Excellence in Contribution to Cost Reduction	Commendation for proposal of VA
ASE	Best Supplier Awards	As the best supplier in 2012
Carsem	Letter of Appreciation	Evaluation score A for the two terms of January to June 2012 and July to December 2012
UTAC	Best Site Awards	As the best supplier in 2012
On Semiconductor Group	Perfect Quality Platinum Award	Excellence in quality, services, technology, delivery and cost from 2009 to 2012
ASE(Weihai), Inc.	ASE Group Best Supplier	Excellent supplier in 2012



## We engage in active communication, as well as programs to foster relationship of trust.

Setting the great goal of “Contribute to the creation of a prosperous society, as well as to the future of the planet through sustainable use of precious metals.” we work to promote internal and external communication in an active manner and perform a wide range of activities to strengthen the bond of trust.

### Social Contribution Activities

#### Basic Approach

To achieve the goal of helping create a prosperous and comfortable society, the TANAKA Group is committed to contribution to community development through various community engagement activities that leverage the strength of each Group company, ranging from communication with local communities, to support of art and cultural activities, assistance of disaster-affected areas and protection of the global environment.

#### Support of Sports Promotion

●Official partner of the Japan Sports Association for the Disabled  
For one year from March 1, 2012, we co-sponsored the Japan Sports Association for the Disabled to support the Japanese athlete team for London 2012 Paralympic Games. From March 1, 2013, we provide financial aid to support the Japanese athletes who will compete in Sochi 2014 Winter Paralympic Games.



The TANAKA Group supports the Japanese delegate to London 2012 Paralympic Games



The TANAKA Group supports the Japanese delegate to Sochi 2014 Winter Paralympic Games



Commendation ceremony at a Japan Para Championship

#### Support of a civic marathon event

For Tokyo Marathon 2013, which was held on Sunday, February 24, 2013, we produced the gold, silver and bronze medals awarded to the top three runners, in addition to commendation medals provided for finishers. Through the production of these medals to praise the runners, we gave strong support to Tokyo Marathon 2013.



Gold, silver and bronze medals for Tokyo Marathon 2013

#### Cultivation of Human Resources and Development of Art and Culture

●Co-sponsorship of Robot Contest for technical college students  
The TANAKA Group has co-sponsored Robot Contest (ROBOCON) for technical college students since 2013. Sending a cheering message “Shine your ideas and advance to the future!” we support the young students who will play pivotal roles in Japan’s manufacturing in the future.



ROBOCON for technical college students

#### Grant program for research on precious metals

As part of our efforts to create a new world developed with precious metals, this grant program has been conducted every year since fiscal 1999 to support domestic organizations that undertake R&D activities using precious metals. In fiscal 2012, which was the 14th year for the program, we invited applicants from all fields under the theme of “research and development for the practical use of new technologies and products to which precious metals can contribute,” and provided grant for 35 research projects.

#### Conservation of the Local Environment

##### Cleanup of the neighborhood

Tanaka Denshi Kogyo participated in a cleaning program organized by the local community, and employees cleaned up the area around the city hall together with local junior high school students. A total of about 200 people joined the program.



Cleanup of the neighborhood

##### Cleanup of Mt. Fuji

We held the third Mt. Fuji volunteer cleanup program, which received the participation of employees of the Headquarters and other worksites in the Kanto Region. The participants collected 940kg of garbage (630kg in the previous year). We cooperate with an NPO that supports activities to protect natural environment, and along with the volunteer cleanup program, we donate part of the profits from “RE:TANAKA,” which is our metal recycling business that helps reduce impact on the global environment.



Cleanup of Mt. Fuji

#### Donation and Fund-raising Activities

##### Assistance for reconstruction of the Tohoku Region

In the third Tohoku Reconstruction Volunteer Program, we collected picture books from TANAKA Group employees and donated roughly 1,700 books to elementary schools and kindergartens in Iwaki City, Fukushima.

At the same time, we conducted a fund-raising campaign and made monetary donation to Ashinaga, a charitable foundation.



Donation of picture books

### TANAKA NOW

Through social contribution activities, I expanded my circle of communication.

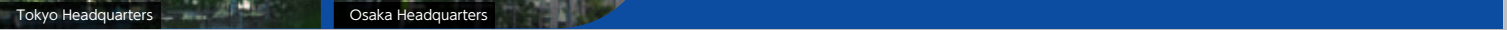
As I thought I would be happy if my son’s picture books stored in the closet could help people in the affected area, I participated in the program willingly. Many workers were able to participate in this year’s program while working at office as usual, and the activities also involved their family members and friends. I was moved because many books were collected and a lot of kindness was shown.

Shonan Plant (Product Recovery S) Haruko Sasaki



## With a multi-faceted approach, we prepare for risks to ensure business continuity at the time of emergency.

The TANAKA Group is committed to ensuring business continuity to fulfill its responsibility for stable supply of products even at the time of disasters and other emergency situations. For the efforts, we adopt a multi-faceted approach involving various initiatives ranging from anti-earthquake measures, to distributed location of production bases, securing of an alternative for headquarters functions and transfer of authority to make payment.



### Responsibility for Stable Supply of Products

The TANAKA Group supplies products to a wide range of industrial areas on a global scale. To fulfill our significant responsibility for stable supply, we have traditionally taken such measures as securing of product inventory and worldwide deployment of production bases. After the Great East Japan Earthquake in 2011, we further enhanced our commitment to business continuity planning (BCP).

### Establishment of a Second Headquarters

To resume significant operations immediately after being hit by a disaster and maintain them over a long period, it is necessary to have a second headquarters. TANAKA Holdings, which supervises and manages the whole Group, started full-scale operation of Osaka Second Headquarters in April 2012 so that either of the two headquarters can control the whole Group based on a shared information system. As a result, even if the Tokyo Metropolitan Area or the Kansai Region were struck by a devastating disaster, we could maintain core corporate functions such as reception of orders from customers, arrangement for production process and delivery from plants to customers. Staff members of Tokyo Headquarters work at Osaka Headquarters in turns to ensure smooth response to emergency situations.



### Promotion of Decentralization of Production Sites

The TANAKA Group is promoting decentralization of production sites to enable alternative production in case that any of the sites is affected by a disaster. While we manufacture copper bonding wire, which is used in various electronic parts, the production was also initiated in Taiwan in February 2012 in addition to the Japanese, Singaporean and Chinese sites that had already produced the wire. Our new plant in Sodegaura, Chiba began operation for the business to recover and refine platinum group metals contained in used exhaust gas catalyst for automobiles in 2012 so that we operate the business in two domestic sites.

### Transfer of Authority to Make Payment

Procurement of precious metals is indispensable for the continuity of our business, and we always have to be able to make payment for the procurement. The TANAKA Group has established a mechanism to transfer the payment authority to Osaka Headquarters if Tokyo Headquarters is affected by a disaster and to overseas bases if the financial institutes in Japan stop their operation.

### Security

As part of corporate social responsibility, companies have to meet the trust of stakeholders and provide them with a sense of security. This also plays a crucial part in business continuity of companies. The TANAKA Group has the policy that "companies have to take care of themselves" to ensure such trust and security. In accordance with the policy, Tanaka Kikinzoku Kogyo, which is in charge of the Group's industrial product business, added 19 dedicated security staff in April 2013 to currently deploy forty employees in total to ensure the security of its plants and offices all over Japan.

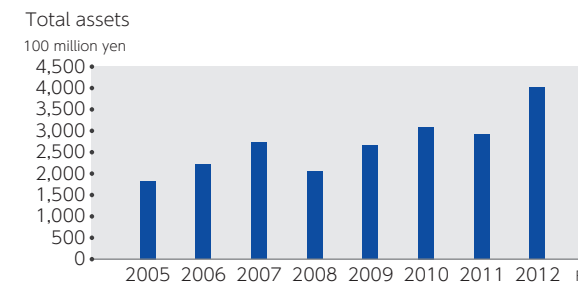
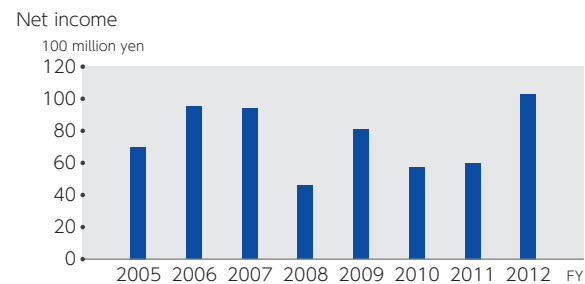
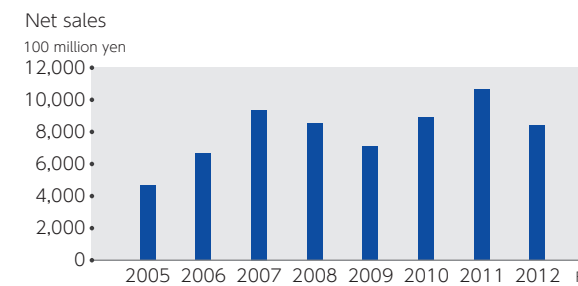
## Financial Data

### Financial Results of the TANAKA Group

#### Financial results overview

	FY2011	FY2012	Year-on-year change
Net sales	1,064,081	839,264	78.9%
Income before income taxes	12,696	17,141	135.0%
Net income	6,046	10,338	171.0%
Total assets	291,608	401,485	137.7%
Capital adequacy ratio	51.5%	40.8%	—

million yen



## About this Report

### Editorial Policy

The TANAKA Group CSR Report is published in order to enhance communication with stakeholders by informing them of the Group's corporate social responsibility (CSR) initiatives.

The TANAKA Group started to issue Environmental Report in 2004, and changed the title to CSR Report in 2007. In commemoration of the 10th issue, this year's report renewed its design. A photo of endangered species, which was used on the front page until the previous issue, was replaced with an image of "gift," which is the design concept for the entire report. We consider that the Group's CSR activities, which aim to contribute to the creation of a prosperous society supported by precious metals and the future of the beautiful earth, are a "gift for the next generation."

We would be honored to receive feedback from our stakeholders. Your comments and opinions will be used to improve the TANAKA Group's future initiatives.

### Period

April 1, 2012 to March 31, 2013

In order to provide a general view of activities under each topic covered in the report, some contents may represent activities taken outside this period.

### Scope

Tanaka Holdings Co., Ltd. and consolidated subsidiaries (excluding overseas sites). Indications are made in areas of the report where the scope is different.

### Publication

July 2013

### Reference guidelines

Japan Standards Association, ISO 26000: 2010

### Website

This report and past issues are also available on our website:  
<http://www.tanaka.co.jp/english/csr/index.html>

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## Third-party Opinion

### Masamichi Shimizu, Professor at College of Business Administration, Shukutoku University

**[Profile]** Professor Shimizu graduated from College of Economics, Yokohama National University. After working at Fukoku Mutual Life Insurance Company and Japan Management Association, he has been at the current position since 2002. Having served as a commission member for METI, MOE and other agencies, Prof. Shimizu is currently the Board Chairperson of the Japan Society for Corporate Communication Studies and also a Board Member of the Public Relations Society of Japan. His publications include "Environmental Communication," "Company Friendly to People - Security and Safety, Management Based on Ties," "Introduction to Public Relations," "Theory and Practice of CC Strategies - Environment, CSR and Coexistence," "Door to Environmental Management Study," "Introduction to CSR Management for Company Workers," "CSR Initiative" and "CSR Management."

The TANAKA Group is a leading company in the manufacturing and sale of various precious metal products for industrial uses with Tanaka Kikinzoku Kogyo as the core company. It operates worldwide and employs approximately 3,500 persons in the three key regions of Europe, America and Asia. Using the accumulated technologies, the Group has recently entered advanced technology fields such as environmental purification, clean energy and recycling and nano/biotechnology. It is now facing the most epoch-making era in its history of more than 120 years. In such circumstance, this CSR Report, the 10th issue, renewed its image and considerably improved its readability. Three points particularly drew my attention.

#### Distinctive Points of the 2103 Report

Firstly, the report shows the dynamics of the corporate activities more lively as well as improved readability. The photos of employees next to headings in various pages, along with the comments of executives and employees, remind me that human resources are sources of value just like products, and play major roles in meeting the trust and expectations of society. Secondly, efforts to meet the global standards are expressed. The report mentions appointment as a certified referee on precious metals in page 1 and acquisition of an international standard on environmental management system by Group worksites in page 12 in a discreet manner while explaining in page 17 that the Group will not use conflict minerals in accordance with its policy on international procurement of precious metals.

Thirdly, the message from the President mentions the strategy on the selection and concentration of Group activities to cover six business areas including new energy and life science. In addition, promotion of CSR activities based on ISO 26000 is sought in the management organization. These initiatives give an impression that the Group is being prepared to pursue "responsible competitiveness," which is a global trend.

#### Responsible Business Management and Improvement of Competitiveness

It is not easy to achieve a high level of competitiveness while promoting CSR-based business management. To address CSR in business management, it will be necessary in the first place that all of the executives and employees share principles, technologies (methods) and actions and express the achievements in an objective but vivid manner while repeating communication with important stakeholders. While this report can be a crucial tool for "challengeship" (page 1), it requires efforts to enhance the transparency of the activities based on more accurate understanding of the business.

The gap between the appearance and reality of companies is widening as the information/material revolution proceeds while this is also applicable to other industrial sectors. Under such a situation, presentation of the whole picture of business and social

activities in a comprehensible manner must pave the royal road for the TANAKA Group to establish its credibility by raising the trust and expectations.

#### Achievements and Challenges I Want to Ask

When I visited a plant of the Group, I witnessed the extraordinary efforts of employees to maintain the quality and reputation of products. However, presentation of such efforts in this report seems to be not enough. Why? It is because the initiatives and relevant data are not explained sufficiently.

For example, the section on human rights and labor practices (pages 8 to 11) gives no answer to such questions as how the ratio of employees with disabilities was achieved, what skills were available as a result of the development of diverse human resources, how many times the internal reporting system was used, what subjects are specifically included in the curriculum of Manufacturing University for the training of new employees and what method is used to evaluate the safety culture.

With respect to environmental activities, while the report indicates that strict internal standards, which are set at 50% of the legal standards, are adopted, what standard is applied to emissions into natural rivers, for example? As to the input data on environmental impact in fiscal 2012, what efforts were made in the worksites to reduce the consumption of electricity, city gas, heavy oil and water supply? How did the result of CO<sub>2</sub> emissions reduction in fiscal 2012 surpass the target? Are the PRTR-designated substances used in the plants not a source of any environmental incidents (page 15)? While the waste reduction target has not been satisfied for two consecutive years, is it because the target was inappropriate, or because the approach was inappropriate?

I have many other questions, like how environmental accounting data, which are published in the report every year, are used for corporate management. If answers to these questions are given, the CSR Report of the TANAKA Group will take a step further to be a tool that conveys the reality of an excellent company where people shine brightly.

## Response of the TANAKA Group

The TANAKA Group has published its CSR report in line with the environmental guidelines issued by the Ministry of the Environment every year since 2004. With endangered species featured on the front page, the report emphasized the Group's commitment to environmental activities. In recent year, however, the circumstances surrounding companies have changed dramatically, and companies are now required to implement wide-ranging activities to fulfill their social responsibility, along with environmental activities. Against such a backdrop, our CSR report was restructured in the previous fiscal year to focus on 10 issues including the seven core subjects set by ISO 26000, which is the main guidance for the Group's CSR activities, in addition to three issues emphasized on a Group-wide scale (security, BCP/M and risk management). In commemoration of the 10th issue, we completely changed the design of the report.

As we prepared the CSR Report 2013 with updated design with a hope that people further enhance their understanding of the Group's initiatives, I am glad with Professor Shimizu's comment that the report shows the dynamics of the corporate activities more lively as well

as improved readability, which convinces us that our intention will be communicated to all stakeholders. While we recognize this report as a crucial communication tool to further improve the transparency of business activities and maintain communication with stakeholders, we have reinforced the idea with his comments.

We also improved questions in the questionnaire survey for the CSR Report 2013 in a desire to identify what information stakeholders want to learn more accurately. Lastly, Professor Shimizu also gave us a valuable suggestion under the heading "Achievements and Challenges I Want to Ask" that there are still many issues to be covered to further enrich the report. His feedback, as well as the results of the questionnaire survey, will be reflected on the CSR activities of the TANAKA Group and the CSR Report in the next fiscal year and beyond.

Deputy General Manager,  
CSR & Communication Divisions HQ

Hideaki Sato

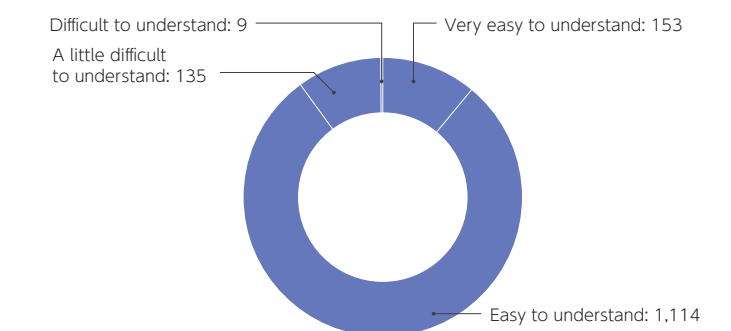


## Questionnaire Results

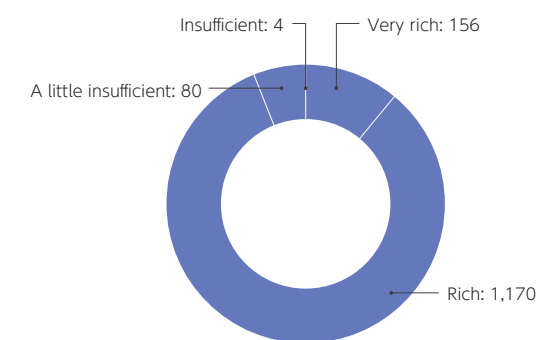
#### From what status did you read this CSR Report?

Clients/business partners	17
Residents in the neighborhood of a TANAKA Group worksite	8
Students	0
CSR/Environmental staff in a company	11
News media	0
Government officials	1
Research/educational institutes	0
Environmental organizations	2
Group employees (including part-time workers, contract workers and retired employees) and family members	1,392
Others	18
Total	1,449

#### How readable was the report?



#### How rich was the content?



#### Which article especially attracted your interest (multiple answers allowed)?

