



CSR Report 2016

UD Trucks Corporation

CSR Report 2016

Editorial policy

UD Trucks publishes its CSR reports for our stakeholders, describing our approaches and practices of the company's corporate social responsibilities as our contributions towards a sustainable society. This 2016 issue includes feature pages, casting a light on our road support service and business developments in the growth markets. The articles in the Report section present various activities arranged by the seven prioritized themes at UD Trucks.

Scope of report content

This publication is prepared to report on UD Trucks Corporation, but it also encompasses certain activities conducted by the Volvo Group for UD Trucks as one of its business areas.

Coverage period

Fiscal year (FY) 2015 (from January 1 to December 31 of 2015), and it also partially contains contextual information and data from previous periods, as well as reports on some activities conducted in FY 2016 and future action plans.

Published in May 2016

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Celebrating its 80th anniversary, UD Trucks continues its endeavor in furthering transport solutions into the future

In 2015, UD Trucks celebrated the 80th anniversary of its foundation. For this enduring success, we are deeply indebted to our loyal customers, business partners and members of local communities as well as many others, for their understanding and support they offer on various occasions.

Since our foundation in 1935, UD Trucks has striven to make the truck the world needs today that keep with the times by always being open to customer opinions and responding flexibly to changes in the social climate. We have always aimed to be the number-one choice of our customers for their business partners, as we recognize and offer solutions for them.

As part of our endeavor, we opened a new facility, the UD Experience Center, in May 2015, which showcases the history and products of UD Trucks. With an extended floor space, the venue presents not only our vehicles and engines, but also zones for our solutions to improve vehicle uptime and to minimize costs. On the adjacent test drive course, we offer opportunities to try our trucks as well as to experience the fuel-efficient driving analysis service. Today, the facility is equipped with the capability of providing a wealth of programs for wider audiences. Meanwhile, we saw a completion of our new headquarters building in July, which integrates the divisions of administration, product development and sales. I have full confidence that this amalgamation will facilitate better business quality though enhanced internal communication and collaborations, leading to improvements in product development, and service offering, as well as prompt and precise responses to customer inquiries.

Furthermore, this past autumn, we participated in the Tokyo Motor Show 2015 with a concept "Going the Extra Mile for Smart Logistics." Here, we presented our new technologies and services under three major themes that cater to the needs of the transport industry and the wider society: "further improvement in fuel efficiency and minimum environmental impact," "outstanding drivability and safety" and "high uptime and productivity."

UD Trucks will continue to strive in its business activities for our customers' sustainable growth and for a prosperous society.

In this endeavor, we hope to enjoy your renewed interest and support in the future.

村上吉弘

Yoshihiro Murakami
President
UD Trucks Corporation



Supporting mainstream logistics as a key manufacturer of commercial vehicles

Founded in 1935, UD Trucks Corporation has been a major player in sustaining the mainstream logistics through the production of commercial vehicles.

The aspiration of our founder Kenzo Adachi for making robust vehicles is translated into the brand's core value, the ultimate dependability which stays with us today as it is expressed in the brand's emblem "UD."

Eighty years of reliability and performance

In 2015, UD Trucks celebrated the 80th anniversary of its foundation. We have worked hard since the pre-WWII period to earn the trust and garner reputation for supporting the transportation system as an indispensable social infrastructure. We will continue our diligent efforts towards the Ultimate Dependability as our ultimate goal.



A member of the Volvo Group

Today, UD Trucks engages in the development, manufacture and sales of vehicles of the UD trucks brand while representing the Volvo and Volvo Penta brands, acting as their Japan base. As part of the Volvo Group, a global manufacturer of commercial vehicles, we provide the world-standard quality transport solutions.

The history of UD Trucks

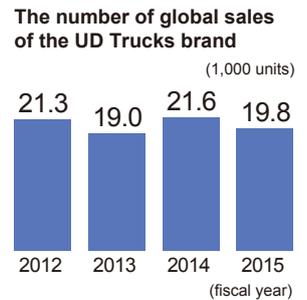
- | | | | |
|------|---|------|--|
| 1935 | Establishes Nihon Diesel Industries, Ltd. in Saitama, Japan, aiming at producing diesel engines | 1962 | Ageo plant commences its operation |
| 1938 | Completion of the first diesel engine | 1975 | The launch of the medium-duty truck Condor |
| 1939 | Completion of the first diesel truck, which undertook a total of 3,000 km test run | 1990 | The launch of the Big Thumb with improved low emissions, comfort and safety |
| 1942 | The company is renamed Kanega-Fuchi Diesel Co., Ltd. | 1996 | Establishes Hangzhou Dong Feng Nissan Diesel Motor Co., Ltd. in a joint venture in China |
| 1946 | The company is renamed Minsei Sangyo Co., Ltd. | 2004 | Birth of the Quon, our flagship heavy-duty truck range |
| 1950 | The company is renamed Minsei Diesel Industries, Ltd. | 2006 | AB Volvo becomes a major shareholder in the Company |
| 1955 | Birth of the original UD engines | 2010 | The company name changed to UD Trucks Corporation |
| 1958 | Launch of Japan's first truck with a 10-ton payload, 6TW, leveraged in the construction of the Shinkansen network | 2013 | Birth of Quester, a brand new heavy-duty truck range developed for growth markets |
| 1960 | The Company is renamed Nissan Diesel Motor Co., Ltd. | 2014 | Merger with a dealer company UD Trucks Japan Corporation |
| | | 2015 | Celebration of the company's 80th anniversary |



Company profile (as of April 1, 2016, except for the number of employees)

Company name	UD Trucks Corporation	Number of employees	6,520 including consultants: as of the end of January 2016
Date of foundation	December 1, 1935	Main business	Development, manufacture and sale of UD branded heavy- and medium-duty trucks, as well as sale of UD branded light-duty trucks.
Representative directors	Executive Chairman: Joachim Rosenberg President: Yoshihiro Murakami		Manufacture and sale of diesel engines. Manufacture and sale of vehicle components.
Head office	1-1, Ageo-shi, Saitama 362-8523, Japan		Maintenance of trucks and buses and sale of service parts, as well as import and sale of Volvo branded products.
Production sites and facilities	Headquarters/Ageo Plant, Kawaguchi Training Center, Gunma Parts Distribution Center, Volvo Penta office, and 166 service network sites throughout Japan	Domestic group companies	VFS Japan Co., Ltd., New-Mech, Co., Ltd., Sakura Tex Co., Ltd., Volvo Technology Japan Corporation
Capital	75 billion yen		

Main destination countries for export



The brands marketed in Japan



UD Trucks
UD Trucks heavy-duty truck range "Quon," medium-duty truck range "Condor," light-duty truck range "Kazel" and dedicated model "Qvester" for the growth markets.



Volvo Trucks
Import and sales of Volvo brand heavy-duty trucks. Main products include Volvo FH series 4x2, 6x4, tractors and 6x2 cargoes.



Volvo Penta
Import and sales of Volvo Penta brand vessels and industrial engines. Main products include inboards, IPS marine engines and generator engines.

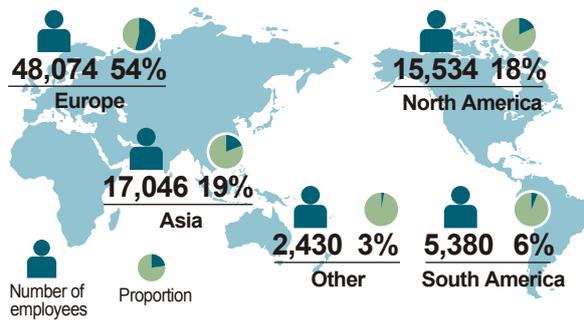


Volvo Construction Equipment
Import and sales of Volvo brand construction machinery. Main products include wheel loaders and articulated dump trucks.

The Volvo Group

The world's leading manufacturer of heavy-duty commercial vehicles and diesel engines

The Volvo Group, including UD Trucks, is one of the world's leading manufactures of trucks, buses, construction equipment, and marine and industrial engines and has its headquarters in Gothenburg, Sweden. The group also provides complete solutions for financing and service. With production facilities in 18 countries worldwide, the Volvo Group employs about 100,000 people and sells its products in more than 190 markets.



(data from 2015)

Pursuing the initiative consistently across the Volvo Group

CSR concepts of the Volvo Group

Taking on board the corporate core values, Code of Conduct, the Volvo Way and CSR and sustainability approach

The Volvo Group's vision is to become the world leader in sustainable transport solutions by conducting its business in a responsible manner socially, economically and environmentally.

The corporate core values proclaim the quality, safety, and environmental care as means to attain this vision. The Volvo Group pursues business activities in compliance with international standards for corporate conduct, such as the UN Global Compact, and it leads initiatives with a focus on the communication with stakeholders. Meanwhile, it identifies the Volvo Group Code of Conduct, defining the principles and practices regarding major challenges in performing its corporate social responsibilities, such as compliance, customer satisfaction, supply chain management and human rights and occupational customs. The group also

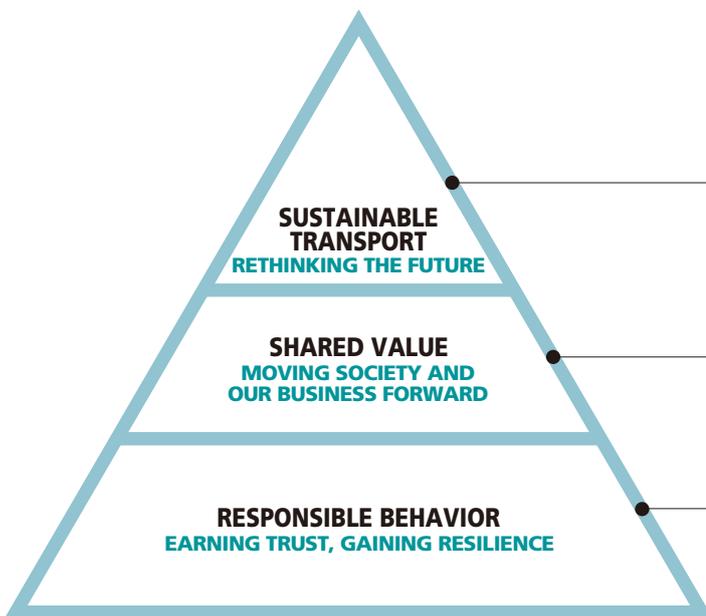
provides the Volvo Way, a compass for its corporate culture. These are shared among all the group companies across the world.

Also, for more effective execution of a diversity of initiatives, the Volvo Group also defines its CSR and sustainability approach, a guiding policies for the group's CSR activities, in its endeavor to develop in pace with our stakeholders through engaging in the value creation. Furthermore, in 2015, the group issued a guideline for society engagement activities, fostering a united group-wide initiative.

In 2016, the visions and policies are due to undergo reviews in tandem with the change of administration.



The Volvo Group Code of Conduct



CSR and sustainability approach

Sustainable transport — making contributions for the future

Promotes the development of technologies and products that meet the future needs in society. Encourages to the leverage of innovative technologies for a safer and more comfortable society.

Shared value — Creating value for society and for the Volvo Group

Resolves diverse issues in relation to transport, drawing on the technologies and knowledge that Volvo Group offers and working closely with stakeholders and members of society.

Responsible behavior — a foundation for earning trust from society

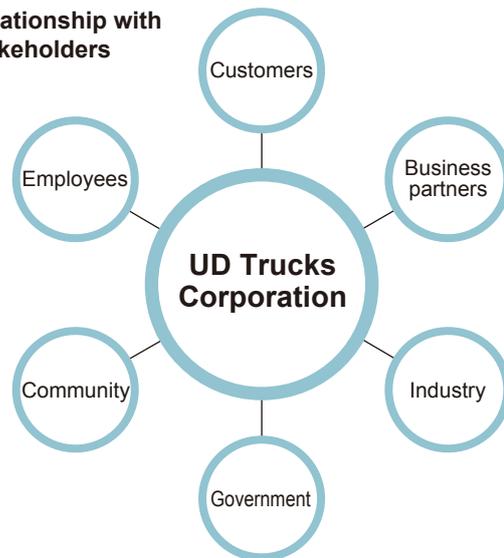
Bolster the corporate governance through compliance/risk management, supply-chain management, and considerations for human rights to lay a firm foundation for the Company's CSR activities.



Pursuing localized CSR activities to the Japanese market working closely with the Volvo Group

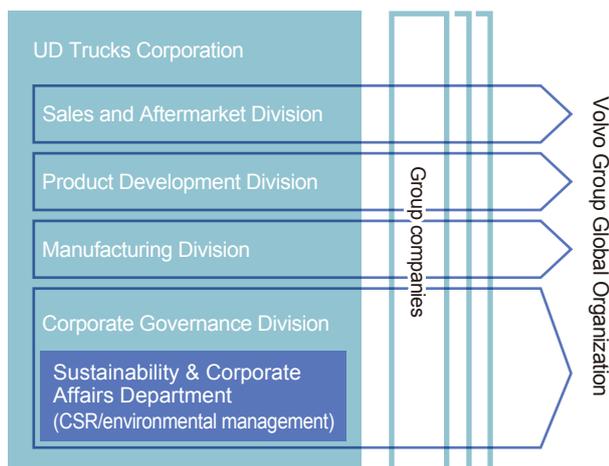
UD Trucks also pursues various CSR activities in line with these Volvo Group policies. We work with the Volvo headquarters and global area companies to exchange information on the "CSR and sustainability approach" case studies and management methods, and promote our CSR activities already established in the Japanese market based on our stakeholders' perspective. In 2015, we discussed identifying the aspects of the group's CSR guidelines to be adopted and pursued in Japan, and considered the themes and programs for our UD Trucks activities.

Relationship with stakeholders



CSR management system

There are dedicated CSR/environmental management teams under the Sustainability & Corporate Affairs Department that are responsible for negotiations with national/regional governments and industrial authorities. They also engage in collecting information on the CSR-related activities that are conducted by each division, as well as planning and managing various initiatives in compliance with the Volvo Group policies and/or ISO26000 requirements. In order to ensure the group-wide alignment, each division appoints its dedicated CSR staff, who meet regularly to share information horizontally and plan and discuss specific activities. They also report the progress in these activities to the top management board, informing their instructions, decision-making and approval.



Compliance

We strive to conduct our business in compliance with general principles, prevention of misconduct and promotion of fair competition, appropriate taxation, and no-conflict-of-interest policies, as stipulated in the Volvo Group Code of Conduct. Regular educational opportunities are provided to employees, and all administrative managerial staff through internal training, e-learning, and other means as appropriate to familiarize them with the laws and regulations, such as the competition law and anti-bribery law, as well as the Volvo Group corporate rules. We also implement a whistle blower procedure to allow suspected cases of non-compliance to be reported for appropriate corrective actions. In 2015, training was provided to managerial personnel, with a focus on enhancing the awareness of compliance through daily practice.

Risk management

The risk management committee has been installed to bolster the operation of the risk management system. UD Trucks identifies the major natural disasters, fire, infection, information leakage and administrative risks such as personnel/labor management, to be the risks that need addressing. Major earthquakes and fire are deemed particularly significant as they may jeopardize business continuity, and thus we conduct periodical drills with an emergency response agent, and review our emergency plans. We also prepared the risk management and business continuity plans in accordance with the Volvo Group's security policies.

Feature 1

Going the Extra Mile for Fuel Efficiency, Uptime, and Safety

UD Road Support evolution

In order to sustain our commitment to the most important mission as a logistics operator—to ensure on-time delivery—UD Trucks has been making diligent efforts over the years to provide solutions to the universal challenges of the industry: better fuel efficiency, improved uptime, and driver safety and security. As part of these efforts, UD Trucks delved into the first foray in the industry and opened its dedicated in-house call center in 2015. The center will be dedicated to develop a new road support system, leveraging the information provided through the UD Information Service facility, which has been operating since 2011.

UD Road Support to provide around-the-clock accessibility to customer requests UD Trucks opened its dedicated in-house call center

In December 2015, UD Trucks established an in-house call center, the first of its kind in the industry, to offer all drivers a 24/7 contact point throughout the year, where calls are handled by coordinators employed by the company.

In the previous practice, the call center received calls from drivers and followed only as far as they made a mechanic dispatch request. The new system allows us to provide thorough and comprehensive support from call reception to completion of response measures, such as notifying the customer of the estimated time of arrival of the mechanics, confirming their arrival, and preparing a report when the servicing is complete that details the work delivered. With the new system, drivers can afford not feel stressed even in an unforeseen breakdown as precise information is given on time, while mechanics are able to arrive at the site promptly and concentrate on their recovery work.



At the call center, specialist engineers are stationed alongside the coordinators, who have been trained in technical issues. As the center is located adjacent to the headquarters, communication between different divisions of aftermarket has been enhanced. While highly technical requests are handled without delay, the center can also communicate the customer feedback straight to the headquarters.

Staff commentary



Hiroko Iwao

Manager
Uptime Support Center
Uptime & Retail

It is still in the early days of providing services in collaboration of the call center and other sections of the company. We need to continue building up our experience and skill-based coordination training in order to ensure enhanced response quality. We aim to offer our customers spot-on support through collaborating with relevant departments, sharing information on accident cases and market trends, and leveraging UDIS data such as vehicle positioning and machine condition information.

UD Road Support services



UD Road Support's call center

Stationed coordinators have all had 160-hour training. Highly specialized services are made possible by the dedicated team directly operated by UD Trucks.



One-stop support

A coordinator acts as a one-stop contact point for customers to provide efficient support with the solution of vehicle troubles, through sharing preregistered vehicle information and communicating closely with mechanics.



UD mechanic

UD service mechanics are properly trained in new products, servicing skills and devices on an on-going basis. Our expert mechanics will provide prompt solutions to the problems facing our customers.



Remote diagnostics (UDIS)

The UDIS diagnoses the machine conditions of registered vehicles remotely and shares the information with mechanics, allowing them to respond more quickly to any trouble situations.



Vehicle positioning (UDIS)

All vehicles registered with UDIS can be located instantly via the GPS from the call center. This will give users reassurance even when they have mechanical trouble in a strange area.



UD service van

When road-side maintenance is deemed necessary, our nationwide service network will dispatch a UD service van immediately from the nearest distributor from the site.

UD Road Support service requires preregistration. Please contact your local UD Trucks distributor for more information.

UD Information Service (UDIS) Transforming "vehicle information" into "services"

The UDIS collects a diverse real-time data from every registered vehicle on its position, fuel efficiency, and engine and machine conditions such as oil pressure and fluid temperature, which are displayed on multi-purpose screens. The information is deployed in various services that contribute toward the improvement of fuel efficiency, vehicle uptime, transport quality, and stress-free driving,

including the "ECO Report" and "Operation Facilitation Support." In an event of emergency, the vehicle conditions are verified via the UDIS network, and a location and response is implemented immediately, helping to minimize the downtime significantly.

Customer feedback



Masaya Kawaura

Comprehensive Safety Manager
Safety Oil Transport Co., Ltd

The adoption of UDIS makes it evident that our safe & fuel-saving driving initiatives are drawing outcomes. We are seeing a steady stream of skilled drivers who rank high among the top nationwide drivers within our group companies. To further improve our transportation quality, we ask them to pass on driving tips in our monthly safety meetings so that we can share the information among ourselves. Also, because trucks are constantly monitored while in operation, UDIS provides immediate response to emergencies; it gives us confidence even in night-time driving.

Staff commentary



Masahiro Takagi

Senior Manager
Transport Solution
Commercial Aftermarket
Uptime & Retail

We are proud to report that the UDIS has been very well received by many users. The system allows UD Trucks to also follow the vehicle positions and the machine conditions, offering drivers a great peace of mind. Multitude of data on the vehicles collected through the UDIS network are used in providing fuel-efficiency reports, prompt emergency response, and other services. With the new collaboration with the call center, we hope to contribute toward preventive measures by providing relevant information for this purpose.

Feature 2

From Asia to Africa Opening of a New Stage to Unleash Quester's Potential

In 2015, UD Trucks launched Quester in South Africa and Sri Lanka, a heavy-duty truck that meets a variety of industrial needs in the emerging economies.

We will thrive in supporting sustained growth of the local economy by expanding the area of distribution in these economically developing countries.



South Africa

Satisfying the growing demand for heavy-duty trucks

UD Trucks launched a heavy-duty truck range Quester in 2013, developed for growing markets; the range was realized through UD Trucks' 80-year heritage of Japanese craftsmanship and the global technology of Volvo Group.

The launch journey started from Thailand, followed by Indonesia, Malaysia, other southeast Asian countries, and China.* South Africa and Sri Lanka also joined the caravan, starting in 2015.

For UD Trucks, South Africa is the largest market



outside Japan, and since its first entry into the market in 1962, the company has been catering to the local logistical needs in the areas including marine containers, mineral resources, construction materials, lumber, and agricultural produce for more than 50 years. The growth of local economy in recent years is stimulating the great demand for dump, mixer, and sprinkler trucks for infrastructure development, such as ports, airports and power plants, as well as on construction sites. The deciding factor for the launch of Quester in this market was the vehicle's high-volume load and versatile customization options, easy maintenance, and robust off-road performance, all of which stand the variety of local needs.

Quester is assembled at a local UD Trucks plant in South Africa. The company plans to expand the marketing scope to Zimbabwe, Zambia, Malawi, Mozambique, Namibia, Botswana, Swaziland, Lesotho.

*Quester is marketed in China as Kuteng (酷騰).

Sri Lanka

Working together with local partners

In Sri Lanka, UD Trucks has been supporting the local industrial infrastructure development collaborating with a prominent local business for over 30 years through maintenance and sales. Through our products, we give support to the development of marine ports, airport terminals, irrigation systems and power plants as well as the transport capabilities for oil and LP gas. With the Quester launch in South Asia, UD Trucks will further continue to make contributions to the country's

sustained economic growth by enhancing the efficiency of local transport.



Quality

Participation in VISTA 2015–2016

For the purpose of enhancing our aftermarket quality, 68 teams from the dealers in Japan participated in Volvo Group's training event, VISTA.



Business Partners

Support for independent dealers for higher skills

We offer the same training materials and opportunities to our independent dealers as we do to our own dealers to give support for higher levels of skills and knowledge.

Safety

Safe-driving seminar

In 2015, we held the safe-driving seminar on driving safety for our customers: 3,901 customers participated in 121 sessions held throughout Japan.



Employees

Promotional event for diversity and inclusion (D&I)

During the "D&I Week" in September, we organized a photo contest on the theme of the diversity and a social event for employees to raise awareness of diversity and to nurture mutual understanding.



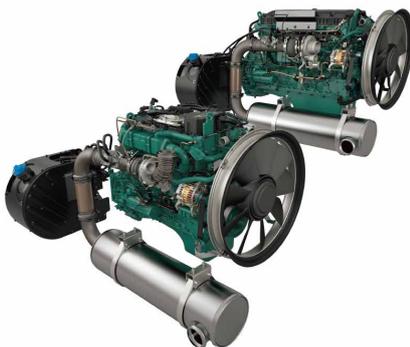
Highlights in 2015

UD Trucks pursues activities and initiatives in alignment with Volvo Group's CSR and sustainability approach and the international standards for corporate social responsibility, such as the UN Global Compact and ISO26000. Here are some of the major events from 2015.

Customer Satisfaction

Industrial-engine certified with the Tier 4 Final standards for emission-reduction requirements

The new engines D5 and D8 by Volvo Penta were successfully certified with the emission reduction standards Tier 4 Final. The engines of a full range between 5 and 16 liters now deliver high environmental and maintenance performance.



Test drive events

Events were held in June for our cargo truck, and in July for our tractor, to which a total of 77 people from 67 companies, and 63 people from 42 companies, respectively, participated and experienced driving of in-operation vehicles.



Society

Internship program in collaboration with Sophia University

As part of the industry-academia partnership program, we offered university students with a hands-on learning opportunity.

Environment

New headquarters building completed with safety and the environment in mind

In July, our new headquarters building was completed and inaugurated. This building has adopted the latest anti-seismic structure as well as energy-saving technologies.



Aiming for Higher Quality



UD Trucks takes "quality" very seriously in our business management and pursues various initiatives to ensure and improve quality of excellence in all business activities, including ISO certification.

Quality management policy

Pursuing "better quality" in all business activities

"Quality" is one of the pillars in the Volvo Group's corporate core values. To ensure customer satisfaction, it is essential that we continue providing them with products and services that are of excellent quality. In alignment with this, UD Trucks observes three guiding principles of "customer focus," "commitment and participation by everyone" and "process approach and continuous improvement" in our efforts to ensure and improve quality in all of our business activities, from product development to production, sales and aftermarket services.

Quality management system

Efforts in obtaining ISO9001 certification

During FY 2002, our Manufacturing Division attained the ISO9001 certification, a framework of international standards on quality management systems. In FY 2015, the Powertrain Department renewed its certification as the Volvo Group Powertrain Division, while maintaining the certification awarded to the UD Trucks Cab & Vehicle Assembly Department. Meanwhile, the Product Development Division is aiming to obtain certification as the Volvo Group Product Development Division. Each division regularly observes the Plan-Do-Check-Act (PDCA) cycle to further improve its quality aspect.

Major activities

Setting up and implementing quality targets for each section

Product Development Division

Periodical audits conducted across the group

Based on the Volvo Group's shared processes, we set a gate at each development stage and conduct audits for each quality item, including performance, functionality, durability, and reliability. Representatives of the Sales Division and Technology & Quality Assurance Department are responsible for conducting the audits across the company. The audits are found valuable as they prompt

useful measures and facilitate sharing of challenges in improving product quality. We ensure the quality of components delivered by our suppliers by taking them through the delivery and/or quality-assurance systems based on the procedures covering from product planning and development to mass production.

Boosting employee competence

In order to keep a high awareness of quality issues in our daily practices, we provide our product development employees with training opportunities on the ISO9001 basics and the Volvo Group quality-management policies, for those employees to develop awareness of how these are relevant to their daily tasks. In order to ensure that the message reaches each employee, our training programs are tailored to suit the employee's work and competence.

Manufacturing Division

Conducting internal audits to ensure appropriate function of quality assurance managers in all departments

In the Manufacturing Division, the responsibility and authority over the establishment and maintenance of quality-management systems are delegated to department managers. UD Trucks adopts its unique control method in manufacturing activities, where nonconformance is checked daily in delivered parts as well as in production and quality in manufacturing processes in an effort to secure intended quality levels and meet various quality requirements. This method has been also adopted by other Volvo Group operators globally, demonstrating its value as viable quality assurance standards in manufacturing.

We also plan and implement internal audits to evaluate in-field performance. The outcomes of the audits provide the relevant departments with insights into the areas that need corrective measures to be developed. In this way, all departments can strive to improve and ensure that all requirements are met. In FY 2015, we conducted the internal audits in November at the Ageo and Hanyu plants, focusing on the Powertrain Department and Cab & Vehicle Assembly Department.

Boosting employee competence

UD Trucks designates November as Quality Month, during which period all departments review their processes and improve the skills involved in quality management and competence, in order to bolster company-wide quality awareness.

Sales and Aftermarket Division

Diverse initiatives to improve the quality of aftermarket services

For our customers' peace of mind in driving our products, UD Trucks strives to ensure and improve aftermarket service quality mainly by polishing the skills of our service mechanics.

Better quality of aftermarket services

In order to prevent the need for re-servicing at dealers, the Aftermarket Division makes sure that each servicing factory analyzes their re-servicing cases and reports key factors to the division. Where there is a critical re-servicing case, a meeting is called within the factory to discuss corrective measures. Information on these corrective measures is shared to other factories via the aftermarket head office, to prevent similar cases.

Quality Technical Conference 2015

The Aftermarket Division has been organizing a seminar, Quality Technical Conference, for mechanics and trainers since 2014, as part of their initiatives to train knowledgeable, skilled service mechanics who are competent in dealing with unexpected machine trouble quickly and precisely, leading to high-quality services for our customers. The 2015 event was organized in November, held in Osaka, and had 250 participants. Four sessions were provided during the two-day program, with the topics of the latest quality improvements made on UD branded trucks, data analysis on breakdown data using dedicated tools, repair and servicing advice on frequently quoted defects, and the new method of quality information processing.



Employees at the Quality Technical Conference 2015

Participation in the aftermarket competition event on a global level

The Aftermarket Division strives to improve mechanics' skills on a global level through the participation in the Volvo Group's international training event.

September 2015 saw the commencement of the VISTA 2015–2016, a competition event for mechanics and service parts engineers as well as service front staff engaged in aftermarket work for Volvo Trucks and Volvo Buses. From Japan, 68 teams from UD Trucks and Volvo Trucks dealers, totaling participated. In the competition, teams underwent paper examinations and practical demonstration, and the efforts made in winning the race translated into the participants' enhanced knowledge and skills as well as the team work.

The world final of VISTA 2015–2016, the biggest in scale since the first event in 1957, is scheduled for June 2016 in Sweden.

UD Trucks also hosted its own training event, the UD Trucks Gemba Challenge between June and November 2014; with 102 teams from Japan and dealers from South Asia, Southeast Asia, and South Africa participated.



Members of Kanazawa Customer Center participating in VISTA 2015–2016

Disclosure of information on product quality

In an event of defects that may have impact on customer safety or the environment, UD Trucks exercises prompt information disclosure in accordance with the guidelines provided by the Ministry of Land, Infrastructure, Transport and Tourism of Japan.

Number of cases notified (each year in January–December period)

	2013		2014		2015	
	UD Trucks	Volvo Trucks	UD Trucks	Volvo Trucks	UD Trucks	Volvo Trucks
Recall	7	1	5	2	4	2
Improvement campaigns	0	0	0	0	0	1
Services campaigns	0	0	3	0	1	1

Improving Customer Satisfaction



For perpetual efforts to improve customer satisfaction, UD Trucks engages in obtaining knowledge of potential customer needs from the product development stage through a variety of communication opportunities and leverages their feedback in our daily business activities.

Policy on the improvement of customer satisfaction

Planning and pursuing product plans and development plans from the customers' points of view

In order to provide our customers with products they feel highly satisfied with, UD Trucks starts product planning by finding out and understanding what our customers are faced with in their daily operations. We then proceed with the development plans upon considering the future trends—society and industry in 10 years' time, new laws and regulations, etc. —taking into consideration the knowledge and expertise Volvo Group offers.

Since trucks are long-lasting assets, we also consider how to minimize lifetime cost while maximizing the return on investment, on which the development goals will focus, and include these considerations into the development plans. Upon a release of our products, we pay attention to clearly convey our goals and the advantages of the product in the perspective and language of our customers.

Major activities

Promoting customer communication initiatives

Direct input from customers

Constant survey on market trends

In our Product Development Divisions, we continue our diligence in the initiative that our staff members with specialist competence visit customers and listen to them directly so as to understand their needs. Because a great variety of bodywork customization options are available in Japan, we also visit body builders and gather information on the current overall market trends to leverage in our product planning.

Test drive events

Providing opportunities to experience the trucks first hand

We organize test drive events for our customers to better understand the product characteristics and make decisions on the products that best meet their requirements. Our new UD Experience Center that just opened in May 2015 and the test-drive course adjacent to it together provide a great venue for these events. In the June event 2015, we organized thematic

programs for test driving, comparing heavy-duty cargo trucks with automatic and manual transmission as well as UD Trucks's Quon and its counterparts by competitors. We had 77



participants from 67 companies. They appreciated the opportunity to have first-hand experience of the differences in operability, drivability, and physical stress. Participant feedback included: "It was a great opportunity for users to gain insight" and "First time to realize that there are differences even between automatic transmission vehicles."

In July, we organized a test-drive event for Quon tractor, and received 63 attendees from 42 companies.

Providing information regularly

Dissemination of information for customers

UD Trucks issues the monthly magazine "Diesel News" to our customers. The magazine includes articles on subjects useful for customers in their business challenges, such as talent education, labor administration and case studies on competitors' successes, together with other information such as academic advancement.



Diesel News



På väg

Volvo Trucks publishes its magazine "På väg" ("On the road" in Swedish) two to three times annually, imparting a variety of information with plenty of photographic presentations, including their products, aftermarket services, and customer feedback from across the world.

Consulting services to our customers

Accounting for customer feedback in products and business activities

We provide our customers with a customer contact point, where we respond to calls of queries, opinions and requests from our customers. We have developed manuals for each possible question to facilitate prompt and smooth responses. The inquiries are shared with relevant internal divisions as points of reference for their product improvements and operational activities. The total number of calls we received were 5,255 and 5,384 in 2014 and 2015, respectively.

Better Collaborative Relationships with Business Partners



Suppliers and independent distributors are invaluable partners indispensable for our business. We strive to develop and enhance our relationships with them, respecting the Volvo Group policies and customer satisfaction.

Policy concerning suppliers

Striving to build appropriate relationships and executing purchasing as part of CSR action processes

Providing not only raw materials and facilities but also services and consumables necessary in daily work, our suppliers play an important role in UD Trucks's business activities. Keenly aware of this, UD Trucks engages them in developing appropriate relationships in accordance with the Volvo Group purchasing policies.

Recognizing the purchasing activities to be part of CSR processes, Volvo Group encourages us to build long-lasting relationships with our suppliers by ensuring our "responsible purchasing" that contributes toward the realization of sustainable society and minimizing the environmental load, while promoting ethical practices in businesses and managing risks in the supply chains. Therefore, we ask our suppliers to comply with the laws and regulations of the areas where they operate, as well as the provisions in the Volvo Group Code of Conduct, and respect international agreements such as the UN Global Compact. We also encourage them to obtain ISO14001 or equivalent third-party certification concerning environmental protection and reducing environmental load.

In addition, UD Trucks request that all Tier 1 suppliers to observe these practices and promulgate the exercise to Tier 2 and Tier 3 suppliers through them.

Major activities

Building appropriate supply chains

Centralization of supply chain-management

Dedicated department managing the purchasing of all companies

UD Trucks delegates the management of all purchasing practices to its Purchasing Department, which is responsible for the selection of suppliers and assessments of product quality, services, and costs in accordance with the Volvo Group's purchasing policies. Where considerations are required to evaluate new suppliers, the Purchasing Department works with the divisions in need of purchasing goods or services to deliberate on the items, conditions and

budgets before reaching a final decision on the selection of suppliers.

Initiatives regarding conflict minerals and mineral mining

Bolstering practices as a significant task from global perspectives

Some mineral materials such as tin, tungsten, tantalum and gold ore are in high demand in developed countries as they are indispensable for the manufacture of, for example, computer parts. These minerals are mainly extracted in the Democratic Republic of the Congo and surrounding areas, a known conflict zone, and there is an international concern that purchasing from this region inadvertently results in funding the armed groups and perpetuating the fighting. Volvo Group takes the conflict minerals issues seriously in its global supply-chain management and bolsters its responses to international appeal.

Policy concerning independent distributors

Giving each company support to improve skills while respecting their own business operations

UD Trucks supplies products and services to our customers through the group dealers as well as independent dealers, including six companies with a total of 32 distribution sites. We share with them the improvement of customer satisfaction as a common goal and give support to their acquisition of higher skills and knowledge by offering them the same training materials and opportunities as we do to our own dealers, while respecting their own business practices established in the local areas.

Major activities

Provision of technical training opportunities

UD Trucks is proactive in supporting staff members to improve their skills in aftermarket services. Twenty people from independent dealers participated in the skill seminar, Quality Technical Conference 2015, while 12 joined us in Volvo Group's international training event, VISTA 2015–2016.

Aiming at Higher Level of Safety



At UD Trucks, we are dedicated to the enhancement of "safety" as a truck manufacturer on an ongoing basis. While focusing on the development of advanced safety technologies, we also disseminate safety-related knowledge and undertake safety-promotion events.

Safety management policy

Striving to be a leading company in safe transport solutions

"Safety" is one of the pillars in the Volvo Group's corporate core values. As our contribution toward people's healthy, prosperous lives, we make perpetual efforts for improved safety, with our ultimate objective to achieve zero accidents involving the group's products as the cause.

At UD Trucks, we focus on furthering our knowledge on how our customers use our trucks and evaluating potential safety issues systematically throughout the development of products and services. We also strive to provide products and services equipped with safety features that cater to customer and market needs as well as the requirements of given transport infrastructure.

Major activities

Enhancing product safety leveraging "technology" and "awareness"

Monthly meeting on the environment and safety technologies

Holding periodical meetings to ensure product safety

UD Trucks makes it a principle that it respects and complies with laws and regulations in countries where we operate as well as the regional/industrial self-imposed regulations in our product development, based on Volvo Group's safety policies.

To ensure our practice adhere to this principle, we hold a monthly meeting on the topics of the environment and safety technologies, involving personnel in product development and planning. Here, we share various safety-related information from Japan and abroad, including the latest development in laws and regulations, the trend in the industry, and new technologies. Where there is a potential issue that may affect our product development, managers in sections relevant to advanced development and product strategies deliberate and decide on the courses to take for the products as necessary.

Development and use of safety technologies

Introducing advanced safety technology ahead of regularization

In response to the growing safety needs in society and among customers, we direct our efforts toward the development of innovative safety technologies. At the same time, we engage in promotion of safety technologies by introducing them into the market even before laws and regulation are implemented.

The heavy-duty truck Quon, launched in May 2014, has Autonomous Emergency Braking System (AEBS) as a standard feature (made mandatory for new products after November 2014). The lane departure warning system (LDWS) is available as an option (made mandatory for new models after November 2017). The AEBS, with a millimeter-wave radar used in the distance measurement device, detects the risk of collision with a car driving in front and alarms the driver with a warning indicator and buzzers. If no aversion actions are taken by the driver, an automatic braking system is activated to avoid collision or minimize the damage on the impact.

The LDWS is a system designed to alert the driver when the vehicle makes an unintended move to veer out of the lane. The on-vehicle camera monitors the lane on the front side and alerts the driver with buzzers when the vehicle divulges from the lane while driving at high speeds.

Vehicle testing

In order to ensure the safety features are functioning properly, we run a variety of tests on the vehicles in simulated actual driving conditions.

In developing a new model, we research the market to gain insights into the purposes and environments of usage by customers, and based on this knowledge, we conduct drive testing to verify each feature as well as the overall balance in a vehicle, on test circuits as well as on public roads. Our efforts to enhance safety include the on-road drive test, which is the last stage of testing, where the trucks are placed under the conditions of actual operation and undergo repeated tests. In order to ensure high safety standards, UD Trucks strives to enhance safety features and performance such as anti-collision braking system and the visibility through the front window and mirrors. We are also proactive in the efforts to reduce the risks of traffic accidents, taking into account perspectives of the truck drivers and various road users, including other cars, and pedestrians. These approaches to safety translate to our assessment in drive testing, which includes not only the safety technologies but also other

aspects of driving; for example, to see if the vehicle enables drivers to operate an extended period without feeling tired, and maneuver without stress, or it can minimize the passenger damage in an event of a collision between the truck and a car.



Arctic test in Kitami proving ground

Meanwhile, UD Trucks has been conducting arctic tests in the proving ground in Kitami City, Hokkaido, over 30 years since 1985. Experiment engineers, numbering a (cumulative) total of 200, participate in this 3-week program to evaluate the vehicle driving and safety performances in the cold climate, as well as the performance of various components. The assessment not only focuses on the impact of the cold weather on vehicle bodies but also includes all possible environments for use, such as snow-covered and frozen surfaces, to enable a comprehensive assessment. As we conduct the tests in the extreme conditions of sub-zero temperature as low as -20 degrees Celsius, we strive to ensure that our products bring users comfort and peace of mind in driving them in cold regions.

Collaboration with European counterparts

For efficient development of safe and highly reliable trucks leveraging the Volvo Group's latest technologies, UD Trucks engages in joint product development, working with counterparts in Europe and Asia, as we observe international laws and regulations as well as market trends. For instance, our current heavy-duty truck range Quon undergoes drive tests on the test circuits in Europe.

Safe-driving seminar

Providing practical programs that suit customer needs

The Sales Division offers our customers safe-driving seminar, as a form of our customer support to enhance safety during vehicle working. In 2015, a total of 3,901 people participated in 121 sessions (3,164 people through 142 sessions in 2014). The sessions are arranged so as to select the topics relevant to the customer needs, such as safety



management in transportation, hazards in drunk-driving, blind spot of trucks, traffic accident case studies and preventive measures, risk avoidance, and human errors. The programs consist of lectures and hands-on exercises so that the knowledge gained through the training can be applied in practice with ease. To maximize the effect, we mobilize our resources and make effective tools for our safe-driving seminar. For example, we use images taken from drive recorders mounted on vehicles involved in actual accidents and visually recreate the accident situation for our customers' virtual experiences so that they can own the safety issues.

We ask participants to give their feedback on the organizational aspects of these events, such as content, materials provided, lecturers and time allocation, which become invaluable information for reviewing the programs and materials.

Road safety campaigns

Participation in Japan Automobile Manufacturers Association (JAMA) campaign

UD Trucks is a member of the Japan Automobile Manufacturers Association (JAMA), a corporation whose membership include many Japanese automobile



manufacturers. JAMA has been pursuing safety awareness campaigns on an ongoing basis. The deaths due to traffic accidents totaled 4,113 in 2014, which is on a decline for the last 14 consecutive years. However, the figure is still at a very high level. The elderly account for a large portion of the traffic-accident victims, and that portion is growing by the year. This makes it urgent that road safety campaigns target senior generations. In 2015, in tandem with the seasonal nationwide traffic safety initiative, UD Trucks participated in the JAMA Autumn Road Safety Campaign, joining the caravan of roadside advocacy in Shizuoka Prefecture, one of the high priority area. Given that many senior citizens as pedestrians fall victims of traffic accidents, especially during evenings and night hours, we prepared self-glowing reflectors for distribution in the streets as we campaigned for road safety. We also set up campaign banners at our dealers' shop fronts, appealing to drivers to start using headlights in the early evening, which is an effective way to identify pedestrians while driving.

Allowing Employees to Perform to Their Full Potential



In order to recruit people with competence to make us a world's leading company in sustainable transport solutions and provide them with training and optimal positions, we design and operate an HR system to leverage the diverse individual talents, as well as activities to promote work-life balance.

Human resource management policy

Fostering "global and high-performing" talents

Aspiring to embody the Volvo Group's vision of becoming the world leader in sustainable transport solutions, UD Trucks holds an idea for ideal employees to be "global and high-performing." We seek highly talented people to hire, and also make diligent efforts in developing well-structured training systems and fair and square assessment schemes.

In designing and implementing these systems, we place an emphasis on the values expressed in the Volvo Way, such as "respect for the individual," "taking initiatives," "diversity and cross-functionality," "teamwork," "passion and sense of commitment," and "open dialogue," while paying attention to the results from the employee awareness survey and making our initiatives work so that they facilitate appropriate corporate culture for UD Trucks and provide work environment where each employee is allowed to demonstrate their potential.

Major activities

Developing a safe environment where a diverse employees are allowed to demonstrate their abilities

Diversity and inclusion management

Laying policies for pursuing diverse activities

The Volvo Group provides the Diversity and Inclusion (D&I) policy thereby striving to realize continuous growth through diversification of personnel and the environment that allows individuals to perform to their fullest potential. In the annual employee awareness survey, we evaluate diversity mainly in terms of the parameters of gender, nationality, and age, while the diffusion of the inclusiveness is measured through questions such as whether individuals have a sense of involvement.

What is diversity?

Diversity refers to the state of a group of people who have different attributes such as gender, nationality, racial background, age, sexuality, religion, political orientation, socioeconomic status and physical abilities.

What is inclusion?

Inclusion addresses the conditions in which individuals can feel respected of their being and accepted by others. This also includes the sense of being involved and supported by others so that they are able to perform to their full abilities. Today, the inclusion initiatives have evolved into a dynamic movement involving offices and distributors in Japan and abroad.

Our employees also take a proactive role in D&I promotion through the Diversity & Inclusiveness Community Japan (DICJ), where members elected from different divisions plan various activities, and the female employee group, Women's Inclusive Network (WIN).

In FY2015, we organized "Diversity and Inclusiveness Leadership Training," which targeted all managers and we had 57 participants. In the training, lectures and workshops were organized so that the participants developed better understanding of D&I issues and thought about how to integrate D&I activities into their daily work as well as relationships in the workplace. In September, we designated a D&I Week, to raise awareness for diversity and inclusiveness. During the week, a photo contest was held, calling participation from employees with their photos expressing diversity. We also enjoyed Fika* to promote mutual understanding and socialization among employees with various nationalities and other backgrounds.

* Fika is a casual gathering practiced in Sweden, where people enjoy having tea during a break.



Employees enjoying with Fika

Recruitment and appointments

Recruitment based on personal merits and business strategies Promotion of contributions from female employees

We conduct our recruitment activities bearing in mind individual interest, preferences and abilities as well as the company's mid-/long-term strategies. In FY2015, we recruited 144 new graduates and 33 people with previous work experience.

We are also proactive in promoting gender equality at work. All available positions in the organization are filled by open call, and today we have 40 female managers who demonstrate their abilities in respective positions.

Number of employees (as of Dec. 31, 2015)

Gender	Number of employees	Gender ratio
Female	464	7.4%
Male	5,769	92.6%
Total	6,233	100.0%

Nationalities: from 23 countries

Ireland, USA, UK, India, Australia, Canada, Sweden, Sri Lanka, Thailand, Germany, Turkey, Nepal, Brazil, France, Vietnam, Belgium, Malaysia, Myanmar, Mexico, South Korea, China, South Africa and Japan

Training and education

Career-up support in long-term perspectives

For the purpose of allowing employees to develop their career in long-term perspectives, we include a discussion on training plans between managers and employees at the annual performance assessment. We also implement planned talent development programs through preparation and implementation of succession plans, arranged for the middle- to senior-management levels.

The training is based on a combination of the Volvo Group University programs, which are globally standardized, and the local training programs, adapted to the unique business environment in Japan. In addition, we operate various focus programs such as level-specific leader training sessions and function-centered training implemented by each business division.

Fair assessment and treatment

Semi-annual evaluations upon 12-month goal

All employees set their annual goal every year and evaluate their progress with their supervisors semi-annually. We also run a remuneration system based on personal performance on the set goals, with considerations on the team/company performance.

Employee awareness survey

Preparing action plans based on survey results

We conduct an employee awareness survey every year with the intention of promoting better communications with employees and encouraging their active participation in the business management. With parameters, such as an employee's sense of pride to be part of the company and levels of satisfaction with the institution, we measure their willingness to participate in terms of the corporate values, objectives, and strategies. For the aspects with low scores, we prepare action plans and pursue improvement.

Work-life balance

Striving toward practical systems

Our HR Department takes the central role in promoting better work-life balance. We at UD Trucks also offer our

employees with schemes and policies that allow them to have choices in the ways they work so that they can achieve more efficient work-life balance. This includes the work-from-home scheme (anytime or time-framed) and the Flex-time system, with more flexible settings on working hours.

Major systems and policies to support work-life balance

- Child care leave
- Nursing care leave
- Work from Home scheme
- Flex-time (flexible working hours) system
- Policies on respect for the individual at workplace (prevention of harassment)

Health and safety at work

Promoting a safe workplace environment

Providing employees with a safe working environment is not merely a basic corporate responsibility but an important factor for a successful business. Volvo Group focuses on "involvement and engagement," "preventive and proactive approach," and "realizability and effectiveness" as three key pillars to develop a safe work environment.

Building a safe and pleasant new headquarters building

The 2011 Great East Japan Earthquake shed light on the fact that some of our facilities were built in accordance with obsolete anti-seismic regulations. As part of the effort to rectify this, we renewed our headquarters building to meet the latest safety regulations, and it opened its door to business in July 2015. For the new building, we took into consideration various aspects that affect pleasant work environment, such as lighting and acclimatization. The plot where the old building was situated is now turned into a turfed square for employees to enjoy themselves.

Prevention of industrial accidents at production sites

Occupational safety is among the top priorities in our manufacturing activities. Our health and safety committee facilitates dissemination of relevant information to employees, and regular meetings are held as opportunities to share information on cases from daily operations, promoting a higher awareness of health and safety issues among employees. Leveraging these activities, our Ageo plant has been free from industrial accidents that resulted in operational impairment due to a worker's injury, consecutively since 2009.

As a Member of Society



Building a trust with a society is indispensable for a smooth command of business operations. To this end, UD Trucks mobilizes its business resources and conducts activities to educate young generations and promote road safety as our contributions to society.

Policy for contributing to society

Paving a way to sustainable society

Volvo Group pursues social activities closely relevant to the countries and localities where they operate. Sustainability of the global environment, society, and its inhabitants is a prerequisite for companies to maintain long-term growth. Building better relationships with diverse stakeholders, such as customers, business partners, and local communities, UD Trucks plans and operates social-contribution activities wherever possible as a corporate citizen.

Major activities

Leveraging business resources in pursuing various activities

Instructing technical training an automobile maintenance college

Fostering future automotive engineers

UD Trucks aspires to foster potential talents to contribute in the future automobile industry and offers support to young mechanics-to-be to understand the beauty in trucks as well as to acquire practical knowledge in the field.

Since FY2011, the Tohoku branch office has been providing training on new technologies in heavy-duty trucks for teachers and students at automobile servicing colleges. In August 2015, a workshop took place at Kadan Automotive Technical College Sendai in Miyagi prefecture, and 35 students attended from the third-year class of the Grade 1 automobile course. Lectures were given by staff members of the Tohoku branch office, who explained the structures of the medium-duty truck Condor, heavy-duty truck Volvo FH, and transmission ESCOT-V with real machines. Though the college curriculum includes diesel engines, it is mainly with passenger cars, and many students had no previous experience with truck diesel engines and components. The participating students were impressed by the latest technologies and component sizes used in trucks. In the open discussion, they were well engaged, with many questions on fuel efficiency, the proportion of engine oil, and so on.

In December, we organized a technical seminar on heavy-duty trucks for second-year car mechanic students at Matsumoto Technical College in Nagano prefecture. The idea for this event originally came from an employee who joined UD Trucks in 2016 from the

college. He was so impressed when he experienced the internship at our Matsumoto Customer Center that he wished to extend the benefit of this experience to other students at the college, so he made a request to the company. In the event, staff members from our Matsumoto Customer Center gave lectures and explained the structure and features using the heavy-duty trucks Quon and Volvo FH. The college curriculum mainly focuses on passenger cars and motorbikes, so students are not well exposed to heavy-duty trucks. Although the seminar did not include first-year students, they came in to take a look at the trucks during breaks, and the seminar was a great success.

UD Trucks will continue this initiative and extend it to other parts of the country in the future.



Dealer's initiative: road safety campaign

Road safety events for children

Yokohama Customer Center organizes a servicing factory tour for schoolchildren from local communities. Into their fifth year, the center had its first foray to hold a road safety workshop in tandem with the tour in 2015. During the factory tour, the children delved into the servicing bay and observed a truck from below, then had a close look at a large tow truck, mounted into a driving seat of a heavy-duty truck, and learned about the blind spot for truck drivers. As they had heard about the blind spot during the workshop, they were excited to verify it from the driver's seat as their friends waved their hands in front of the vehicle and disappeared as soon as they stepped into the blind spot. To help the children remember what they learned in the road safety workshop, we presented them with reflectors in the shape of a truck at the end of the event.

Although the number of traffic accidents involving trucks is smaller than those with cars, once the accident happens, it is likely to have serious consequences. We will



continue this road safety event as a regular feature to educate children with certain aspects of trucks and lower the risk for them to get involved in an accident.

Industry-academia collaboration program with Sophia University

Our contributions to foster talents with global competence

Volvo Group provides a variety of educational opportunities for students to foster globally competent talents.

In Japan, the group came into a partnership with Sophia University in 2014 with the same intention. The partnership is on a 3-year term, during which the university and UD Trucks work together to discuss and plan various projects. So far, we have conducted a 4-week internship program, where students engaged in specific tasks and provided scholarship for research projects developed by students. We also delivered an official module on global business during the autumn semester, where our employees participated as specialist lecturers.

For 2016, we are planning a global internship program, which will send students to Volvo Group sites outside Japan for 3 months. The selection of participants is complete.

Nobel Prize Dialogue in Tokyo 2015

Inviting students to the symposium with eminent scientists

The Nobel Prize Dialogue is an international symposium attended by many world-leading scientists held in Stockholm, Sweden in tandem with the Nobel Prize Award Ceremonies. The first dialogue was in 2012, and Volvo Group has been contributing to its organization.

The symposium took place in Japan in March 2015 as the first event to be held outside Sweden. To this occasion, UD Trucks invited students from Sophia University, our partner in the industry-academia partnership program. The symposium invited economic researchers, policymakers, and other specialists in a variety of fields from Japan and abroad, including Prof. Hiroshi Amano (2014 Nobel Laureate in Physics) and Prof. Shinya Yamanaka (2012 Nobel Laureate in Physiology or Medicine). During the event, lectures and panel discussions revolved around the theme "Genetic science and future society."

Comments from the attending students of Sophia University included "The industry-academia partnership program gave me an invaluable opportunity" and "To see real world-leading scientists discussing was in itself an inspiration."



Voice Intern's feedback

Learning the fundamentals of marketing through practice

I was a member of a marketing seminar at the university. When I heard about the internship opportunity at UD Trucks, I applied hoping to have some branding exercises in an environment with real working people. I spent four weeks in the company's branding division. I was most struck by the fact that I was allowed to take my own initiatives freely. At UD Trucks, they organize the internship program in such a way that one division receives one intern, the intern expresses his/her idea about what he/she wants to do, and a task is assigned according to this. It was all left to me to manage, from deciding on the approach to the given task, to collecting and analyzing data and developing a project. The I enjoyed communicating to my colleagues during lunch

and coffee breaks, where I presented my ideas and received their feedback.

I was also given opportunities to drive the product trucks and participate in customer events. It was an invaluable lesson to recognize the importance of "listening to the opinions from the fields and customers," which is fundamental to marketing.

Keisuke Mishina
Student at Dept. of Management
Faculty of Economics
Sophia University
(Grad. March 2016)





Our Environmental Management

Based on our environmental programs in line with the Volvo Group visions and mid-/long-term plans for environmental management/conservation, UD Trucks is dedicated to contribute toward a sustainable society through the improvement of product environmental performance and the reduction of environmental load from our business activities.

Environmental management policy

Four programs as our contributions to sustainable society

Volvo Group holds "environmental care" as one of its corporate core values and strives to be a leading company in this area.

In alignment with this vision, UD Trucks pursues "holistic view," "continual improvement," "technical development," and "resource efficiency" as components of our environmental program, paving a way toward a sustainable society.

Environmental program

Holistic View

Practice to reduce impact on the environment from our products, business activities, and services with a comprehensive view on the product lifecycle

Continual Improvement

Initiatives pursued by employees in their work in a dedicated, continued effort

Technical Development

Proactive and innovative research and development to meet and surpass expectations of customers and society

Resource Efficiency

Practices leading to economize the use of natural resources and reduce waste generation

Environmental management system organization

Committed to company-wide environmental plans through "structural environmental management"

UD Trucks operates an "structural environmental management" membered by the president as the environmental chief executive officer and environmental chief managers appointed from all divisions. This formation is responsible for formulating medium-/long-term plans of environmental management and conservation across the company, and it is deliberate and approves major agenda. Each chief manager is supported by environmental officers and a management team and pursues various activities in accordance with the ISO14001, an international standard for environmental management systems, as well as with the company environmental plan. Furthermore, we organize the environment partner team, which aims to ensure all concerned, from the top management to employees and agencies such as maintenance service providers, properly understand the Volvo Group's corporate core values and

demonstrate the horizontal unity in tackling various environmental challenges, taking the structural environmental management policies on board.

Environment management system organization



Progress in obtaining ISO14001 certification

Operating the environmental management system in each division/site

UD Trucks is certified with ISO14001. Starting with the certification of the Ageo plant in FY1998, our Product Development Division and Hanyu plant subsequently obtained the same certification before FY2009.



ISO14001 certification

Today, our Product Development and Manufacturing Divisions operate the environmental management system as a business unit of Volvo Group, while the headquarters and Sales and Aftermarket Division manage their own systems as one site in our diligence to meet the targets and goals specified in our environmental activity plans.

Internal/external audits on the environmental management system

Regular evaluation of operational statuses and effectiveness

In order to ensure appropriate operation of the environmental management system, we conduct an annual internal audit based on company regulations. The internal audits are conducted by a team of qualified audit committee members who investigate and assess the operational state of the environmental management system as well as the compliance with the internal standards and relevant environmental laws and

regulations.

Our environmental management system is audited by an external organization every year. The FY2015 external examination found no major recommendations.

Impact of business activities on the environment

Pursuing effective use of resources and minimization of environmental load at all stages of the product lifecycle

UD Trucks analyzes environmental load in all stages of the product lifecycle from development and design up to waste and recycling in order to provide environmentally considerate products while working on the effective utilization of resources and reduction of environmental impacts.

Improvement in product environmental performance

Striving to develop technologies that enhance environmental performance

UD Trucks is dedicated to comprehensive environmental protection through the development of

technologies to reduce fuel consumption and filter exhaust gases, as well as by controlling environmentally hazardous materials.

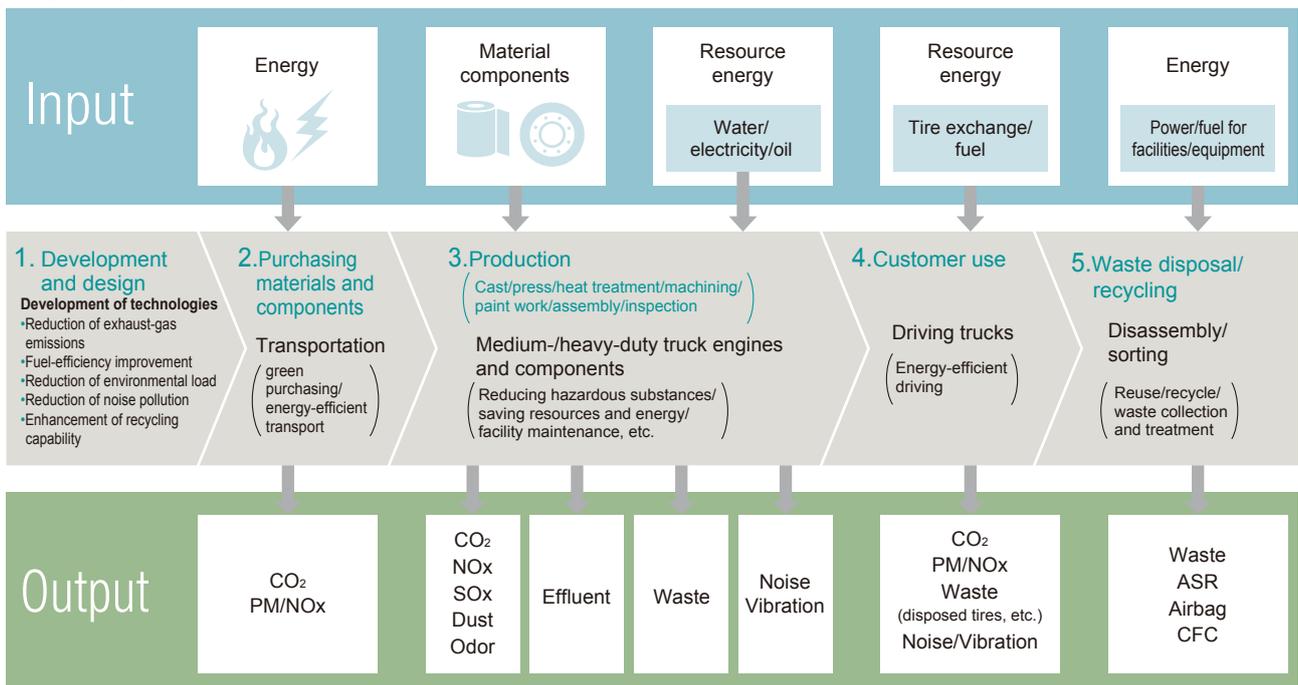
Energy saving and mitigation of global warming

Developing technologies to enhance fuel efficiency

The trucks' fuel consumption is both a significant burden on business management cost and a major cause of CO₂ emissions. For this reason, UD Trucks considers fuel efficiency to be one of the top agenda in its environmental activities and has been delivering improvement over many years. In Japan, the Heavy-Duty Vehicle Fuel Efficiency Standards 2015 was implemented, which prescribed the targets of fuel efficiency by vehicle categories in terms of weight and so on, to be achieved by manufacturers within the fiscal year. During FY2014, more than 96.1% of the entire units sold satisfied the target fuel efficiency, which helped us achieve our company target on the average fuel efficiency score.

In addition to the efforts in improving fuel efficiency of our vehicles, we continue the nationwide initiative of eco-driving seminars, where we provide truck drivers with lectures and practices on green driving.

Material flow



The environmental impact from trucks throughout their lifecycle is mostly attributed to the emissions of CO₂ and exhaust gases (PM, NO_x) in use.

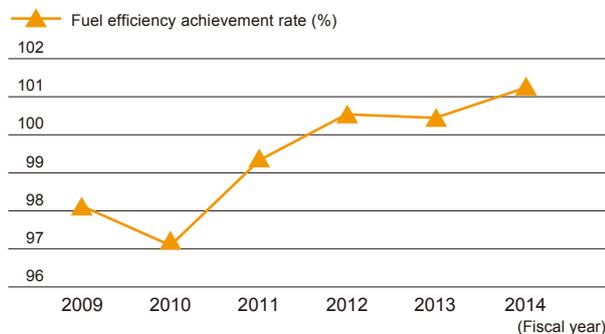
Technologies enhancing fuel efficiency

We have achieved 105% or more success in about 70% of the main models of our heavy-duty truck Quon against the target set by the Heavy-Duty Vehicle Fuel Efficiency Standards 2015. This was made possible by introducing various advanced technologies for enhancing fuel efficiency to improve powertrain performance (engine and transmission) and fine control of driving conditions.

Major technologies applied in heavy-duty trucks

Engine	Improvement in torque performance / friction reduction / setting up options for idling stop system
Power train system	direct-mount ESCOT (changed the top-gear ratio from the overdrive to direct-mode) / change of final gear ratio / new economy-E/D mode (addition of acceleration limiter and soft cruise control functions) / ESCOT ROLL (for controlling the slowing down during coasting) / electronically controlled air dryer (optimization of air compressor activation)

UD Trucks' improvement on fuel efficiency



Figures are a weighted harmonic mean of net sales by units for medium/heavy-duty trucks against 2015 figure as 100%

Eco-driving seminar

Since 2007, we organize eco-driving seminars for truck drivers, leveraging our UD Information Service (UDIS). Each session is arranged for 10 to 15 drivers and offers a hands-on seminar using in-operation trucks to learn maneuvers and speed-reduction techniques, offering useful knowledge, and passing practical skills concerning green driving. The seminar is backed by survey data, which indicates an 18% improvement on fuel efficiency after the program. Thus, it helps our customers to improve fuel efficiency and cut CO₂ emissions. In 2015, we held sessions in 103 locations for 1,384 participants (182 locations for 3,103 participants in 2014).

Control of chemical substances

Thorough control of chemicals used in products

In compliance with laws and regulations, as well as with self-regulated industrial standards about manufacture, import, management, environmentally aware design, and recycling of chemical substances, we strive to manage the chemicals we use in our products based on the Global Automotive Declarable Substance List (GADSL).

Controlling chemical substances

Development/design phase

- Verify use of chemical substances in each process, including at suppliers
- Register data with IMDS*1 as necessary

Production phase

- Annual registration and reports based on the PRTR system*2
- Implement as internal standards and promote substitution of hazardous substances

*1 Materials database jointly managed by automobile manufacturers across the world for the purpose of environmental conservation.

*2 A law for managing and controlling the emissions of special designated chemical substances into the environment: Pollutant Release and Transfer Register.

Reducing environmental load in business activities

Dedicated in energy conservation, global-warming mitigation and waste reduction

UD Trucks is proactive in reducing environmental impacts from our business activities through CO₂-emissions reduction by finding energy-efficient items, horizontal roll-out of good practices, and waste-reduction initiatives when working with our dealers.

Energy-saving and mitigation of global warming

Company-wide initiative to reduce CO₂ emissions

Volvo Group is the first automotive manufacturer who joined the WWF Climate Savers Program* in 2011. The group set its own target to reduce CO₂ emissions from the group factories by 12% of the 2008 figure by 2014. In 2013, the group had already exceeded the emissions-reduction target (20%). Continuing on this result, a new target was set in 2015

to reduce further 8% on 2013 emissions by 2020, and we are boosting our activities. In an effort to align with this reduction target, UD Trucks also arranges specific action items and plans through discussions at our Energy Saving Promotion Council, which is membered by representatives of each division. Our 2013 target was to reduce CO₂ emissions by 39% from 1990, and we achieved the target by a large margin at 68.9%. We will continue our diligent efforts in the reduction, accounting for the emissions due to future production growth in production.



* A program for reducing the greenhouse gas emissions at the initiative of WWF in partnership with world businesses.

New headquarters building designed to be energy-efficiency

Completed in July 2015, the new headquarters is a steel-framed building with 10 floors. It has the latest anti-seismic structure together with a variety of features to reduce environmental impact.

The exterior design is one example. The corrugated external wall increases the sun-blocking effect and reduces the load on the air-conditioning system. We selected Low-E glass for the windows, which reflects/blocks external heat and secures light in, and views from, the office space while lowering the thermal load in the building. The work areas are located on the north side, and utilities such as toilets and elevators are placed in the south of the building. This will reduce the

window area and minimize the heating effect of the sunbeam.

In addition, the internal lighting system uses the latest LED. The human sensors detect the people's presence and automatically control on/off and dimming, furthering the energy savings.

Waste Reduction

Reducing the environmental load through waste disposal

In the product lifecycle, waste generation is at its peak during the product disposal at dealers. In view of this, UD Trucks has developed its own waste-management system and introduced internal standards on waste sorting and management at our dealers since 2014. Each dealer has installed dedicated facilities according to these standards and observes detailed waste sorting. In terms of product development, we design our products keeping in mind that disassembling should be made easy. This results in ideas for components such as the three-way split bumpers. In production, we work on reducing waste and replacing with recyclable materials in order to minimize the volume of final disposal. In FY2014, we pursued the recycling of incineration residues and waste-sorting initiatives, which resulted in a 99.8% reduction of final waste disposal compared to FY1990. We also keep our recycling rate over 99% (zero-emission) across the company. In logistics, we are active in introducing returnable containers for shipping service parts to reduce the consumption of packaging materials.

Voice Eco-driving seminar: participants' feedback

Acquiring practical skills in green driving

The eco-driving seminar is a very valuable program for us, where we are given an opportunity to correctly understand actual driving data, such as fuel consumption, and we can also learn about the trucks in terms of their characteristics and points for daily inspection. Many of our drivers also say that the training sessions are valuable, conducted in all seriousness, and very beneficial in gaining knowledge and skills.

We need to put everything we learned from the seminar into our daily practice in order to achieve our target to reduce fuel consumption by more than 1%. Merely giving the target figure such as "1%" is not enough. We need to

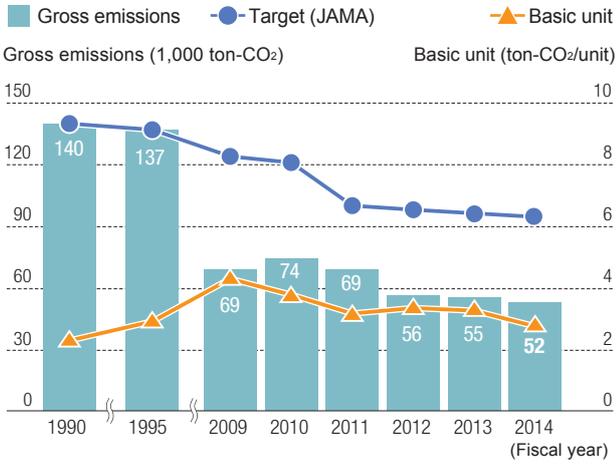
know more about how to set the target and how to give instructions. In this sense, we find many valuable ideas in the seminar. We are also aware of the need to raise drivers' awareness of the environmental issues. We are grateful for this opportunity and look forward to learning more from this seminar in the future.



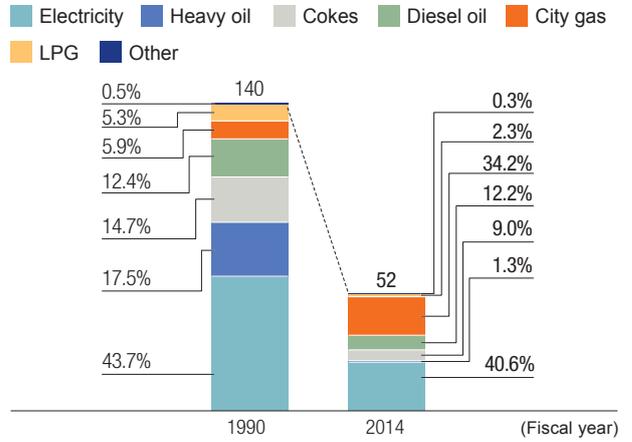
Takeshi Satou
Assistant Group General Manager
Business Division
NIPPON EXPRESS CO., LTD.

Energy/CO₂ related data

The total amount of CO₂ emission/basic unit



The amount of CO₂ emission by energy types



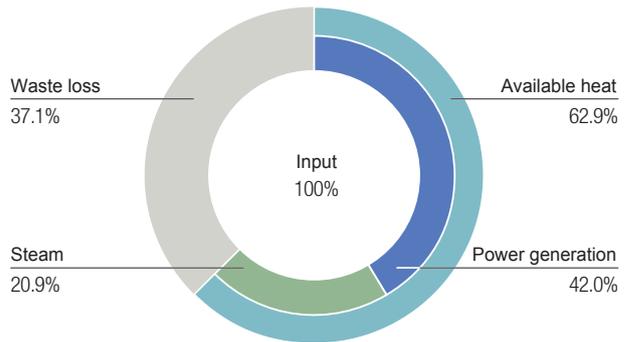
Electric power consumption

(the total usage of Ageo, Kounosu and Hanyu plant and Gunma Parts Distribution Center)



*The figure for the FY2014 Kounosu Plant is a total of figures between April and December.

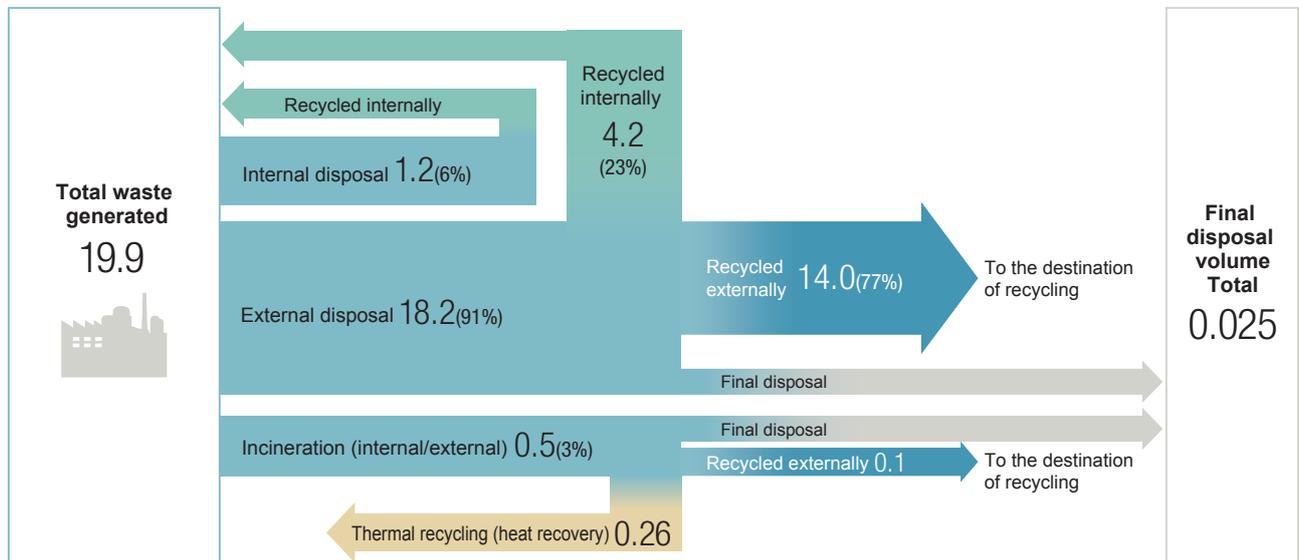
The heat balance of the large natural gas co-generation (FY2014)



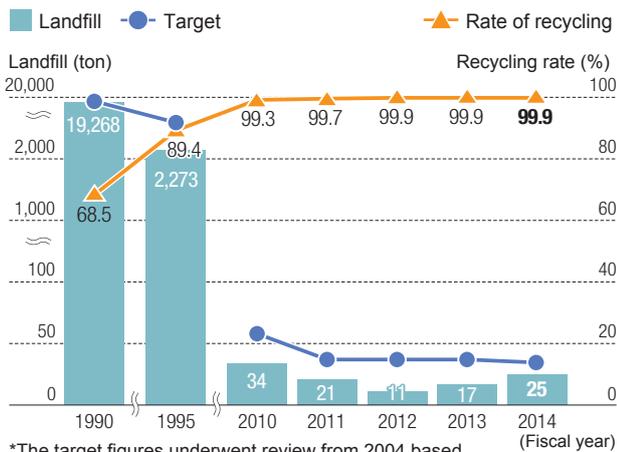
Resource related data

Waste treatment status (FY2014)

(Unit: 1,000 ton)



Waste final disposal volume (landfill)/recycling rate



*The target figures underwent review from 2004 based on the initiatives conducted by the Japan Automobile Manufacturers Association's Recycling and Waste Reduction Subcommittee.

Water consumption/basic unit



PRTR data

Ageo Plant (FY2014)

Unit: kg/year (mg-TEQ/year for dioxin and other chemical compounds)

Class	Ordinance number	Chemical substance	Volume handled	Emissions			Mileage Waste	Removal treatment	Recycled	Consumption (products)
				Atmosphere	Water	Soil				
Specific class 1 designated chemical substances	243	Dioxins and compounds	65.44	7.64	0	0	57.8	0	0	0
	1	Water-soluble zinc compound	2,730	0	27	0	0	792	0	1,911
Class 1 designated chemical substances	53	Ethylbenzene	36,953	16,119	0	0	0	3,422	17,367	45
	80	Xylene	68,136	23,623	0	0	0	3,735	40,522	255
	296	1,2,4-Trimethylbenzene	3,585	2,203	0	0	0	1,062	0	320
	297	1,3,5-Trimethylbenzene	8,655	1,093	0	0	0	108	7,397	57
	300	Toluene	13,253	10,429	0	0	0	2,265	161	398
438	Methylnaphthalene	1,540	22	0	0	0	0	0	1,518	

Kounosu Plant (FY2014)

Unit: kg/year

Class	Ordinance number	Chemical substance	Volume handled	Emissions			Mileage Waste	Removal treatment	Recycled	Consumption (products)
				Atmosphere	Water	Soil				
Class 1 designated chemical substances	31	Antimony and compounds	1,485	0	0	0	30	0	0	1,455
	37	Bisphenol A	4,721	0	0	0	0	0	0	4,721
	53	Ethylbenzene	2,943	2,936	0	0	0	0	0	7
	80	Xylene	4,396	4,326	0	0	0	0	0	70
	87	Chromium and trivalent chromium compound	18,030	0	0	0	361	0	0	17,669
	258	Hexamethylenetetramine	20,676	0	0	0	0	0	0	20,676
	277	Triethylamine	5,927	0	0	0	0	0	0	5,927
	296	1,2,4-Trimethylbenzene	1,500	173	0	0	0	0	0	1,326
	300	Toluene	8,270	8,210	0	0	0	0	0	60
	308	Nickel	1,219	0	0	0	24	0	0	1,195
	349	Phenol	1,662	0	0	0	0	0	0	1,662
	412	Manganese and compound	44,260	0	0	0	6,144	0	0	38,116
	438	Methylnaphthalene	1,439	7	0	0	0	0	0	1,432
	448	Methylenebis (4,1-phenylene) =Diisocyanate	4,680	0	0	0	0	0	0	4,680
	453	Molybdenum and compound	4,425	0	0	0	89	0	0	4,337

* Inclusion criteria are 0.5 tons or more of the specific class 1 designated chemical substances and 1 ton or more of other designated chemical substances handled.
* No applicable substances are handled at the Hanyu Plant.

Environmental data of environmental facilities in FY2014

(Environment Data Measurement Period: From April 2014 to March 2015)

Ageo Plant

Water quality	Measured item	Unit	Regulation designation	Max.	Min.	Average
BOD: Biochemical Oxygen Demand COD: Chemical Oxygen Demand SS: Suspended Substance ND: Not Detected Figures within parentheses () show average per day	Discharged volume	m ³ /day	—	7,484	0	1,504
	pH	—	5.6-8.6	7.8	6.6	6.7
	BOD	mg/l	25 (20)	6.7	ND	3.1
	COD	mg/l	160 (120)	10.5	3.4	7.5
	SS	mg/l	60 (50)	5.0	ND	1.3
	N-Hex (mineral oil)	mg/l	5	<2.5	ND	0.2
	Phosphorus	mg/l	8	0.4	ND	0.08
	Nitrogen	mg/l	60	4.2	1.0	2.5
	Zinc	mg/l	2	0.2	ND	0.05
Fluorine and compound	mg/l	8	<0.8	<0.8	<0.8	

Atmosphere	Facility	Measured item	Unit	Regulation designation	Max.	Min.	Average
NOx: Nitrogen oxide	Water boiler	NOx	ppm	150	89	84	86.5
	Cogeneration (gas engine)	NOx	ppm	200	140	110	125
	Dry furnace 1	NOx	ppm	230	30	15	23
		Dust	g/m ³ N	0.2	0.002	0.001	0.001
	Dry furnace 2	NOx	ppm	250	6	6	6
		Dust	g/m ³ N	0.35	0.005	0.005	0.005
	Burner furnace	NOx	ppm	180	Terminated		
		Dust	g/m ³ N	0.1			
		Hydrogen chloride	g/m ³ N	0.2			
			Dioxin	ng-TEQ/m ³ N	10		

Hanyu Plant

Water quality	Measured item	Unit	Regulation designation	Max.	Min.	Average
BOD: Biochemical Oxygen Demand COD: Chemical Oxygen Demand SS: Suspended Substance ND: Not Detected Figures within parentheses () show average per day	Discharged volume	m ³ /day	—	49	0	8
	pH	—	5.6-8.6	7.4	6.8	7.1
	BOD	mg/l	25 (20)	1.7	ND	0.6
	COD	mg/l	160 (120)	3.9	2.2	2.6
	SS	mg/l	60 (50)	ND	ND	ND
	N-Hex (mineral oil)	mg/l	5	ND	ND	ND
	Nitrogen	mg/l	60	20	1.7	14.5
	Zinc	mg/l	2	0.2	ND	0.1

Atmosphere	Facility	Measured item	Unit	Regulation designation	Max.	Min.	Average
NOx: Nitrogen oxide SOx: Sulfur oxide	Boiler heavy oil (1.2 tons)	NOx	ppm	180	95	69	85
		SOx	m ³ N/h	0.493	0.006	0.002	0.004
		Dust	g/m ³ N	0.3	0.005	0.003	0.004
	Water cooler/heater	NOx	ppm	180	74	74	74
		SOx	m ³ N/h	0.531	0.011	0.001	0.006
		Dust	g/m ³ N	0.3	0.004	0.003	0.004

Gunma Parts Distribution Center

Water quality	Measured item	Unit	Regulation designation	Max.	Min.	Average
BOD: Biochemical Oxygen Demand SS: Suspended Substance ND: Not Detected	Discharged volume	m ³ /day	—	31	0	7.0
	pH	—	5.6-8.6	7.2	6.5	6.9
	BOD	mg/ℓ	80	6.5	2.7	5.1
	SS	mg/ℓ	20	6.0	1.0	3.7
	N-Hex (mineral oil)	mg/ℓ	1	<0.5	<0.5	<0.5

Atmosphere	Facility	Measured item	Unit	Regulation designation	Max.	Min.	Average
NOx: Nitrogen oxide	Boiler heavy oil Nos.1, 2 and 3	NOx	ppm	180	73	49	59
		Dust	g/m ³ N	0.2	0.001	0.001	0.001

PCB storage status

	Ageo Plant
Reactor	1,125 kg
Discharge coil	40 kg
Condenser	5,823 kg
Stabilizer	10,886 kg
Transmitter	17,976 kg
Breaker	220 kg
Contaminated materials (waste clothes, etc.)	10 kg
Total	36,080 kg

**"Trans" includes the weight of the transmitter main body.

ISO14001 certification status

FY1998	Headquarters/Ageo Plant
FY2002	Product Development Division
FY2004	Kounosu Plant *Transferred to Global Component Technologies Corporation in January 2015
FY2004	Hanyu Plant *Transferred to UniCarriers Corporation in March 2016
FY2005	DRD Co., Ltd. *Transferred to Tempstaff Co., Ltd. in June 2013
FY2005	Techsus Co., Ltd. *Transferred to Tempstaff Co., Ltd. in July 2013
FY2006	N-Tech Co., Ltd. *Transferred to Kihara Manufacturing Co., Ltd. in March 2015
FY2008	Japan Vehicle Co., Ltd. *Acquired by UD Trucks Corporation in July 2011
FY2009	Volvo Logistics Corporation Japan Co., Ltd. *Acquired by UD Trucks Corporation in April 2014

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