

Manufacturing Derived from Springs.

# **NHK SPRING REPORT** | **2020**

Society • Environment • Finance April 2019 to March 2020

**Committed  
Yet Flexible**



# Committed Yet Flexible

We aim to enhance corporate value and help resolve social issues through dedication to manufacturing and continuously implementing new ideas and actions.



T. Kajimoto

President & CEO and Representative Member of the Board

K. Tamamura

Chairman & Representative Member of the Board

We would like to express our gratitude to all our stakeholders, including shareholders and investors, customers, business partners, as well as community members, for their ongoing support of NHK Spring Group activities.

## NHK Spring Group's Business Environment and Challenges

During fiscal 2019, U.S.-China trade friction and geopolitical risk dampened growth in the worldwide economy, resulting in the lowest rate of economic growth since the Lehman Brothers collapse and associated financial crisis. In the domestic economy, robust internal demand complemented external demand weakened by the global economic slowdown. While this enabled a tenuous hold on recovery, the October consumption tax hike placed the economy at a tipping point, followed by the overpowering downward impact from the spread of COVID-19. Under the influence of such global economic

deceleration and the attendant downturn in the economic climate, automotive production volume fell year on year across the board in the previous fiscal year. The resulting impact on the automotive-related industry that comprises a key business sector for NHK Spring Group has been unavoidable.

We recognize that in such a circumstance, recovery and increase in profitability is an important issue for NHK Spring Group, and we are working toward solutions in a unified effort by our production, sales and purchasing departments, as well as corporate headquarters.

In fiscal 2020, we will continue our commitment for further growth as we work diligently to address these issues by placing boosting profitability, developing new technologies and products that become new profit sources, accelerating enhancement of our manufacturing capabilities, being a safe and secure company, and creating a fulfilling and comfortable workplace as our Group management policies.

## Becoming a Company Needed by Society through Manufacturing

In September 2019, NHK Spring Group celebrated its 80th anniversary since the founding. Our aim now is to build up our corporate value over the medium to long term through manufacturing as we work toward our goal, as a centennial company.

Based on our core technologies of metal heat treatment and plastic forming technologies, assessment technology cultivated in automotive parts manufacturing, as well as precision and micromachining technologies developed through manufacturing of telecommunications parts and metal bonding technology, we provide numerous key parts in the automotive and telecommunications fields.

Business management that considers sustainability has

become widespread in recent years. Such management requires efforts to not only increase economic value, but social value of the company as well. It has become critical for us to adopt what is known as an ESG perspective on management, to resolve environmental and social issues through manufacturing, and to aim for heightened corporate governance. We aim to be a company that is needed by society, as expressed in our corporate philosophy of contributing to an affluent society through an attractive corporate identity.

## Addressing Environmental and Social Issues

Amid the worldwide demand for addressing environmental issues, we strongly believe that we can contribute to this matter through our main business operations in the automotive industry by developing and launching more lightweighted products to the market. We are also engaging in environmental activities across the globe from a worldwide and Group perspective based on the Environmental Activities Guidelines that we draft each year. Our effort for reducing CO<sub>2</sub> and other diverse responses to environmental issues have received Environmental Rating from the Development Bank of Japan (DBJ) in recognition of our advanced environmentally conscious undertakings.

Our employee welfare programs have also been commended, including our health promotion activities being certified under the 2020 Certified Health & Productivity Management Outstanding Organizations Recognition Program ("White 500" certification).

We also actively participate in solving social issues through a wide range of efforts including our ongoing pursuit of compliance, which we state at the start of our Group management policy, strengthening corporate governance and information disclosure as well as respecting human rights and promoting diversity in human resources, and hosting and participating events to promote coexistence with the local communities.

We sincerely hope that this report serves to foster understanding of our policies and activities regarding the role that NHK Spring Group must fulfill in the society. We would appreciate your continued support for our future growth.

## CONTENTS

### NHK Spring Corporate Profile

- 2 Message from Management
- 4 NHK Spring 80th Anniversary  
Various Turning Points in Our 80-year Journey
- 6 Various NHK Spring Products in Cities
- 8 Value to Society Provided by NHK Spring Group
- 9 Business Overview
- 14 Global Group Network

### 16 NHK Spring Group's CSR Philosophy

#### Environment\*

- 17 NHK Spring Group's Global Environmental Conservation Activities
- 18 NHK Spring Group's CO<sub>2</sub> Reduction Activities
- 20 Use of Renewable Energy
- 21 Zero Emission Activities
- 22 Environmental Audits and Energy Conservation Diagnosis for CO<sub>2</sub> Reduction
- 23 Systems to Encourage Environmental Conservation
- 24 Business Activities and Life-cycle Flow

#### Organizational Governance

- 25 Corporate Governance
- 26 Management Organization
- 28 Compliance
- 29 Risk Management
- 30 Shareholders and Investors

#### Human Rights

- 31 Approach to Human Rights / Initiatives to Promote the Active Participation of Diverse Human Resources

#### Fair Operating Practices

- 32 CSR Procurement

#### Labor Practices

- 33 Human Resource Employment and Development
- 34 Promotion of Better Health
- 35 Workplace Health and Safety
- 36 Work-style Innovation / Management-Labor Relations / Benefits Programs

#### Consumer Issues

- 37 Initiatives to Quality Assurance

#### Community Involvement and Development

- 38 Social Contribution Activities, Sponsoring and Collaborating with Local Events

### 40 Financial Highlights 2019

\*Reports on environmental activities not included in this report are published at our website as environmental data.  
<https://www.nhkspg.co.jp/eng/csr/env/index.html>

#### Guiding Principles of NHK Spring

- Continuous progress
- Ceaseless excellence
- Caring teamwork

#### Corporate Philosophy

To contribute to an affluent society through an attractive corporate identity by applying innovative ideas and practices, based on a global perspective, that bring about corporate growth.

We, the people of NHK Spring, follow our Corporate Philosophy, in the spirit of our Guiding Principles, and build a better world by building innovative products.

# Various Turning Points in Our 80-year Journey

In September 2019, NHK Spring celebrated its 80th anniversary. During the journey from our founding in 1939 to today, we have faced various important turning points. We will forge directly ahead with manufacturing as we look forward to becoming a centennial company.

## 1939 NHK Spring founded, moved from Shibaura to Isogo

Our founding began with the purchase of the Shibaura Spring Seisakujo in Shibaura, Tokyo. As a private company, Shibaura Spring Seisakujo began with manufacture of springs used in automotive repair, then expanded its business operations.

On September 8, 1939, the company name was changed to NHK SPRING CO., LTD. Since ships were, at the time, the main means of shipment, we relocated our headquarters and plant in November 1940 to Isogo, Yokohama City, where we began production of leaf springs in a modern state-of-the-art plant. While subsequently overcoming a period of difficulties including World War II, we continued to accumulate development and production innovations such as the adoption of shot-peening, making forward strides backed by a high level of technological capability.



## 1961 Entry into the seating business

We had been producing seat springs for the occupation army in Nagano Prefecture since 1949, but as business operations expanded, we faced the necessity of production site location adjacent to automotive manufacturers in order to reduce transport costs.

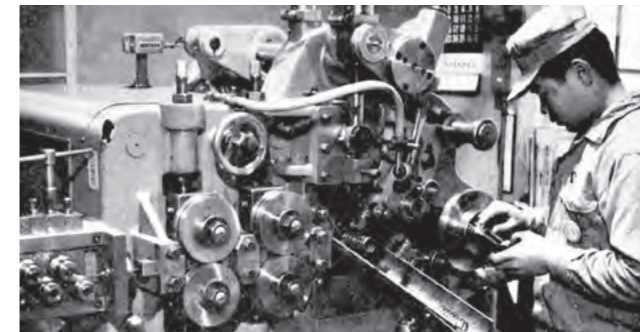
We thus established our new Nagoya Plant (current Toyoda Plant) in 1961, and our Kawasaki Seat Plant the following year. Thanks to a technology partnership with the U.S. firm Rockwell, we switched production from drum-shaped springs to S-shaped springs for greater productivity and lightweight design in advance of other companies. We subsequently began production of urethane foam seats in 1964, robustly expanding our seating business operations.



## 1970 Strengthened precision spring business operations

Since 1960, demand for both wire springs and flat springs has been on the increase. In order to make a full-fledged entry into the field of precision springs, we built up a two-plant system including the Ina Plant (renamed from Miyada in 1963) and the Kawasaki Plant.

In the small spring business, however, numerous small-scale companies crowded the field due to the ease of starting the business with small capital. NHK Spring introduced state-of-the-art facilities and established production technologies to compete decisively by offering more precise products and using more advanced production technology. In 1970, the precision spring operation at the Kawasaki Plant was relocated to the Atsugi Plant. In this way, we continued to expand our precision spring business operations.



## 1991 Major relocation to the new Yokohama Office

Since the start of the planning for Metropolitan Expressways Bay Shore Route which had begun in the mid-1960s, was to pass through the property on which our headquarters and Yokohama Office in Isogo Ward were located, we were provided with an alternate property in Kanazawa Ward, Yokohama City, whereupon our relocation began in earnest.

The relocation started in 1987 when we began construction on our automotive suspension coil spring plant, and the start of construction on our seating plant followed the next year. In tandem with these projects, we have built a headquarters building, a development and testing building, welfare building, and Welfare Pension Fund Hall (current gymnasium).

In 1991, our corporate headquarters, Yokohama Plant, Kawasaki Plant, each department in our Negishi Annex Office, and NHK Spring R&D Center (later merged with the Research and Development Division) all relocated to the new Yokohama Office, where they are situated today.



1930 1940 1950 1960 1970 1980 1990 2000 2010 2020



## 1957 After a merger, we became the top manufacturer of springs

While the years following 1955 saw an economic boom period that came to be called the "Jinmu Keiki," the spring industry was characterized by increasingly intense market share competition. Apprehensive about mutual collapse, NHK Spring took on active leadership of a restructuring of this industry. In the spring of 1957, we took the step of merging with the spring division of Daido Steel, one of the industry's top three firms.

In December of that year, Daido Steel founded Daido Spring in anticipation of the merger with NHK Spring. The merger between our company and Daido Spring was then effected in May of the following year. This resulted in change in ownership of the Daido Spring plant in Kawasaki to the NHK Spring Kawasaki Plant. At that time, we increased our capital to ¥500 million, cementing our status as the top spring manufacturer.



## 1963 Establishment of first overseas base: NHK Spring Thailand

In 1963, NHK Spring became the first automotive parts manufacturer to move into Thailand\*. At the time, we had already received inquiries for leaf springs from Southeast Asia and South America, and this gave us an initial foothold in overseas production. At this time, demand in Southeast Asia was mainly for springs used in repair work. In 1959, we were exporting 100 to 150 tons of products, compared with our domestic demand of 300 tons. It was amid these circumstances that we received approval for the establishment of NHK Spring Thailand after much hard work.

Since then, NHK Spring Thailand has established sites in various places, expanding its business operations beyond the automotive field, and making tremendous progress as one of our Group's most crucial operational hubs.

\*Yazaki Corporation began operating in Thailand before NHK Spring, but we were the first to establish ourselves there as an automotive parts business.



## 1980 ~ Pioneering non-automotive fields

In our Mid-term Business Plan released in 1976, we clearly stated that we had arrived at an era of thoroughgoing diversification of business operations: "We will increase sales from products other than existing automotive-related products until they represent 40% of our total sales."

We developed and produced industrial machinery and equipment related products including pipe hangers and mechanical multilevel parking systems, and chemical products business followed as the next pillar of plant division. In 1986, we established Electronic Components Department, and embarked on the manufacture of metal substrates. We launched brazing operations in 1990, and developed our data device related business into security business operations, receiving high marks worldwide for our anti-counterfeiting technology.



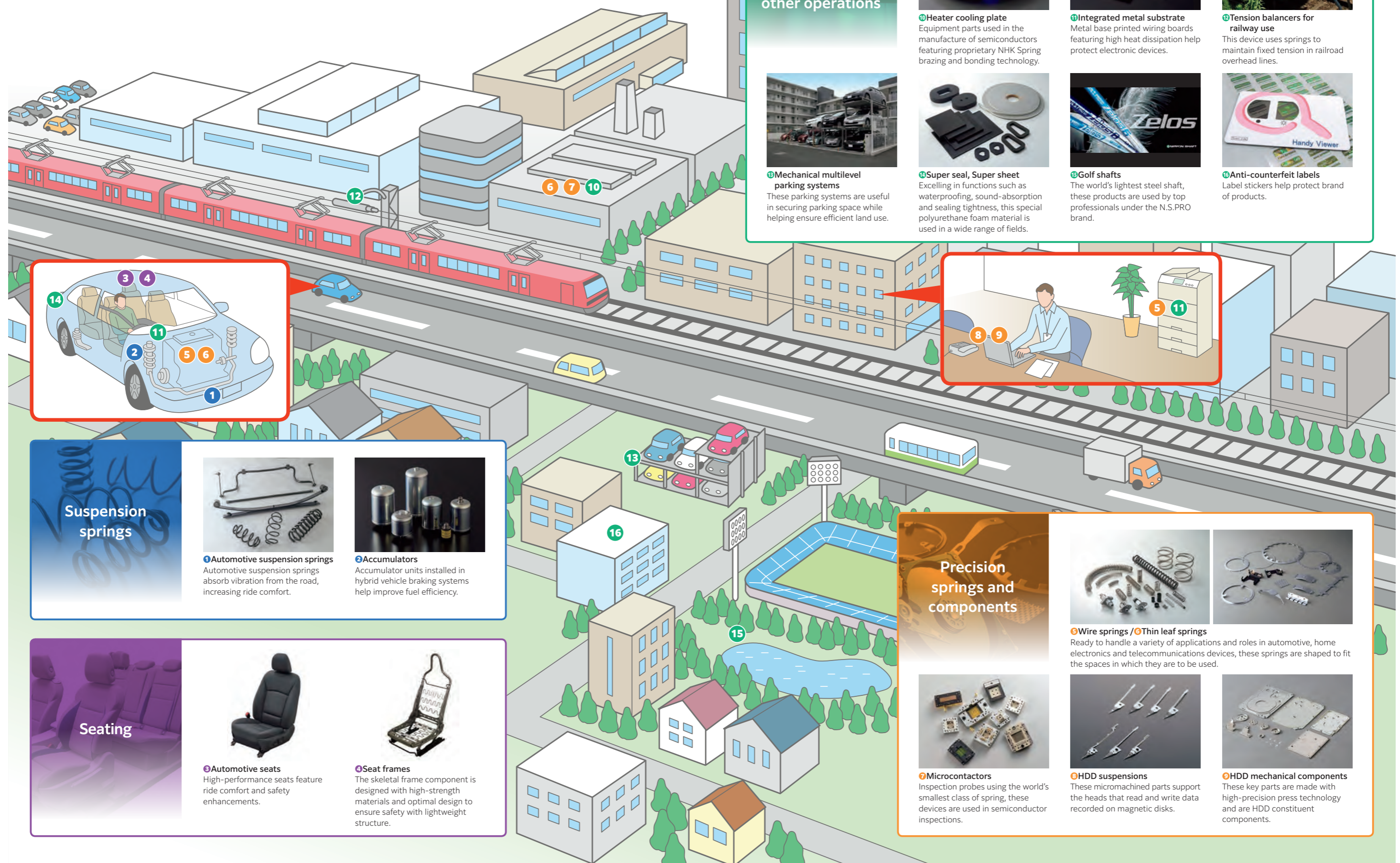
## 2010 ~ Proactive NHK Group global deployment

Although the first decade of the 2000s saw a variety of difficult struggles, including the Lehman Brothers collapse and associated financial crisis, the Great East Japan Earthquake, and large-scale flooding in Thailand, NHK Spring Group pulled together to achieve solid growth.

During the 2010s, we established new business sites in Asia and Central America, accelerating our global business activities. In 2015, we established a production site in Hungary, our first one in Eastern Europe, providing us with a foothold for expanded sales to European manufacturers. Based on the concept of local production for local consumption, the aim of our global business deployment is to form local affiliates that are affectionately received in their local communities, and this thinking will never change.

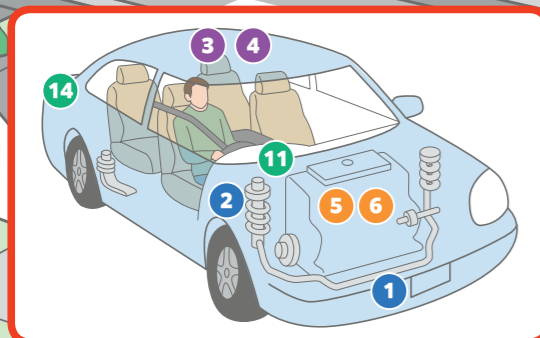
# Various NHK Spring Products in Cities

NHK Spring Group contributes to manufacturing in each field, from automotive to data telecommunications, industry, and lifestyle. Here we introduce the products of four business operations (suspension springs, seating, precision components and industrial machinery and equipment business).



### Industrial machinery and equipment, and other operations

- 10 Heater cooling plate**  
Equipment parts used in the manufacture of semiconductors featuring proprietary NHK Spring brazing and bonding technology.
- 11 Integrated metal substrate**  
Metal base printed wiring boards featuring high heat dissipation help protect electronic devices.
- 12 Tension balancers for railway use**  
This device uses springs to maintain fixed tension in railroad overhead lines.
- 13 Mechanical multilevel parking systems**  
These parking systems are useful in securing parking space while helping ensure efficient land use.
- 14 Super seal, Super sheet**  
Excelling in functions such as waterproofing, sound-absorption and sealing tightness, this special polyurethane foam material is used in a wide range of fields.
- 15 Golf shafts**  
The world's lightest steel shaft, these products are used by top professionals under the N.S.PRO brand.
- 16 Anti-counterfeit labels**  
Label stickers help protect brand of products.



### Suspension springs

- 1 Automotive suspension springs**  
Automotive suspension springs absorb vibration from the road, increasing ride comfort.
- 2 Accumulators**  
Accumulator units installed in hybrid vehicle braking systems help improve fuel efficiency.

### Seating

- 3 Automotive seats**  
High-performance seats feature ride comfort and safety enhancements.
- 4 Seat frames**  
The skeletal frame component is designed with high-strength materials and optimal design to ensure safety with lightweight structure.

### Precision springs and components

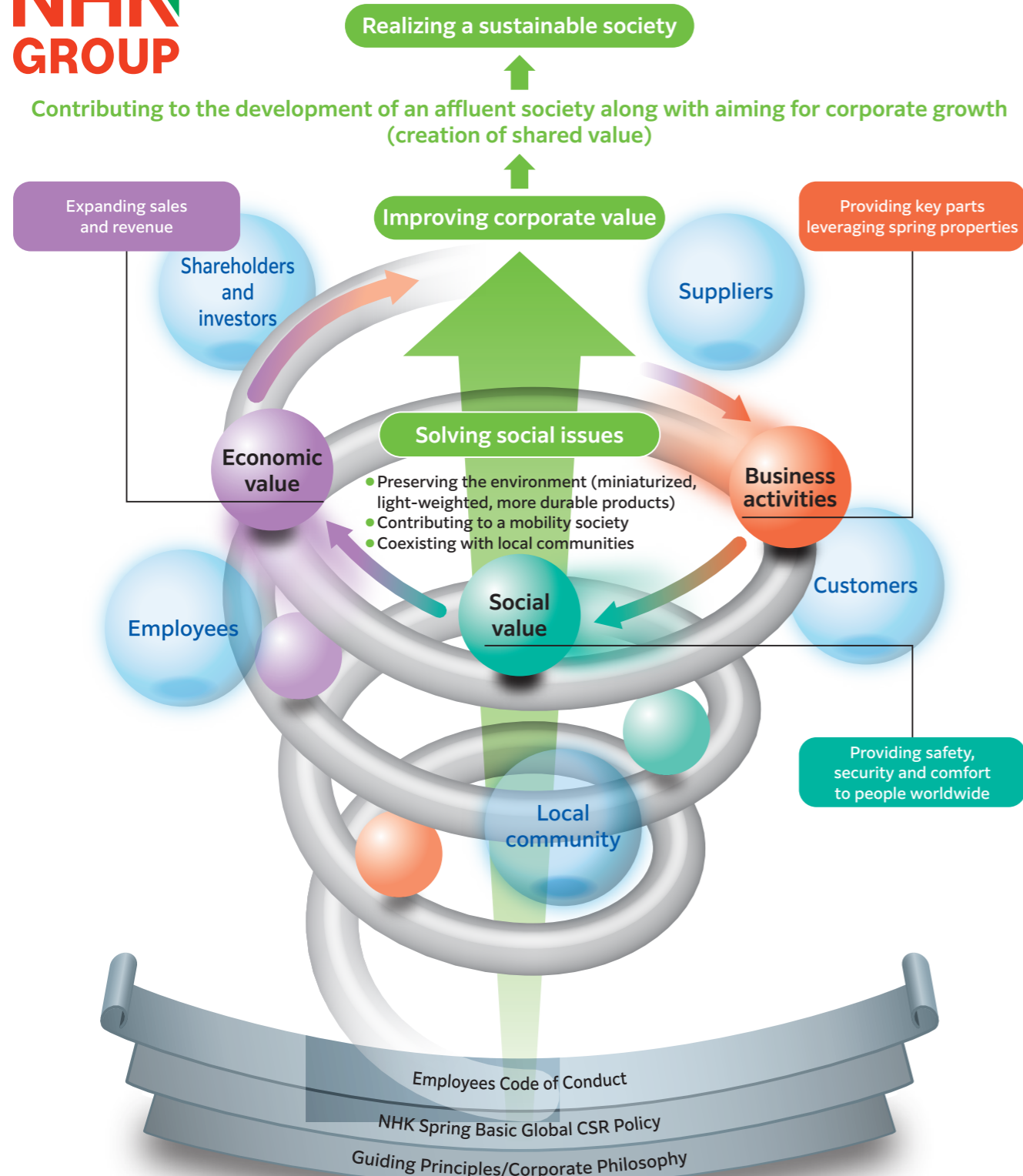
- 5 Wire springs / 6 Thin leaf springs**  
Ready to handle a variety of applications and roles in automotive, home electronics and telecommunications devices, these springs are shaped to fit the spaces in which they are to be used.
- 7 Microcontactors**  
Inspection probes using the world's smallest class of spring, these devices are used in semiconductor inspections.
- 8 HDD suspensions**  
These micromachined parts support the heads that read and write data recorded on magnetic disks.
- 9 HDD mechanical components**  
These key parts are made with high-precision press technology and are HDD constituent components.

# Value to Society Provided by NHK Spring Group

We have been building variety of new products that are able to adapt to the needs of the times and contribute to society. Having begun with production of automotive suspension springs, NHK Spring business operations then expanded to four business domains based on its core spring technologies and its metal heat treatments and plastic fabrication technologies, entering the automotive, telecommunications, manufacturing and lifestyle sectors. We reinvest the economic value brought by solving social issues through our business activities in new next-generation businesses and will contribute to the development of an affluent society by building and sending out innovative key parts to the world.



Contributing to the development of an affluent society along with aiming for corporate growth (creation of shared value)



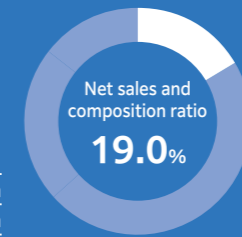
\*The guiding principles and corporate philosophy are published on page 2 and detailed information about the NHK Spring Basic Global CSR Policy and Employees Code of Conduct are included on page 16.

## Business Overview

# Suspension Springs

### FY2019 Results

Net sales ¥126.3 billion  
Operating income ¥2.7 billion



## Growth Initiatives



**Jiro Oyama**  
Executive Corporate Officer  
President of Suspension Spring Division

To achieve business growth in an environment where domestic automotive production volume has plateaued, new markets in the suspension springs field must be created through new product research and development. Demand already exists for value-added products that feature more lightweight design and ride comfort than conventional springs, and providing solutions to these needs will lead to an expansion of suspension springs business. Specific examples of our ongoing product development projects, both domestic and overseas, include FRP (fiber-reinforced plastic)

springs, attitude control accumulators, and tubular coil springs. From a sales growth perspective, proactive operations deployment worldwide will be needed to take advantage of the economies of scale available overseas. Since NHK Spring has already established its key overseas facilities and production-ready infrastructure, we are positioned to efficiently deploy our manufacturing capabilities globally for products including those under development.

### Strengths

- Possession of high-level proprietary spring manufacturing technology
- Global business deployment
- Integrated capabilities encompassing quality, price, development and lead time

### Opportunities

- Weight reduction proposals for vehicles focused on environmental performance such as HEVs and EVs
- Ride comfort proposals for automated driving and driverless cars
- Increasing added value in response to demand for higher quality levels

### Risks

- Loss of domestic economies of scale due to domestic market shrinkage
- Intensification of competition

### Main products

- Coil springs
- Leaf springs
- Stabilizer bars
- Accumulators
- Torsion bars
- Stabilizer links
- Stabilizers and others



Coil springs



Leaf springs



Stabilizer bars



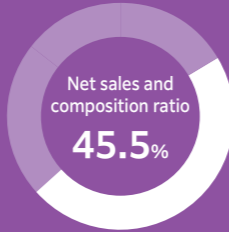
Accumulators

Business Overview

# Seating

●FY2019 Results

Net sales ¥302.5 billion  
Operating income ¥6.9 billion



## Growth Initiatives



**Tatsuro Ono**  
Senior Corporate Officer  
President of Seating Division

We are advancing business operations in the automotive seating segment through a two-pronged approach of thorough customer-first consciousness and continual quality maintenance.

The goal of customer-first consciousness is to be able to respond reliably and as quickly as customers expect by enhancing our systems which closely support customers at each of their manufacturing sites. Continual quality maintenance involves reviewing and revising development procedures to reliably meet customer expectations.

In terms of ensuring profitability as well, we are enhancing our development and manufacturing competitiveness to differentiate ourselves from other companies and boost profitability.

Operating profits in the seating business are being squeezed by increasingly severe competition with other companies as well as rising development costs from higher customer safety and quality requirements in recent years. Although the environment is challenging, we are aiming for more growth by fully accomplishing each of the initiatives described above.

### Strengths

- Ability to offer proposals tailored to customer needs through in-house manufacturing that includes the wide range of processes needed for seats, such as metals processing, urethane forming, and sewing
- Comprehensive development, design, and benchmarking capabilities for finished seating products based on business relationships with each automaker

### Opportunities

- Increasing added value in response to changing performance requirements for seating, such as comfort and new functions associated with advances in self-driving vehicles
- Possibility to expand sales to each automaker as an independent seating supplier

### Risks

- Response to fierce competition in terms of quality, price, development, etc. as an independent seating supplier

### ●Main products

- Automotive seats
- Mechanical seating components
- Interior trim products and others



Thin suspension seats



Minivan seats



Automotive seat assembly lines



Front seat frames

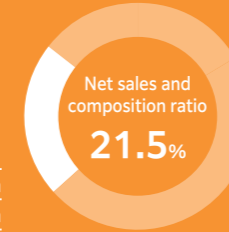
Business Overview

# Precision Springs and Components

## Precision Springs

●FY2019 Results

Net sales ¥142.9 billion  
Operating income ¥6.2 billion



## Growth Initiatives



**Kazuhiko Otake**  
Senior Corporate Officer  
President of Precision Spring and Components Division

The precision spring segment covers products in a wide range of fields, from automotive components such as engine and transmission parts to HDD (hard disk drive) mechanical components, semiconductor inspection probes, and more. In recent years, we have been particularly focused on expanding our motor core business based on high precision stamping technology to meet vehicle electrification needs in the automotive industry, which is undergoing what could be called a once-in-a-century, epoch-making transformation. We are working to expand business as we continue to increase earnings potential through the revision of manufacturing methods while keeping a close eye on profitability.

In addition, we anticipate increasing demand for semiconductor inspection probes in association with semiconductor market expansion due to future

adoption of such technologies as 5G and IoT. We are proactively seeking opportunities to grow sales as we focus efforts on the development of next-generation high-frequency, high-current microcontactors using spring micromachining technology.

At the same time, the shift in motor vehicles toward electrification is anticipated to result in a gradual future decline in existing engine parts, and we can no longer expect to see increasing demand for transmission-related wire springs as we have in the past. Competition is expected to intensify as the size of the market levels off. To enhance product competitiveness as well as further improve revenue in the wire springs business, we are working to improve production efficiency through the global rollout of the fruits of our Manufacturing Innovation campaign in progress since last fiscal year.

### Strengths

- High precision machining and miniaturization technologies
- Design analysis technology
- Materials development, heat treatment and surface treatment technologies

### Opportunities

- Burgeoning demand in product fields related to the shift toward vehicle electrification
- Semiconductor market expansion (increasing demand for inspection probe units)

### Risks

- Receding demand for existing engine parts due to the shift toward electrification (intensification of competition)

### ●Main products

- HDD mechanical components
- Wire springs
- Motor cores
- Probe units for inspection of liquid crystal panels and semiconductors
- Fasteners (screws)
- Precision machined components and others



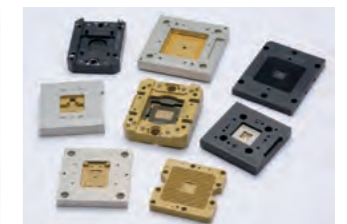
HDD mechanical components



Lock-up clutch dampers (wire springs)



Motor cores



Microcontactors/units

Business Overview

# Precision Springs and Components

## HDD Suspensions



**Tetsuya Fujiwara**  
Senior Corporate Officer  
President of DDS (Disk Drive  
Suspension) Division

### Growth Initiatives

Amid a decline in shipment volumes of HDD (hard disk drive) suspensions for portable HDDs due to increased SSD (solid state drive) use, our quick actions in the HDD suspension segment—the development of suspensions for data center HDDs which use more suspension components per unit, and the investment in mass production lines—have captured market share and expanded sales.

As the need for high-capacity HDDs for data centers increases, the technology required in suspension specifications is also rising to an extremely high level. To be a trusted partner to our customers, we are strengthening collaboration at the design and development stage and providing proactive support through design proposals and performance

evaluations.

In addition, we have been able to achieve the same level of quality control at every manufacturing site through standardization of production technology and key parameters at the Komagane Plant as the mother factory. Along with product quality improvement, we are working to cut fixed costs and promote streamlining wherever appropriate by automating lines, improving takt times, and increasing productivity.

Our production division has adopted “One Team” as its slogan as we collectively mobilize the resources of each manufacturing site and conduct business effectively. In so doing, we are setting our sights higher and forging ahead day by day to be a key supplier supporting data centers of the future.

#### Strengths

- World's top share of suspensions for data center HDDs
- Ability to partner with each customer from the development stage, enabling us to propose manufacturable designs that meet customer specifications
- A flexible supply network with locations in Japan, China, and Thailand, providing identical quality suspensions tailored to demand at each customer location

#### Opportunities

- Sales expansion accompanying an increase in the number of suspensions used per product due to increased demand for multi-disk HDDs for data centers

#### Risks

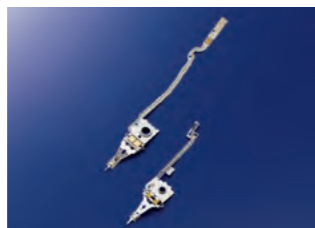
- Response to customer demands for lower costs

#### ● Main products

- HDD suspensions



HDD suspensions



DSA for high-capacity HDD



CLA for ultra-high capacity HDD



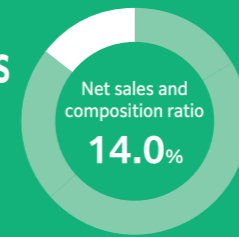
Production of HDD suspensions

Business Overview

# Industrial Machinery and Equipment, and Other Operations

● FY2019 Results

Net sales ¥92.6 billion  
Operating income ¥4.8 billion



**Hironobu Sugiura**  
Senior Corporate Officer  
President of Industrial  
Machinery and  
Equipment Division

### Growth Initiatives

Our business operations in the industrial machinery field are diverse, including integrated metal substrates and semiconductor process components which are at the core of our growth over the near future.

The COVID-19 pandemic is expected to thrust the automotive industry into a worldwide struggle in fiscal year 2020. Even so, our integrated metal substrates are capturing a large share of the car electronics market, which has a particularly favorable outlook for expansion in areas such as power modules, secondary battery-related parts, and LED lighting-related parts. We are preparing for anticipated additional market growth in the future by strengthening our capabilities in terms of both improved quality and productivity through domestic and overseas plant facility updates and layout optimization.

We are also working to expand sales by developing

products with new materials and new structures to meet the increasing need for high-current/high-voltage electronic control as more transportation becomes electrified in the future.

Additionally, for our semiconductor process components business, we built a new plant in Nagano Prefecture with state-of-the-art facilities, thereby equipping NHK Spring with a highly efficient mass production supply framework to support the cutting edge technologies required by top manufacturers of semiconductor manufacturing equipment in Japan and worldwide.

Our development of bonding technology has also resulted in numerous orders for prototype products in new product fields, and we expect to begin full-scale mass production during the period covered by our next medium-term management plan.

#### Strengths

- Six business units, each supplying essential parts in its field, and each holding the top or second-ranked market share
- The ability to grasp business opportunities in all industrial fields due to an extremely broad customer base in which new products can emerge
- High degrees of independence and functionality in each business unit, enabling rapid decision-making

#### Opportunities

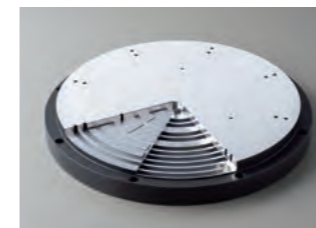
- Breadth of industrial fields covered by our business operations

#### Risks

- Greater impact of order fluctuations due to high-mix, low-volume production as the main business model
- Quality control capabilities to handle production conditions frequently characterized by first-time orders, changes to orders, and orders placed after a long absence
- Understanding business risk when entering new fields in which we have no business experience

#### ● Main products

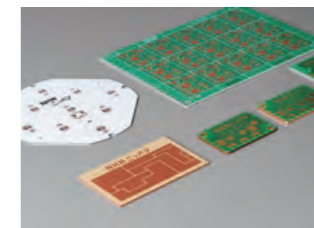
- Semiconductor process components
- Ceramic products
- Spring mechanisms
- Pipe support systems
- Polyurethane foam products
- Integrated metal substrates
- Parking systems
- Security products
- Lighting equipment
- Golf club shafts and others



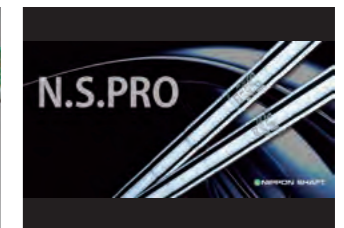
Semiconductor process components



Tension balancers for railway use



Integrated metal substrates



N.S. PRO brand golf shafts

# Global Group Network



● Overseas Group Companies

## Overseas Group Companies

### North, Central and South America

NHK International Corporation	O
New Mather Metals, Inc.	SS
NHK of America Suspension Components Inc.	SS P
NHK Seating of America Inc.	S
NHK Spring Precision of America Inc.	P
Topura America Fastener, Inc.	P
NHK Spring Mexico, S.A.DE C.V.	SS P
Rassini-NHK Autopeças Ltda.	SS

### Asia

NHK Spring (Thailand) Co., Ltd.	SS S P D
NHK Precision (Thailand) Co., Ltd.	P
Autrans (Thailand) Co., Ltd.	O
NHK Manufacturing (Malaysia) SDN. BHD.	I
NHK Spring Philippines, Inc.	P
NHK Spring (China) Co., Ltd.	O
NHK-Uni Spring (Guangzhou) Co., Ltd.	SS
FNK China Co., Ltd.	S
NHK Seating (Hubei) Co., Ltd.	S

NHK Seating (Chongqing) Co., Ltd.	S
Chongqing Qingling NHK Seat Co., Ltd.	S
NHK Seating (Zhengzhou) Co., Ltd.	S
Faurecia NHK (Xiangyang) Automotive Seating Co., Ltd.	S
NHK Spring Precision (Guangzhou) Co., Ltd.	P
NAT Peripheral (Hong Kong) Co., Ltd.	D
NAT Peripheral (Dong Guan) Co., Ltd.	D
NHK Spring (Taiwan) Co., Ltd.	P
Uni Auto Parts Manufacture Co., Ltd.	SS S
NHK Spring India Ltd.	SS
NHK Automotive Components India Private Limited	P
NHK F. Krishina India Automotive Seating Private Limited	S
P.T. NHK F. KBU Indonesia Automotive Seating	S
P.T. NHK KBU Seating	S
P.T. NHK Spring Indonesia	P

### Europe

NHK Spring Europe B.V.	O
NHK Spring Hungary KFT.	SS
Ibérica de Suspensiones, S.L.	SS

## Domestic Group Companies

NHK Sales Co., Ltd.	O
NHK Transport Co., Ltd.	O
Nippatsu Service Co., Ltd.	O
G.L.G. Co., Ltd.	O
NHK Spring Production Company	SS
Sumihatsu Co., Ltd.	SS I
Horikiri, Inc.	SS
NHK Spring Kyushu Co., Ltd.	SS
Tohoku Nippatsu Co., Ltd.	SS S P
Ites Co., Ltd.	S
Faurecia-NHK Co., Ltd.	S
Faurecia-NHK Kyushu Co., Ltd.	S

NHK Seating Mizushima Co., Ltd.	S
Sindai Co., Ltd.	S
NHK FLEX Co., Ltd.	P
Ayase Seimitsu Co., Ltd.	P
Tokuhatsu Co., Ltd.	P
NHK Precision Co., Ltd.	P
NHK Parking Systems Co., Ltd.	I
NHK MEC Corporation	I
Nippon Shaft Co., Ltd.	I
Topura Co., Ltd.	P
Yokohama Kiko Co., Ltd.	I
Nippatsu Harmony Co., Ltd.	O

### Principal business operations of each Group company

- SS Suspension springs
- S Seating
- P Precision springs and components (precision springs)
- D Precision springs and components (HDD suspensions)
- I Industry and lifestyle
- O Others





# NHK Spring Group's CSR Philosophy

As an organization that expands business globally, it is vital to clearly fulfill Corporate Social Responsibility (CSR) and carry out initiatives to resolve a broad range of social issues widely present in society in order to win trust as a member of the international community. This is why we have defined important policies related to the statutory, ethical, and social responsibilities to be fulfilled as a corporate group. The NHK Spring Group is committed to engaging in the five declarations below throughout the Group globally.

## ● NHK Spring Basic Global CSR Policy ●

We will utilize our strengths in an effort to resolve the broad range of social issues widely present in society. The basic policy below outlines an action plan to accomplish this mission.

- 1 **Ensure transparency** ..... We will always ensure transparency and accountability in corporate activities influential to society, the environment, and the economy.
- 2 **Act ethically** ..... We will not only obey international norms as well as laws and regulations of countries where we do business but also act ethically.
- 3 **Preserve the global environment** ..... We will do everything in our power to preserve the global environment.
- 4 **Nurture people** ..... We will protect human rights, advocate diversity, care for others, and nurture people.
- 5 **Engage globally as a Group** ..... The NHK Spring Group will incorporate this basic policy as a whole and engage in CSR activities on a global basis.

In May 2017, we established the Employees Code of Conduct based on the Basic Global CSR Policy to encourage NHK Spring executives and employees to act ethically as well as outline both actions that are ethical and those that are prohibited by law. We also bundled and clarified the actions advocated to employees in the NHK Spring Way to accomplish the mission of the NHK Spring Group.



The NHK Spring Way encompasses the elements of our guiding principles and corporate philosophy.

## ● Message from the Chairman of the CSR Committee



### Realizing a Sustainable Society

**Hidefumi Yoshimura**  
Senior Corporate Officer  
President of Corporate Planning and Control Division

Our mission is to contribute to the development of an affluent society through an attractive corporate identity, and the company's guiding principles and corporate philosophy form the basis of our management policy in pursuit of that mission.

Through dialog with all of the many stakeholders surrounding NHK, including our shareholders, investors, customers, business partners, employees, and local communities, we are working to solve wide-ranging social issues as a trusted company that meets stakeholder expectations by building innovative products in each of our primary business fields—automotive, telecommunications, industrial, and lifestyle.

We are strengthening our corporate governance to ensure that we conduct our business in a proper manner, and we aim to increase our corporate value from a medium to long-term perspective. Toward that end, we are comprehensively raising

awareness of compliance and enhancing an effective risk management system to facilitate higher recognition of compliance throughout the Group. We always respect human rights and promote a diverse workplace where employees can thrive. In addition, we actively encourage global and local environmental conservation in line with NHK Spring guidelines and action plans created to foster coexistence and harmony with the global environment in our corporate activities.

We established the Basic Global CSR Policy for the NHK Spring Group in June 2016 and updated the Employees Code of Conduct in May 2017 to encourage ethical business practices by executives and employees and clarify what type of actions are prohibited by law and company regulations. Fiscal 2020 management policy continues the focus on a targeted approach set in fiscal 2019 in which we promote compliance, recognize the importance of corporate ethics, and make every effort to thoroughly follow laws and regulations in order to remain a company trusted by all stakeholders.

NHK Spring Group companies are located in many regions of Japan and overseas. As our circle of existence expands from regional communities to the world at large, we are working as a Group to solve social issues globally from the perspective of medium to long-term management strategies.

# NHK Spring Group's Global Environmental Conservation Activities

The expansion of economic activity has been accompanied by ever-growing apprehension about global environmental problems such as climate change due to global warming, pollution of natural resources with chemical substances, and the loss of biodiversity. In efforts to tackle these global environmental problems, NHK Spring Group has published our Environmental Voluntary Action Plan.

## Environmental Voluntary Action Plan

We have established the Global Environmental Activities Plan and Global Environmental Activities Guidelines for involvement in a broad range of global environmental issues. We published them in May 1993 as our Environmental Voluntary Action Plan. Each year, we draft

a set of Environmental Activities Policies for our overall Group activities, reflecting our track record of day-to-day global environmental conservation activities under the Environmental Voluntary Action Plan.

## ● Global Environmental Activities Guidelines ●

Global Environmental Activities Guidelines:  
Our Group's Corporate Philosophy is to declare that our business activities will strive for harmonious coexistence with the global environment.

1. **Actively involve environmental conservation at all stages of the life of products, from design through production to disposal.**
  - 1 Look for ways to use resources efficiently, and make every effort to save resources and recycle.
  - 2 Set our energy saving target at over 1% improvement in unit energy consumption to sales per year to promote energy saving.
  - 3 Aim for zero emissions in production activities to encourage cutting waste and saving resources.
2. **Encourage the development of technology to solve global environmental problems and contribute to saving the environment.**
3. **As NHK Spring, be involved in the environment and take an active part in saving the social and local environment.**

## ● Global Environmental Activities Plan ●

Global Environmental Activities Plan:  
We identify important areas we should be involved in on the basis of our Global Environmental Activities Guidelines. We then set specific objectives and targets and plan what we must do to achieve them.

- **Main concerns**
  - Reducing CO<sub>2</sub>
  - Reducing waste
  - Lifting recycling
  - Compliance with various environmental laws and regulations
  - Reducing and managing pollutants
  - Contributing to local communities & environmental protection
  - Promoting use and development of energy-saving products
  - Alliance between the government, customers, and partners

1. **Framework to encourage activities**
  - 1 Operating the Global Environmental Measures Committee and encouraging protection of the environment across the entire Group
  - 2 Set up CO<sub>2</sub> Reduction and Waste Reduction Committees to respond to social needs
2. **Involvement in specific issues**
  - 1 Saving energy and reducing CO<sub>2</sub>
  - 2 Contribution to the recycling-oriented society
  - 3 Encouraging green procurement at a global level
  - 4 Product design and technical development taking account of impact on the environment
  - 5 Reducing toxic chemicals
  - 6 Preventing environmental accidents
  - 7 Streamlining logistics
  - 8 Reliably running and upgrading Environmental Management Systems (EMS)
  - 9 Review water usage management
3. **Publicity and social activities**  
We recognize our corporate social responsibilities (CSR), and develop environmental conservation activities throughout the company, which will widely gain the empathy of local communities and the general public.
4. **Activities overseas**  
We are actively involved in the actual preservation of the environment and observe local environmental rules. We also protect the environment through technology transfer, etc. having regard to local social and economic conditions.

## ● Environmental Activity Policies 2020 ●

Environmental Activity Policies:  
NHK Spring strives to address global environmental issues from a global Group perspective based on the Environmental Activities Policies drafted each year. We have been deliberating new measures, their implementation and expansion horizontally throughout the Group in order to achieve our voluntary targets to reduce unit consumption of CO<sub>2</sub> emissions by 1% or more in fiscal 2020. In waste management, we continue with domestic zero-emissions activities as we promote restrictions on waste emissions volume. We also will continue to improve the recycling rate at our overseas bases. We will systematically conduct management of environmental load substances, support customers, maintain and update environmental equipment, and respond to facilities subject to environmental laws and regulations.

1. **Encourage global environmental management**
  - 1 Continuing CO<sub>2</sub> reduction activities and investigation and implementation of new measures
  - 2 Maintaining zero emissions and continuing to reduce waste
  - 3 Promoting control of substances of concern (SOC)
2. **Maintain 'zero' global environmental incidents**
  - 1 Maintaining and stepping up environmental management and thorough risk management
  - 2 Maintaining environmental legal compliance and responding to revisions to ISO standards
  - 3 Maintaining environmental facilities in operation and protecting them

# NHK Spring Group's CO<sub>2</sub> Reduction Activities

We uphold reduction targets for energy use and CO<sub>2</sub> emissions as we engage in global environmental conservation activities. As a member of the Japan Auto Parts Industries Association (JAPIA), we have largely achieved JAPIA unit CO<sub>2</sub> emissions index to sales\*1 targets as a result of the CO<sub>2</sub> reduction activities implemented in association with our overall Group.

## NHK Spring Initiatives

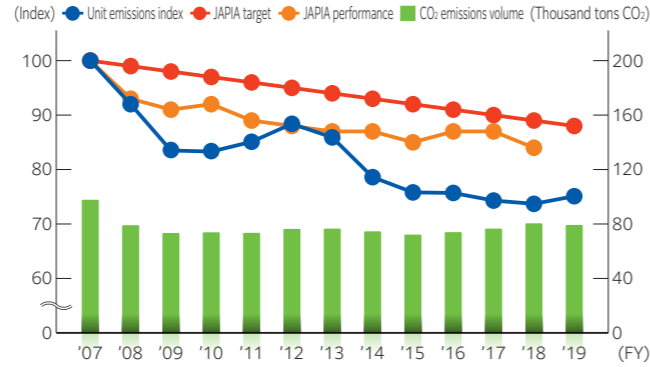
During fiscal 2019, NHK Spring's CO<sub>2</sub> reduction efforts outperformed the JAPIA fiscal 2019 target of a 12% reduction from fiscal 2007 levels, achieving a relative reduction of 24.9%. We achieved twice the targeted reduction. We also achieved major CO<sub>2</sub> reductions in comparison to JAPIA performance of 16% reduction (fiscal 2018).

### FY2019 unit emissions index performance (NHK Spring)

Compared to JAPIA	Results	Assessment
FY2019 JAPIA target 88.0	75.1	◎
FY2018 JAPIA performance 84.0		◎

\*1. Unit emissions index: Figures relative to those for JAPIA base year fiscal 2007, with index reference value set to 100.

### Transition in unit CO<sub>2</sub> emissions index (NHK Spring)



\*Electric CO<sub>2</sub> emissions coefficient = 0.368 tons/1,000 kWh

## Domestic Group company initiatives

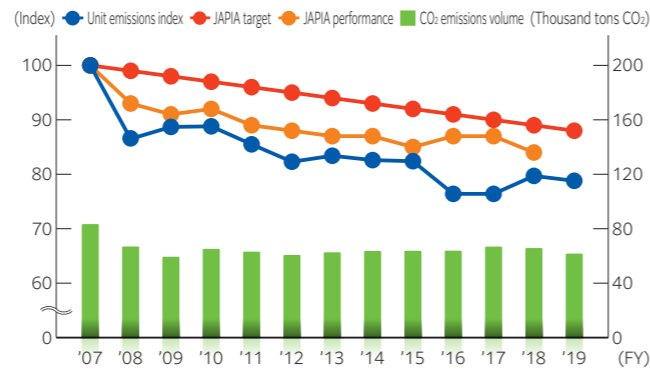
During fiscal 2019, the CO<sub>2</sub> reduction efforts of our domestic Group companies outperformed the JAPIA fiscal 2019 target of a 12% reduction from fiscal 2007 levels, achieving a relative reduction of 21.2%. We thus greatly outperformed both the JAPIA reduction target, as well as actual JAPIA performance of a 16% relative reduction (in fiscal 2018).

### FY2019 unit emissions index of performance (domestic Group companies)

Compared to JAPIA	Results	Assessment
FY2019 JAPIA target 88.0	78.8	◎
FY2018 JAPIA performance 84.0		◎

\*1. Unit emissions index: Figures relative to those for JAPIA base year fiscal 2007, with index reference value set to 100.

### Transition in unit CO<sub>2</sub> emissions index (domestic Group companies)



\*Electric CO<sub>2</sub> emissions coefficient = 0.368 tons/1,000 kWh

## Overseas Group company initiatives

CO<sub>2</sub> emission volumes at overseas Group companies trended upward in line with increases in production volumes. Unit emissions index performance during fiscal 2019 was down 25.9% compared to fiscal 2009, when statistical aggregation began.

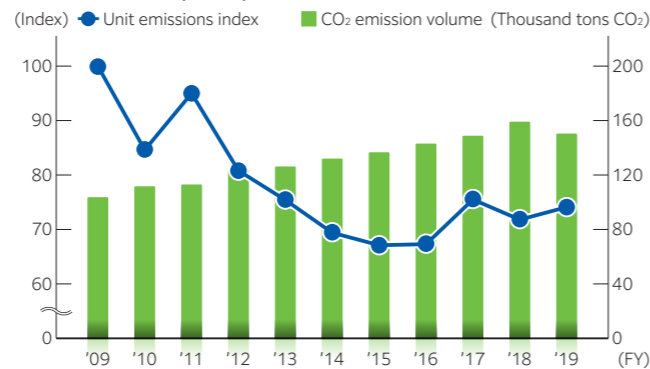
While considering the circumstances present in each country, we are actively pursuing action to deploy management and technologies that have produced results in Japan.

### FY2019 unit emissions index performance (overseas Group companies)

Results	Assessment
based on FY2009 74.1	◎

\*1. Unit emissions index: Fiscal 2009 index reference value set to 100.

### Transition in unit CO<sub>2</sub> emissions index (overseas Group companies)



\*Electric CO<sub>2</sub> emissions coefficient = 0.368 tons/1,000 kWh

## Sharing of existing countermeasures technology and new technology development (CO<sub>2</sub> Reduction Activity Awards)

Our work to further CO<sub>2</sub> reductions includes not only existing countermeasures technology, but also development of new countermeasures technology. In order to share these technologies Groupwide, we hold annual CO<sub>2</sub> Reduction Activity Awards. Business sites compete with each other on countermeasures technology, and effective countermeasures technologies are shared throughout the Group. To work for global environmental conservation moving forward, we will engage in vigorous exchanges of views throughout the entire Group as we do our utmost to take CO<sub>2</sub> reduction action on a continuous basis.

### Suspension Spring Division —CO<sub>2</sub> Reduction Through Adoption of Electric Servomechanisms in Hydraulic Fatigue Testing Machines—

Joint development of a fatigue tester with test equipment manufacturer (KOKUSAI CO., LTD.). Major CO<sub>2</sub> consumption reductions (270 tons/year) were achieved by replacing the hydraulic unit to a low-power-consumption electric servomechanism design (received the President's Award for 2017).



Electric servomechanism fatigue testing machine

### DDS Komagane Plant —Air Consumption Volume Reduction Through Production Facilities Improvement—

Large volumes of air are used when products are held in place by vacuum chuck. By making precision improvements in facilities operations, vacuum clutching times were shortened, thereby reducing air consumption volumes. Reducing air volume consumption eased the air compressor load, leading to reduced CO<sub>2</sub> emission (received the President's Award for 2018).

### Award-winning actions, technologies of the past five years

FY	Award	Business site	Description
2015	Chairperson's Award	Atsugi Plant	Automated air conditioning challenge using external air induction system
	Chairperson's Award	DDS Komagane Plant	CO <sub>2</sub> reduction through compressor improvement
2016	Chairperson's Award	Yokohama Plant (Seating)	CO <sub>2</sub> reduction through steam supply boiler optimization
	Chairperson's Award	DDS Komagane Plant	CO <sub>2</sub> reduction through adoption of LED clean room lighting
2017	President's Award	Suspension Spring Division	CO <sub>2</sub> reduction through adoption of electric servomechanisms in hydraulic fatigue testing machines
	Chairperson's Award	NHK Spring Production Company	Manufacturing technology development and application
	Chairperson's Award	Yokohama Plant (Seating)	CO <sub>2</sub> reduction through cut-off of pipes supplying unneeded steam
	Chairperson's Award	Tokuhatsu	Adoption of solar electric generation system and electric power volume visibility
2018	President's Award	DDS Komagane Plant	Air consumption volume reduction through production facilities improvement
	Chairperson's Award	Komagane Plant (Industrial Machinery and Equipment)	CO <sub>2</sub> reduction through revision of clean room operational procedures
2019	Chairperson's Award	Yokohama Plant (Seating)	CO <sub>2</sub> reduction through adoption of package air conditioning
	Chairperson's Award	Isehara Plant No. 1	CO <sub>2</sub> reduction through revision of cooling methods at facilities
	Chairperson's Award	DDS Komagane Plant	Reduction of energy consumption during long offline periods

# Use of Renewable Energy

NHK Spring Group is moving forward with adoption of solar power generating equipment as part of our renewable energy facilities.

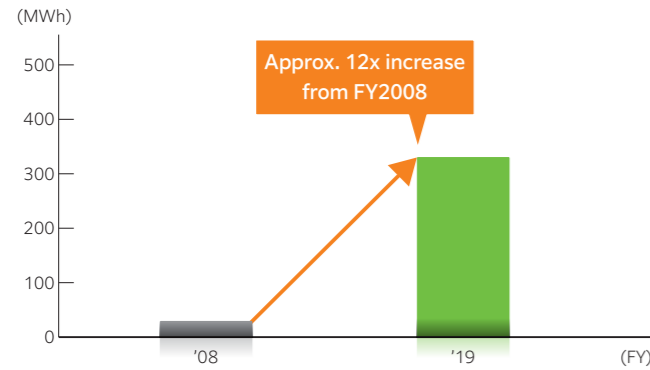
## Adoption of solar power generating equipment

We installed solar power generators at our DDS Komagane Plant in fiscal 2008, our Yokohama Office in fiscal 2009, our Gunma Plant in fiscal 2011, and our Miyada Plant in fiscal 2018. In fiscal 2019, electric power generation had increased to about 12 times that of fiscal 2008, when the system was adopted. At the Yokohama Office, the system supplied an amount of electric power sufficient to run the OA equipment at company headquarters.

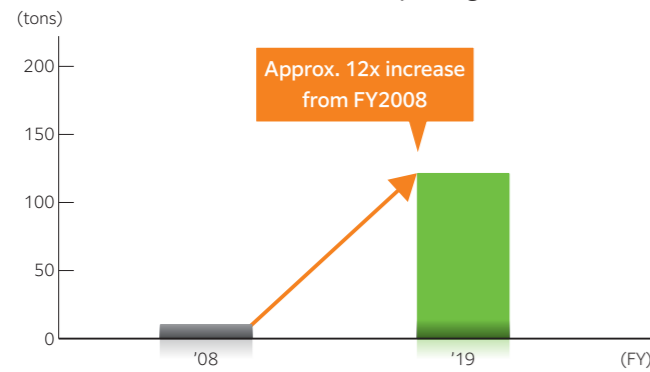
Domestic Group companies with solar power generating equipment installed also include NHK Sales, NHK Flex, Tokuhatsu Kogyo and Topura.

In the future, we will systematically utilize solar power generation as we move forward with reductions in energy consumption and CO<sub>2</sub> emissions volumes.

### Solar power generation volume



### CO<sub>2</sub> emissions reduction due to solar power generation



\*Electric CO<sub>2</sub> emissions coefficient = 0.368 tons/1,000 kWh



DDS Komagane Plant (20kW, FY2008 operation start)



Yokohama Office (100kW, FY2009 operation start)



Gunma Plant (56kW, FY2011 operation start)



Miyada Plant (144kW, FY2018 operation start)

# Zero Emission Activities

We proactively engage in zero-emission activities in efforts to use precious resources effectively and achieve a recycling-oriented society.

## Zero emission activities

We set our resource recycling rate goal at 99% or more, exceeding the JAPIA target rate of 85%, and we have achieved a resource recycling rate of 100% in actual practice.

In order to achieve a resource recycling rate of 100%, it is crucial to perform thoroughgoing separation, and to outsource recycling processing work to the appropriate service providers.

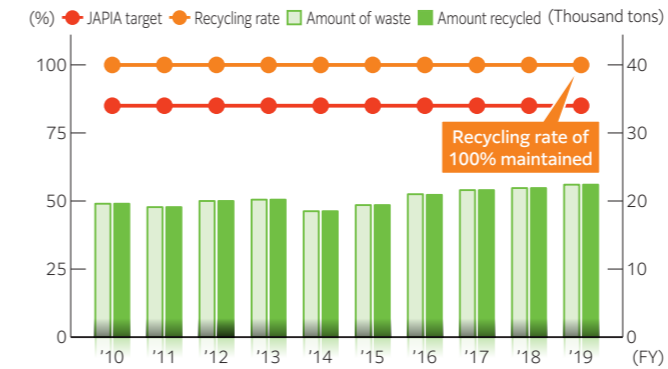
We set detailed rules at each of our business sites, create Environmental Dojos where we provide employees with repeated training, and establish Recycling Centers for thoroughgoing waste

separation. In addition, we perform site visits to check on the state of operations performed by waste processing contractors, and we confirm that appropriate processing is being carried out.

The result is that we have been able to achieve a recycling rate of 100% at our company and our domestic group companies, and to maintain it to the present.

While maintaining our 100% recycling rate, we will also undertake activities to reduce waste volume.

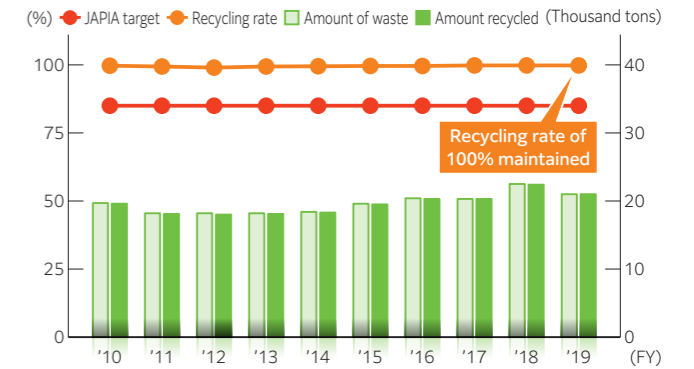
### Transition in waste recycling rate (NHK Spring)



### FY2019 recycling rate performance (NHK Spring)

FY2019 target	Results	Assessment
JAPIA 85% or more	100%	◎
Voluntary target 99% or more	100%	◎

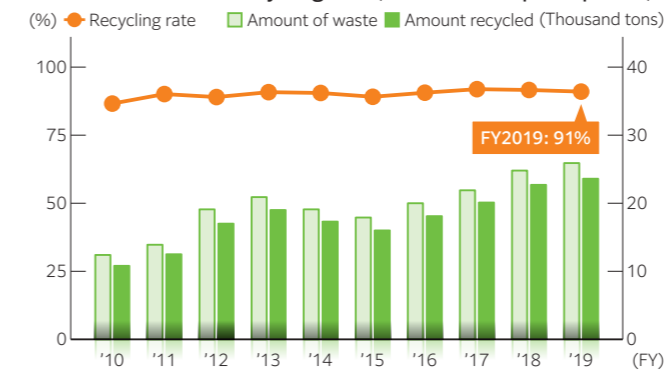
### Transition in waste recycling rate (domestic Group companies)



### FY2019 recycling rate performance (domestic Group companies)

FY2019 target	Results	Assessment
JAPIA 85% or more	100%	◎
Voluntary target 99% or more	100%	◎

### Transition in waste recycling rate (overseas Group companies)



### FY2019 recycling rate performance (overseas Group companies)

FY2019 target	Results	Assessment
Voluntary target 95% or more	91%	△

### Initiatives at each business site

#### Recycling of waste plastic and food waste

We store and transport soft plastics in compact form using compression packing machines, and recycle using the appropriate waste processing service providers. High-quality materials are recycled into plastic raw materials and high-calorie fuels.

Food waste is reused as feed for livestock or recycled as compost through a fermentation and decomposition process.



Soft plastic compression packing machine



Soft plastic after compression

#### Thorough separation

In order to maintain our 100% recycling rate, we also thoroughly separate ordinary daily waste at our business sites.



Yokohama Office separation station

#### On-site checks of waste processors

To ensure proper implementation of our zero-emissions policies, each business site conducts regular on-site checks of waste processing service providers to confirm that waste is being processed according to contract.



On-site checks of waste processors

#### Yokohama Office recognized as excelling in "3R" practices

NHK Spring receives high marks for our social contribution activities such as waste recycling, proper management of waste processing contractors, and local clean-up activities around business sites. In keeping with this reputation, the Yokohama Office has been recognized by the city of Yokohama for eight consecutive years since fiscal 2012 as a "Company That Excels in Implementing 3R Practices."

We will strive to receive continued recognition in the future.



Certificate of the Yokohama Office's excellence in "3R" practices

## Environmental Audit and Energy Conservation Diagnosis for CO<sub>2</sub> Reduction

In order to appropriately implement environmental conservation activities such as CO<sub>2</sub> reduction and zero-emissions efforts, we base our management of each business site on an environmental management system (EMS).

We perform environmental audits and energy conservation diagnoses to gain an understanding of the situation on the ground, so that we can work to improve environmental performance and reduce CO<sub>2</sub> emissions.

### ISO 14001 and environmental auditing

The NHK Spring Group conducts environmental audits to verify that the EMS at each Group company is run properly in accordance with the ISO 14001 standard. We also work to ensure compliance with environmental laws and regulations, improve environmental performance, seek out points for improvement, and otherwise improve management capabilities.

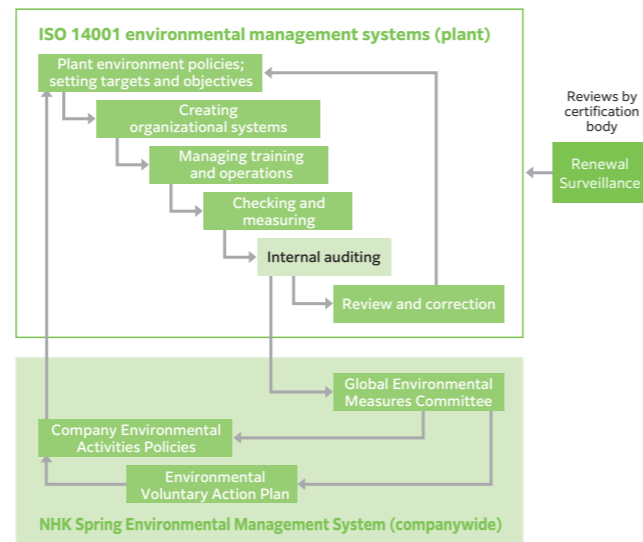
#### Environmental audits (internal auditing)

Internal auditing is led by persons who have completed specialized training.

In fiscal 2019, we conducted internal audits at each Group plant in accordance with ISO 14001 (2015).

Moreover, we held internal environmental auditor training courses taught by external instructors. This program has educated 19 ISO 14001 (2015) auditors in the Group to improve performance through the proper implementation of the system.

#### Environmental management and environmental auditing



#### Environmental audits (external audits)

Inspections by external certification bodies are conducted to ensure that EMS implementation meets the requirements of ISO 14001 (2015).

The results of these external audits performed in fiscal 2019 found that each of the 11 plants was operating its EMS appropriately, that pollution was being prevented, and that continual efforts at environmental improvement were being carried out.

#### Fiscal 2019 external audits

8 plants (surveillance audits), 3 plants (renewal audits)

#### Energy saving diagnosis for CO<sub>2</sub> reduction

NHK Spring Group conducts regular energy saving diagnoses. Consultants certified by the Ministry of the Environment as CO<sub>2</sub> reduction potential diagnosticians perform site visits and interviews at company facilities, to develop new energy-saving measures aimed at sustained effective energy use and CO<sub>2</sub> emissions reduction.

In fiscal 2019, energy saving diagnostics were performed at four NHK Spring plants and one Group company, resulting in recommendations of emissions reduction measures for the five plants.

Moving forward, we will work to spread reduction measures horizontally throughout the group while systematically



Energy saving diagnostics

performing diagnoses at each Group plant, thus improving environmental performance through efficient energy use and CO<sub>2</sub> emissions reduction.

#### Voice



### Taking proactive measures to promote energy management and CO<sub>2</sub> reduction

Tomoaki Tobe  
Manager  
Komagane Plant, DDS Division

The DDS Division Komagane Plant is situated amid the abundant natural environment of Komagane, Nagano Prefecture. Aiming to achieve both high productivity and environmentally friendly manufacturing, the plant produces suspensions for HDD use.

CO<sub>2</sub> reduction activities include establishing an annual improvement plan at the start of each fiscal year, and subsequent monthly follow-up efforts. For our fiscal 2019 activities, we set a CO<sub>2</sub> emissions reduction goal of 341 tons, which we exceeded, achieving a reduction of 351 tons. Moving forward, we are undertaking efforts to bring visibility to production line energy use, manage energy more proactively, and advance CO<sub>2</sub> reduction action.

Also, by heightening awareness among each and every employee, we are working toward more thoroughgoing waste separation, and will maintain our 100% recycling rate amid waste management standards that grow stricter each year.

## Systems to Encourage Environmental Conservation

Our Global Environmental Measures Committee is at the center of our efforts to promote and implement our Environmental Voluntary Action Plan. Our continuous environmental activities follow the PDCA cycle.

### Organization

The Global Environmental Measures Committee unilaterally debates environmental activities overall throughout the NHK Spring Group and formulates and executes global environmental action plans.

The CO<sub>2</sub> Reduction and Waste Reduction Committees have been set up as two subcommittees under the Global Environmental Measures Committee.

NHK Spring Group is also establishing frameworks to more proactively advance global environmental conservation activities.

#### System for encouraging environmental protection



#### Voice



### Reliable improvement in risk management and environmental performance

Mariko Yamashita  
Manager  
Safety and Environmental Activities  
Department, Engineering Division

NHK Spring has obtained ISO 14001 certification for all of our business sites, and have completed updates to the 2015 edition of the standard. We will continue to work toward reliable improvements in risk management and environmental performance.

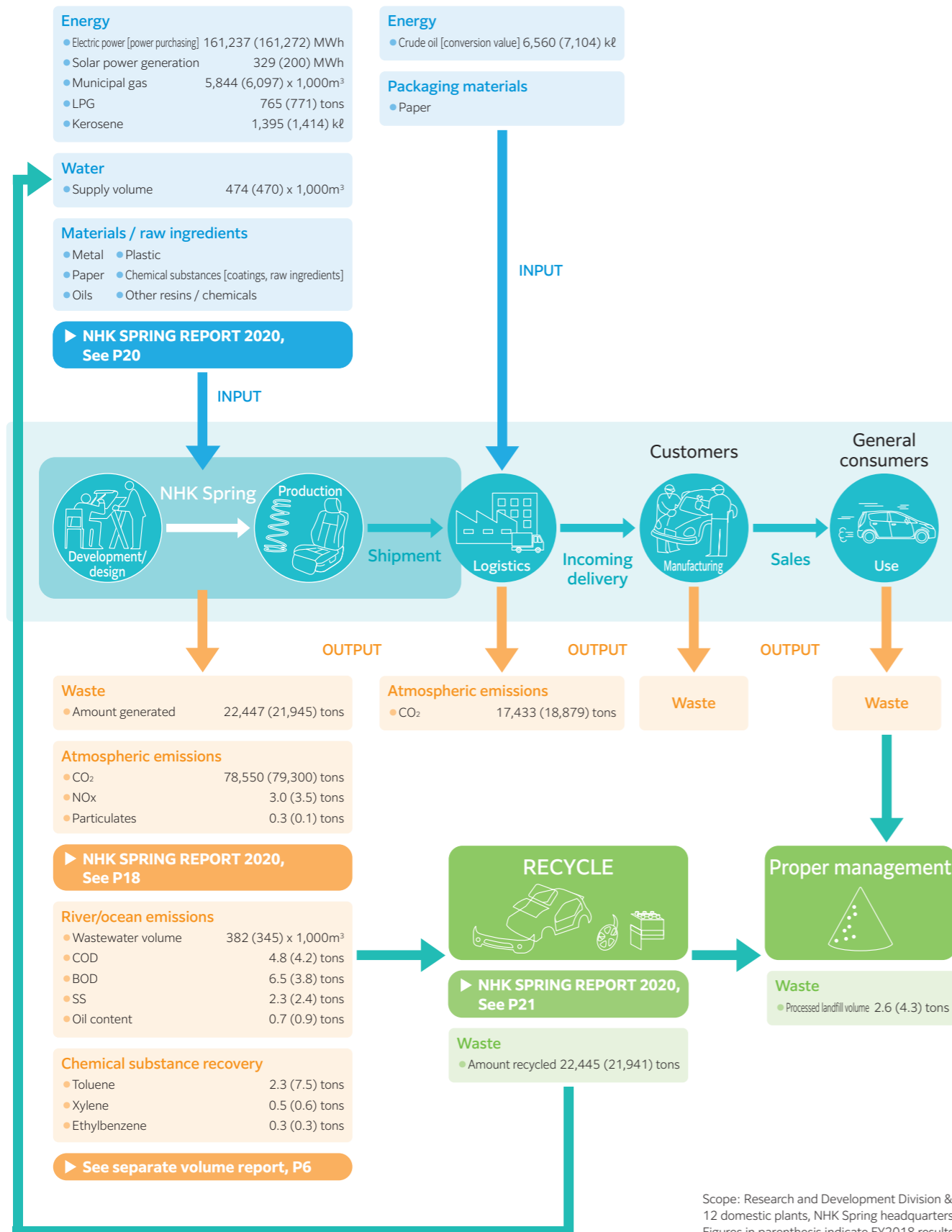
We are also moving forward with CO<sub>2</sub> reduction efforts, and have met JAPIA reduction targets. In recent years, we have adopted solar power generation systems upon completing new facilities.

In addition, we are focusing efforts on waste reduction activities, and our Yokohama Office has been officially recognized for eight consecutive years since fiscal 2012 as a "Company that Excels in Implementing 3R Practices."

Each of our business sites also cooperates with local government authorities to give back to local communities through tree planting campaigns, riverside clean-up activities and other environmental improvement actions.

# Business Activities and Life-cycle Flow

We understand our whole business in terms of a life cycle, so that by attaining the best possible quantitative understanding of its inputs and outputs, we can work to reduce environmental impacts. And through action such as recycling of waste, we aim to help achieve a recycling-oriented society.



# Corporate Governance

We have established a system of governance, to ensure that we conduct our business in a proper manner.

## Basic approach to corporate governance

NHK Spring maintains sound management while aiming to heighten corporate value from a medium to long-term perspective by building organizational systems and structures for management and introducing necessary measures.

Moreover, we have included the five points below to realize these objectives as basic policies.

### Basic Policies for Corporate Governance

- 1 We ensure the rights and equality of our shareholders while striving to put in place an environment that allows them to properly exercise those rights.
- 2 We work to sustain a good relationship by fulfilling our responsibility as a company to stakeholders involved in NHK Spring, including our shareholders, customers, partners, local communities, and employees.
- 3 We appropriately conduct disclosure based on the law while also independently striving to provide information other than that required by law.
- 4 We focus on evaluating agenda items according to the expert knowledge and experience of each of our directors on the Board of Directors to determine the best policies for management. We monitor the business management trends in addition to actively discussing even the management issues derived from those agenda items in an effort to execute the role of our directors and our responsibilities properly as the Board of Directors.
- 5 We work to conduct an appropriate dialogue with our shareholders. We also strive to disseminate and share such information gathered through this dialog by providing feedback to our managers and directors.

increased by one, for a total of eight directors of three are highly independent external directors (two of whom are women). By establishing a 1/3 ratio of external directors, we ensured the ability to provide appropriate advice on management and fair supervision.

Our deliberative bodies include the Board of Managing Directors and various other committees and councils. The Board of Managing Directors in particular is made up of a full-time director, a corporate officer at the executive level or higher, and senior corporate officers serving concurrently as division presidents to facilitate an exchange of ideas between a small group of people.

As an auditing body, the Audit & Supervisory Board has appointed four corporate auditors, —two of whom are external corporate auditors (one of them female)—as of June 25, 2020. Candidates with a wealth of company-internal experience, as well as finance and accounting knowledge and experience are appointed to full-time corporate auditorships. Highly independent candidates who also have extensive experience and high-level expertise in corporate management and finance are appointed to external corporate auditorships.

At least 1/3 consists from highly independent external directors

## Board of Directors effectiveness evaluation

NHK Spring regularly conducts self-evaluations of the Board of Directors in the form of questionnaires administered to each member of the Board of Directors and of the Audit & Supervisory Board.

### Questionnaire survey items

1. Board of Directors composition, 2. Board of Directors operation, 3. Completeness of deliberations by the Board of Directors, 4. Communication with shareholders and investors, 5. Fulfillment by the Board of Directors of its role and the expectations placed on it (responses from auditors only), 6. Support and information provided to external directors (responses from external directors only).

### Overview of self-evaluation results

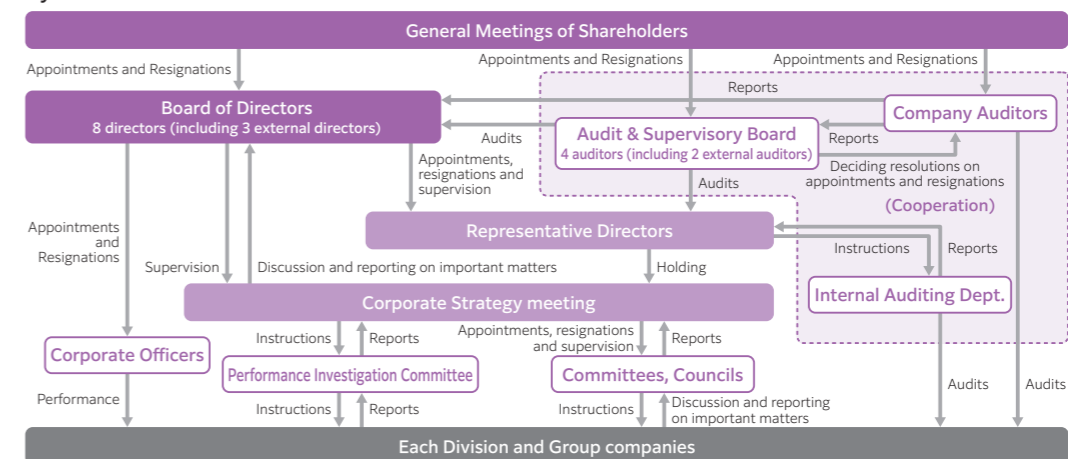
The questionnaire survey results and vigorous debate among directors with diverse knowledge and experience led to debate and deliberation of individual agenda items from diverse perspectives. We determined from these results that the Board of Directors as a whole is effectively fulfilling its role and duties.

Points indicated for improvement have been appropriately remedied, and we will continue to conduct self-evaluations in the future as we work to improve the Board of Directors and heighten its effectiveness.

## Corporate governance framework

NHK Spring utilizes the General Meeting of Shareholders and the Board of Directors as decision-making bodies. In order to achieve prompt decision-making, we adopted a corporate officer system in fiscal 2005. In doing so, we separated the officerships (corporate officers) from the corporate oversight positions (Board of Directors), thus enhancing the effectiveness of oversight and the efficiency of management. During the annual General Meeting of Shareholders held on June 25, 2020, the number of outside directors was

### Governance system



\*The number of directors and auditors is current as of June 25, 2020.

# Management Organization (June 25, 2020)

## Director

### Kazumi Tamamura

Chairman & Representative Member of the Board  
In office 14 years  
D 13/13 meetings



Apr. 1972 Joined the Company  
Jun. 2003 Member of the Board and Vice President of Seating Division  
Jun. 2005 Corporate Officer and Vice President of Sales Division  
Jun. 2006 Member of the Board, Senior Corporate Officer and President of Sales Division  
Jun. 2009 Member of the Board and Executive Corporate Officer  
Jun. 2010 President & CEO and Representative Member of the Board  
Apr. 2017 Chairman & Representative Member of the Board (present)

### Takashi Kayamoto

President & CEO and Representative Member of the Board  
In office 5 years  
D 13/13 meetings



Apr. 1979 Joined the Company  
Jun. 2010 Corporate Officer, Vice President of Research and Development Division and Director of Development Department  
Apr. 2013 Senior Corporate Officer and President of Suspension Spring Division  
Jun. 2015 Member of the Board, Senior Corporate Officer and President of Sales Division  
Apr. 2016 Member of the Board, Executive Corporate Officer and President of Sales Division  
Apr. 2017 President & CEO and Representative Member of the Board (present)

### Toru Sugiyama

Executive Vice President & CFO, Member of the Board and President of Procurement Division  
In office 2 years  
D 13/13 meetings



Dec. 1980 Joined the Company  
Jun. 2001 President & CEO of NHK International Corporation  
Jun. 2010 Corporate Officer, Vice President of Suspension Spring Division and Director of Administration Department  
Apr. 2014 Senior Corporate Officer, Director of Corporate Planning Department, Corporate Planning and Control Division  
Apr. 2017 Executive Corporate Officer, President of Procurement Division  
Jun. 2018 Member of the Board, Executive Corporate Officer, President of Corporate Planning and Control Division and President of Procurement Division  
Apr. 2019 Executive Vice President & CFO, Member of the Board, President of Corporate Planning and Control Division and President of Procurement Division  
Apr. 2020 Executive Vice President & CFO, Member of the Board and President of Procurement Division (present)

### Kiyohiko Kanmei

Executive Vice President & CQO and Representative Member of the Board  
In office 1 year  
D 10/10 meetings



Apr. 1980 Joined the Company  
Jun. 2011 Corporate Officer, Vice President of Seating Division and Director of Global Business Promotion Department  
Apr. 2015 Senior Corporate Officer and President of Seating Division  
Apr. 2018 Executive Corporate Officer, President of Engineering Division  
Jun. 2019 Member of the Board, Executive Corporate Officer, President of Engineering Division  
Director of Takano Co., Ltd. (non-executive) (present)  
Apr. 2020 Executive Vice President & CQO and Representative Member of the Board (present)

### Kazuhiisa Uemura

Member of the Board, Senior Corporate Officer and President of Sales Division  
In office 2 years  
D 13/13 meetings



Apr. 1983 Joined the Company  
Apr. 2014 Corporate Officer, Vice President of Sales Division and Director of Seating & Component Sales Department  
Apr. 2018 Senior Corporate Officer, President of Sales Division  
Jun. 2018 Member of the Board, Senior Corporate Officer and President of Sales Division (present)

### Keiichiro Sue

Member of the Board (External)  
In office 5 years  
D 12/13 meetings



Apr. 1984 Registered as Attorney at Law (a member of Dai-ichi Tokyo Bar Association)  
Joined the Nobuo Takai Law Firm  
Jan. 1989 Joined Matsuo & Kosugi  
Oct. 1995 Registered as Attorney at Law in New York State, USA  
Jun. 2009 Partner, Blakemore & Mitsuki (present)  
Jun. 2014 Audit & Supervisory Board Member (External) of the Company  
External Director of METAWATER Co., Ltd. (present)  
Jun. 2015 Member of the Board (External) of the Company (present)

### Katsuko Tanaka

Member of the Board (External)  
In office 4 years  
D 13/13 meetings



Apr. 1970 Researcher, hygiene class, Okayama University Medical School (Worked in the local hospital.)  
Jul. 1970 Medical license registration (No. 207731)  
May 1976 Worked at Yokohama City Hall  
May 1998 Mayor, Sakae Ward, Yokohama City  
Apr. 2000 Director General, Social Welfare Bureau, Yokohama City  
Apr. 2004 Director General, Civic Affairs Bureau, Yokohama City  
Apr. 2006 Trustee and Secretary General, Yokohama City University  
Apr. 2013 Trustee and Secretary General, Yokohama City University  
Jun. 2016 Member of the Board (External) of the Company (present)

### Hiroshi Tamakoshi

Member of the Board (External)  
New



Oct. 1987 Joined Chuo Audit Corporation  
Apr. 1999 Registered as Attorney at Law (Kanagawa Bar Association)  
Joined Ryoji Kimura Law Office (present)  
Apr. 2017 Auditor of Yokohama City University (present)  
Jun. 2020 Member of the Board (External) of the Company (present)

## Audit & Supervisory Board Member

D Attendance at Board of Directors meetings A Attendance at Audit & Supervisory Board

### Kenji Shimizu

Audit & Supervisory Board Member  
In office 8 years  
D 13/13 meetings  
A 13/13 meetings



Apr. 1979 Joined the Company  
Mar. 2005 Director of Administration Department, Precision Spring and Components Div.  
Jun. 2008 Director of Internal Auditing Department  
Jun. 2012 Audit & Supervisory Board Member of the Company (present)

### Masakazu Toyoda

Audit & Supervisory Board Member  
In office 1 year  
D 10/10 meetings  
A 10/10 meetings



Apr. 1982 Joined Dai-ichi Kangyo Bank (now Mizuho Bank)  
Jan. 2013 Joined the Company  
Apr. 2013 Member of the Board (Vice-President) of NHK International Corporation  
May 2017 Director of Corporate Planning Department, Corporate Planning and Control Division  
Jun. 2019 Audit & Supervisory Board Member of the Company (present)

### Ichiro Ebihara

Audit & Supervisory Board Member (External)  
External Independent  
New



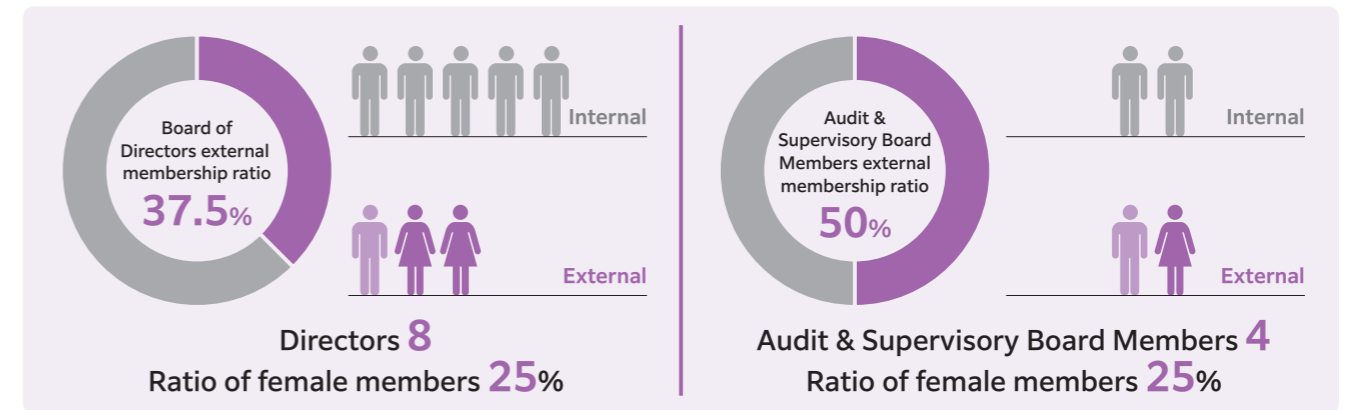
Sep. 1985 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)  
Oct. 2013 Executive Officer in charge of finance and administration  
Nov. 2015 Group CFO of Deloitte Tohmatsu LLC  
Aug. 2016 Managing Partner of Deloitte Tohmatsu Services Co., Ltd.  
Jun. 2019 Ichiro Ebihara Certified Public Tax Accountant Office (present)  
Jun. 2020 Audit & Supervisory Board Member (External) of the Company (present)

### Michiko Ashizawa

Audit & Supervisory Board Member (External)  
External Independent  
New



Oct. 1996 Joined Century Audit Corporation (currently KPMG AZSA LLC), International Department  
Sep. 2003 Joined Industrial Revitalization Corporation of Japan  
Feb. 2006 Joined Advantage Partners, LLP (currently Advantage Partners Inc.)  
Apr. 2013 Associate Professor of International College of Arts and Science (currently School of Economics and Business Administration), Yokohama City University (present)  
Jun. 2016 Outside Director of Netyear Group Corporation (present)  
Jun. 2018 Outside Director of NEC Networks & System Integration Corporation (present)  
Jun. 2020 Audit & Supervisory Board Member (External) of the Company (present)



## Corporate Officers (excluding Directors serving concurrently)

Executive Corporate Officer	<b>Ryuichi Shibata</b>	Senior Corporate Officer	<b>Hidefumi Yoshimura</b>	Senior Corporate Officer	<b>Yuji Shibuya</b>	Corporate Officer	<b>Shunsuke Sasaki</b>
Executive Corporate Officer	<b>Toshio Kazama</b>	Senior Corporate Officer	<b>Tetsuya Fujiwara</b>	Corporate Officer	<b>Junichi Suzuki</b>	Corporate Officer	<b>Takeshi Kamisaku</b>
Executive Corporate Officer	<b>Hidekazu Hoshino</b>	Senior Corporate Officer	<b>Tatsuro Ono</b>	Corporate Officer	<b>Yoshiyuki Shindo</b>	Corporate Officer	<b>Yoji Ito</b>
Executive Corporate Officer	<b>Hideto Enomoto</b>	Senior Corporate Officer	<b>Noritoshi Takamura</b>	Corporate Officer	<b>Masayuki Horie</b>	Corporate Officer	<b>Seiichi Saito</b>
Executive Corporate Officer	<b>Jiro Oyama</b>	Senior Corporate Officer	<b>Takahiro Okawara</b>	Corporate Officer	<b>Jun Umeno</b>	Corporate Officer	<b>Shinichi Kozawa</b>
Executive Corporate Officer	<b>Toshinori Saeki</b>	Senior Corporate Officer	<b>Toshiyuki Aoyagi</b>	Corporate Officer	<b>Morihiro Ichisugi</b>	Corporate Officer	<b>Masayoshi Yamaguchi</b>
Senior Corporate Officer	<b>Kazuhiko Otake</b>	Senior Corporate Officer	<b>Yukihiro Seki</b>	Corporate Officer	<b>Osamu Ikejiri</b>		
Senior Corporate Officer	<b>Hironobu Sugiura</b>	Senior Corporate Officer	<b>Toshihiro Tachikawa</b>	Corporate Officer	<b>Hajime Okajima</b>		

# Compliance

Each and every employee strives to conduct in accordance with compliance.

## Initiatives for compliance

At NHK Spring, we affirm at the very top of our Group management policy that "Compliance and trust are the root of survival." While we naturally comply with the law, we also respond in earnest to the various demands society places on us, making compliance a major element of how we do business.

Specifically, the company president himself visits our plants regularly, working to foster awareness in all opportunities for conversation by directly impressing upon our employees the crucial nature of compliance.

Our Employees Code of Conduct stipulates that all corporate officers and employees are to comply with laws, regulations and corporate ethics. In order to spread this ethical knowledge, we administer various forms of training for employees of both domestic and overseas Group companies, including addresses by the company President regarding compliance with antitrust laws and bribery prevention, etc. We regularly distribute compliance news and publish a message from the President every November in the NHK Spring Ethics Monthly as part of our overall endeavor to shine a light on compliance throughout the entire Group. We engage in this work not just at our Japanese affiliates, but worldwide, through efforts such as displaying posters and planning various events to raise compliance awareness in the workplace.

## Compliance promotion framework

Under the supervision of the President & Chief Executive Officer, who bears ultimate responsibility, the Chief Corporate Officer of the Corporate Planning & Control Division serves as CSR Committee Chairperson, while the leader of each department serves as a departmental Compliance Officer. A CSR Department established within the Corporate Planning & Control Division acts as the promotional secretariat to realize compliance management.

## Framework with respect to antitrust laws

In 2016, NHK Spring underwent an on-site search by the Fair Trade Commission on suspicion of violation of the Antimonopoly Act. In order to apply the lessons learned from this experience to our global compliance with antitrust laws, we administer annual antitrust law training for all sales department employees.

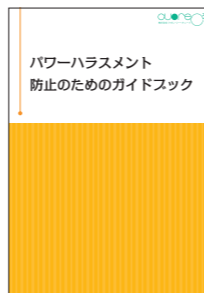
In fiscal 2019, we held a total of 15 in-person antitrust law training sessions at domestic business sites, while also administering comparable training at group companies in the United States and Europe. We also hold e-learning courses for employees at NHK Spring and our domestic Group companies.



In-person antitrust law training sessions at NHK Spring

## Anti-harassment measures

To help create workfriendly work environments, we administered e-learning with regards to harassment in fiscal 2019. We also distributed a "Guidebook on Preventing Abuse of Authority" to all employees as part of our efforts to create workplaces free of harassment.



Fiscal 2019 e-learning course attendance rate: **100%**  
[Total attendees: 3,146]

## Whistleblowing system (Compliance Hotline) / Supplier Reporting Contact Point

We have established a system for employees of NHK Spring as well as Group companies in Japan to consult about and whistleblowing their concerns. We have put in place a Compliance Hotline to handle reports anonymously with the internal legal department and external legal firms with no conflicts of interest with the company. As part of our efforts to disseminate existence about our internal reporting system, we distribute compliance cards that include the contact information for this hotline, while including the contact information in various compliance training sessions and in compliance news distributed on a monthly basis.

We are also introducing this same system at overseas Group companies, including those in North America, China, and Mexico.

Our company website includes on its top page a "Reporting Contact Point for Suppliers," enabling suppliers to make a report in the event that any compliance violation were to occur in a transaction with our company.



Fiscal 2019 Compliance Hotline case count: **42**  
[NHK Spring Group]

## Voice



**To heighten compliance awareness of each employee**

Azusa Kayamoto  
CSR Department

Awareness of compliance in each and every employee is indispensable in achieving compliance management. In the CSR Department, we work continually to improve awareness of the kinds of actions that could constitute violations. Our regularly distributed Compliance Journal covers relatable themes, as does our internal company newsletter and other sources of information we provide. In addition, we are working to raise awareness of compliance for the employees of NHK Spring and its Group companies through taking up more specific cases in training sessions by job class, such as for new employees or managers, and by job categories, such as sales or technical section, to deepen their understanding. We will continue to make efforts in various ways so that the employees can be compliant even at home.

# Risk Management

We have a risk management system in place to deal appropriately with the various types of risk confronting us.

## Risk management organization

Corporations face a wide range of risks (potential crises), including that of natural disaster. In fulfilling our social responsibilities, we address such risks through preventive efforts. In addition to working to minimize any damage, we also help prevent recurrence by instituting risk management rules, and by building risk management framework, including the organization and rule formation that enable us to aptly respond when an emergency occurs. We are constantly looking for ways to improve our processes so that each employee can have a deeper understanding of risks in their daily work and therefore respond quickly to the occurrence of unexpected risks as well as work toward early resolution or mitigation.

## Responding to risks

Our responses to emergent risk are laid down in our Risk Management Manual, in which various risks are anticipated, and a system for prompt reporting of emergent risk to top management is established. In the event that an emergency occurs in Japan or overseas, a Crisis Management Team will be quickly established in the area(s) where the emergency has occurred, and the Headquarters Crisis Management Team will be activated at Head Office to manage and control the situation as quickly as possible.

## Business Continuity Management (BCM)

The NHK Group BCP Basic Policy and NHK Group BCP Guidelines are distributed to all NHK Group companies worldwide. We are also currently developing our Business Continuity Management (BCM) system. When a risk materializes, the framework calls for a Crisis Management Team to convene, whereupon the departments directly affected or otherwise related will unify in their efforts under direction of the Crisis Management Team leader. They will respond to the crisis immediately and under the basic policy of placing top priority on human life, taking responsibility for supply to customers, and fulfilling social responsibilities.

NHK Spring headquarters, each of its plants and each domestic Group company begins by establishing a disaster prevention framework, which serves as a foundation upon which to formulate a Business Continuity Plan (BCP) capable of coping with a variety of risks. On an annual basis, we also conduct initial response drills assuming a massive earthquake, as well as training for BCP to ensure business can rapidly recover and continue. These training programs enhance our initial response and business continuity capabilities. We review our disaster prevention framework and revise our manuals based on our reflection on this training so that we can achieve a more practical crisis response, thereby improving our risk management framework. In recent years, our overseas Group companies have also been making gradual progress in undertaking initial response drills and BCP training, each assuming disasters as appropriate to the circumstances of their local region. In tandem with this effort, each plant and domestic Group company has been performing once-a-year BCM framework self-evaluations.

Problem areas within disaster prevention, BCP and initial response systems, as well as BCM promotion systems, are exposed and improved in order to enhance the overall BCM framework.



Initial response drill of the Headquarters Crisis Management Team at the head office

## Ensuring information security

Corporate utilization of IT is a prerequisite for competing globally. At the same time, if a security incident occurs due to cyberattack or other event, it could have a severe impact on stakeholders including customers.

NHK Spring Group has conventionally maintained security countermeasures against cyberattacks such as guarding against illicit transmissions, adopting antivirus software and protecting against.

We have adopted EDR software\* as a measure against the advanced targeted attacks that have been on the increase recently. While strengthening measures from a defense-in-depth perspective, including monitoring for suspicious transmissions or behaviors, we undertake efforts through a Groupwide framework that includes enhancement of response manuals, as well as systems and methodologies enabling rapid recovery in the event that a cyberattack were to cause any damage. These are some of the ways in which we work every day to elevate our level of security.

\*A software tool that monitors behavior after incursion by a virus in order to enable more rapid post-infection response.



Preventive action includes monitoring of networks for illicit transmissions, etc., to prevent system shut-down or crash.

## Voice



**Promote information security throughout the Group**

Motoo Yamagami  
Manager  
Information Systems Department

Information security is not only essential to ensure the trust of stakeholders including customers, but is also considered to be important in supporting a safe and secure social life. Our information security management is advancing based on the NHK Spring Group Security Management Policy. More specifically, we implement organizational measures such as security tool technologies, maintenance of regulations, and personnel measures such as e-learning education. We also have advanced persistent threats training in an effort to further strengthen and ensure information security.

The Information Systems Department conducts IT controls, informational security audits, evaluates and reduces IT risks, and continually engages in activities to sustain sound IT practices. We are building and establishing IT governance throughout the entire NHK Spring Group, including overseas Group companies.

# Shareholders and Investors

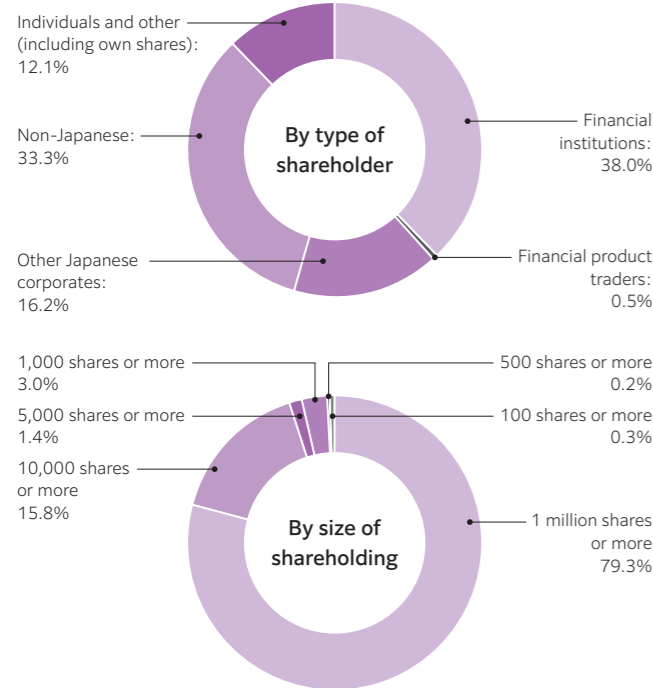
We believe that timely information disclosure of the conditions and finances of NHK Spring is the key to be given long-term support from shareholders and investors, and we strive to implement this.

## Shareholder information and breakdown of shareholdings

Inquiries from shareholders are handled by the General Affairs Department. (Shareholder Register Custodian is Mitsubishi UFJ Trust Bank)

The graph below shows the breakdown of shareholders.

### Breakdown of shareholdings (As of March 31, 2020)



## Dissemination of IR information

NHK Spring publishes business and NHK Spring reports (Japanese/English) and releases the latest information through press releases and the corporate website to bring understanding about the company in shareholders and investors. We also strive to provide comprehensive information quickly to everyone from the introduction of NHK Spring businesses and operational changes through illustrations and photographs as well as communicating our core technologies and strengths in an easy-to-understand manner.

**WEB** URL of Investor Information page  
<https://www.nhkspg.co.jp/eng/ir/>

## Disclosing information for investors

We hold briefings for analysts and institutional investors after the release of our half-yearly and full year accounts. In fiscal 2019, we held two briefings in May and November. We will continue to make every effort to release information to analysts and investors.



Briefing after release of accounts

**Financial results briefing**  
 May, 33 companies, 57 attendees  
 Nov., 29 companies, 54 attendees

**Individual interviews** 90 times, 103 investors  
 [Fiscal 2019, results of dialogues with investors]

## Voice



### Hopes for contributions to further societal development

**Ken Sugimoto**  
 General Manager  
 Yokohama Branch  
 Mizuho Bank, Ltd.

Mizuho Bank serves as the settlement bank for NHK Spring Group, both domestically and abroad, including capital procurement and capital management services. In providing information on industry trends and overseas regions, we exchange broad-ranging views with them.

NHK Spring applies its advantages in core spring technologies and diverse metals processing technologies to each of its businesses. We recognize them as a corporate group that contributes to society through their expert manufacturing across a diverse range of fields. Centering on advanced technologies in the automotive industry, these also expand to data communications, and industrial machinery and lifestyle-related business fields. I think it is the fact that they supply key parts which are essential in each of these domains that supports the growth of NHK Spring.

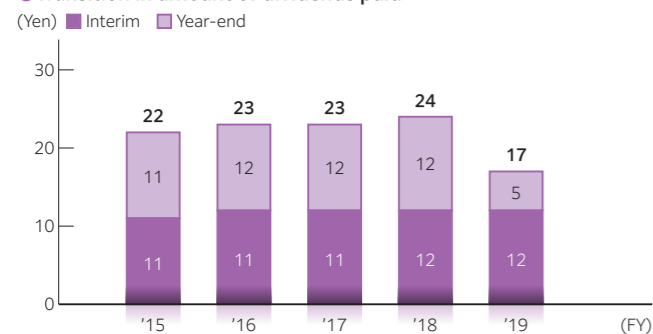
By applying the strong technological prowess it derives from its spring business to a wide range of products, NHK Spring has earned high levels of trust from wide range of business fields. By forging ahead with the utilization of these technologies, they will be able to expand sales channels into new fields, and we anticipate their further contributions to the development of society.

## FY2019 return of profit

Performance in fiscal 2019 is available in the Financial Highlight 2019 (P40-43). Regarding this year's dividend, in overall consideration of consolidated business performance, and of the harsh business environment accompanying the worldwide spread of COVID-19, while it is truly regrettable, we have had to reduce the dividend by ¥7 from the previous fiscal year to ¥17.

Meanwhile, in order to increase our capital efficiency, and contribute to shareholder return by implementing an agile capital policy that is responsive to changes in the business environment, our Board of Directors decided in February 2020 on a stock buy-back in which we acquired a total of 3,511 shares of the company's own stock for ¥2.69 billion.

### Transition in amount of dividends paid



# Approach to Human Rights

NHK Spring states its commitment to protect human rights, advocate diversity, care for others, and nurture people in the NHK Spring Basic Global CSR Policy and works to take the actions below.

- 1. Respect human rights** We will respect human rights in all of our business activities and take no actions to harm the character or dignity of any person by recognizing the morals and principles of each individual.
- 2. Prohibit discrimination** We will never discriminate based on nationality, race, ethnicity, creed, philosophy, gender, social status, religion, age, sexual orientation, gender identity, mental or physical disability, illness or place of origin.
- 3. Prohibit child and forced labor** We will never allow any type of child labor or forced labor in any of our business activities.

## Initiatives to Promote the Active Participation of Diverse Human Resources

NHK Spring states its commitment to contribute to the development of an affluent society by always taking new approaches and fostering growth with action in the corporate philosophy. As a means to follow through with this commitment, we will promote a wide range of initiatives for the purpose of helping each and every person fully utilize their character and skills regardless of age, gender, nationality or disability.

### Participation in Woman Act Kanagawa Prefecture Initiative

This is an organization formed by Kanagawa Prefecture and companies deeply rooted in Kanagawa that earnestly promotes the active participation of women. NHK Spring joined the Woman Act Kanagawa Prefecture Initiative in September 2016. We engage in activities to reform social senses, such as sending lecturers to prefectural high schools through the Kanagawa Women in Sciences Encourage Program while striving to support the active participation of female employees according to the General Employer Action Plan for the Act on Promotion of Women's Participation and Advancement in the Workplace. The movement expansion meeting held every year by Woman Act deepens interactions with other member companies while introducing initiatives of each company and providing an exchange of ideas about promoting the active participation of women.



A movement expansion meeting held on Nov. 7, 2019. Fourth from left, back row: Hidefumi Yoshimura, then Senior Corporate Officer and Director of Human Resource Dept.

### Ratio of women college graduates hired into promotion-track full employment positions (%)

	FY2017	FY2018	FY2019
Employment rate	8.0	10.3	14.6

**Post-maternity leave workplace return rate: 100%**

**28** Average years of service for women: 16.3 years

### Employing the people with disabilities

We established Nippatsu Harmony Co., Ltd. as a Special Subsidiary Company in April 2002 to employ people with disabilities, as a corporate social responsibility and contribution to local communities. Since March 2009, NHK Sales and NHK Transport, both group companies, have been working as special group subsidiaries toward improving the employment ratio of those with disabilities.

### Transition in employment rate of people with disabilities (%)

	FY2016	FY2017	FY2018	FY2019	FY2020
Employment rate	2.10	2.28	2.34	2.29	2.43

As of the end of March 2020, these companies have established seven offices—three in Kanagawa Prefecture, three in Nagano Prefecture, and one in Shiga Prefecture—where 69 people with disabilities are working delightfully.

### Holding LGBT (sexual minority) seminars

In July 2019, NHK Spring held LGBT seminars for health promotion managers at each business site. Presentations were made by external lecturers, enabling participants to learn about proper workplace considerations and accurate LGBT information, thereby gaining a deeper understanding toward building workplaces friendly to everyone.



Group discussions were also held to deepen understanding



# CSR Procurement

## Basic procurement policies

We have established three basic principles in procurement: building long-term partnerships based on mutual trust; fair, equitable and open procurement; and compliance with the law and maintaining confidentiality.

### ● Basic Policies for Purchasing Supplies ●

- **Building long-term partnerships based on mutual trust**  
We aim to build long-term relationships of trust with our favored partners through fair dealings in which both parties do their best. This way we can grow together.
- **Fair, equitable and open procurement**  
We are open to all suppliers, regardless of country of origin, size or affiliations. We select our suppliers comprehensively on the basis of quality, price, delivery times, service, and technical and developmental capacity.
- **Compliance with the law and maintaining confidentiality**  
We observe the law and relevant social norms in procurement. We do not make any unauthorized disclosures to any third party of any confidential information we may acquire about our suppliers.

## CSR Procurement Guideline

Recent social trends expect companies to strengthen their activities on social responsibility as a company (CSR), triggered by corporate scandals, employment and labor issues becoming more obvious due to financial crisis, and environmental issues. Therein, we ask all of our partners to understand our CSR activities and strive to fulfill CSR not only at NHK Spring but also throughout the entire supply chain. We formulated the CSR Procurement Guideline as part of these activities.

### Supplier CSR survey

Each year, a survey covering CSR Procurement Guideline content is administered to each supplier.

Survey items span a diverse range of topics including compliance, risk management, human rights, labor and the environment.

 Survey subjects **1,064** companies

## Green procurement

We have established Green Procurement Guidelines based on our basic procurement policy, which means that we try to buy low environmental impact products from organizations that care for the environment. With the cooperation of all of our partners, we are reducing the environmental burden including waste, while promoting management of substances that impact the environment throughout every stage from the design to the production and disposal of products. The content was fully updated in October 2019 as contact in the supply chain of chemical substances and legal compliance overseas becomes more and more important.

## Addressing conflict minerals

In recent years, concerns have arisen that mineral resources mined in the regions around Congo of Africa could be providing capital resources to armed anti-government militia responsible for human rights violations and environmental destruction. A provision on conflict materials included in Financial Regulatory Reform Act 2010 defines tantalum, tin, gold, and tungsten as conflict minerals and obligates corporations listed on American stock exchanges to disclose information related to the use of conflict minerals in their products with the ultimate goal of eradicating the use of minerals which leads to participating conflict financially.

NHK Spring agrees with Financial Regulatory Reform Act from a CSR standpoint in the procurement of raw materials and parts that contain conflict minerals. We collaborate with our customers and suppliers to advance efforts to ensure no improperly mined conflict minerals are used.

### Voice



#### Moving forward, still your best partner

**Toshiaki Yamashita**  
Managing Executive Officer  
General Manager,  
Automotive Steel Business Unit  
Daido Steel Co., Ltd.

Daido Steel supplies spring steel materials used by NHK Spring in automotive suspension springs (coils, stabilizers, torsion bars, etc.). Since 1958, when NHK Spring merged with Daido Spring that split off from our company (Daido Steel at the time), we have continued to engage in a long and close business relationship. In doing so, we support them in their efforts to proactively deploy business operations overseas, including their new development as a specialized steelmaker meeting the needs for high-strength and weight reduction, and low-cost products. This support includes building up a framework for an export supply of jointly developed spring steel and facilitating stable procurement at their production sites.

Among the strengths of NHK Spring is their status as a world-leading company with a worldwide production and product supply framework they have built up ahead of other companies. Their core business is in the suspension springs and sheet steel products for which demand remains solid, even amid the rapid development of the automotive industry toward electric vehicles. In addition, we know them to be a company abounding in the vitality that drives business forward. Continually engaging in the new development and improvements that never cease improving the competitiveness of their existing products, they also proactively take on new business efforts.

While deepening this cooperative relationship cultivated over many years, we will furnish our solid support by developing and recommendations of new steel materials which meet their demand, as well as stable global steel materials procurement. In this way, we hope to continue being a "best partner" to them that helps bring even greater competitive strength to NHK Spring products.

# Human Resource Employment and Development

## Basic approach to employment

NHK Spring advocates growth through innovative ideas and practices. We extensively search for employees who have the desire to take on challenges by being unconventional, and overcome problems through teamwork, while maintaining their individuality.

### ● Ideal Human Resources ●

- Has an interest in new things, and resolutely meets challenges
- Views matters from various perspectives
- Recognizes the individuality of co-workers and sets goals together


With regards to diversity of human resources, we have set targets for hiring women and non-Japanese employees and we also promote the hiring of people with disabilities staff through special subsidiary companies. We are also hiring top athletes whose capabilities enable them to excel in diverse fields, and we support their successful engagement.


## Human resources development


As part of efforts toward sustainable growth, our human resource development seeks to improve the quality of both our human resources and capability of organization as a whole.

From a human resource standpoint, we begin by fostering an awareness of our corporate philosophy in each and every employee to lay the foundation for them to manifest that philosophy in their own actions. Employees then converse with their senior co-workers about the human resource ideal they should strive to achieve, set capability development goals, and engage in their work toward achieving those goals. The systematic training each person receives includes group training divided by job-ranking, job type and skill level. They also undergo foreign language and cultural training in the context of global business expansion in efforts to elevate each person's intercultural communication and organizational management competencies. Other training includes inter-group competitive training sessions between different industries, overseas training, correspondence education and a rich array of other learning opportunities.

This is a tripartite human resources development effort, in which individuals working on their own growth are cultivated through the power of an organization with the support of a human resources system. Moving forward, we will apply this effort in our whole company.

 Course training hours: **250**  
[During the first five years]

 E-learning course availability: **188** courses  
[Sixth to seventh year after joining]

 Global HR training: **70** hrs. per year

## Recruitment

We conduct our own recruiting sessions each year, and we make every effort to send recruitment staff from our Human Resources Department to attend sessions organized by schools. Young employees take part in recruiting sessions as recruiters to create a place for open discussions with students. The students are able to hear directly from the young employees who are actually working at the company to get an idea of the corporate climate and atmosphere at NHK Spring. These activities help bring an image to mind of corporate life after recruitment. We provide information on the recruitment website, and we have a recruitment page at our main website. We are also expanding promotional activities such as putting up advertising posters aimed at new graduates in railway stations.

To help prevent the spread of COVID-19, recruiting activities for new college graduates to join the company in April 2021 will not include in-person interviews. Instead, we have published a video introducing the company, and are adopting online interviews. Other ways in which we are working to increase the level of awareness of NHK Spring include a dedicated recruiting page set up at the company website.

 **Recruitment page URL**  
<https://www.nhkspg-recruit.com/>



Company orientation video published online

### Voice



#### Becoming a member of NHK Spring with an encompassing perspective

**Suguru Shigeno**  
Technology Development Department,  
Engineering Division

I participated in a Young Meeting as part of the activities of the Saisho-kai\*, association of companies which NHK Spring is one of nine member companies. In the conference, mid-level employees spend about a year working on research activities through interaction with colleagues in different industries. Activity themes are decided by a panel of 12 members selected by each member company, and in fiscal 2019, the theme was "Boosting Awareness of Saisho-kai." We then worked on the production of public relations brochure, an association logo, and a picture book for use in moral values education for young children.

Ordinarily, as an engineer, I mostly deal with matters inside the company, and don't have much opportunity for contact with people outside. Engaging in free-thinking debate with people from diverse fields of industry through this activity enabled me to find my way to new ideas and respond improvisationally. It was an extremely valuable opportunity that was very stimulating and expanded my own field of view. By applying this experience to my work, I hope to develop further as a dedicated member of NHK Spring with a broader perspective.

\*Saisho-kai: A corporate association formed around Iwai & Co. Ltd. (current Sojitz Corporation). Established in 1953, its purpose is to foster mutual ties and fellowship among member firms, while memorializing the virtues demonstrated by founder Katsujiro Iwai. NHK Spring joined in 1973.

# Promotion of Better Health

## Initiatives to promote better health

NHK Spring believes an enthusiastic workplace where employees can continue to work with a healthy mind and body helps enhance sustainable corporate value. This is why we work in activities to sustain and promote better employee health.

### 1. Health declaration

The NHK Spring Group promotes health management at each Group company, and believes that promoting the health of employees and their families is vital. Each Group company and health insurance associations work together to advance health promotion measures, and the presidents of these Group companies have jointly signed the NHK Spring Group Health Declaration.



NHK Spring Group Health Declaration

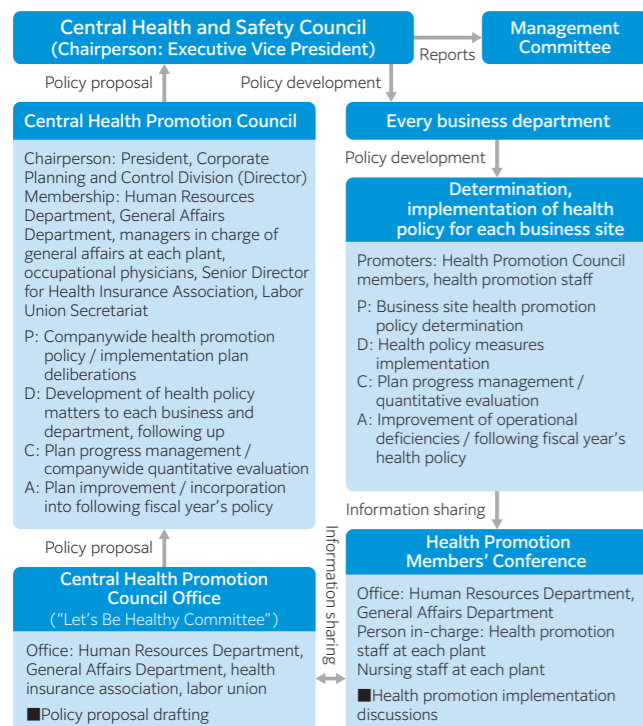
### 2. Health management/promotion initiatives

NHK Spring Group takes a two-pronged approach to pursuing these activities.

- ①Physical health maintenance: Support employees in elevating their health self-awareness by implementing health policy measures to enable continued enthusiastic work.
- ②Mental health: Undertake to create work environments where each and every employee can work full of vigor with both healthy body and mind.

### 3. Health promotion framework

We set up the Central Health Promotion Council in fiscal 2017 to promote even better health organizationally as a committee under the Central Health and Safety Council, which is the highest authority in promoting health. The council verifies all Group company health policies and measures, and deliberates implementation items. Furthermore, at each business site, we appoint health promotion committee members and health promotion staff to advance various health measures.



## 4. Health promotion targets and results

### ①Physical health management

Targets	FY2018 actual	FY2019 actual
Desirable weight: 20% or less above BMI 25	26.4%	27.6%
Abnormal blood pressure readings in all sites: 13% or less	13 business sites: achieved 1 business site: not achieved	12 business sites: achieved 2 business sites: not achieved
Smoking rate: 30% or less, and 5% reduction from previous year	35.4%	32.1%

### ②Mental health

Targets	FY2018 targets achieved	FY2019 targets achieved
Leave rate	○	○
Leave days	×	×

Given that the leave rate target was met for two consecutive years beginning in fiscal 2018, the target was changed for fiscal 2020, and we continue activities to reduce the leave rate.

## 5. Health promotion issues and measures

### ①Physical health management

Issue: Fostering a mindset among employees of taking personal initiative in caring for their own health

Measures:

- Members of the Central Health and Safety Council carried out activities themselves to reduce BMI. While publicizing company target values in the internal company newsletter, we reported on the efforts by the Council members and their results, while delivering messages to elevate employee health self-awareness.
- We have been bringing visibility to employee health by installing body composition and blood pressure meters, while also increasing opportunities for exercise and distributing activity meters to employees.
- We implement nutritional education using cafeteria facilities at each business site. While sharing information companywide on these efforts, we also held an exchange of opinions in the Health Promotion Members' Conference.
- Each employee whose various diagnostic health exams produced abnormal results is referred to the medical staff at each business site to receive guidance on how to improve.
- Activities to reduce smoking rates include quit-smoking education using visual and audio learning materials, as well as in-person counseling support for those who wish to quit smoking.

### ②Mental health

Issue: Having all employees understand mental health problems, and creating workplaces conducive to fulfilling work

Measures:

- Group training, morning assembly, self-care and line care education using e-learning.
- Workplace improvement using stress checks in group analysis.
- Those with mental health issues participate in regular interviews with medical staff, and receive support.

### Holding workplace competitive events through the Health Visibility Program

Our physical health measures include a Health Visibility Program based on measurements of walking activity, body composition and blood pressure. The program involves implementing measures to encourage employees to voluntarily become more active through activities they can enjoy. The health promotion staff and nursing staff at each business site have joined together in this program to promote these measures by setting a 20% data measurement ratio and 70% data transmission ratio as an index for evaluation. Every year, we hold a walking event in which employees walk a virtual course in Japan

and overseas as well as a point event where employees can enter a prize lottery by earning points according to their frequency of measurements. In fiscal 2019, a total of four events were held, and approximately 1,300 company members joined in a particularly well-attended and enthusiastic interdepartmental pedometer count competition in November 2019 that included a team of NHK Spring Directors.

These kinds of events are useful in stimulating communication while also enabling habits such as walking and measuring to take hold so that we can better understand and improve our health, raising hopes that employees can improve their health and control medical costs as a result.



Top-ranking teams are presented with prizes by health promotion staff

### Holding stretching clinics

The stretching clinics are held as part of our health promotion measures to ease the stiff shoulders and lower back pain. Kanae Tatsuta (Human Resources Dept.), an NHK Spring athlete employee, participated as an instructor for approximately 20 other employees.

After the clinic, images including notes of the lecture's main points were distributed to attendees, and follow-up was conducted.



Stretching designed to ease stiff shoulders

### Nutritional education in an employee cafeteria

NHK Spring implements health maintenance programs centered on meals through collaboration between our employee cafeterias and

public health nurses. Employee cafeterias at each business site display menu item information (calorie, sodium and sugar content, etc.), illustrations of ideal portions, and menus and seasonings with reduced sodium and calorie content. Information for each of these efforts is shared companywide so that all employee cafeterias can be used even more effectively to promote health throughout.

At the Yokohama Office, cafeteria menu displays include comments by athlete employees who have certified nutritionist and food meister qualifications. Each month, promotional activities are carried out based on educational themes related to nutrition.

## Voice



### Fostering an enthusiastic workplace and employees.

**Tomoko Shindo**  
Public Health Nurse  
Human Resources Department  
Health Promotion Center

I perform occupational health activities that companies are mandated to implement under the relevant laws and regulations. My aim is to prevent occupational illnesses and injuries, and for each and every employee to maintain their health at the highest level.

Diagnostic health exams at our company show high levels of abnormal values for such lifestyle-related issues as obesity and liver function, lipid levels, and blood sugar levels. My impression is that there are many employees that have irregular meal times due to night shift and overtime work, have the tendency to lose dietary balance, and those that take in more energy than they expend. In light of this, I undertake to promote dietary education by playing videos on lifestyle-related diseases in health exam venues, provide individual support based on health exam results, and collaborate with cafeteria service providers to display information.

I aim to make building health fun so that employees can have interest in and concern for their own health, and be enthusiastic about their work. Through Health Visualization program tools and events, I hope to further advance this individual and group approach.

# Workplace Health and Safety

## Occupational health and safety initiatives

We introduced a Workplace Health and Safety Management System in fiscal 2000, and it was rolled out Company-wide in fiscal 2003. We have taken the following measures to eliminate occupational accidents to achieve zero hazards:

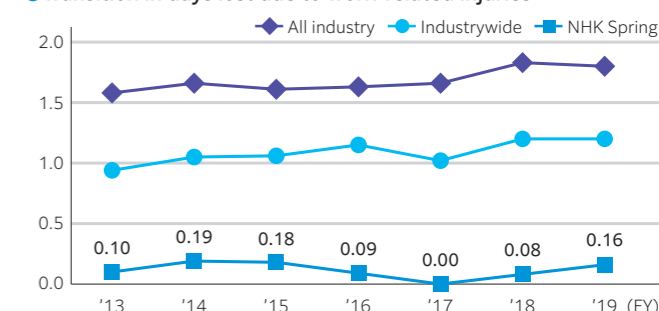
- Appropriate actions of top management:** Members of top management at each business site vigorously promote health and safety activities while checking on actual conditions in the production workplace.
- Risk assessment:** Methods of discovering, mitigating and eliminating potential workplace dangers and hazards.
- Risk prediction:** Training to obtain knowledge of dangers and hazards to prevent occupational accidents before they happen.
- Health and safety training:** Education undertaken to acquire the knowledge necessary for health and safety activities, including laws and regulations, for the purpose of preventing occupational accidents.

The rate of days lost through injury has been lower than the

average for all industry and manufacturing industry in recent years due to the results of these activities.

Going forward, we intend to apply the PDCA cycle to the occupational safety and health management system appropriately for continual further improvement.

### Transition in days lost due to work-related injuries



The rate of days lost is represented by rate of injuries or disasters per one million working hours.

# Work-style Innovation

## Smart Work Project: NHK Spring Work-style Innovation

We began the Smart Work Project as a work-style innovation initiative in fiscal 2018 by prioritizing a safe, secure company as well as an enthusiastic and work-friendly environment above all else.

We believe the establishment of an environment which furthers operational efficiency and the active participation of diverse human resources helps the growth of each individual and the development of our company while prioritizing better physical and mental health of employees.

To improve operational efficiency, we use software (RPA) to take advantage of technology to automate some standard work processes conducted on computers, utilize online conferencing systems, and revise meeting structure. We are also running trials of at-home work and flex-time systems without core time to promote work-style flexibility.

We will continue to advance these efforts in the future in order to achieve higher work efficiency.

### Work-life balance

At NHK Spring, we have put in place a variety of vacation schemes to help harmonize private life and work. Each year, employees acquire nearly 20 days of paid leave, and also created an environment that makes it easy to take condolence leave, childrearing leave, and family support leave.



**Annual paid leave utilization rate: 99%**  
[Rate of utilization of 18 or more paid leave days annually as of end of March 2019]

**Average number of paid leave days utilized annually: 19.3**  
[As of end of March 2019]

# Management-Labor Relations

## Active communication between labor and management

NHK Spring holds the Central Labor Management Council at a Company-wide level, and Local Labor Management Councils at each business site every year to examine various conditions and share information with labor unions.

Additionally, we have setup conferences on overtime work, conferences on production plans, occupational health and safety conferences, and other regular councils to engage in a timely debate between labor and management.

NHK Spring and the labor union have also built fair and stable relations between labor and management and entered into a comprehensive labor agreement covering overall working conditions and labor-management relations for the purpose of corporate growth and a better life for union members. The labor agreement is published in both print and online mediums so that all employees can view the latest working conditions at any time.

NHK Spring has also entered into various other labor contracts, such as agreements on overtime work and holiday work (statutory) as well as agreements related to promotions, raises and bonuses.



At the Central Labor Management Council

# Benefits Programs

NHK Spring has established a broad system of welfare benefits to help employees achieve stable livelihoods enriched with leisure time, including various forms of leave, dormitory and other housing, benefits package services (travel subsidies, etc.), a Mutual Benefit Association, a shareholding association, asset-accumulation savings programs, loans, workplace event subsidies and access to various health and welfare facilities.

We will continue to advance these efforts to enable employees to continue working with peace of mind.

### Shareholding association system

The system was launched in 1970 as the NHK Spring Employee Stock Ownership Association, a welfare benefits program enabling employees to purchase and own NHK Spring shares. Having started in 1970 with an initial 500 members, its membership had grown to more than four times that number in 2020. Monthly contributions from shareholder members also increased more than 20 times. Incentives commensurate to contribution amounts are granted, which makes the association useful for NHK Spring Group employees in building up their assets.

### Mutual Benefit Association

The NHK Spring Mutual Benefit Association was established for the purpose of promoting better mutual aid and welfare to members founded in the spirit of mutual aid. This system was established in 1974 through contributions from the company and association members.

Each year, labor and management meet to discuss revisions of benefit items, and in fiscal 2020, the birth celebration gift amount was increased to help counter the trend toward low fertility.

And with numerous large-scale typhoons and other natural disasters occurring in recent years, association members among the disaster victims have been awarded disaster relief grants.

# Initiatives to Quality Assurance

■ We deliver high quality products and aim to continuously improve delivery times, costs, and customer satisfaction as well.

## Initiatives to quality assurance

As we keep an eye on environmental changes both in Japan and overseas, we work to maintain our standard of world-leading quality and increase customer satisfaction.

We also actively pursue international quality standard accreditations and operate our quality management system according to these standards.

### ● Important policies and specific efforts ●

- 1. Bring visibility to the quality management system and strengthen cross-organizational response**
  - 1 Improve quality issue resolution capability through the Product Quality Committee
  - 2 Unify with suppliers on strengthening quality of direct deliveries and mechanism products
- 2. Foster a culture of quality and adhere to quality compliance**
  - 1 Take the perspective of customers in continually building a culture of quality
  - 2 Adhere to quality compliance and create an environment through inspection
- 3. Prevent quality problems for new products and products with 4M changes**
  - 1 Strengthen the design process for new products
  - 2 Reliably implement the procedure of process changes for products with 4M changes
- 4. Heighten the process guarantee level**
  - 1 Re-inspect systems to prevent production and distribution of defective products
  - 2 Revise tasks that are difficult or error-prone from the workplace standpoint
  - 3 Improve the ability to pursue essential causes of a defect, and cross-organizational prevention of occurrence and recurrence

## QC Circle Activities

Since 1965, we have been moving forward with problem-solving activities using a small-group structure (QC Circle Activities) as a means of improving the workplace through employees' ingenuity and mutual education. In 1966, we held our first QC Circle Conference, titled the "First All-NHK Spring QC Effectiveness Case Presentation Conference." The title was changed in 1978 to the "All-NHK Spring Circle Conference," and has continued under that title since then. The 46th of these events was held last year (fiscal 2019), with participation by 13 circles including those from domestic and overseas group companies, who presented the details of their day-to-day work improvements.



### Voice



**We look forward to further improvement of competitiveness in the future**

**Atsuhiko Yokoi**  
Project General Manager  
Purchasing Project Promotion Dept.  
Aisin Seiki Co., Ltd.

Our company receives supplies of precision springs, leaf springs and other automotive power train structural components from NHK Spring on a worldwide basis. The precision springs are often used in harsh environments, and are supported by high-level technological capabilities. When it comes to development of high strength materials, they are always one step ahead of their competitors, so we receive the most suitable recommendations from them in terms of matching our company's functional needs. Concerning cost, while achieving major unit price reductions through single-spring design, they have earned our top purchasing volumes in the precision spring field because of horizontally deployed applications in different models. Furthermore, regarding the quality and delivery times standpoint, we have felt reliability for their attitude holding professionalism in each process, and we can safely leave the jobs in their hands. For a company like ours that strives for competitive global sourcing, NHK Spring's global supply framework is very reassuring, and leads to stronger competitiveness at each of our locations. In the CASE field, securing product differentiation and cost competitiveness is essential. As we move toward responding to expansion of volume and globalization in products for electrification, for which demand is particularly strong, we are asking for participation in activities aimed at improving the cost competitiveness as the industry leader, as well as manufacturing capabilities that include placement on automated lines. In taking action upon which our company's survival depends in this transformational period of change in our motor vehicle-based society, we anticipate that NHK Spring will remain an irreplaceable partner through development work for the next-generation products.

## Awards received from customers (fiscal 2019)

NHK Spring Group has received the following awards from customers.

Company name (titles abbreviated)	Award
Toyota Motor North America, Inc.	Excellent Quality Award
Isuzu India	Excellent Supplier Award (Isuzu Motors India [P] Ltd. FY2019 Supplier Conference)
Sawafuji Electric Co.	Excellent Quality Award

[Some examples of awards received from customers]

## Acquired certification from the international organization for standardization

NHK Spring firstly acquired the ISO 9001 international standardization certificate for the Atsugi Plant in 1996, and since then, all of our plants have acquired the ISO 9000 series certifications. In addition, we have acquired certifications for the strict IATF 16949 standards at our plants that produce automotive products. In addition to actively encouraging our domestic Group companies to acquire certifications, we are also taking on initiatives to acquire other international quality management systems certifications to overseas Group companies, such as the ISO 9000 series and ISO/TS 16949, according to the requirements of our customers and regions.



**IATF 16949: 2016 certification acquired for 42 plants**  
[As of May 2020]

# Social Contribution Activities, Sponsoring and Collaborating with Local Events

NHK Spring and our Group companies have operations in various areas in Japan and around the world where we hold local community-based activities. The energies of the whole Group are directed to expanding our ties to the local community everywhere.

## Social contribution activities

### Offering plant tours as educational field trips for elementary school students

The NHK Spring Yokohama Office offered plant tours to 95 elementary school students in January 2020.

These plant tours aim to share our social contributions and initiatives to address environmental issues through products and production activities with the children entrusted with our future. NHK Spring positions this effort as one of the measure to support the career education of elementary school students.

We have also published and used a booklet for children to introduce information about NHK Spring.



Elementary school students listening to an explanation about NHK Spring products

### Hosting of company-internal and Group company soccer tournament

We held a soccer competition at NHK Spring Mitsuzawa Football Stadium with the goal of cultivating a sense of unity both within NHK Spring and throughout the Group.

### Providing school meals to children worldwide through TFT

We introduced "TABLE FOR TWO" (abbreviated as TFT) in 2014. TFT is a system to make donations for school meals in impoverished regions worldwide by eating charitable meals at the cafeteria for executives and employees. We conducted TFT at all of our 11 plants in Japan and have expanded the system to Group companies in Japan. This has allowed us to donate 143,725 school meals in fiscal 2019, which brings us to a cumulative total of 745,857.

We have been recognized by TFT as a Platinum Partner for four consecutive years since 2016 for our support, and have received a Partner Badge and Certificate of Appreciation.



Partner Badge



Certificate of Appreciation

## Sponsoring and collaborating with local events

### Activities based on the NHK Spring Mitsuzawa Football Stadium

It is the 13th year since we acquired the naming rights to the NHK Spring Mitsuzawa Football Stadium from 2008. The five-year contract was updated from March 2016. We are striving to effectively use the free usage rights, which is a benefit of the naming rights.



### Naming rights continued for 13th year

### NHK Spring and College of Science & Engineering Soccer League in Kanto Area

College of Science & Engineering Soccer League in Kanto Area was established to assist promising students. We have also incorporated diverse and unique activities, such as Futsal, in response to student needs. An award ceremony was held for the winning team and the runners up at NHK Spring Mitsuzawa Football Stadium before the official J League game of Yokohama FC.



The league champion team award ceremony, on the right is Chairman Kazumi Tamamura



TFT donations equivalent to 143,725 meals

### Sponsoring and collaborating with local events

### Festival in Support of Tohoku Reconstruction held at Yokohama Office

In December 2019, we helped sponsor Festival in Support of Tohoku Reconstruction 2019 (sponsored by Japan Business Federation / Keidanren), an event held in order to help increase consumption of products from the Tohoku region and to promote tourism. A special menu of items made with Tohoku ingredients was offered at the Yokohama Office cafeteria and health and welfare facilities. An exposition of products made in Tohoku was also presented on the premises, providing an opportunity to get acquainted with Tohoku, which received high marks from employees.

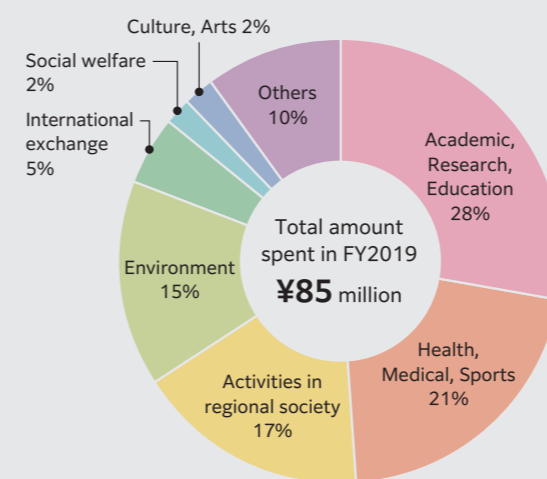


Employees visiting the product exposition during break time

### Product supply and sponsorship of Student Formula SAE Competition of Japan

The Student Formula SAE Japan Competition, a five-day automotive technology tournament, was held at Ogasayama Sports Park ECOPA in Shizuoka Prefecture from August 27 to 31, 2019. In the competition, which we helped sponsor, university and technical

### Ratio of amount used for social contribution activities by category



\*Amount is total of NHK Spring and Group companies in Japan

Category	Major examples
Academic, Research, Education	Donating research fees to universities, accepting internships, plant tour for elementary school students
Health, Medical, Sports	Blood donation, donating wheelchairs to hospitals, cosponsoring and participating as volunteers in sports events
Activities in regional society	Donating to local festivals, inviting local residents to our summer festivals
Environment	Clean-up activities of neighboring areas
International exchange	TABLE FOR TWO Activity, Eco-cap Activity
Social welfare	Donating to social welfare facilities
Culture, Arts	Donating to arts organizations and events
Others	Participating in crime prevention and traffic safety activities, donating to politicians and organizations support activities for affected area

school students race in motor vehicles that they built by themselves.

Judges scrutinize the vehicles in static inspections of cost and design aspects, as well as dynamic inspections of acceleration, an autocross competition, noise and exhaust, and other performance characteristics. Despite being built by student club groups, the vehicles are genuine full-fledged automobiles. We received requests from more than 30 university teams for damper springs, which we provided free of charge as part of our social contribution activities. Junior engineers in the Development Department of our Precision Spring and Components Division interacted with students on their use, and the requested parts were produced, primarily at our Ina Plant. During fiscal 2019, several universities to which we supplied parts ascended the rankings, enabling us to play a part in the event.

NHK Spring will continue in the future to help sponsor the competition and provide parts to each university.

### NASCO/NMMI joins in regional Bon-Odori festival dance event

On September 28, 2019, overseas Group companies NASCO and NMMI participated in a local event in Bowling Green, Kentucky, performing a Japanese traditional Bon-Odori festival dance. The event provides local residents gathered from countries all over the world with an opportunity to share and show off the songs, music, dance and food of their own cultures. It is a shared event that merges a local dance festival and Japan Fest, and has been held since 1989. MIDORI-Kai, an association of members of Japanese companies located in Bowling Green and its vicinity, presents a Bon-Odori dance every year at the event, in which NASCO and NMMI participated. In addition to "Tanko Bushi," a popular Bon-Odori dance standard, they also performed to "Beautiful Sunday," a song more familiar to Americans. In the future, we will continue to be a company rooted in the local community.



Special moves choreographed just for "Beautiful Sunday"

### Family Interaction Event at NSPG

In October 2019, NHK Spring Precision (Guangzhou) (NSPG), a Group company in China, held a Family Interaction Event each year, employees' families are invited to commemorate the anniversary of the company's founding in an event that includes introductions of the company, its products, plant tour, and games. This was the fifth time the event had been held. In the plant tour, employees engaged in the work themselves provided detailed explanations of the production process. Families were asked to give their impressions for the first time at this event, and comments included such remarks as, "I'm filled with gratitude that this kind of event could be put on for us." Moving forward, we hope that by having employees join their families in seeing, hearing and experiencing such an enjoyable time together at these Family Interaction Gathering events will help raise awareness of employees.



Employees guide families through their own workplace

### Dustproof clothing donated to City of Yokohama to support efforts to prevent the spread of COVID-19

As part of efforts to provide assistance against a shortage of medical supplies in the healthcare workplace amid the COVID-19 pandemic, 42 sets of dust-proof clothing were donated to the city of Yokohama on May 1 from our Atsugi, DDS Komagane and Komagane Plant for use as replacement protective clothing.



Donated dust-proof clothing

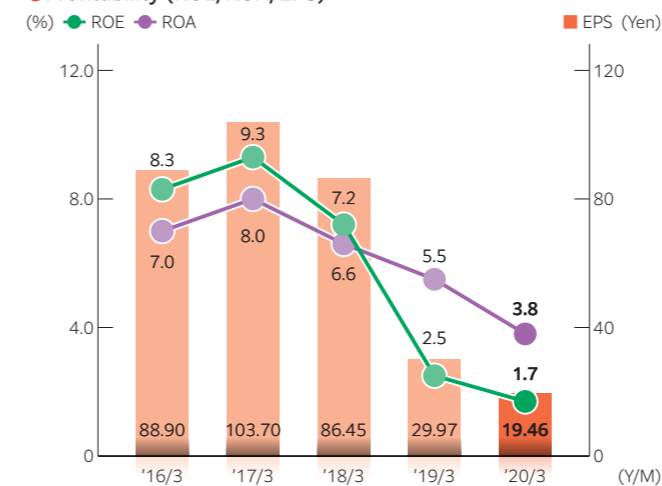
# Financial Highlights 2019

(Consolidated five-year summary)

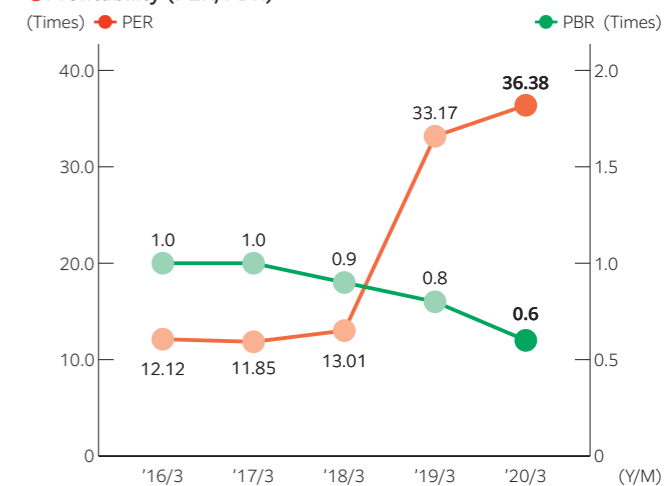
Operating Results	Accounting Period	Year ended in March 2016	Year ended in March 2017	Year ended in March 2018	Year ended in March 2019	Year ended in March 2020
<b>Net sales</b>	(Millions of Yen)	640,516	626,950	659,730	681,006	<b>664,499</b>
<b>Operating income</b>	(Millions of Yen)	35,041	40,613	35,541	26,650	<b>20,715</b>
Operating margin	(%)	5.5	6.5	5.4	3.9	<b>3.1</b>
<b>Ordinary income</b>	(Millions of Yen)	36,111	41,640	36,421	31,457	<b>21,266</b>
Ordinary margin	(%)	5.6	6.6	5.5	4.6	<b>3.2</b>
<b>Profit attributable to owners of parent</b>	(Millions of Yen)	21,592	25,098	20,495	7,104	<b>4,612</b>
Return on sales	(%)	3.4	4.0	3.1	1.0	<b>0.7</b>
<b>Profitability</b>						
ROE	(%)	8.3	9.3	7.2	2.5	<b>1.7</b>
ROA	(%)	7.0	8.0	6.6	5.5	<b>3.8</b>
EPS	(Yen)	88.90	103.70	86.45	29.97	<b>19.46</b>
PER	(Times)	12.12	11.85	13.01	33.17	<b>36.38</b>
PBR	(Times)	1.0	1.0	0.9	0.8	<b>0.6</b>
<b>Financial Condition</b>						
Total assets	(Millions of Yen)	506,221	537,909	568,380	573,198	<b>532,615</b>
Stockholders' equity	(Millions of Yen)	257,243	279,699	292,836	281,134	<b>270,988</b>
Stockholders' equity to total assets ratio	(%)	50.8	52.0	51.5	49.0	<b>50.9</b>
<b>Capital expenditure</b>	(Millions of Yen)	27,392	25,637	34,010	44,975	<b>39,850</b>
<b>Depreciation &amp; Amortization</b>	(Millions of Yen)	23,582	23,137	24,141	25,001	<b>26,408</b>
<b>Research &amp; development</b>	(Millions of Yen)	16,328	16,130	16,119	16,822	<b>18,407</b>
R&D per sales ratio	(%)	2.5	2.6	2.4	2.5	<b>2.8</b>
<b>Shareholder return (cash dividends / payout ratio)</b>						
Cash dividends	(Yen)	22	23	23	24	<b>17</b>
Dividend payout ratio	(%)	24.7	22.2	26.6	80.1	<b>87.4</b>
<b>Amount of treasury stock acquired</b>						
	(Millions of Yen)	—	—	—	—	<b>1,350</b>
<b>Cash flows</b>						
Net cash provided by operating activities	(Millions of Yen)	42,674	55,664	49,811	36,794	<b>36,621</b>
Net cash used in investing activities	(Millions of Yen)	(35,127)	(27,753)	(32,955)	(42,299)	<b>(45,809)</b>
Net cash provided by financing activities	(Millions of Yen)	(13,672)	(16,916)	(5,960)	7,327	<b>(16,950)</b>
Cash and cash equivalents at end of year	(Millions of Yen)	72,238	82,493	95,007	98,403	<b>74,314</b>

\*Partial Amendments to the Accounting Standard for Tax Effect Accounting and other statutory changes went into effect at the beginning of FY2019. We have applied these indicators to the indicators for the term from FY2016 to FY2018 retroactively.

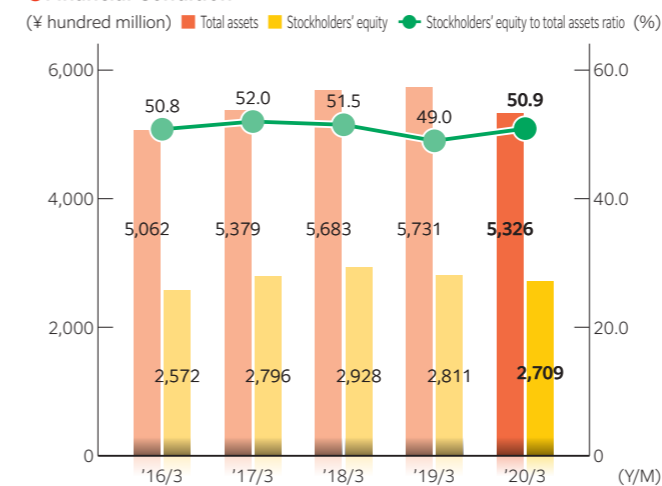
● Profitability (ROE/ROA/EPS)



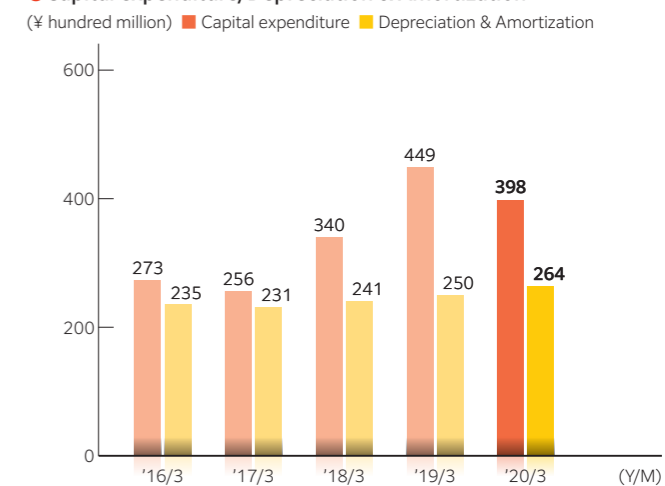
● Profitability (PER/PBR)



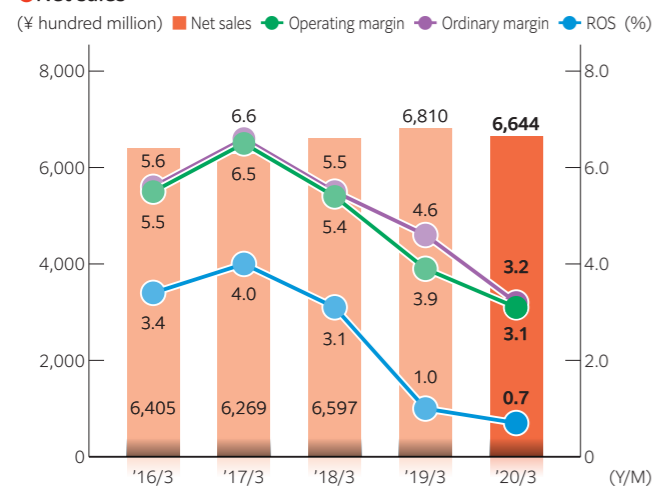
● Financial Condition



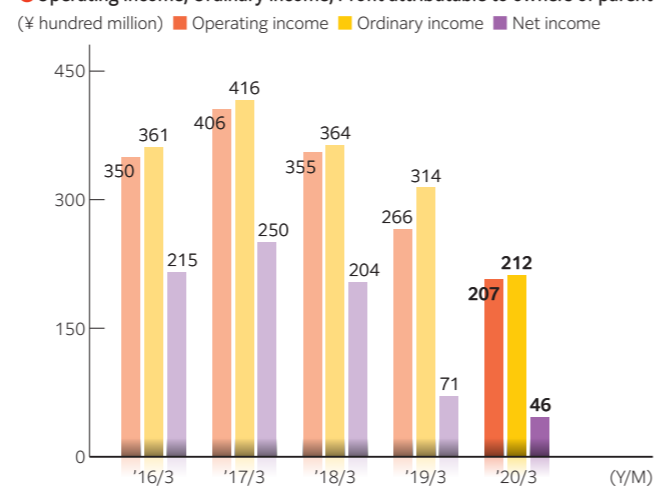
● Capital expenditure/Depreciation & Amortization



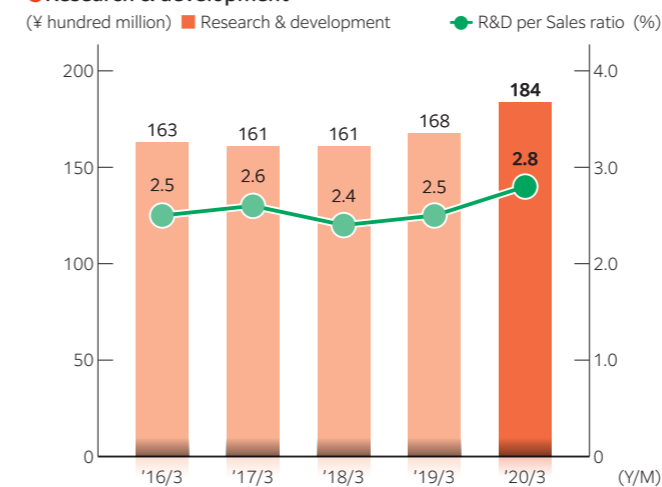
● Net sales



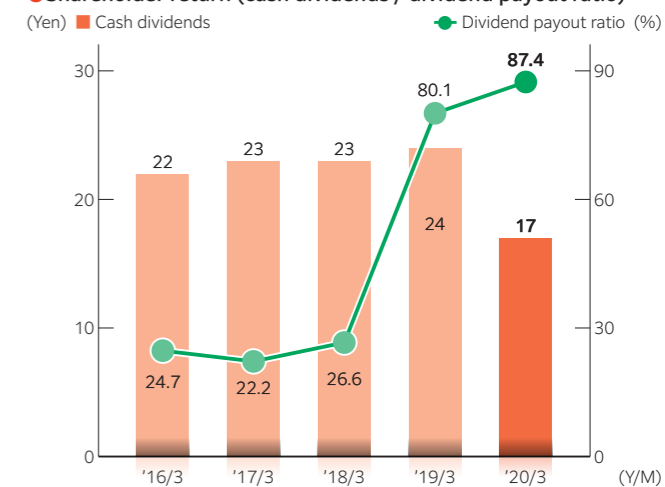
● Operating income, Ordinary income, Profit attributable to owners of parent



● Research & development



● Shareholder return (cash dividends / dividend payout ratio)



# Financial Highlights 2019

(Analysis of results)

## FY2019 Operating results

Although some weakness in exports and production was shown in the Japanese economy during this consolidated fiscal year, there was a tone of gradual recovery. In terms of the global economy, the U.S. continued to recover as personal consumption increased. In the Asian region, China slowed slightly as Thailand and India also showed some weakness. Meanwhile, the worldwide economy has been characterized by harsh conditions since March 2020 due to the impact of the COVID-19 pandemic.

In automotive markets, a primary business area for our group, domestic automotive sales volume decreased by 4.2% from the previous year to 5.039 million units. Completed vehicle exports also decreased by 2.5% from the previous year to 4.714 million units compared to the previous year. Domestic automotive production volume has been stagnant due to increase of the consumption tax to 10% since October 2019.

To achieve ongoing sustainable growth in this economic

environment, NHK Spring Group has stayed focused on a targeted approach to carrying out our group management policy: restoring and growing profitability, developing new income-generating products and technologies, increasing manufacturing capabilities, and building a safe, secure, rewarding and work-friendly work environment.

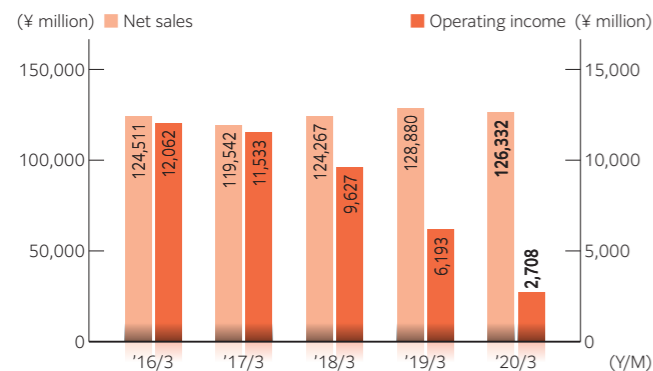
Recent years have seen increasingly intense competition on a global scale with rivals in automotive-related markets. This has been a major factor influencing our Group's profitability. Recovering and increasing profitability is a critical issue for NHK Spring, and we are working toward solutions in a unified effort by our production and sales departments, as well as corporate headquarters.

We recorded net sales of ¥664,499 million (down 2.4% year-on-year), operating income of ¥20,715 million (down 22.3% year-on-year) and ordinary income of ¥21,266 million (down 32.4% year-on-year). Net income attributable to owners of the parent company were ¥4,612 million (down 35.1% year-on-year) due to a total of ¥4,687 million in impairment losses recorded as an extraordinary loss, and to ¥3,202 million in losses associated with antitrust laws.

## FY2019 Segment information

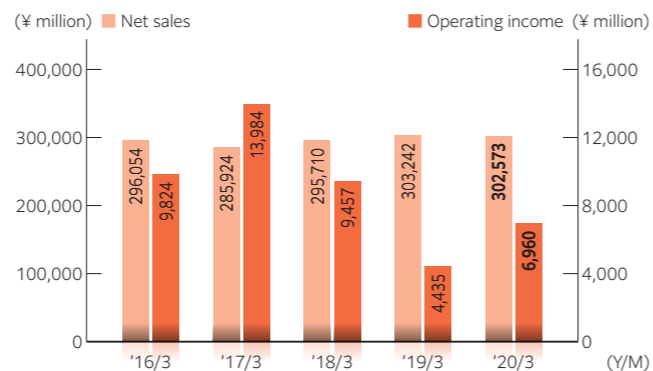
### Suspension springs

Suspension springs business operations generated net sales of ¥126,332 million (down 2.0% year-on-year), and operating income of ¥2,708 million (down 56.3% year-on-year) due to increases in fixed costs in the U.S. and Europe, and product mix changes.



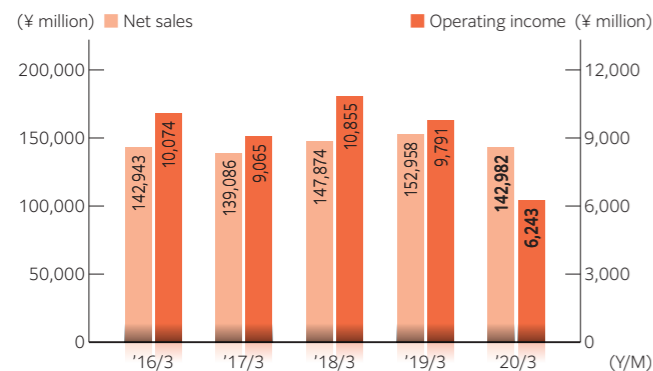
### Seating

Seating-related business operations generated net sales of ¥302,573 million (down 0.2% year-on-year), and operating income of ¥6,960 million (up 56.9% year-on-year) due to changes in the mix of vehicle model orders.



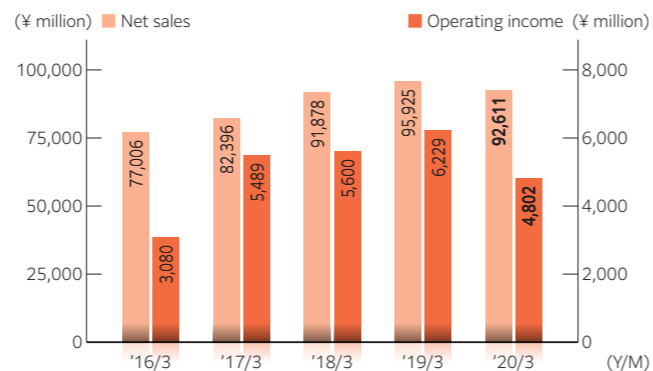
### Precision springs and components

Precision springs and components generated net sales of ¥142,982 million (down 6.5% year-on-year) due to decline in the number of orders received, and operating income of ¥6,243 million (down 36.2% year-on-year).



### Industrial machinery and equipment, and other operations

Industrial machinery and equipment, and other operations generated net sales of ¥92,611 million (down 3.5% year-on-year) due to reductions in semiconductor processing components volume, and operating income of ¥4,802 million (down 22.9% year-on-year).



## Cash flow

Cash and cash equivalents during this consolidated fiscal year were 74,314 million, down 24.5% from the previous year.

Incomings from operating activities decreased by ¥173 million from the previous year to ¥36,621 million. This was primarily due to lower corporate tax payments resulting from a decrease in net income for the current fiscal year before adjustments such as taxes, as well as a decrease in accounts payable.

Outgoings from investing activities increased by ¥3,510 million from the previous year to ¥45,809 million. This was primarily due to acquisition of tangible fixed assets.

Outgoings from financing activities increased by ¥24,278 million from the previous year to ¥16,950 million. This was largely due to repayment of long-term borrowings and redemption of convertible corporate bonds with stock subscription rights.

The free cash flow was -¥9,188 million less after subtracting cash flow in investment activities from cash flow in operating activities.

As a result of the foregoing, cash and cash equivalents at end of the period decreased by ¥24,088 million at the end of the previous period to ¥74,314 million. Interest-bearing debt decreased ¥10,623 million compared to the end of the previous year, to ¥57,591 million.

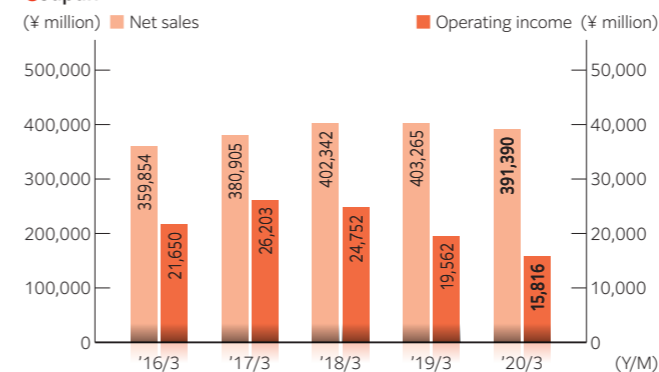
## Basic financial strategy concept

In order to increase corporate value, NHK Spring Group bases its financial strategy on the timely and appropriate allocation of management resources. We believe that it is crucial to maintain a robust financial structure together with high capital efficiency. Our Group maintains a stockholders' equity to total assets ratio of about 50% and a "Single A-" credit rating (Rating & Investment Information Inc. [R&I]). In order to further improve this status, we are working to increase our risk tolerance.

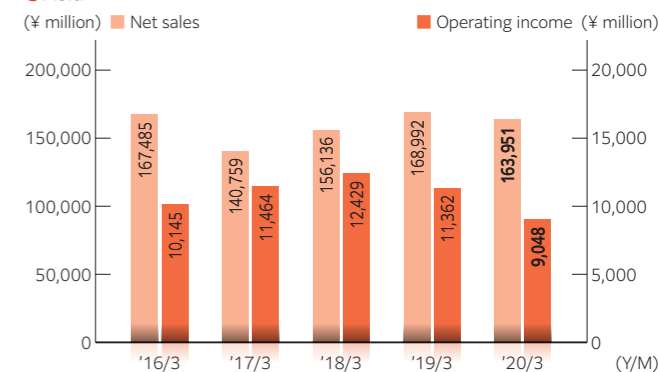
In addition, we attend to our capacity to repay debt from operating cash flow through the effective use of external borrowings from financial institutions in efforts to reduce capital costs.

## (Reference) Segment by location

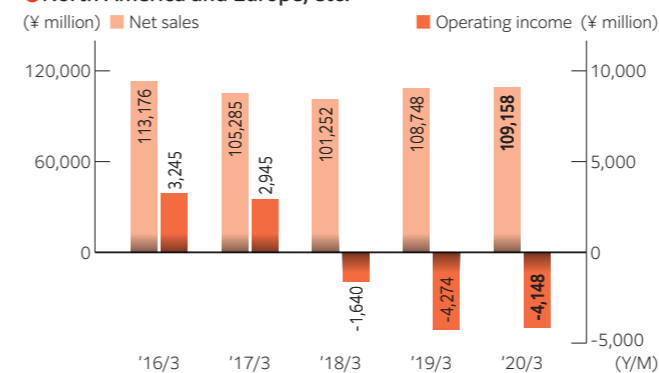
### Japan



### Asia



### North America and Europe, etc.



## Corporate overview (as of March 31, 2020)

Trade name: NHK SPRING CO., LTD.  
Founding: September 8, 1939  
Capital: ¥17,009,566,312  
Employees: 5,239 (Non-consolidated), 22,002 (Consolidated)  
\*The number of employees including the average number of temporary employees  
Sales: ¥664.4 billion (FY 2019 consolidated)  
Head office: 3-10 Fukuura, Kanazawa-ku, Yokohama, 236-0004, Japan  
Divisions: Suspension Spring Division,  
Seating Division,  
Precision Spring & Components Division,  
DDS (Disk Drive Suspension) Division,  
Industrial Machinery & Equipment Division  
Plants: Yokohama Plant (suspension spring/seating), Shiga Plant,  
Gunma Plant, Toyota Plant, Atsugi Plant, Ina Plant,  
Komagane Plant (DDS/industrial machinery & equipment),  
Isehara Plant No.1 and No.2, Miyada Plant, Yasu Plant  
Branches: Yokohama Minatomirai  
Kita-Kanto, Hamamatsu, Nagoya, Osaka, Hiroshima, Fukuoka  
Stock market listing: First Section, Tokyo Stock Exchange (Code 5991)  
Group companies: 24 Domestic, 35 Overseas

## Shares (as of March 31, 2020)

Total authorized shares 600,000,000  
Total issued shares 244,066,144  
Total number of shareholders 10,218

(Yen)

Share price transition	High	Low
Apr.-Jun. 2019	1,084	784
Jul.-Sep. 2019	885	693
Oct.-Dec. 2019	1,037	795
Jan.-Mar. 2020	1,005	574

## Editorial policy

The NHK Spring Group has published the NHK Spring Report since fiscal 2008 to summarize the social, environmental and financial aspects of what we have done over the last year. NHK Spring Report 2020, the 13th annual edition of the report, used the ISO26000 international standard as the basis of its guidelines as in fiscal 2019, incorporating information in accordance with the seven core subjects: the environment, organizational governance, human rights, fair business practices, labor practices, consumer issues, and community involvement and development.

In addition, as the latest CSR information and information for shareholders and investors are available on our website.

**CSR information** <https://www.nhkspg.co.jp/eng/csr/>

**Information for shareholders and investors** <https://www.nhkspg.co.jp/eng/ir/>

## Scope

This report primarily incorporates information about the business activities of the NHK Spring Group. 'NHK Spring Group' refers to the Group overall; 'NHK Spring' refers specifically to NHK Spring Co., Ltd., and our Group companies are identified individually by their company name. We make every effort to ensure that the Report is accurate.

## Reporting period

In principle, the Report covers our business activities from April 2019 to March 2020. As it is published in September, it will also include any major developments since April 2020.

## Readership

This Report is intended for our shareholders, investors, customers, suppliers, and our employees and their families, and the communities around the places where we operate.



**NHK SPRING CO.,LTD.**

Contact to: Public Relations Group, General Affairs Department,  
Corporate Planning & Control Division, NHK SPRING CO., LTD.  
3-10 Fukuura, Kanazawa-ku, Yokohama, 236-0004, Japan  
TEL. +81-45-786-7513 FAX. +81-45-786-7598  
URL: <https://www.nhkspg.co.jp/eng/>  
Email: [b2101@nhkspg.co.jp](mailto:b2101@nhkspg.co.jp)