

NHK SPRING REPORT 2021



Manufacturing
Derived from Springs.



Message from Management

Toward sustainable growth by continuous fresh approaches and actions



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

T. Kayanoto

President & CEO and
Representative Member of the Board

The spread of COVID-19 since January 2020 has had a significant impact on our Group's business. Although fiscal 2020 was the final year of our medium-term management plan which started in fiscal 2017, the consolidated results for the period show that business conditions were very challenging. Having celebrated the 80th anniversary in 2019, we will become a 100 years old company that is trusted by all stakeholders. In our new medium-term management plan, which starts in fiscal 2021, we will accelerate our initiative to adapt to the drastically changing business environment, including the shift toward electric vehicles and advancement of telecommunications technology, and to contribute to a sustainable society in order to establish a stable revenue base for the future.

2023 Medium-term Management Plan Targets

[Targets for Net Sales and Income]

Net sales JPY650 billion
Operating income JPY40 billion (Profit ratio 6.2%)
Ordinary income JPY42 billion (Profit ratio 6.5%)
Profit Attributable to Owners of Parent JPY25 billion (Profit ratio 3.8%)

[Targets for Financial Indicators]

Ordinary margin 6.5%
ROE 8.0%
Dividend payout ratio Approx. 30%

Group Basic Policy of the 2023 Medium-term Management Plan

—Aiming for sustainable growth—
—Straight up, freely and broadly—

- 1. Further promotion of CSR activities**
 - Further strengthen mutually trusting relationship with stakeholders
 - Sincerely strive to address environmental and social issues
 - Thoroughly implement quality-first manufacturing
- 2. Accelerate response to drastically changing business environment**
 - Strengthen response for electrification and autoionization of automobiles
 - Create next-generation core businesses
- 3. Secure "profit" for sustainable growth**
 - Develop attractive products
 - Total cost reduction

To be a Company Needed by Society through Manufacturing

We provide a large number of key parts for the automotive and information technology fields by making full use of our core technologies, including "metal heat treatment and plasticity processing technologies," which are our strengths, "evaluation and analysis technologies" cultivated through our experience in automotive parts, "precision and microfabrication technologies" for parts in the information technology field, and "metal bonding technologies."

In recent years, there has been a growing demand for sustainability-conscious management. As such, companies seek to enhance not only their economic value but also their social value. The perspective of ESG management, which aims to solve environmental and social issues through manufacturing and improve governance, has become indispensable. In terms of the environment, awareness of climate change issues and decarbonization efforts has been rapidly growing since the Japanese government announced its carbon neutral declaration in October 2020. After much deliberation, we announced the "NHK Group Carbon Neutral Declaration" on the anniversary of our founding in September this year, with the aim of reducing CO2 emissions to virtually zero in 2039, the 100th anniversary of our foundation. We also announced our top-down goal to reduce CO2 emissions to 50% of the fiscal 2013 level by 2030 by promoting thorough energy conservation and electrification, and putting innovative energy-saving production technologies to practical use. We believe that it is our responsibility to start now in order to provide a link to the next generation of young people.

Toward a Sustainable Society

Our corporate philosophy and corporate principles form the basis of our management policy, and we believe that our mission is to "contribute to the development of an enriching society through becoming an attractive corporate group. Through dialogue with our diverse stakeholders, we are working to meet their expectations and address various social issues as a trusted company.

In the NHK Report 2021, we communicate to our employees and other stakeholders about our basic stance on each element of sustainability, including the progress of electrification, the challenge of carbon neutrality, and diversity initiatives, through dialogue with CSR experts. Furthermore, in addition to the contents of previous years' reports, we have added new information on initiatives that form the basis of our manufacturing, such as our response to the shift to electric vehicles, research and development, and quality assurance. Through this report, we hope that you will be able to understand some of our ideas and activities regarding the social role that our group should play. I would like to ask for your continuous support as we strive for sustainable growth.

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.

INDEX

P.2	Message from Management / INDEX
P.4	A Dialogue Between Makoya Kageyama (Professor, Graduate School of Urban Social and Cultural Studies, Yokohama City University) and Takashi Kayamoto (President and CEO and Representative Member of the Board)
P.8	Topics: Diversity and Inclusion Initiatives
P.10	Topics: Initiatives to Promote the Active Participation of Diverse Human Resources
P.12	Various NHK Spring Group Products in Cities Life
P.14	Value to Society Provided by NHK Spring Group
P.16	Growth Strategies by Business Segment , in 2023 Mid-term Plan
P.21	Global Network
P.22	Research and Development / Production Technologies
P.24	Quality Assurance
P.28	CSR Procurement
P.29	Approach to Human Rights / Workplace Health and Safety
P.30	Human Resource Employment and Development
P.31	Work-style Innovation / Labor-Management Relations
P.32	Promotion of Better Health
P.34	NHK Spring Group's Carbon Neutral Declaration and Global Environmental Conservation Activities
P.35	Zero Emission Activities
P.36	NHK Spring Group's CO ₂ Reduction Activities
P.37	Utilizing Renewable Energy
P.38	Sharing of CO ₂ Saving Methods(Awards for CO ₂ Reduction Activity)
P.39	Business Activities and Life-cycle Flow
P.40	Carbon Offset for the Production of NHK SPRING REPORT 2021
P.41	Sponsoring and Cooperating in Social Contribution Activities and Local Events
P.43	Corporate Governance
P.44	Management Organization
P.46	Compliance
P.47	Risk Management
P.48	Financial Highlights 2020

Editorial policy

Since fiscal 2008, we have been publishing the NHK Spring Report, which summarizes and reports on the yearly activities of social, environmental conservation, and financial aspects of the company, including the group. In this 14th year of the "NHK Report 2021," we have expanded the content of the report since 2020 and worked to improve the level of our disclosure of non-financial information while referring to various standards and guidelines.

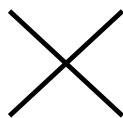
Please refer to our website for the latest CSR information and more detailed information for shareholders and investors.

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



Takashi Kayamoto

President & CEO and Representative Member of the Board
NHK SPRING CO., LTD.



Makoya Kageyama

Professor, Graduate School of Urban Social and Cultural
Studies, Yokohama City University

Serious efforts to address environmental and social issues for sustainable growth

Aiming for CSR-conscious Management

Kageyama : In recent years, there has been a wide range of demands from society related to CSR. How are you responding to these demands?

Kayamoto : Naturally, compliance with laws and regulations is a matter of course, but there is a risk in simply managing our business in a conventional way: maintaining employment, making profits and paying taxes, contributing to the economy and society, and keeping our promises to customers. We believe that we must engage in management with a strong awareness of CSR.

I myself visit approximately 50 factories a year, including those overseas, under the name of "Top Patrols", and talk directly to the employees.

Kageyama : It is important to take that type of approach. CSR is all about management's awareness of issues related to the business environment. If management does not have a clear awareness of the issues and does not give due consideration to CSR, corporate value may suffer significantly.

Japan has become an affluent society through its rapid economic growth, but it also faces serious social issues. There are still impoverished developing countries in the world, and environmental issues are urgent. We no longer live in an age of growth and wasteful use of resources. In today's society, we have to respond to the awareness of our stakeholders, especially our consumers and customers.

Responding to the electrification of automobiles

Kageyama : Against the backdrop of environmental issues, nowadays, vehicle electrification*1 is a topic gaining attention in society. The general concept is that engines are going to be replaced by electric motors and that storage batteries will replace fuel. This must have an impact on your

company since it manufactures automotive parts. What kind of strategy do you have in mind to deal with this shift?

Kayamoto : Kayamoto As we see more of a shift toward vehicle electrification, especially for EVs and FCVs, sales of engine and transmission springs are expected to decrease by about 40 billion yen. In order to cover this decrease in revenue and to take advantage of this change, we are actively developing and commercializing new products necessary for vehicle electrification.

In particular, our Precision Spring and Components Division is responsible for the development and commercialization of motor cores, a large component used in motors that are mandatory for EVs. We have already been delivering our products to leading manufacturers of EVs for the past decade. We expect to more than triple our current sales to about 15 billion yen in our medium-term management plan that ends in fiscal 2023. In addition, we plan to commercialize motor cores and metal substrates, which are being developed mainly by the Electrification Business Promotion Department Team located in the Head Office, so that we can turn vehicle electrification into a major opportunity.

Demand for our main products, automotive seating and suspension springs, will continue to exist even as vehicle electrification progresses. However, automotive seating and suspension springs are becoming simplifying, differentiation from other companies may be difficult and price competition may become severe. As an independent (of any group of automobile manufacturers) automotive parts manufacturer, we need to create more distinctive products.

The Charge to Go Carbon Neutral

Kageyama : The growing shift toward vehicle electrification and the carbon neutral*2 (hereinafter "CN") movement

are inextricably linked. Among the issues pertaining to E (environmental) of ESG, society's interest in CN is high, so it is necessary for your company to actively express your stance regarding CN.

Kayamoto : Since Prime Minister Suga announced CN as a national initiative in October last year, a number of companies have declared their commitment to it. In fact, it has become clear that the burden of CN compliance will increase considerably for the manufacturing industry. However, I recognize that this is an essential issue that we must overcome through efforts. Our Environmental Committee, which has been working vigorously to reduce CO₂ emissions, has been designated as the CN Promotion Committee. It has set related targets for each production division and Group companies.

On the anniversary of our founding, September 8, we announced our CN Declaration. Our goal is to achieve carbon neutrality by 2039, the year when we will celebrate the 100th anniversary of our foundation. This is taking into account the Scope 1 and Scope 2³ carbon emissions. As an interim target, we will aim to achieve 50% or less of our fiscal 2013 carbon emissions by 2030. We would like to exceed the targets established by the Japanese government as much as possible. We will consider all possibilities and proceed with budgeting means for reducing carbon emissions every year.

Kageyama : In connection to what you were saying about Scope 1 and Scope 2 carbon emissions, completed vehicle manufacturers may even be subject to Scope 3 emission guidelines. Since NHK Spring may be required Scope 3 emission guidelines by them, what is your outlook on Scope 3?

Kayamoto : There are a lot of difficulties for us leading to carbon emissions by ourselves, not just falling under Scope 3 emissions but Scope 2 as well. We will continue to monitor the Japanese government's future policies for carbon neutrality, increases in power sources (renewable energy sources), and trends in the metal materials industry which deals with the most important materials such as steel, aluminum, copper, and so on.

For the time being, we will focus on Scope 1 emissions, which we are capable of dealing with on our own, and promote the measures we have been taking to reduce CO₂ emissions and achieve our target of 0% environmental waste. We have already achieved our target of 0% percent environmental waste at NHK Spring plants in Japan. The environmental waste for the entire group is less than 1%.

Kageyama : So, the first thing to do is to proceed with approaches to the extent that we can implement them by ourselves. This know-how can also be provided to suppliers.

Kayamoto : I agree. However, unlike in the past, I believe that we need to promote measures that involve fundamental changes in the way we manufacture products, not relating to just energy and power saving activities. In the past, product value was often expressed in terms of Q (quality), C (cost), D (design), and D (development), but we need to add another letter to this; an E for "eco". I believe that products will then be evaluated based on "QCDD E".

Taking Scope 3 into consideration, I believe that the most

important issue pertaining to our products is the life cycle assessment⁴ (hereinafter "LCA") for automobiles. Since NHK Spring is an automotive parts manufacturer, I believe that it is our responsibility to reduce CO₂ emissions from our products subject to the LCA.

Kageyama : In order to promote CN, it is necessary to develop a promotion system, policies, and specific measures. It is also necessary to disclose information to stakeholders. How do you plan to proceed with this?

Kayamoto : A normal mid-term business plan is a three-year plan. Considering that, the years 2030 and 2039 are hard to imagine as the future for corporate activities. That is why we need to decide on intermediate goals and steadily fulfill what we should do and what we should aim to achieve. Since this is a long period of time during which there will be a generational change in management, we would like to accurately disclose information about these activities to our stakeholders every year through reports such as this one.

Good Manufacturing Starts from Employee Satisfaction

Kageyama : As the SDGs and ESGs have become global trends, it has become necessary to respond to social demands in many areas, such as climate change and human rights. In order to do so, a considerable amount of ingenuity is required. In order to encourage spontaneous ingenuity, it is necessary to increase employee satisfaction. How are you dealing with this?

Kayamoto : For the past two years, NHK Spring labor union has been sending out questionnaires to all union members and about 4,000 completed questionnaires are returned to them annually and they request to share information to us, Managements. I try to read through all of them. I can understand how they truly feel based on their comments, and I feel that they basically think that NHK Spring is a good company. On the other hand, there are some employees who are dissatisfied with the company's programs and, who have a concern about the future of the company and the auto parts industry. Based on that, we make changes to the personnel system and benefit system to be a better company that has a safe and secure workplace.

In addition, the company publishes a monthly internal newsletter as one of the communication tools to make employees better understand the meaning and changes of the company's systems, or to let them know the future prospects of the company. From this year, in addition to this in-house magazine, we publish Group Magazines twice a year, for the entire NHK Group. I would like the employees





to take the magazines to home and learn about the state of the company, so that they can feel more familiar with and become fond of the NHK Group, not only employees but also their families.

Kageyama : A “good company” has a high level of unifying force. A company with a high level of unifying force tends to have more employees who do good work and are focused on their work. Therefore, it is important to have prospects and a secure work environment.

Furthermore, in today’s increasingly complex and rapidly changing world, employees are expected to make decisions and take action on the site, but it is difficult to give them the initiative.

Kayamoto : When I think of the need for employees to take initiative, I think two factors are important.

The first is that we want our employees to be aware as members of society, not only as businesspeople.

The other thing, I want them to think in the first person. Instead of “someone else will do it for me,” way of thinking, I would like them to think in the way of “I think this way, I’ll do it.” Or, instead of the subject in the first person, I would like them to think in the way of, “My department, my division, my section thinks like this, my section will do this”. This is what I repeatedly tell new employees at the joining ceremony.

Kageyama : I think this is a good policy because the perspective of thinking about things as one’s own is important for independence. The quality of products is the result of these efforts. What are your thoughts on quality-related activities?

Kayamoto : Whenever we discover a problem with quality or quality inspections, we immediately contact the customer, apologize, and come up with an improvement plan to address the problem upon the customer’s consent. Since this year, we have been conducting audits to improve audit quality in order to enhance the quality audits themselves. By working to improve group governance, including at group companies in Japan, we are making group-wide efforts to ensure that the foundation of high trust in our manufacturing will remain intact.

Kageyama : Hiding a problem can lead to distrust and worsening of the problem, so I think the attempt to proactively go to the customer to apologize properly, take corrective measures, and enhance the audit to prevent recurrence is a highly appreciated attitude.

To be a company where females can play an active role

Kayamoto : As the president, it is difficult to see and grasp every corner of the factory, so it is difficult to find a way to convey to all employees that “We want to make the factory a safe and secure workplace and a rewarding place to work”.

Kageyama : There is a company that created a project team as part of its diversity initiatives to promote the activities of women. Through interviews with employees, the team found that balancing work and family life is an issue, and as a result of reviewing the system, there are now women at the department manager level. I feel that it is necessary to understand the needs of employees and create a system that can operate effectively.

Kayamoto: This is an extremely hot topic for the NHK Spring Group. We have launched a diversity promotion project and are redefining our policies for promoting diversity, including the advancement of women.

In our company, we have women serving as outside directors and outside corporate auditors, and we are really grateful to have them properly point out issues at board meetings. On the other hand, there are issues such as how to get women to play an active role within the company, what the issues are, and whether the current system is a viable system. I believe that the first issue is how to promote the activities of women, in promoting diversity.

What is needed for the advancement of women is the tolerance of society towards women entering the workforce. If we assume that we will get married, the key factor is the awareness of husbands. As an aside, it may be relatively rare in our generation, but my wife and I worked together, so we shared the household chores: my wife was in charge of cleaning and laundry, and I was in charge of grocery shopping and cooking. I have a skill of making three dishes with one soup for dinner in 45 minutes.

On the other hand, I would like women to have the awareness to keep working. The balance between the two is important. However, the idea that women are supposed to get married is only one aspect, and the actual way of life is diverse. We need to keep that in mind as well.

Perspectives required for CSR

Kageyama : So you have some thoughts based on your own experience, such as the influence of your spouse?

Kayamoto : I think that she had a large influence on me. In fact, my wife had always been a mentor for a parents’ group for children with intellectual disabilities. There was a kind of association for getting these mentally handicapped children into Jobs, and I also helped out. We also have a special subsidiary in our group called Nippatsu Harmony that employs people with disabilities, and it is a very difficult question how we can make society where they can live easily.

Kageyama : Listening to you, I can sense that you are trying to gain an understanding of what is actually happening in the company. That is important element of CSR. The needs of today’s society are complex and changing rapidly, so it is impossible to predict what will happen. Moreover, there are

needs that even the person themselves do not understand, so they remain vague. This is called VUCA*5, which is an acronym. It also affects the product needs of the company. In these times, what companies need to do is to see the needs clearly and respond to them quickly. This is why it is necessary to train employees to understand the needs and respond proactively in the field.

I think you are trying to look at the actual situation and reality properly, and you understand the importance of observation very well. This is not only a perspective of looking at the workplace for quality improvement, but also a perspective of looking at the reality of society and the needs of employees, as your wife has been supporting intellectually disabled children. This is a perspective that is required for CSR, and I feel that you are the kind of president that is needed in this day and age.

Kayamoto : I thank my spouse for providing me with that perspective.

Group CSR Promotion at the Global Level

Kageyama : What you mentioned earlier regarding comfortable workplaces and people with disabilities is also a theme for a discussion on human rights. NHK Spring has Group companies in Latin America and Asia. Today, we are also required to control activities on human rights at overseas factories, subsidiaries, and business partners, and society, and is becoming increasingly critical of global companies with regard to social (what the S stands for in ESG) issues.

In the UK and Australia, there is even a law known as the Modern Slavery Act, which requires companies to disclose information about their response to human rights issues. Since you have been to overseas factories, I would like to ask you to share your thoughts on NHK Spring's global approach to social issues.

Kayamoto : We have defined the "NHK Group Global CSR Basic Policy", which includes the protection of human rights. I believe that NHK Group is responding appropriately to our employees, and our CSR procurement guidelines clearly state that child labor and forced labor are prohibited.

However, we recognize that more specific measures are required for Tier 1, Tier 2, and other suppliers due to the variety of products available globally.

Kageyama : I think that all companies are having a hard time with this. In your company's case, you should start with the Global CSR Basic Policy and deal with it steadily. For example, the United Nations has the International Bill of Human Rights, the ILO Declaration, and the Guiding Principles on Business and Human Rights, so it is important to explain both internally and externally that you value these international principles, have built an organizational structure that does not cause human rights violations, and are firmly addressing governance (what the G stands for in ESG) issues.

Kayamoto : In that sense, we have been working diligently and have been steadily improving our internal controls over the past few years. Among them, the internal reporting system, which we are introducing to our overseas Group companies, is functioning quite well. We also continue to

educate employees and carry out activities to promote awareness of the various types of harassment to prevent serious human rights violations. Since I became President, I have been using the slogan "Bad news first & fast" to encourage people to report bad news as quickly as possible in terms of both timing and speed. This approach has been firmly planted in this company.

Kageyama : It is important to grasp the situation first, so using internal reporting and whistleblowing is a great idea.

Kayamoto : We still have many issues to deal with not only in NHK Spring itself but also in the Group and globally. However, in order to meet the expectations of our stakeholders, we will sincerely face the issues and continue to implement measures to address each issue, aiming to contribute to a sustainable society and enhance our corporate value.

Kageyama : I have high expectations for your company's CSR initiatives.

*1 Vehicle electrification

HEV: The abbreviation for Hybrid Electric Vehicle. HEVs have both an engine and an electric motor which provide the vehicle with motive power.

EV: The abbreviation for Electric Vehicle. EVs are powered by a motor and a battery that is charged at home or at a charging station.

FCV: The abbreviation for Fuel Cell Vehicle. The fuel cell is a power generation mechanism that extracts electricity from a chemical reaction between hydrogen and oxygen, thus sends the resulting power to a motor for driving.

*2 Carbon neutral

Reducing the total amount of carbon dioxide and other greenhouse gas emissions to practically zero by subtracting the amount of carbon dioxide and other greenhouse gases absorbed by forests.

*3 CN: Scope 1, Scope 2, and Scope 3

Categories that refer to the amount of greenhouse gas emissions generated by organizational activities in the entire supply chain, including raw material procurement, manufacturing, distribution, sales, and disposal.

Scope 1: Direct emissions of greenhouse gases by the business itself (from fuel combustion and industrial processes).

Scope 2: Indirect emissions from the use of electricity, heat, or steam supplied by other companies.

Scope 3: Indirect emissions not falling under Scope 1 or Scope 2 (emissions from other companies related to the business activities).

*4 LCA

The abbreviation for Life Cycle Assessment. A method for quantitatively calculating the environmental impact of a product or service, including the amount of greenhouse gas emissions and reductions throughout its life cycle, from procurement of raw materials to disposal and recycling.

*5 VUCA

An acronym that stands for Volatility, Uncertainty, Complexity, and Ambiguity. VUCA describes the difficulty in predicting the future of society and business.



Activities Toward Vehicle Electrification

NHK Group is accelerating its response to the drastically changing business environment. In addition to strengthening our response to the automotive industry's shift toward electric vehicles and automated driving, our policy is to create next-generation core businesses. We will continue to develop attractive products toward sustainable growth.

► Establishment of the Electrification Business Promotion Department

On April 1, 2018, we established the Electrification Business Promotion Department as a new organization under the direct control of the President. This department will respond to "E (Electrification)" where our technologies can be most utilized, among the "C,A,S,E" keywords that have become keywords for the transformation of the automobile industry. Although we have been manufacturing products, such as motor cores and metal substrates, in response to the shift toward the electrification of vehicles, this newly established department will aim to develop and produce not only products built on this expansion, but also next-generation products that are differentiated from those of other companies by making full use of our proprietary technologies.

* An acronym that stands for Connected, Autonomous, Shared & Services, and Electric.

Actions to CASE - Accelerating the Development of Next-generation Products

With the urgent need to respond to climate change, we will accelerate the shift to electric vehicles with the aim of improving fuel efficiency and reducing substances of environmental concern in order to achieve zero emissions. We will also work on the automatic driving category for automobile seats to realize safety, security, and comfort in various driving phases. In functional products for electronically controlled brake systems will contribute to further improvement of fuel efficiency and vehicle stability.

Responding to CASE

C A S E

Autonomous

Electric

- ◆ Electrification
- ◆ Weight reduction
- ◆ Noise reduction
- ◆ Lower fuel consumption



Automotive seating

- Arrange & Comfort Seat : Various seat arrangements such as Relax Mode
- Seating with sensors and alert functions: Seating with a sleep prevention and seating capable of monitoring the occupant's physical condition

Our Areas of Contribution and Products

Suspension Springs

Weight-reduced automotive suspension springs
Accumulators for brake systems

Automotive seating

Slim, lightweight seating

Precision Springs

Motor cores
Springs for power control units (PCUs)
Multi-leaf springs for PCUs

Industrial Machinery & Equipment

Integrated metal substrates with high heat dissipation
Noise absorbent materials

Electric Vehicles



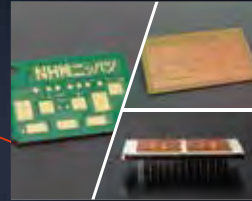
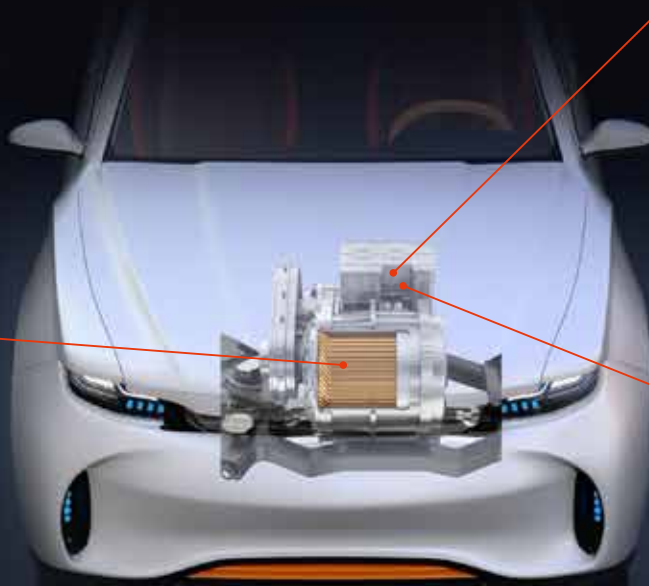
Springs for HEV dampers
Products with stress, strength, and durability depending on demands.



Leaf springs for cooling HEV and EV elements
These spring hold semiconductors to heat sink with the force of spring.



Motor cores
Drive motor cores for electric vehicles. The core is used as the iron core of the magnets in the rotating and fixed parts of the motor.



Metal substrates for DCDC converters
These converters support the electrification of cars as a key heat-dissipating component.

Contribution to Weight Reduction and Low-fuel Consumption



Automotive suspension springs
Lightweight springs for improving fuel efficiency and saving space



Hollow stabilizer bars
Meeting the need for weight reduction, an essential factor in improving fuel efficiency, with processing technology that uses high-strength hollow tubes



Development of lightweight sheets
We responded to the need for lightweight seating in line with future fuel efficiency regulations and vehicle electrification. Aiming to reduce seating weight by 20% (compared to current completed seating) using a frame and pads that are lightweight.



Accumulators
Designing an energy-saving system for HEV vehicle brakes

Issues and initiatives

- For Suspension Springs: Creating new technologies and products that are both more lightweight and space-saving, while ensuring high durability
- For Seating: Developing seating required in the age of self-driving vehicles
- For Precision Springs: Steady response to accelerating electrification
- Expansion of our motor core business
- Development of new thin leaf spring products
- For Industrial Machinery & Equipment: Maintain competitiveness of existing products and expand sales of substrates for EVs



Motor cores for electric vehicles expected to expand in the future

As stated in our corporate philosophy, NHK Spring is committed to contributing to the development of an affluent society by fostering growth through new ideas and actions. We value the freedom to think outside the box and are promoting initiatives to allow each individual to fully utilize their skills and individualism to contribute to the organization, regardless of age, gender, nationality or disability.

In February 2021, we established a project team to promote D&I initiatives.

The project team has prioritized issues related to D&I, formulated an action plan for the next three years, and has started working on those issues.

Issues and Projects

Issue 1 Promoting understanding of diversity

- ▶ Roundtable discussions with top management, training and awareness-raising events will be held to share objectives and collect thoughts and opinions from various employees, which will then be shared with the entire company.
- ▶ Formulate a Basic Diversity Policy to clearly demonstrate, both internally and externally, NHK Group's stance toward the advancement of diversity and inclusion.

Issue 2 Create a workplace atmosphere that facilitates the use of support systems for balancing work with family life

- ▶ Expand support systems.
- ▶ Provide employees with a wide range of useful information on childcare.

Issue 3 Improve the rate of male employees taking childcare leave and fostering a workplace culture that encourages them to take such leave

- ▶ The consultation service for pregnancy, childbirth and childcare, which was previously limited to female employees, will also be made available to male employees.

Issue 4 Further expand the scope of women's participation

- ▶ Based on each individual's wishes and aptitude, strategically assign female employees to workplaces where women have previously not been assigned.
- ▶ Increase opportunities for communication with female students and increase the number of female employees recruited each year.

Basic Diversity Policy

Our slogan is "Progress together, flourish together".

We have formulated the Basic Diversity Policy to clarify our stance both internally and externally regarding the participation of diverse human resources throughout the NHK Group.

We have defined what we want to achieve from the three perspectives of "respect for people," "a rewarding culture," and "sustainable corporate growth."

Basic policy

In the Group Global CSR Policy, NHK Spring states its commitment to protect human rights, advocate diversity, care for others and nurture people.

In order to support the rapid progress of our customers in an ever-changing society, while at the same time maintaining our company's importance, we at NHK Spring will continue to promote the activities of diverse human resources under the slogan "Progress together, flourish together".

From now on, together with the message from top management, we will communicate this policy both internally and externally so that the entire company can work together to create a workplace where diverse human resources play an active role in the organization.

1. Respect for people

We will mutually acknowledge differences in gender, age, nationality, disability, sexual orientation and diverse values, and respect the individuality of each employee.

2. Rewarding organizational culture

We will promote the creation of a rewarding and fair workplace where each employee can maximize his or her individuality and skills and actively contribute to the organization.

3. Sustainable corporate growth

We will actively promote the participation of diverse human resources in order to build a corporate culture that generates innovation and change as well as the sustainable growth of NHK Spring.

Initiative examples

Participation in Kanagawa Women's Active Support Team

NHK Spring joined the Kanagawa Women's Active Support Team in September 2016. This is an organization that earnestly promotes the active participation of women and it was formed by Kanagawa Prefecture and companies with deep connections to the Prefecture.

In March 2021, for the "Kanagawa STEM Women Encouragement" event, which was launched with the aim of promoting and supporting female students' aspirations for science (advancement/employment in science and engineering, advancement/employment in research profession), NHK Spring sent employees to provide lectures to junior high schools in the prefecture and they were favorably received. In terms of career education, we are also working on other activities to promote and support female students' desire to pursue science.



Our employees speaking to students

Employing people with disabilities



We established "Nippatsu Harmony" as a Special Subsidiary Company* in April 2002 to employ people with disabilities to contribute to local communities.

As of the end of March 2021, the company has established seven offices - three in Kanagawa Prefecture, three in Nagano Prefecture, and one in Shiga Prefecture - where 78 people with disabilities are working happily.

In addition, "NHK Sales" and "NHK Transport", both NHK group companies, are actively engaged in employing people with disabilities.

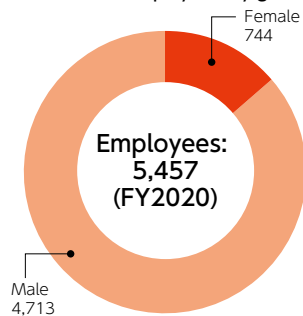
* "A special subsidiary company" is a company meeting certain requirements, such as employing a large number of persons with disabilities.

Transition in employment rate of people with disabilities

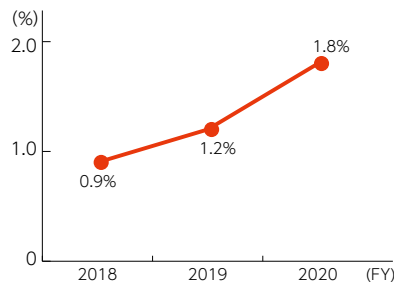
	FY2017	FY2018	FY2019	FY2020	FY2021
Employment rate	2.28%	2.34%	2.43%	2.29%	2.37%

Basic Indicators

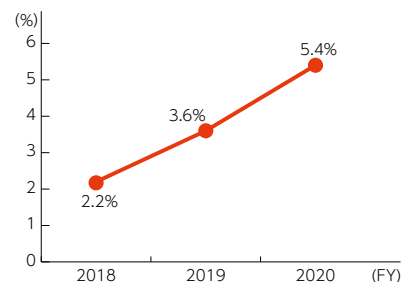
Number of employees, by gender



Ratio of women, in management positions



Rate of male employees, taking childcare leave



Number of male workers who took childcare leave / Number of male workers whose spouses gave birth × 100

Average years of service, by gender

	FY2018	FY2019	FY2020
Male	16.5 years	16.5 years	16.2 years
Female	16.8 years	16.8 years	16.9 years

Ratio of continued employment, by gender

	FY2018	FY2019	FY2020
Male	70.8%	63%	61.6%
Female	64.3%	63.6%	42.9%

Number of male and female employees hired 9 to 11 year ago (limited to new graduates, etc.) who are still employed / Number of male and female employees hired 9 to 11 year ago × 100

Ratio of female new graduates, hired for career track positions

	FY2018	FY2019	FY2020
Ratio	10.3%	14.6%	7.2%

Voice



Shoko Ochiai
Diversity Promotion
Project Team Leader,
General Affairs
Department, Corporate
Planning and Control
Division

Promotion activities require continuous efforts from a medium to long-term perspective

As the leader of the Diversity Promotion Project, I am involved in the promotion of human resource diversity in our company. Diversity promotion activities require continuous efforts from a medium to long-term perspective. The activities undertaken in the project also need to be shared with employees and the top management of the company, and a framework needs to be created to make diversity promotion a company-wide effort, so that the project can get on track. We have a lot of work to do, but at the moment we are working steadily, step by step.

Currently, I am balancing work and childcare through the utilization of the shorter working hours system. One of our diversity priorities is to build a support system to balance work and childcare, so I would like to take the lead in planning and implementing measures to address this issue based on my own experience, and create an environment where employees can overcome any challenges in balancing childcare, housework and their job. I think being involved in the large-scale theme of diversity promotion is a good opportunity to develop a higher perspective and a broad view of things.

Various NHK Spring Group Products in Cities Life

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).

At golf courses



Golf shafts

At stadiums

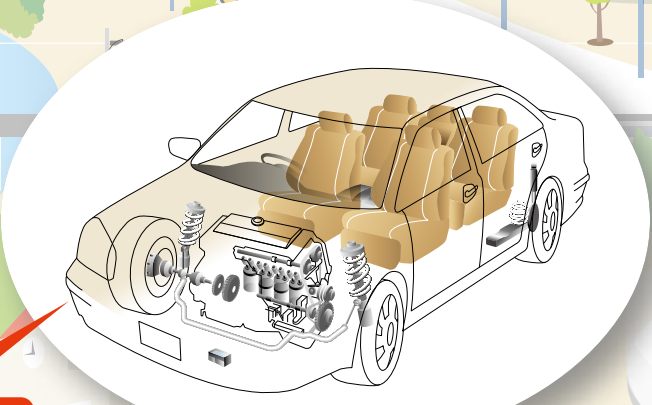
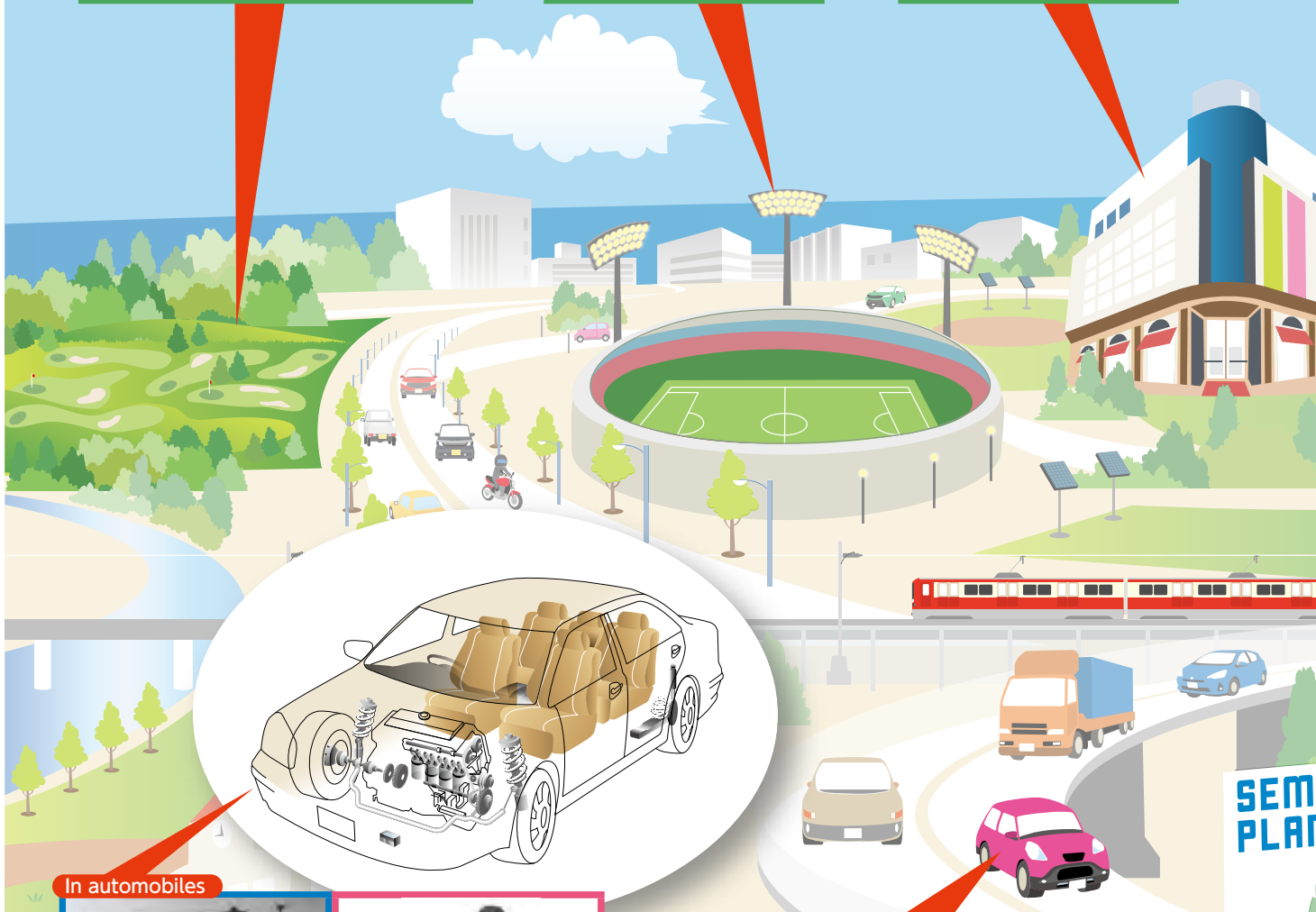


Lighting equipment

At stores



Anti-counterfeit labels



In automobiles



Automotive suspension springs



Automotive seats

In electric vehicles (EVs, HEVs, FCVs, etc.)



Motor cores for electric vehicles



Integrated metal substrates



Wire springs



Thin leaf springs



Super seals, Super sheets



Accumulators for brakes

- Suspension Springs
- Automotive Seating
- Precision Springs and Components
- Industrial Machinery and Equipment, and Other Operations

On boats



Marine products

At data centers



HDD suspensions



HDD mechanical components

At railroads



Tension balancers for railroad overhead wires

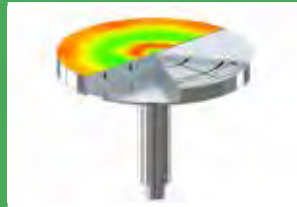


Track branchers

At semiconductor plants



Cooling plates



Stage heaters for film-forming equipment



Microcontactors

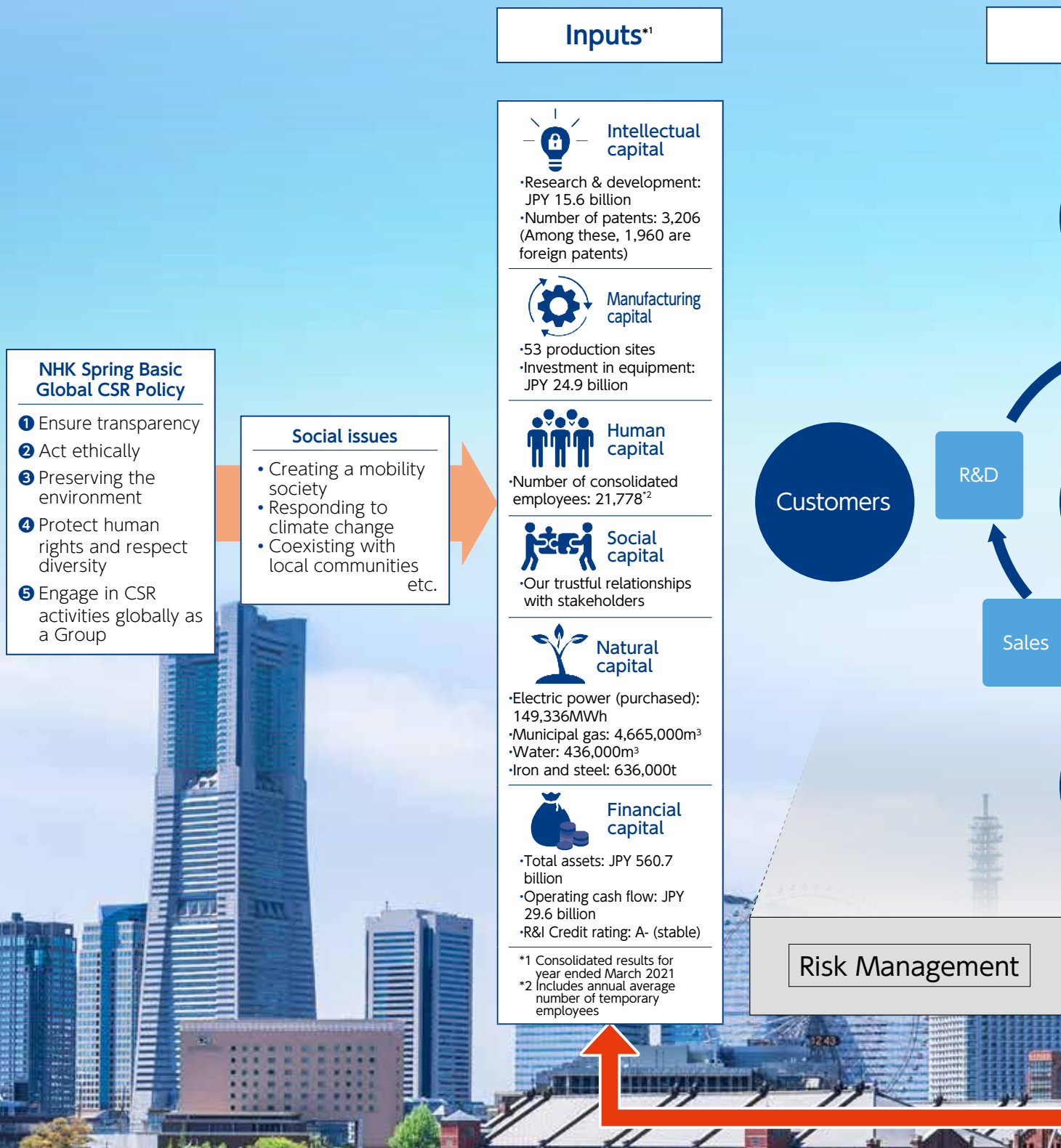
At housing complexes



Mechanical multilevel parking systems

Value to Society Provided by NHK Spring Group

We have created variety of products that meet the needs of the times and contribute to society. NHK Spring's business started with suspension springs for automobiles, and based on its core spring technology and metal heat treatment and plasticity processing technology, NHK Spring has expanded its business in the fields of automobiles, information and communication, and lifestyle and industry. By contributing to the resolution of various social issues through "Monozukuri" (manufacture in good faith), we aim to achieve sustainable corporate growth and contribute to the development of a prosperous society.



NHK Spring Basic Global CSR Policy

- 1 Ensure transparency
- 2 Act ethically
- 3 Preserving the environment
- 4 Protect human rights and respect diversity
- 5 Engage in CSR activities globally as a Group

Social issues

- Creating a mobility society
- Responding to climate change
- Coexisting with local communities etc.

Inputs*1

Intellectual capital

- Research & development: JPY 15.6 billion
- Number of patents: 3,206 (Among these, 1,960 are foreign patents)

Manufacturing capital

- 53 production sites
- Investment in equipment: JPY 24.9 billion

Human capital

- Number of consolidated employees: 21,778²

Social capital

- Our trustful relationships with stakeholders

Natural capital

- Electric power (purchased): 149,336MWh
- Municipal gas: 4,665,000m³
- Water: 436,000m³
- Iron and steel: 636,000t

Financial capital

- Total assets: JPY 560.7 billion
- Operating cash flow: JPY 29.6 billion
- R&I Credit rating: A- (stable)

*1 Consolidated results for year ended March 2021

*2 Includes annual average number of temporary employees

Customers

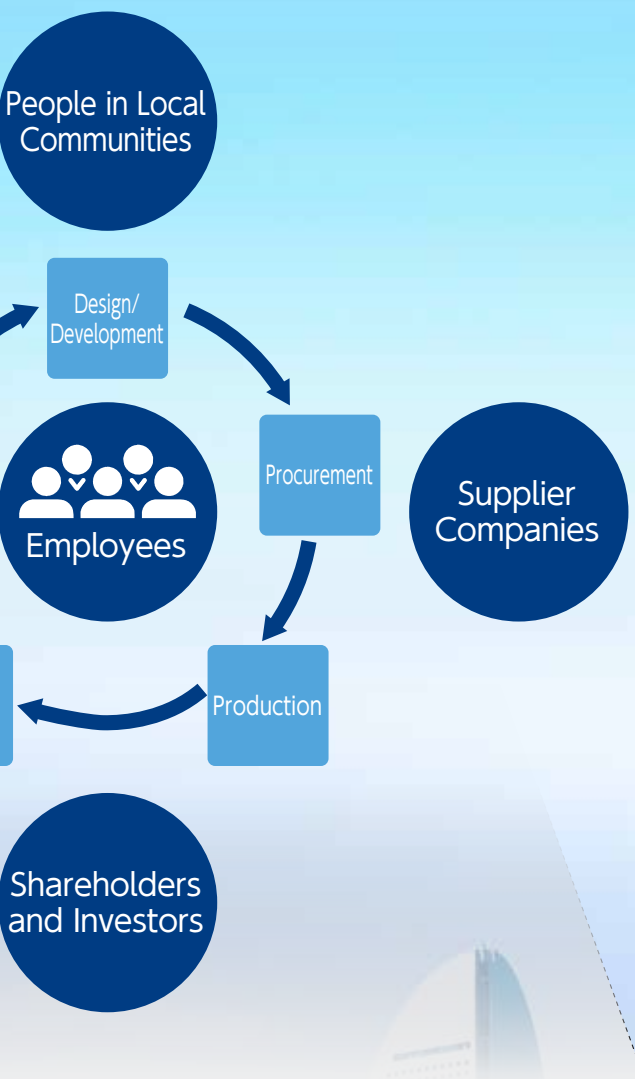
R&D

Sales

Risk Management



Value Chain



Corporate Governance

Outputs



Providing safety, security and comfort to people worldwide by manufacturing key parts leveraging spring properties

SUSTAINABLE DEVELOPMENT GOALS

Toward a Sustainable Society

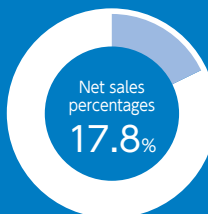
Contributing to the development of an affluent society along with aiming for corporate growth (creation of shared value)



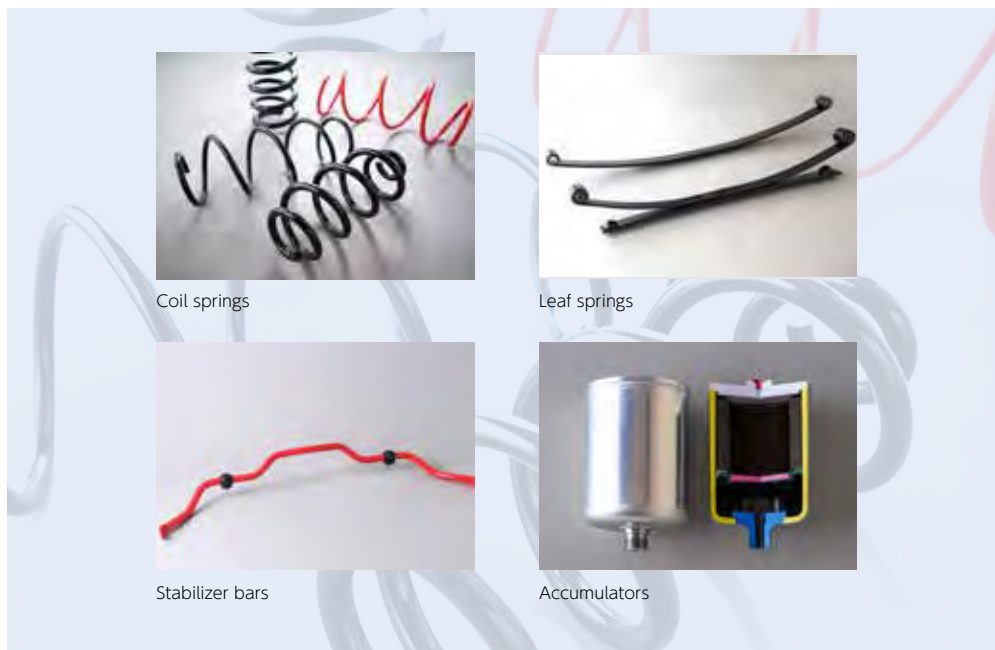
Suspension Springs

FY2020 Results

Net sales	PY 102 billion
Operating loss	JPY4.6 billion



Jiro Oyama
Executive Corporate Officer
President of Suspension Spring Division



Coil springs



Leaf springs



Stabilizer bars



Accumulators

Changes in Business Environment and Issues (Opportunities and Risks)

In the Suspension Springs business, we view the progressing shift toward vehicle electrification as an opportunity. In order to extend the cruising distance of electric vehicles, the amount of batteries installed need to be increased, and, as a result, the load on the springs will also increase. In addition to weight reduction, proposals for high durability will be required, as well as further compactness to the changes in suspension space required by electrification. This is where our strengths in analysis, design, and plastic working can be applied. In addition, for the electrification of commercial vehicles, we see an opportunity to expand sales by proposing springs that combine improved ride comfort and weight reduction. On the other hand, one of the risks we face is the high CO₂ reduction targets and time limits set by automakers to achieve carbon neutrality. In order to reduce carbon dioxide emissions, we recognize the need to convert heat treatment, especially those using gas combustion, to heat treatment using renewable energy. We have already succeeded in stopping the use of gas for some heat treatments, but the challenge is to expand this across the board in a timely manner.

Strategies to Achieve the 2023 Medium-term Management Plan

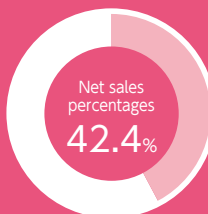
To achieve the goals of the 2023 Mid-term Plan, we will optimize the allocation of production at our sites in Japan in accordance with order volume changes, and besides, we will aim to unify and standardize production technologies globally for each product. We will also strengthen our support system for overseas bases to thoroughly improve productivity at all sites, and simultaneously promote optimal/lowest cost material procurement. To this end, we will further enhance the functions of the Head Office to realize optimal operations at all domestic and overseas sites. Furthermore, to ensure continuous competitiveness of the spring business, we will develop next-generation products responding to customer needs in 2023 Mid-term Plan, to differentiate ourselves from our competitors. In view of the further shift toward electric vehicles, we aim to develop products that respond to the needs for lighter weight, high durability, and smaller size, which will then be launched promptly. We will accelerate development speed by clarifying selection and concentration, thus enhance our business strategy by strengthening cooperation with purchasing and sales departments.

Efforts to Address Environmental Issues (Decarbonization)

In the suspension spring business, where CO₂ emissions are relatively high, carbon neutrality is a risk, but, it is also an opportunity to accelerate the development of products, materials, and manufacturing methods. For instance, we will strive to reduce CO₂ emissions by replacing gas heating systems with electric heating, replacing hydraulic testing equipment with electric servo control, and reducing the number of tests on actual equipment by making full use of analysis technology and databases. We will also look into negative emission technologies to seek ways to reduce CO₂ emissions. By clarifying the process of achieving carbon neutrality, we will contribute to environmental issues and strengthen our competitiveness to meet customer requirements.

Seating

FY2020 Results	
Net sales	JPY242.5 billion
Operating income	JPY1.9 billion



Tatsuro Ono
Senior Corporate Officer
President of Seating
Division



Thin suspension seats



Minivan seats



Multifunction concept seats



Front seat frames

Changes in Business Environment and Issues (Opportunities and Risks)

In the seating business, we see opportunities to expand our business to meet changes in performance requirements (higher functionality) due to the shift toward automated driving and the acceleration of weight reduction by adopting lightweight frames. In contrast, we also see future risks in escalating price competition due to the commoditization of automobiles and a decline in order opportunities for independent seating suppliers due to automaker restructuring. Further, customers' requirements for safety and quality of seats are getting more stringent. By responding to these requirements in a flexible and reliable manner, we aim to increase customer satisfaction and competitiveness, to maintain and expand orders.

Strategies to Achieve the 2023 Medium-term Management Plan

We will continue to develop attractive technologies and products by carefully anticipating the changing needs of users due to the recent changes in the automotive industry, such as CASE, MaaS*1 and carbon neutrality, for continuous and stable business with automakers. Besides, at domestic and overseas Group companies and production bases, we will make timely decisions on the optimal allocation of resources in view of the current rapidly changing market environment to improve profitability. Also, we will improve our basic areas competitiveness, such as quality, productivity, and development lead time, which are the lifeline of an independent manufacturer.

We will further improve our comprehensive design and development capabilities for finished seats and industry marketing capabilities, which we have cultivated through collaboration with automobile manufacturers, in order to differentiate ourselves from our competitors and increase our profitability, under our ability to make proposals matching the customers' needs, and our accumulated high level of technical capabilities through in-house production of various processes necessary for seats, such as metal processing, urethane, and sewing.

In the area of production technology, we will work on unmanned and automated processes and new production methods with technologies such as IOT and AI, aiming to launch mass production using unique technologies that will support our future business.

Efforts to Address Environmental Issues (Decarbonization)

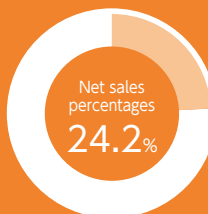
Toward achieving carbon neutrality, we will start formulating related targets and organizing measures to achieve them. Along with our conventional approach, striving to further reduce CO₂ emissions from factory production, we will also formulate and implement concrete measures to reduce CO₂ emissions throughout the value chain, including materials, parts, and transportation, actively use electricity generated from renewable energy sources, and implement development without prototypes by promoting virtual analysis to reduce emissions.

*1 MaaS: Abbreviation for "Mobility as a Service", integrating various forms of transport services into a single mobility, accessible on demand.

Precision Springs and Components

Precision Springs

FY2020 Results	
Net sales	JPY138.5 billion
Operating income	JPY6.8 billion



Kazuhiko Otake
Executive Corporate Officer
President of Precision Spring and Components Division



HDD mechanical components



Lock-up clutch dampers (wire springs)



Motor cores



Multi-line motor core presses

Changes in Business Environment and Issues (Opportunities and Risks)

In the Precision Spring business, while demand for existing engine parts and transmission-related wire springs is expected to decrease due to the shift toward vehicle electrification, we consider motor cores for electric vehicles to be an area for future growth.

In response to the global trend toward decarbonization, demand for electric vehicle motors is expected to remain brisk and so our policy is to expand the motor core business, which are components of electric vehicle motors, as a new pillar for earnings. While the growth in demand for electric vehicles and motors is an opportunity, we also recognize that we face a number of risks: the increase in the number of manufacturers entering the motor core market, cost competition due to commoditization, lower equipment utilization rates when production orders falls short of the plan and the increasing sophistication of required technologies.

Strategies to Achieve the 2023 Medium-term Management Plan

We are focusing on the expansion of our motor core business by taking advantage of our global supply system of three production sites in Japan, China, and Mexico. Since capacity expansion involves large capital investment, we will pursue business expansion while working to improve profitability through the review of production methods, etc. In order to meet technological requirements, differentiate ourselves technologically from our competitors and increase added value and strengthen our market competitiveness, we intend to improve the accuracy of the motor core stacking technology and develop required technology for the sub-assembly process.

With the shift toward vehicle electrification, demand is also expected to increase for other motorized and electrified parts. To meet this demand, we will develop next generation products that utilize our core technological strengths of die manufacturing and metal stamping and consequently promote sales activities.

For existing engine parts and transmission-related wire springs, demand is expected to decline in line with vehicle electrification. Therefore it is necessary to establish a profit structure that is not affected by the shrinking market. While continuing to strengthen our product line-up, we will also further improve quality and reduce costs globally by expanding the results of our recently promoted Manufacturing Reform campaign.

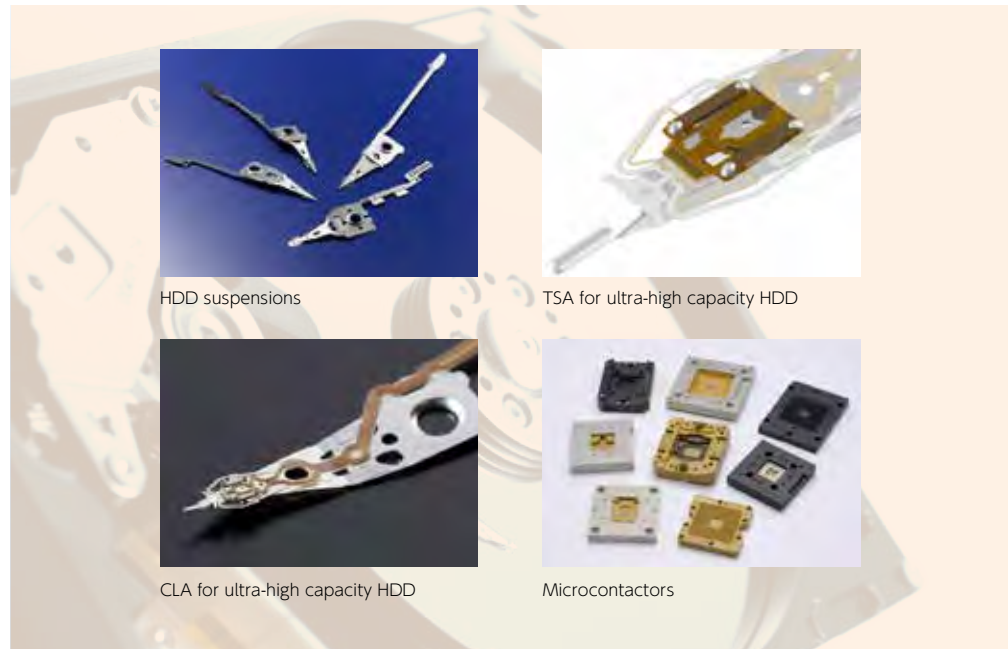
Efforts to Address Environmental Issues (Decarbonization)

As part of our efforts to realize carbon neutrality, we will continue to strengthen our existing zero emission and waste reduction activities. In order to maintain and improve the recycling rate, we will continue to repeat education on waste separation for our employees. In parallel, we are also considering the introduction of solar power and energy-saving equipment, as well as the use of renewable energy, and will actively work to protect the environment at every stage of our operations, from production to disposal.

HDD Suspensions



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



Changes in Business Environment and Issues (Opportunities and Risks)

In the HDD suspension business, nearline HDDs^{*1} are expected to grow steadily due to the expansion of the data center market. Since up to 20 suspensions are used in NL HDDs, we see this as an opportunity to increase demand for suspensions.

On the other hand, the reason for the growth of NL HDDs is that the unit price per bit is lower than SSD^{*2} memory. The key to business expansion will be to continue to develop further high-capacity HDD suspensions and to secure the advantage in unit price per bit over SSDs.

Strategies to Achieve the 2023 Medium-term Management Plan

The mass production of HDD suspensions is supported by four sites in Japan, China, Thailand, and the Philippines, allowing us to distribute risk. In fiscal 2020, we had nearly 50% of the global market share.

For more business growth in the future, we will further enhance our development capability and productivity.

Regarding development capability, we will keep improving the attributes of the Triple Stage Actuator (TSA), which we first brought to the market, with our customers to contribute to higher HDD capacity.

In terms of productivity, we will strive to reduce costs by shortening machine tact times, output improvement through operational availability and yield improvement, and adopting AOI^{*3} for visual inspection, while optimizing operations among four sites in the world to flexibly respond to demand fluctuations and new product launches.

The number of HDDs in 2021 will greatly exceed the planned target, and the introduction of new production lines is ahead of schedule. This is due to our technological and price advantages being highly evaluated, in addition to the increase in total demand. We will continue to reinforce our relationship of trust with our customers and aim to further increase our market share.

Efforts to Address Environmental Issues (Decarbonization)

As part of our environmental efforts, we will continue to conduct research to reduce absolute CO₂ emissions (carbon neutrality), while further promoting energy conservation and waste reduction, as well as sorting activities for 100% waste recycling.

Specifically, we will promote "environmentally friendly factories" by visualizing the energy usage in our plants, and by reducing CO₂ emissions using renewable energy, such as solar power, and using electric servos for hydraulic pressure, and other measures.

*1 Nearline HDD: A category of HDDs. Nearline is one of the terms related to the frequency of use and responsiveness of equipment in information systems. The term refers to the state between "online," which means that an HDD is always used with high frequency, and "offline," which means that a connection with HDD is made only when necessary.

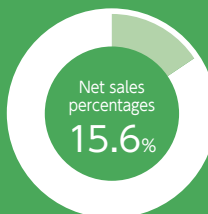
*2 SSD: Solid State Drive

*3 AOI: Automated Optical Inspection

Industrial Machinery and Equipment, and Other Operations

FY2020 Results

Net sales	JPY89.5 billion
Operating income	JPY6.3 billion



Masayuki Horie
Senior Corporate Officer
President of Industrial Machinery and Equipment Division



Semiconductor process components



spring tension balancer for railway use



Integrated metal substrates



N.S. PRO brand steel golf shafts

Changes in Business Environment and Issues (Opportunities and Risks)

In Industrial Machinery and Equipment, and Other Operations business, we see semiconductor process components and metal substrates as future growth areas, among our wide range of product groups. We see them as opportunities, in demand of semiconductor process components by increase for semiconductor manufacturing equipment due to the expansion of the market, and in demand of metal substrates by the expansion of the car electronics market due to the progress of car electrification and the expansion of the power modules market for industrial applications. On the other hand, as risks common to both businesses, we consider the decline in demand associated with the semiconductor silicon cycle and intensifying price competition to be risks.

Strategies to Achieve the 2023 Medium-term Management Plan

1. Semiconductor process components

For semiconductor processing components, we possess advanced proprietary technologies, such as brazing, thermal spraying, and high-precision machining. In order not to miss out on booming demand, we will fully utilize the Isehara Plant No. 1 and Miyada Plant, and move forward with capital investment without delay to meet the future demand for increased production. Also, we will expand sales of newly developed products using our current technologies and promote sales proposals for parts that are new to the market to increase the applicable product line-up. In terms of mass production, we will improve our production capacity to cope with the increased production and further improve operation rate and yield rate to enhance our manufacturing capabilities and improve our profitability.

2. Integrated metal substrates

In the area of metal substrates, besides our manufacturing technology for high heat-dissipating insulators, we have the strength to conduct integrated production from the development of insulating materials to the processing of circuit boards.

We will continue to develop products made of new materials and structures to expand our business by capturing the demand for high-current, high-voltage products that are expanding with the electrification of automobiles. At the Komagane Plant, our main production site, we will actively promote manufacturing efficiency and automation by consolidating process, and strengthen our system to ensure a stable supply of high quality products. We will also utilize our overseas sites (NHK manufacturing (Malaysia) Sdn.Bhd.) to strengthen our price competitiveness through an optimal production system.

Efforts to Address Environmental Issues (Decarbonization)

In order to achieve carbon neutrality, we will ensure implementing conventional activities: reducing CO₂ emissions, reducing waste, maintaining and improving the recycling rate, and complying with environmental laws and regulations in accordance with our environmental plan.

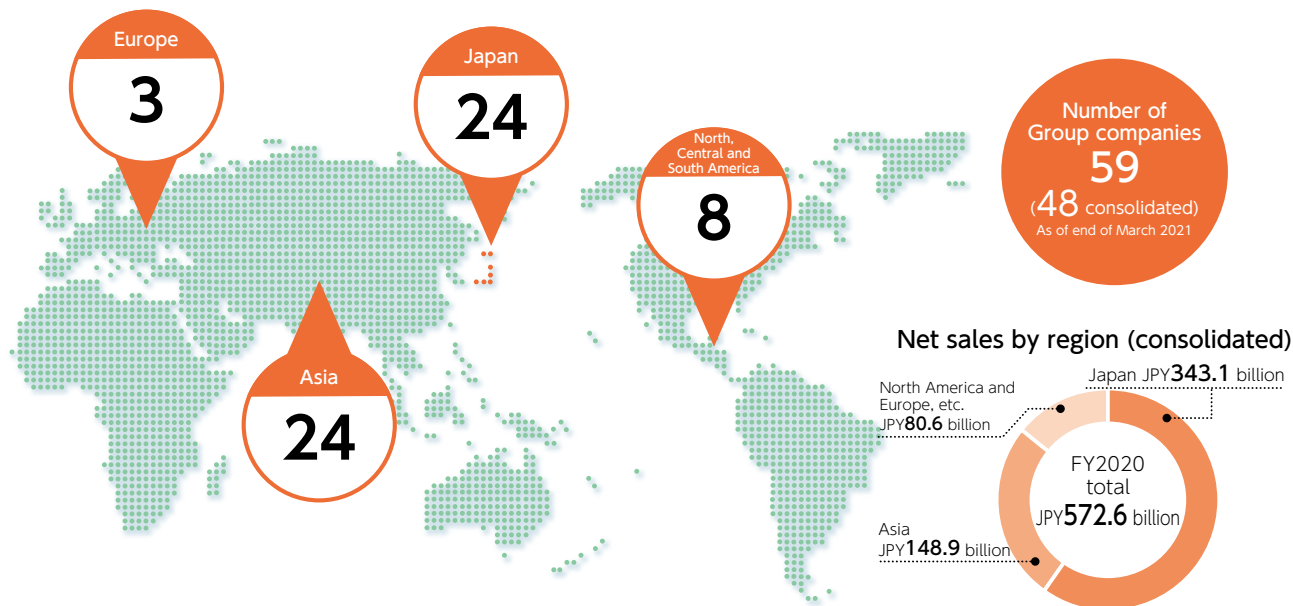
On the other hand, there are many new requests from customers that reflect our efforts to address environmental issues. In addition to following the expansion of the metal substrate market along with the progress of electrification, we are also considering the development of battery buffer materials for EVs and the installation of EV charging outlets in mechanical parking systems. By providing these products promptly, we will respond not only to our own activities to reduce environmental impact but also to the activities of the entire industry to achieve carbon neutrality.

Global Network

Our Group is expanding its business globally, consisting of 59 companies.

We aim to further enhance our presence by growing together with our local subsidiaries and the employees who work at them as well as local markets.

Number of group companies by region



Topics

CSR Activities at NHK SPRING (THAILAND)

Since NHK Spring entered the Thailand market in 1963, NHK Spring (Thailand) Co., Ltd. (hereinafter NHK Spring (Thailand)), an overseas Group company, has been actively conducting social contribution activities every year to contribute to the development of Thai society as a member of the Kingdom of Thailand.

Providing support to the Consulting Engineers Association of Thailand (Royal Initiative Project)

From 2010 to 2020, NHK Spring (Thailand) provided support for a mountain village development project in northern Thailand, a royal project started under the late King Bhumibol Adulyadej.

This project was aimed at alleviating poverty and the continuous improvement of the lives of people living in mountain villages. NHK Spring (Thailand) collaborated with the Consulting Engineers Association of Thailand and the Faculty of Engineering, Chiang Mai University to provide support through industry-government collaboration, including resource retention projects in mountainous areas and related agricultural production, as well as providing training on how to process crops so that they can be stored for a long time. In 2020, we provided support for the research and development of biomass-based fruit dryers and training in their use.



Environmental Protection Activity: Harmony with Nature (TCC)

Green Wave Project	An activity aimed at increasing green areas. In 2020, mangrove planting was carried out to reduce CO ₂ emissions.
Donations to the World Wide Fund for Nature and Other Organizations	We provide support through donations to NGOs that aim to protect nature, such as the World Wide Fund for Nature (WWF), and together with NGOs, support reforestation and environmentally-sound forest conservation activities.



Educational Support

Robot Contest	We sponsor the TPA Robot Contest. Through this event, we give Thai youth the opportunity to use the latest science and technology so that they can be creative in their own individual ways. We serve as the main sponsor for this event (not held in 2020 due to the COVID-19 pandemic).
Formula Creation Program Support	We provide support for the "Student Formula TSAE Auto Challenge" program, a contest related to the automotive industry. Although the program was canceled in 2020 due to the COVID-19 pandemic, we supported university students' activities through this program until 2019.
Education Development Support for Thai Children	We donated necessary teaching materials to schools and poor areas near the NHK Spring (Thailand) plant.
Donations to Charities	We make donations to appropriate charitable fund annually. Although no donations were made in 2020, we donated to charities including the Siriraj Foundation, Ramathibodi Foundation, and Thai with Disability Foundation prior to 2020.
Scholarships	We offer a scholarship program to provide underprivileged, talented university students with a chance to continue their studies. In 2020, we supported 85 students through the program.

Research and Development / Production Technologies

Hand down the skills cultivated over the years and deliver products that are even more advanced

We are focusing on the development of products that will become the next generation's mainstays, in addition to basic and applied research. At the same time, making various efforts to provide high quality products to our customers, the entire Group is deeply focused on "Monozukuri" (manufacturing in good faith).

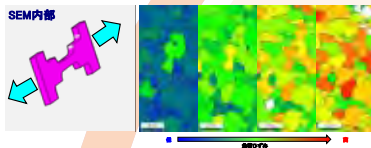
Developing world-class "Monozukuri" through both R&D and production technologies

With metal processing as our core technology, we conduct research and development on a variety of themes, including experiments and analysis for new product development and research on applied products. The intellectual property created through this process is effectively utilized as the rights of the entire group. In the area of production technology, we are working on manufacturing innovation and promoting optimal "Monozukuri" from all perspectives, including quality, global environmental conservation, and production facilities. In this way, through both R&D and production technology, we are striving to catch the needs of society as quickly as possible to achieve optimal "Monozukuri".

Technologies of the NHK Spring Group

Materials Development Technology

NHK Spring develops high-strength, high-toughness steel materials for springs in collaboration with material manufacturers. We also meet the demands of society with our unique compounding technologies, including urethane materials for the automotive seating business and insulating materials for the metal substrates business.



Structure of developed material during tensile testing
[Integration with analysis technology]

Heat Treatment Technologies

In order to increase the durability of spring materials, heat treatment processes, such as quenching and tempering, are necessary. We will accelerate our carbon neutral and energy saving initiatives, such as electric current heating and induction heating, which use electricity with less environmental impact.



Electric current heating for stabilizer bar
[Reduces CO₂ emissions]

Metal Processing Technology

Since materials for springs are hard and even the smallest flaw that could cause breakage and is not acceptable, high processing technology is required. In addition to press working and wire bending to form springs of various sizes for automobiles, we are also pursuing microfabrication technologies to manufacture extremely small springs for the advancing telecommunications field.



Dies for precision stamping
[Electric vehicle part processing]

Analysis Technology

We created our own vibration and stress analysis technologies by making full use of the spring and metal analysis technology and simulation technology cultivated over many years.



Stress distribution during coil spring cutting
[Processing analysis]

Bonding Technology

We have developed our own highly reliable brazing filler metals and are applying them to semiconductor processing devices used in special environments. We are also developing technologies for bonding different materials to meet the needs for weight reduction, including in electric vehicles.



Copper and aluminum bonded parts
[Responding to electrification and weight reduction]

Core Technologies Supporting NHK Spring Group

Accelerating the development of next-generation technologies and new products

NHK Spring Group is accelerating its response to the drastically changing social environment. In addition to strengthening our technologies and product development that respond to a variety of needs, we have formulated a policy to create next-generation core businesses. We will continue to develop new, attractive products to achieve sustainable growth.

For automobiles



Weight reduction

- Hollow stabilizer bars
Development of high-strength hollow tube materials and High-level processing technology



Improving ride comfort

- High-performance seats
To increase comfort for long-distance truck drivers, our suspension seats for trucks are equipped with various adjustment mechanisms and other features.

5G, IoT, Cloud, and Software Applications



For semiconductor manufacturing equipment

- Cooling substrates and heaters
High-precision temperature control
- Showerheads
For even distribution of gas used in semiconductor processing



For semiconductor inspection

- High-frequency semiconductor inspection probes with 5G compatibility



Cable connection controls for boats



Mechanical multi-level parking equipment for EVs



Production technology development

Production technology

We will enhance our competitiveness with products backed by our production technology by producing ultra high-tensile material sheet frames using high-precision press and die design technology and by improving productivity and reducing manpower through automation.



Realization of manpower and energy saving via robot-based automated conveyance by and electric current heating treatment (Suspension springs Div.)



Automation and labor saving for identifying desirable seat appearances/shapes by introducing AI technology (Seating Div.)



Press processing using advanced mold design technology (Precision Spring & Components Div.)

Quality Assurance

Initiatives to Quality Assurance

NHK Spring will provide products of appropriate quality to customers, by fostering a quality culture based on the customer's perspective. We also aim to maintain a high level of customer satisfaction globally, in terms of keeping delivery schedule and responding to cost targets.

Quality Policy

We aim to achieve global improvement in customer satisfaction by providing the best level of quality in the world.

[Important policies and specific efforts]

1. Foster a culture of quality and adhere to quality compliance through enhanced governance.
 - ① Review systems from the perspective of compliance
 - ② Self-inspections/audits focusing on change point management and set rules
 - ③ Revise in-house education in all levels, to raise consciousness
2. Respond to important quality issues by improving our verification capabilities
 - ① System establishment and faster response for important quality issues by Quality Committee
 - ② Strengthen fundamental technologies through business process improvement and subcommittee activities by Product Quality Committee
3. Reduction of customer claims and in-process defects through activities to prevent recurrence
 - ① Reliable implementation of milestone management, such as initial flow/process change flow management
 - ② Further improvement of process assurance by improving the ability to identify the true causes of defects and improving process capability

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 switched to and acquired certifications for the IATF 16949 standards, which are also required by our customers, 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 41 plants
 (As of November 2020)

Awards received from customers (fiscal 2020)

	Company name (without honorifics)	Title of Awards
Japan	Daihatsu	Quality Excellence Award
	Bosch	Perfect Quality Award
Overseas	Toyota Motor North America	Excellent Quality Award
	Hino Motors Manufacturing Thailand (HMMT)	2020 The Best Supplier of Overall Performance
	Ford Thailand Manufacturing	2020 Excellence

[Some examples of awards received from customers]

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 Convention," and has continued under that title since then.



1966 First QC Circle Convention



2019 Participants in domestic group convention



2020 Examination of video presentation

Since it was difficult to hold gathering convention due to the COVID-19 pandemic, we tried to examine video presentations for the time in the 47th convention last year (FY2020). As in previous years, daily improvements were presented by 12 circles, including circles from domestic and overseas group companies. QC circle activities are also actively carried out by Group companies. In Japan, regional competitions are held in East and West, and a national congress is held among the top eight circles.

In overseas, NHK Thailand, and group companies in China keep high level activities, and champions of those countries will be granted the chance to attend NHK Spring congress in Japan. They have received the top award in All-NHK Spring Convention in the past.



2019 QC Congress in China

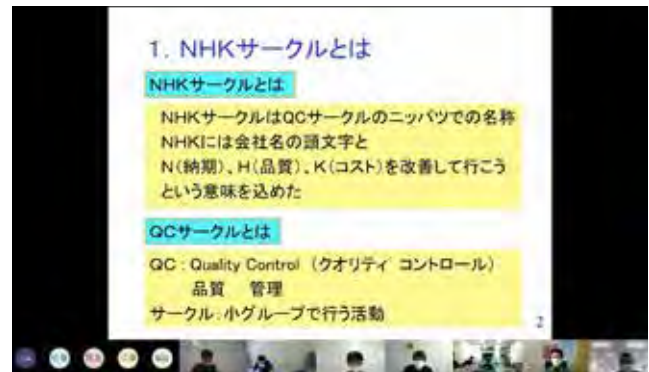


2020 NHK Spring Thailand QC Congress in first half of the fiscal year

■ Fostering a corporate culture focused on quality

Although quality control tends to be associated with its technology, we believe that people create quality. Therefore, in addition to providing QC technologies training, we also focus on training to raise consciousness to the importance of fostering a corporate culture focused on quality. In education system to the new employee level, mid-career employees, and managers/

supervisors, the main focus is on problem solving and improving work methods according to their experience. Also, activities of QC circle and business process improvement are to be these training put into and rooted in practices.



Online-based education by employees' job level

■ Strengthening Group Governance

NHK Spring Group has established a quality assurance (QA) system at each of its production bases and is vigorously promoting quality control, audits, and improvement activities. In addition, QC Department in the Headquarters regularly conducts its own audits at all production site in Japan. It conducts audits auditing operations, verifies the QA systems and related activities are being properly implemented, and instructs responsible parties to take prompt corrective action if the systems and activities are inadequate.

In addition, QC and CSR Department which are in charge of compliance, collaborate to educate employees on quality and compliance, and are continuously working to foster a quality-focused corporate culture throughout the entire group. The NHK Spring Group has formed a strong group governance system by implementing a number of such initiatives that lead to appropriate quality products manufacturing at all production bases.



Quality compliance training

Voice

We look forward to NHK Spring's continued top-level support, as one of our most important partners



Hisanori Murase
Senior Manager
Global Sourcing Head & Media HGST Japan, Ltd. (Western Digital®)

NHK Spring supplies mechanical components for HDDs (hard disk drives), namely suspensions and covers, to our company. NHK Spring is one of our most important partners, and we have been building partnership even after the integration of HGST into Western Digital. I believe that NHK Spring's strengths are its high level of development and technology leading in the HDD industry, its system for stable quality in mass production, and its ability to supply products globally to our overseas production bases. Also, when we had hard time in procurement due to the recent COVID-19 pandemic, NHK Spring responded flexibly throughout utilizing its comprehensive capabilities to solve the issues.

With the increase in demand for HDDs for data centers and larger data capacity, the role and importance of HDD suspensions is rapidly growing. We look forward to NHK Spring's continuous top-level support.

Quality-first manufacturing

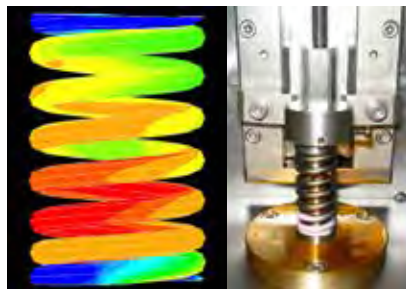
Quality-first manufacturing is the most important mission of our company. We strive to improve customer satisfaction by managing quality at every stage of manufacturing.

Development & Design

In order to create products that meet customer specifications, it is important to find issues at an early stage of development and design and take countermeasures. We pursue a front-loading approach, in which important quality-related processes are incorporated in the early stage of development, to prevent quality problems.

Case 1 Valve springs

The valve springs used in engine valve train system need to be highly reliable under severe conditions, requiring high-speed operation of several thousand cycles per minute, and a high service life of over 100 million cycles.



Test by computer simulations and test equipment

We have adopted a technology in the development stage to visualize the behavior of a valve spring at high speed, by active use of our computer simulation method.

Moreover, we conduct high accuracy verification through both computer simulations and experiments to ensure product quality in the development stage, such as developing original testing equipment that can verify products under real conditions..

Case 2 Automotive seats

Automotive seats are important products that ensure the safety of its passenger. They consist of hundreds of parts, all of which must function as designed. Therefore, in order to verify whether we have developed a seat that offers a sufficient level of safety, we use test equipment that simulates the actual use environment.

We conduct crash tests to evaluate seats under conditions close to those of actual vehicle collisions, as well as various strength and durability tests. We also collect test data for CAE analysis and evaluation. For a crash test, many sensors are installed on the seat and a high-speed camera is used for detailed analysis. This high level of experimental evaluation technology is the foundation for ensuring product quality.

Rear impact test



Frontal impact test



Safety evaluation for seats through hydraulic sled tests

Manufacturing

It goes without saying that production equipment and systems are important to ensure product quality. In addition to the latest equipment, we have established reliable and efficient systems to achieve standardized quality at all sites.

Case 3 Suspension coil springs

Although suspension coil springs have a simple helical shape at a glance, very complex shapes are actually required to meet the needs for improved ride comfort and weight reduction.

Therefore, it is very important to manufacture springs by reproducing the shape that has been carefully studied at the design stage.

We use our own coiling machines to form coiled springs by precisely controlling various processing conditions so that the required shape of the spring can be reproduced. We also have refined our shot-peening technology to improve fatigue endurance, and setting technology to improve warpage to produce highly reliable products that meet customers' requirements.



Coil spring forming by NC coiling machine

Case 4 Stabilizer bars for automobiles

Stabilizer bars are rod-shaped torsion springs that control the rolling of a vehicle. A stabilizer bar is necessary to achieve a high level of compatibility between required functions and complex shapes, because it is placed in a small space between various parts that are tightly arranged under the vehicle.

We have built a robot utilizing automated production lines for stabilizers. We reproduce complex shapes by latest processing technology that is logically calculated, using special hollow material on customer's requirements.

In addition, heat treatment using an electric current heating method has high thermal efficiency and lead to reduced CO₂ emissions in manufacturing.



Robot utilizing automated production line for stabilizers

Inspection and Measurement

The inspection and measurement process is the last line of defense to ensure the quality of our products. As our customers' products become more sophisticated, our products also become more precise and difficult to shape. Our continuous effort to improve our inspection / measurement technologies is the key to ensure the reliability of our products.

Case 5 HDD suspensions

HDD suspension is a specially processed spring, from a 30 micron thin metal material and incorporates four miniature driving parts, only totaling a length of about 15 mm.

The quality required for HDD suspension is not only its complex shapes but also in slight aspects of appearance and is becoming more stringent every year.

We set workspaces that keep extremely high level of cleanliness, and the teamwork of our expert inspectors, who have undergone rigorous training to ensure high quality requirements in these environments.

The technical capabilities of our company to deliver products that meet the strict, precise requirements of our customers are supported by the efforts of our employees.



Product inspection by highly qualified inspectors

Case 6 Probes for testing the electrical characteristics of semiconductors.



In-house made automatic inspection machine

The testing probes used in the electrical characteristics of semiconductors require more stringent quality characteristics, because they are used in the process which guarantees the quality of the customer's products. For this reason, even the minute springs used in the probes, which are thinner than a hair, are checked one by one for quality. However, since no machines existed for inspecting these probes, we manufacture an automatic inspection machine on our own, based on our accumulated measurement technology, establishing a high level of quality assurance.

We will assure quality by making inspection machines ourselves, if it does not exist in the world. The efforts and beliefs of our engineers support our ability to deliver products that meet the strict, precise requirements of our customers.

Toward stable quality assurance

In recent years, technological innovation has been very active, especially in computer-based fields such as IoT and AI. Our company flexibly adopts such technologies and actively promotes research and development of new streamlining methods.

In order to earn the trust of our customers, rather than being satisfied with the status quo, we are making daily efforts to maintain stable quality assurance on a global scale.

Case 7 Creating production status monitoring systems

We are building a data collection system to grasp the operating status of production facilities and tendencies in product quality in real time. In addition, we are developing a system that is able to respond to abnormalities immediately in manufacturing conditions and ensuring quality by monitoring manufacture parameters in real time. The system is now in operation at some of our plants, and we are using the collected data to reduce equipment stoppages and quality problems.

In the future, we will analyze big data to enable preventive and predictive maintenance of facilities, aiming for more stable production and maintenance of quality that meets customer specifications.



Display screen of a factory monitoring system using IoT (Trend graph in hot press)

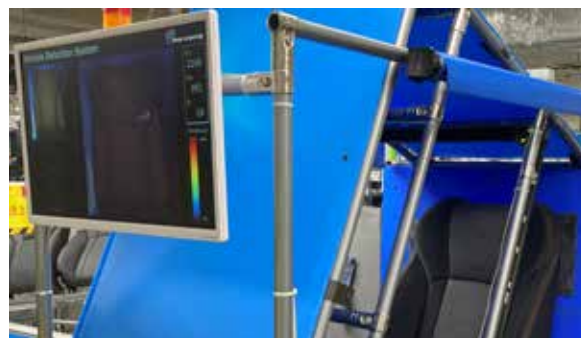
Case 8 Quality improvement of the coiling process during coil spring manufacturing

Traditionally, spring manufacturing has been supported by the abilities of skilled workers, because it requires adjustment of many factors, such as the position and shape of the manufacturing tools and the condition of the materials. In the future, we aim to achieve quality that meets customers' required specifications on a global scale, by quantifying the tacit knowledge of skilled workers that has been cultivated over many years, and building a system that allows anyone, anywhere to manufacture springs. To this end, we have developed our own original technology and equipment for measuring spring shapes, working to create a system that visualizes and guarantees quality. The measurement data obtained in this way is provided as feedback to staff involved in the development and design stages. This data is used to create springs that take quality into consideration starting during the earliest stages of the manufacturing process.

Case 9 Evaluating the automotive seats appearance using AI technology

In automotive seat assembly lines, skilled inspectors conduct visual inspections to ensure that the seats are manufactured without wrinkles and fine appearance as customers' requirement. Conventional appearance inspections relied on evaluation by inspectors' eyes and hands, but in order to quantitatively conduct this inspection, we have developed a wrinkle detection system that utilizes camera imaging technology and AI. By introducing this system into the inspection process, it will be possible to detect the presence of wrinkles without depending on the proficiency of the inspector.

*AI: Artificial Intelligence



Automated seat appearance inspection using AI

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 and maintaining confidentiality.

Although we have been proceeding consultations with our suppliers online and Web procurements, due to digital transformation promotion during the COVID-19 pandemic, our three Basic Policies for Purchasing Supplies have not changed.

Basic Policies for Purchasing Supplies

•Building long-term partnerships based on mutual trust

We aim to build long-term relationships of trust as the best partner and grow together, through mutual efforts and fair transactions.

•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 and information protection

All our procurement activities are premised on compliance (observance of laws and ordinances, work regulations, corporate ethics, and social norms). We do not make any unauthorized disclosures to any third party of any confidential information we may acquire about our suppliers.

NHK Spring Group 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. In 2014, we formulated the CSR Procurement Guideline as part of these activities which appear in Japanese, English, Chinese, and Thai on our website.

In addition, a survey for more than 1,000 suppliers covering CSR Procurement Guideline content is administered annually. Survey items span a diverse range of topics including compliance, risk management (BCP), human rights, labor, and the environment.



Survey subjects: More than **1,000** suppliers

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 December 2020 as contact in the supply chain of chemical substances and legal compliance overseas becomes more and more important.*1

*1 NHK Spring Group Green Procurement Guideline
https://www.nhkspg.co.jp/eng/csr/stakeholder/pdf/guideline_English.pdf

Addressing responsible mineral procurement

In recent years, concerns have arisen that minerals illegally mined in the regions around Congo of Africa are being provided as capital resources to armed anti-government militia responsible for human rights violations, etc. 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. Moreover, the number of minerals and areas to be covered tend to be expanded due to the expectation of ESG initiatives by companies from around 2020.

In the procurement of raw materials and parts derived from those minerals, we will work together with our customers and suppliers to promote the non-use of illegally mined minerals from the perspective of addressing human rights issues in the supply chain.

Promoting digital transformation and CSR activities enhancement

We are also using mobile terminals and web conferencing systems to improve work-life balance by conducting online interviews without being restricted by location, creating a workflow for decision-making, web-based procurement, and other DX-based operational efficiencies.

In recent years, laws and regulations regarding subcontracting, such as the promotion standards under the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises, have become stricter. We will also promote the electrification of company vehicles and green purchasing of office supplies, etc., to become carbon neutral. We will further strengthen our organizational response and systems for these initiatives in future.

Voice

Moving forward, still your best partner



Yosuke Miki
Board Member,
Executive Vice
President, CTO
Nitto Denko
Corporation

We have been supplying CISFLEX™*, a circuit board that is mounted on NHK Spring's HDD (Hard Disk Drive) suspensions. As technology became more advanced, finer circuit boards became necessary, and CISFLEX™, which realizes fine wiring formation by semi-additive method, was adopted. In recent years, demand for HDDs for data centers, in addition to conventional HDDs for PCs, has been increasing as a storage device that supports the world's information society. With NHK Spring, we are striving to develop new products and build a supply system focusing on models for data centers.

NHK Spring has the strength of having a perspective that always looking at whole HDD industry, as well as the strength of working quickly on business activities on a global scale. Over the years, we have built a relationship with NHK Spring as a business partner, discussing issues openly and fairly in order to find solutions. In each department such as sales, development, quality assurance, and manufacturing, we have built a good relationship with NHK Spring at the staff and management levels for many years.

As NHK Spring becomes a key supplier to support the information society, we will continue our business activities to contribute to the sustainable development of the society through the supply of CISFLEX™ to the HDD industry.

* CISFLEX™: A thin film metal-based circuit board with precision circuitry that plays an important role in transmitting signals allowing the HDD to read/write data.

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 mutually recognizing the values and beliefs 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.

Participation in the My Jinken Declaration Project

In July 2021, we participated in the My Jinken Declaration project, an initiative of the Ministry of Justice that aims to realize a society where everyone respects human rights, and made the declaration stated on the right.

NHK Spring will continue to respect human rights for all people and societies related to our business activities.



Ministry of Justice - My Jinken Declaration
<https://www.jinken-library.jp/my-jinken/>



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.

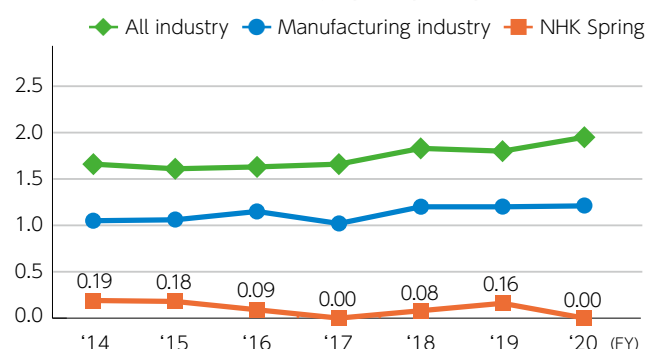
In addition, we are in the process of assigning safety sub-assessors to each production division to achieve even higher levels of intrinsic safety.

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 lost time injury frequency rate



The lost time injury frequency rate represents the probability of lost time injuries per one million working hours.

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
Appreciate the individuality of each colleague
and work together to achieve the goal.

With regards to diversity of human resources, we are actively recruiting women and non-Japanese employees and we also promote the hiring of people with disabilities staff through special subsidiary companies. In addition, we are 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 improve the ability to accept diverse values and cross-cultural communication skills.

In terms of organizational strength, to further enhance our competitiveness as a manufacturing company, we offer courses to train leaders in manufacturing site improvement, courses in strategic thinking to practically review business strategies, and courses to cultivate creativity and innovation.

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	88 courses (sixth to seventh year after joining)
Global HR training per year	70 hours
Number of employees dispatched overseas for job training (to six countries)	107 since 2004

Topics

In March 2019, our Group company NHK Spring (Thailand) established the Job Training Center Training Village at the Seat Ban Pho plant site.

In 2019, 88 courses were conducted at the facility with 8,130 participants, which exceeded our plans. However, in 2020, due to the influence of COVID-19 pandemic, many seminars were cancelled and the number of participants decreased to about 3,000.

After the COVID-19 pandemic is finished, we will resume our seminars and continue to operate the facility as a core facility for group company training in ASEAN.



The Training Building is equipped with seven "Dou-jo"s (study rooms) to study the knowledge and skills that form the basis of production, such as safety, quality, and TPS.



There are also seminar rooms of various sizes that can accommodate 10 to 15 people and a grand theater room for supplier meetings and various presentations, allowing various types of training courses.



In order to accommodate trainees from all over Asia, the facility is also equipped with a cafeteria and accommodation facilities for up to 60 people. In addition, a prayer room has been set up to accommodate a variety of religious beliefs.

Recruitment Activities

For recruitment activities for new graduates who will join our company in April 2022, we made advance preparations for the content of all recruitment plans to be handled online in order to prevent the spread of COVID-19, and conducted a work experience program the new recruits to learn about how NHK Spring operates based on the catchphrase "key parts professionals = manufacturing professionals", and a career interview program with Human Resources Department staff online for those who wanted to know more about our company's working style.

In addition, young and mid-career employees took 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.

Other ways in which we are working to increase the level of awareness of NHK Spring include a disclosure of information on job information websites and dedicated recruiting page set up at the company website.



Dedicated recruitment page URL

<https://www.nhkspg-recruit.com/>

Work-style Innovation

Smart Work Project: NHK Spring Work-style Innovation

We launched 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. In April 2021, we introduced a telecommuting system and a core-free flex system to provide more flexible working styles. 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. We have set targets for annual paid leave between labor and management to promote the use of paid leave, and have also created an environment in which it is easy to take condolence leave, childrearing leave, and family support leave.



Annual paid leave utilization rate: **99%**
(Result as of end of March 2021)

Average number of
paid leave days utilized annually: **16.3**
(Result as of end of March 2021)

* In fiscal 2020, due to the COVID-19 pandemic, we closed our offices temporarily. In consideration of its impact, in fiscal 2020 we managed the number of days of annual paid leave to be taken by multiplying the number of months without temporary leave by 1.5 days. (Under normal circumstances, we have set a target of 18 days of annual paid leave per year.)

Labor-Management 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 set up 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. In addition, in response to the COVID-19 pandemic, we are implementing measures such as inoculation in the workplace, testing for positive results, and handling cases of close contact, with the safety and security of our employees as our top priority.



At the Central Labor Management Council

Promotion of Better Health

Our management policy is to "build a safe and secure company and a rewarding and comfortable workplace." We promote activities to maintain and improve the health of our employees, believing that allowing employees to continue working vigorously in good physical and mental health, will lead to a sustainable increase in corporate value.

Health Declaration

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

Health management/promotion initiatives

Our group has two policies that we follow in our activities.

①Physical health maintenance

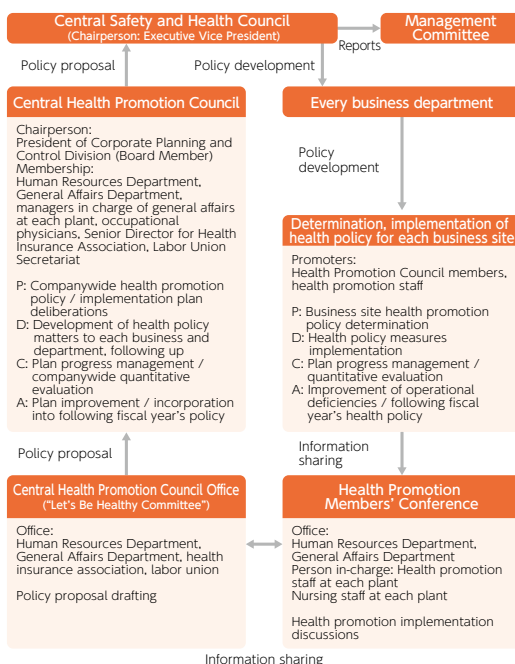
Support employees improving their health self-awareness by providing health measures to keep working vigorously.

②Mental health

Work to create an energetic and comfortable workplace where employees are healthy both physically and mentally.

Health promotion framework

We set up the Central Health Promotion Council in fiscal 2017 to promote healthcare systematically, as subordinate organization of the top-level Central Safety and Health Council, to confirm the policy and implementation status of company-wide health measures and to examine actions to be taken. Furthermore, at each business site, we appoint health promotion committee members and health promotion staff to advance various health measures.



Health promotion targets and results

①Physical health maintenance

Targets	FY2019 Results	FY2020 Results
Desirable weight: 20% or less above BMI 25 ^{*1}	27.6%	29.1%
Abnormal blood pressure readings in all sites: 13% or less	12 business sites: achieved 2 business site: not achieved	10 business sites: achieved 4 business site: not achieved
Smoking rate: 30% or less, and 5% reduction from previous year ^{*2}	32.1%	32.6%

*1 Since the percentage of obese people is higher in the group with abnormal findings than in the group without findings, it is effective to reduce the number of people with findings by reducing the percentage of "obese" people.

*2 Our company's smoking rate is higher than the national (Japan) average.

②Mental health

Targets	FY2019 targets achieved	FY2020 targets achieved
Leave rate	○	×
Leave days	×	○

* To prevent and detect mental health problems in their early stages.

The target of reducing leaving days by mental health problems, was cleared in fiscal 2020, we set new target for fiscal 2021, and we continue activities to reduce the number of leave days.

Health promotion issues and measures

①Physical health maintenance

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 raising awareness of doing more exercise as a result of distributing activity meters to employees.
- We implement nutritional education using cafeteria facilities at each business site. While sharing information companywide on of 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 KENKOM health events through the Health Visibility Program

As part of our physical health measures, we are developing a "health visualization program" based on the measurement of steps walked, body composition and blood pressure, which employees can enjoy and voluntarily engage in.

We have set a target measurement rate of 20% and a participant measurement rate of 70% as indicators for evaluating the measures, and the health promotion officers and nurses at each office are working together to promote these measures.

In fiscal 2020, we continued to implement step count transmissions, body composition monitoring, and blood pressure measurement from September to the end of January of the following year. In addition, a variety of incentives (points for continued measurement, points for new enrollment, points for resuming use, etc.) will be offered to encourage new participants and employees who have not used the system for a while. We held a 5-month long event where people could enter a prize drawing with their points. As a result, 1,500 people earned points and 365 people became new members.

From March 2021, we held an inter-plant event for the first time in which each plant competed in the average number of steps taken during the event period. 1,300 people participated in the event.

As a result of the event, the average number of steps taken by members of the entire company increased by about 5% compared to before the event, and the average number of steps taken by employees at all plants increased, making it a very exciting event.

In October 2020, we held an event for health insurance association members called "Everybody Walk" using the kencom health app. Employees of Group companies also participated in this event, using their own smartphones to form teams with their close colleagues to compete in the number of steps taken.

These kinds of events are expected to stimulate communication among employees, establish walking habits and the habit of taking measurements to check the condition of the body, and lead to the understanding and improvement of health conditions, and ultimately to the promotion of employee health.



All members of the Shiga Plant team who won the inter-factory walk event were given prizes.

●Athlete employees provide information on how to stretch at home

In response to the decreased opportunities for physical exercise during the COVID-19 pandemic, our athlete employees provided information to employees on stretching and core training methods that can be done easily at home in our company newsletter. As the easy stretching exercises require only a small space, they are expected to be effective in recovering from fatigue, promoting basic metabolism, and preventing injuries.



Stretching to improve lumbar pain, by an athlete employee in the company newsletter

●Nutritional education in employee cafeterias

NHK Spring implements measures to promote health through eating in cooperation with employee cafeterias and public health nurses.

In the company cafeterias at each plant, information about the ingredients of the menu items (calories, salt, carbohydrates, etc.), proper amount of intake are displayed and offers menus and seasonings with less salt and calories. Each effort will be shared throughout the company, and the entire company will work to improve health by utilizing the company cafeteria.

At the Yokohama Office, a healthy menu is provided under the supervision of athletic employees who have Food Meister qualifications. Each month, we set a theme related to dietary education and place displays on tables to raise awareness of health promotion through food among employees who use the company cafeteria.



"One plate, balanced menu", served from FY2020 at our Yokohama Office cafeteria

NHK Spring Group's Carbon Neutral Declaration and Global Environmental Conservation Activities

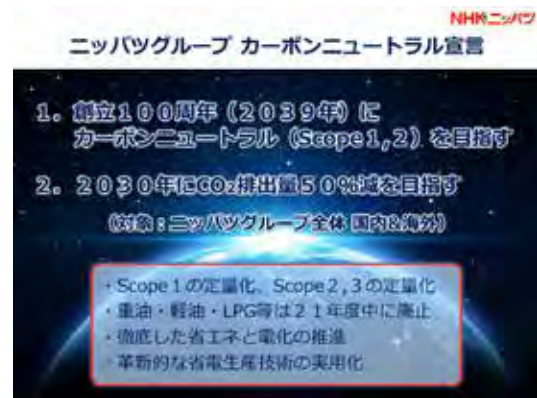
With the expansion of economic activities, concerns about global environmental issues are increasing, such as climate change due to global warming, pollution of environmental resources by chemical substances, and loss of biodiversity. Since publishing our Environmental Voluntary Action Plan in 1993, NHK Spring Group has been working on global environmental problems.

Declaration of achieving carbon neutrality by 2039

In October 2020, the Japanese government declared that it intends to decrease 2030 domestic CO₂ emissions by 46% less than 2013 emissions and reach carbon neutrality by 2050. On a global scale, carbon neutral declarations by countries and companies are being declared one after another.

At our Group's Global Environmental Response Committee meeting held in July 2021, the President stated, "1) Achieve carbon neutrality by 2039 and 2) Reduce CO₂ emissions by 50% from the fiscal 2013 level by 2030." The year 2039 marks the 100th anniversary of the founding of NHK Spring. The declaration was included in a message for the anniversary of our founding on September 8, 2021, and was distributed via video to all Group employees in Japan and overseas.

Currently, we are preparing a roadmap and a plan based on specific measures. The entire Group will work together to achieve this goal.



Materials presented by the President at the 1st Global Environmental Response Committee meeting held on July 29, 2021

Strengthening of activity structure

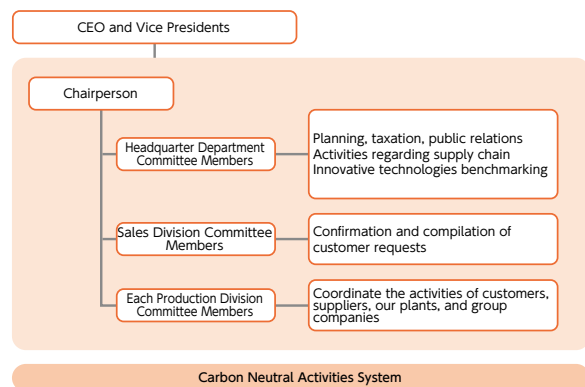
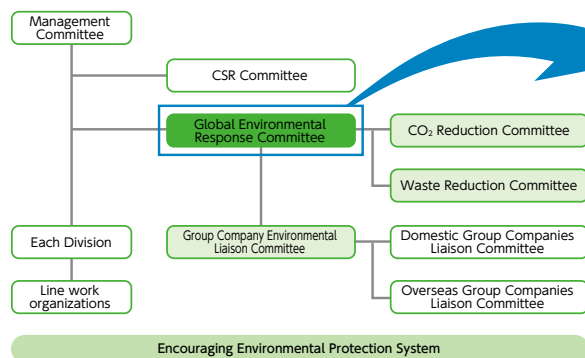
NHK Spring Group has been building an environmental promotion structure and promoting activities for some time. However, in order to achieve our carbon neutral target, we need to develop innovative technologies and take bold measures. To ensure stronger execution, carbon neutral activities will be carried out from the top down.

Meetings of the Global Environmental Response Committee are held under the leadership of the CEO and Vice Presidents of NHK Spring. The committee members, vice presidents of each

production division, are in charge of controlling and managing the environmental conservation efforts of not only at NHK Spring plants, but also at domestic and overseas group companies of each division.

The details of the activities are reported regularly to the committee. The outstanding activities of each production division will be shared throughout the Group to further promote activities. We will vigorously promote our activities to achieve our goals.

Environmental Protection Promotion Structure Chart



Environmental Activity Policies

We are addressing global environmental issues on a group and global basis, according to the Annual Environmental Activity Policy. In fiscal 2021, we are implementing "Respond to new environmental conservation activities".

The first is to manage the responses to environmental questions. In response to surveys from external entities, such as customers, investors, and CDP, we work with other departments to organize and unify our responses.

The second is starting survey activities on carbon neutrality. To set group's goals and consider actions to take, we conduct

surveys of national and local governments, customers, and industrial organizations, and report them to our production divisions via Global Environmental Response Committee. Based on the survey results, we will create a roadmap and promote activities for carbon neutrality.

We will work towards waste management, various environmentally hazardous substances management, customer service, preservation and renewal of environmental facilities, and compliance with environmental laws and regulation, continuously and systematically.

Environmental Activity Policies 2021

1. Promotion of global environmental management	2. Maintain 'zero' environmental incidents around the globe	3. Respond to new environmental conservation activities
(1) Continuing CO ₂ reduction and implementation of new measures	(1) Sustain and improve environmental controls and ensure risk management	(1) Manage environmental response to companies and organizations
(2) Maintaining zero emissions and continuing to reduce waste	(2) Maintaining environmental legal compliance	(2) Start survey activities on carbon neutrality
(3) Promoting control of substances of concern	(3) To keep environmental facilities in operation and maintain them	

Zero Emission Activities

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

Maintain recycling rate of above 99%

We set recycling rate of 99% or higher, exceeding the JAPIA (JAPIA: Japan Auto Parts Industries Association) target of 85%, and have achieved a 100% recycling rate.

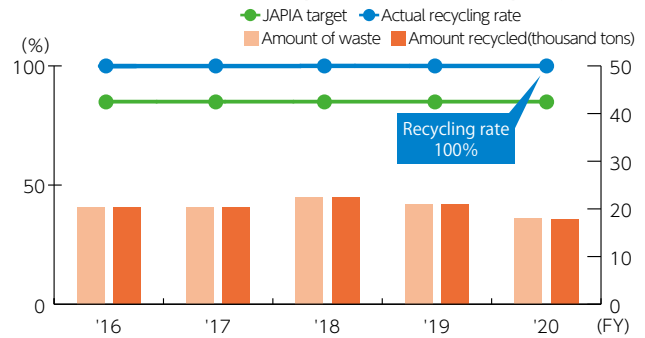
In order to achieve a 100% recycling rate, it is important to thoroughly separate waste and to entrust the recycling process to an appropriate company.

We set detailed rules in each business sites, provide “Environmental Dojos” (training facilities for behaviors and philosophy), and ensure thorough sorting at recycling centers. We also inspect the actions of waste disposal companies on site to ensure that they handle waste appropriately.

As a result, NHK Spring and domestic group companies have achieved a 100% recycling rate, and maintained it until now.

We will continue our efforts to reduce the amount of waste while maintaining the 100% recycling rate.

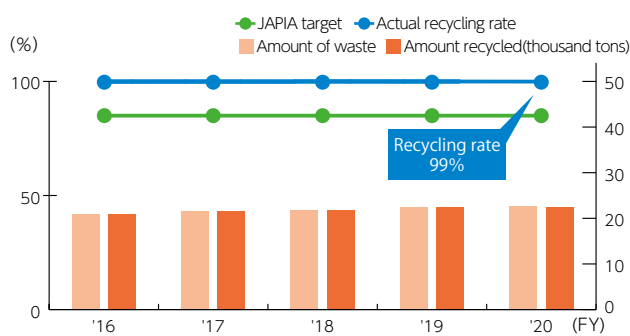
Transition in waste recycling rate (NHK Spring)



FY2020 unit emissions index performance (NHK Spring)

FY2020 target	Results	Assessment
JAPIA standard: above 85%	100%	◎
NHK Spring voluntary target: above 99%	100%	◎

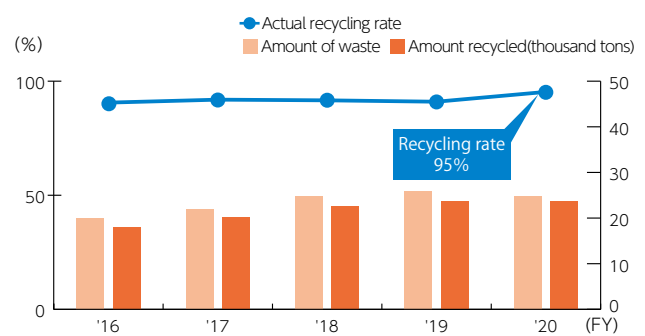
Transition in waste recycling rate (domestic Group companies)



FY2020 unit emissions index performance (domestic Group companies)

FY2020 target	Results	Assessment
JAPIA standard: above 85%	99%	◎
NHK Spring voluntary target: above 99%	99%	◎

Transition in waste recycling rate (overseas Group companies)



FY2020 unit emissions index performance (overseas Group companies)

FY2020 target	Results	Assessment
Voluntary target: above 95%	95%	◎

Recycling of waste plastic and food waste

Soft plastics are compactly stored and transported using compression packaging machines, and recycled by appropriate waste disposal companies.

High-grade waste plastics can be 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.



View of our Yokohama Plant Recycling Center

Thorough separation

In order to maintain our 100% recycling rate, we also thoroughly separate ordinary daily waste in offices, as well.



Waste separation station in Yokohama Office

Certified as “3R activities Excellent business sites” in Yokohama City

In recognition of our social contribution activities, such as waste recycling, proper management of waste contractors, and cleanup of neighborhoods near our business sites, our Yokohama Plant has been certified as an excellent business site for 3R activities by the city of Yokohama for eight consecutive years since fiscal 2012.

We will continue to strive to maintain this certification. 3R: Acronym of Reduce, Re-use, Recycle activities



Certificate of 3R activities Excellent business sites in Yokohama

NHK Spring Group's CO₂ Reduction Activities

NHK Spring Group upholds reduction targets for energy use and CO₂ emissions as we engage in global environmental conservation activities. Until fiscal 2020, we managed our CO₂ emissions per unit of sales, but from fiscal 2021, we will manage our CO₂ emissions based on total emissions in order to achieve carbon neutrality. We will also continue to compare our past activities on a per unit of sales basis.

CO₂ reduction activities in Fiscal 2020

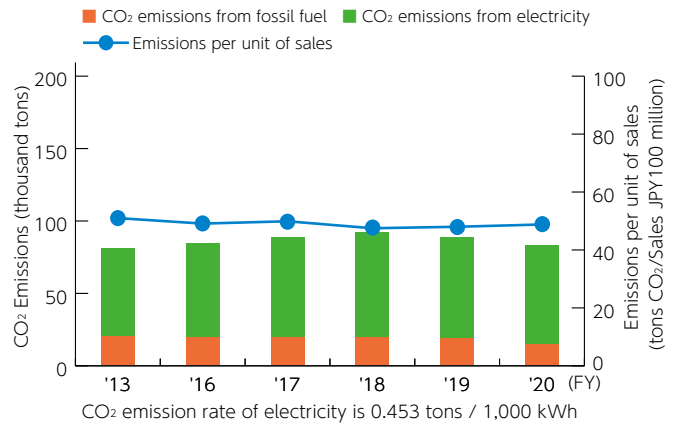
In fiscal 2020, CO₂ emissions decreased in NHK Spring, domestic and overseas Group companies. On a per-unit-of-sales basis, CO₂ emissions in NHK Spring and domestic Group companies slightly increased or decreased from fiscal 2019. Although simple comparisons cannot be made due to the impact of the COVID-19 pandemic, we were able to reduce the impact by reallocating production line of products to efficiently produce them.

In production plants, we are also optimizing the air ratio in heating furnaces, improving thermal insulation and compressor operation, using motor inverters, and renewing LED lighting. At our offices such as sales offices, we are turning off the power of all absent departments and thinning out the lights.

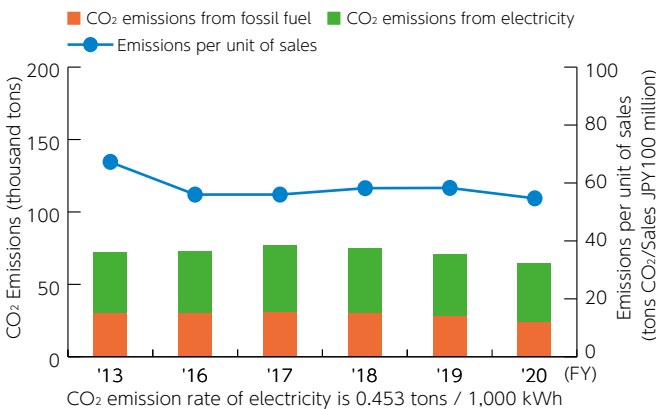
Also, we are promoting work within regular hours and working from home, as our workstyle innovation. Reduced overtime work and increased home working have reduced the electric consumption in the office.

To achieve carbon neutrality, we will save energy thoroughly and electrify our facilities more than ever before.

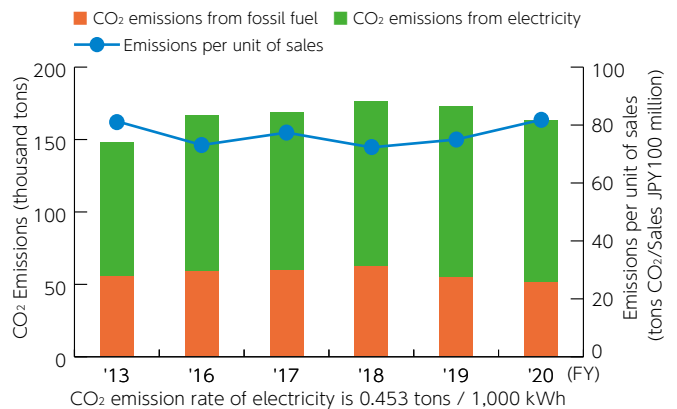
Transition in CO₂ Emissions (NHK Spring)



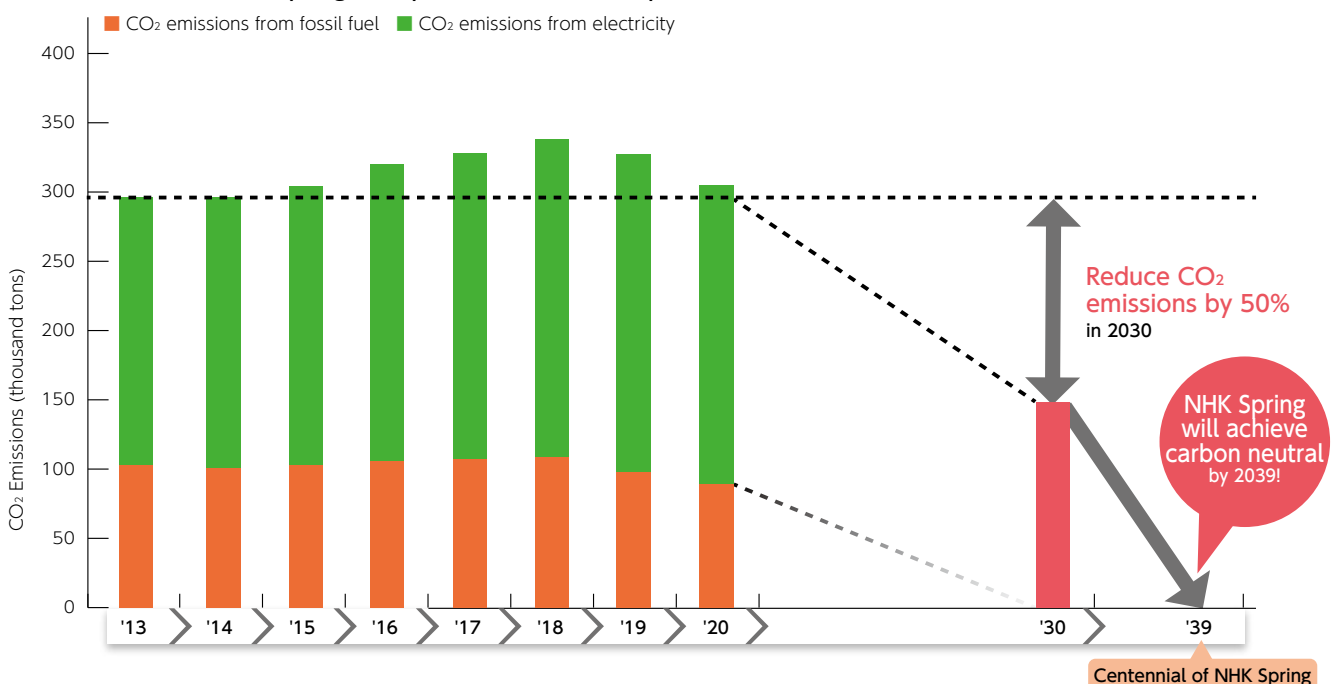
Transition in CO₂ Emissions (domestic Group companies)



Transition in CO₂ Emissions (overseas Group companies)



CO₂ Emissions (NHK Spring Group (consolidated companies))



Utilizing Renewable Energy

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

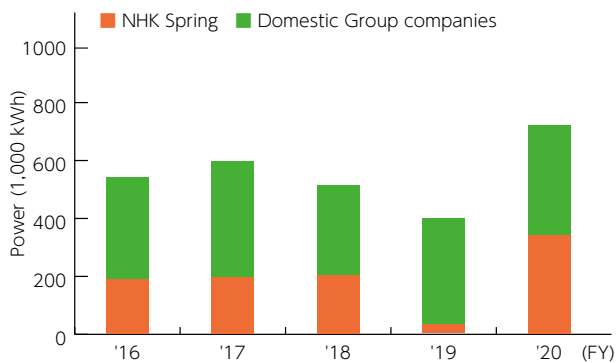
NHK Spring Activities

Since the installation of renewable energy equipment at our DDS Komagane Plant in fiscal 2008, it has been adopted at four of NHK Spring plants and 14 of our Group companies in Japan (18 plants in total). At our Yokohama Site, it provides electricity equivalent to the headquarters department's office automation equipment.

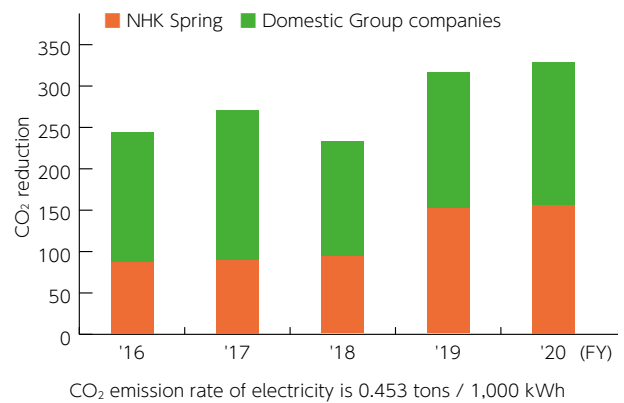
We consider installing solar power generation equipment when building new plants.

We will continue to use solar power systematically to reduce our energy consumption and CO₂ emissions.

Electricity generated by solar power generation (domestic total)



CO₂ reduction from solar power generation (domestic total)



Solar power installation sites

Installed at four business sites of NHK Spring	Yokohama Office Gunma Plant DDS Komagane Plant Miyada Plant	Installed at 14 domestic Group company business sites	NHK Sales (10 business sites) NHK Flex (1 business site) Tokuhatu (2 business sites) Topura (1 business site)
--	--	---	--



Yokohama Office (100kW, Start from FY2009)



NHK Spring Miyada Plant (144kW, Start from FY2018)



Topura Hadano Plant (20kW, Start from FY2012)



Tokuhatu Sanda Plant (120kW, Start from FY2016)

Sharing of CO₂ saving methods (Awards for CO₂ Reduction Activity)

Our Group is taking various measures to promote CO₂ reduction. In order to share these technologies Groupwide, we hold annual CO₂ Reduction Activity Awards. Business sites compete with each other on countermeasures technology, and effective countermeasures technologies are shared throughout the Group.

FY2020 Awards

1. President's Award: "Saving electricity by optimizing hydraulic pump discharge pressure"

Atsugi Plant, Precision Spring & Components Division

When using a hydraulic testing machine in conjunction with a durability test, it used to be an excessive operation as it was set to the maximum load.

We achieved a significant cut in CO₂ emissions (181 tons/year) by adjusting the hydraulic pressure to the optimum level.



A durability testing machine

2. Chairperson's Award for Global Environmental Measures: "Power saving by restructuring compressor number control"

Yokohama Plant, Suspension Spring Division

All 10 compressors have been renewed as planned since fiscal 2017. The number control program was also revised and all units were upgraded to inverter type, thereby increasing operational efficiency which has significantly reduced CO₂ emissions (126 tons/year).

The entire NHK Spring Group will continue to actively exchange opinions and make all-out efforts to continuously reduce CO₂ emissions to protect the global environment.



CO₂ reduction of **4,544** tons over the past five years
(Total amount of CO₂ reduction from 2016 to 2020)

Award-winning actions, technologies of the past five years

FY	Award	Business site	Description
FY2016	Chairperson's Award	Yokohama Plant (Seating)	CO ₂ reduction through steam supply boiler optimization
	Chairperson's Award	DDS Komagane Plant	CO ₂ reduction through adoption of LED lighting in clean room
FY2017	President's Award	Suspension Spring Division	CO ₂ reduction by using electric servos in hydraulic fatigue testers
	Chairperson's Award	NHK Spring Production Company	Manufacturing technology development and application
	Chairperson's Award	Yokohama Plant (Seating)	CO ₂ reduction by cut-off of unneeded steam supply pipes
	Chairperson's Award	Tokuhatsu Co., Ltd.	Installing of solar system and visualization of electric consumption
FY2018	President's Award	DDS Komagane Plant	Air consumption reduction by production facilities improvement
	Chairperson's Award	Komagane Plant (Industrial Machinery and Equipment)	CO ₂ reduction by reviewing clean room operation methods
FY2019	Chairperson's Award	Yokohama Plant (Seating)	CO ₂ reduction through adoption of package air conditioning
	Chairperson's Award	Isehara Plant No. 1	CO ₂ reduction by reviewing equipment cooling methods
	Chairperson's Award	DDS Komagane Plant	Reduction of energy consumption during shutdown period
FY2020	President's Award	Atsugi Plant	Saving electricity by optimizing hydraulic pump discharge pressure
	Chairperson's Award	Yokohama Plant (Suspension Springs)	Power saving by restructuring compressor number control

Energy saving diagnosis for CO₂ reduction

NHK Spring Group conducts regular energy saving diagnoses.

Consultants certified by the Ministry of the Environment as CO₂ reduction potential diagnosticians perform site visits and interviews at company facilities, to develop new energy-saving measures aimed at sustained effective energy use and CO₂ emissions reduction.

Although this initiative was canceled in 2020 due to the COVID-19 pandemic, we plan to restart these activities from 2021.

Moving forward, we will work to spread reduction measures horizontally throughout the group while systematically performing diagnoses at each Group plant, thus improving environmental performance through efficient energy use and CO₂ emissions reduction.

Environmental auditing

Each business site is managed based on an environmental management system (EMS), for proper operation of global environmental conservation activities such as CO₂ reduction activities and zero-emission initiatives.

We perform environmental audits and energy conservation diagnoses to grasp actual status, and we work to improve environmental performance and reduce CO₂ emissions.

ISO 14001 and environmental auditing

NHK Spring Group holds environmental audits to verify that the EMS of each Group company is operated appropriately in accordance with the ISO 14001. We also work to improve our management, ensure environment-related compliances, improve environmental performance, and identify issues for improvement.

● Environmental audits (internal auditing)

Internal audit is led by staff who have completed specialized training.

In fiscal 2020, we conducted internal environmental audits at each Group plant in accordance with ISO 14001 (2015).

Moreover, we regularly hold internal environmental auditor

training courses taught by external instructors. This program has educated ISO 14001 (2015) auditors in the Group to improve performance through the proper implementation of the system.

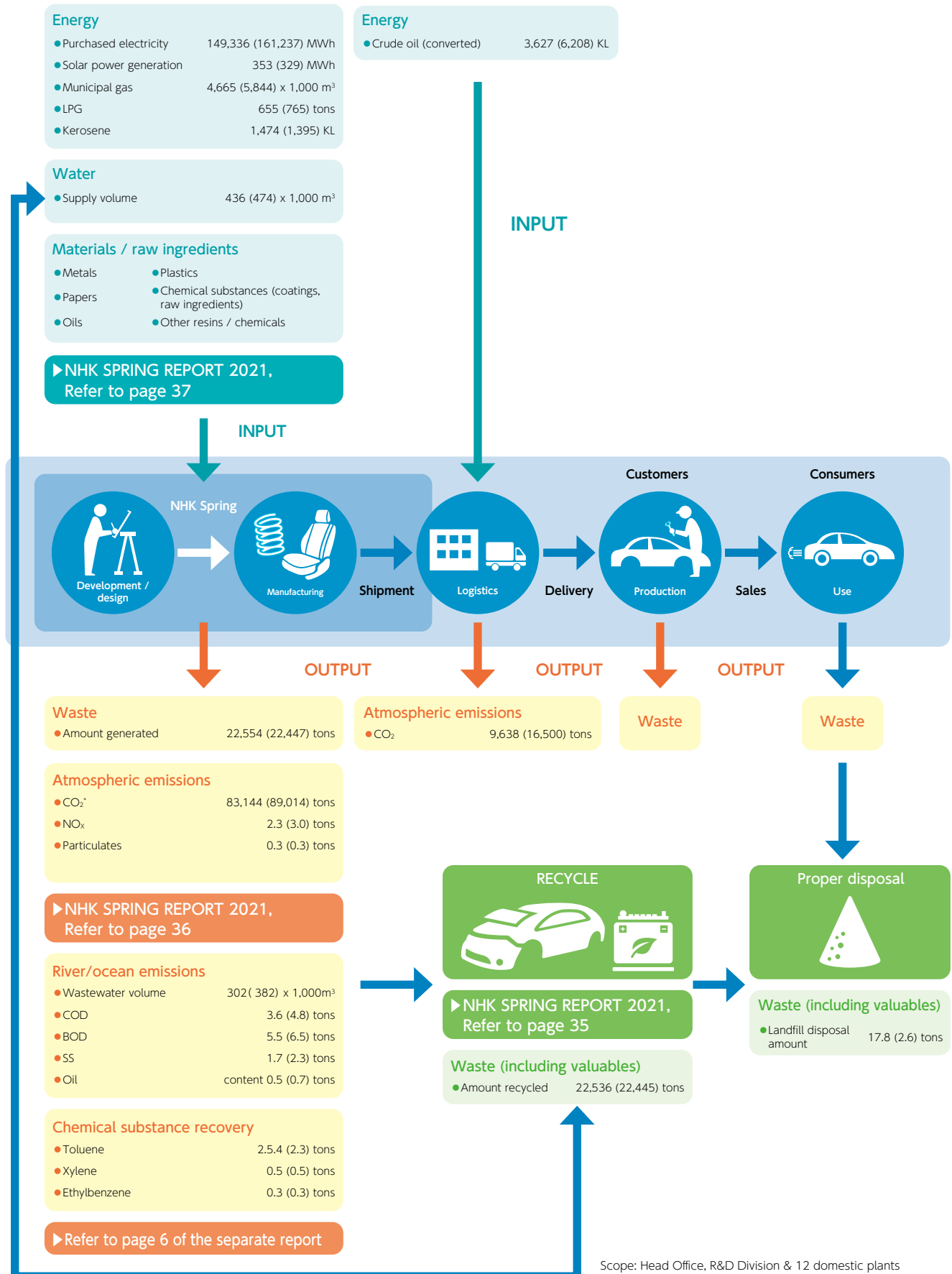
● Environmental audits (external audits)

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

The results of external audits at all 11 plants in fiscal 2020 showed that the EMS was operated properly, pollution was being prevented and continuous environmental improvement activities were implemented.

Business Activities and Life-cycle Flow

We are working to reduce the environmental impact of our business by taking a lifecycle view of the entire business and quantifying inputs and outputs as much as possible. We also aim to realize a recycling-oriented society by recycling waste.



Scope: Head Office, R&D Division & 12 domestic plants
 Figures in parenthesis () indicate FY2019 results.
 Note: CO₂ emission rate of electricity is 0.453 tons / 1,000 kWh

Carbon Offset for the Production of NHK SPRING REPORT 2021

We calculated the amount of greenhouse gas (CO₂) emitted by printing in the production of the NHK Spring Report 2021, and offset the entire amount by purchasing greenhouse gas emission reduction and absorption credits.

We offset 1,174 kg of CO₂ emissions in this case.

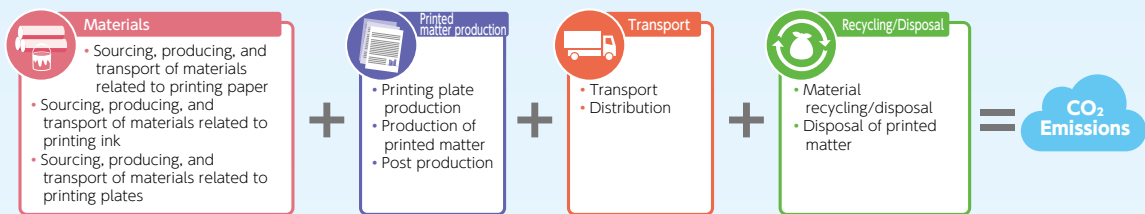
The CO₂ emissions were calculated by following method.

We calculate the amount of lifetime CO₂ emitted by printed materials in its life cycle^{*1} by using PGG^{*2} based on the LCA (Life Cycle Assessment) database^{*3}.

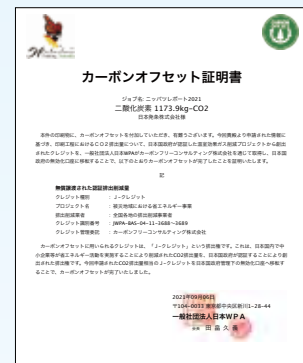
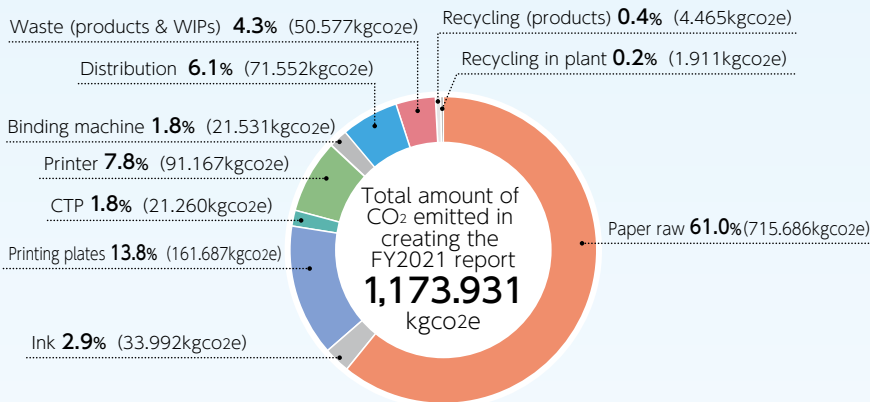
*1 Life cycle: All processes from the extraction of raw materials to manufacturing, use, disposal, and recycling.

*2 PGG (Printing Goes Green): Printing related CO₂ emission calculation software provided by WPA Japan.

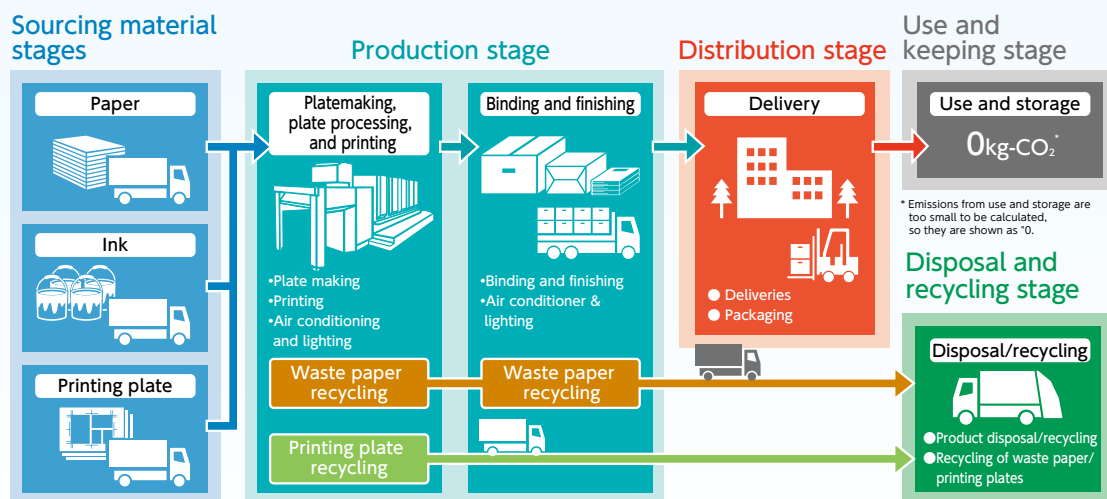
*3 Environmental impact assessment value data



1,500 copies of 52 page reports, 76.5 kg/m³ for Cover page and 48.5 kg/m³ for the inside pages (A4 size, New V Matte FSC).



Carbon offset certificate



Sponsoring and Cooperating in Social Contribution Activities and Local Events

Sponsorship and cooperating in local events

●Activities based on the NHK Spring Mitsuzawa Football Stadium
We acquired the naming rights of the NHK Spring Mitsuzawa Football Stadium from 2008, and updated the five-year contract in March 2021.

We continue activities to vitalize the local community through sponsoring sports teams in Yokohama, where we have our headquarters. In order to help prevent the spread of COVID-19, we have had fewer opportunities to make effective use of our free usage rights for the stadium, a benefit of the naming rights that we have continued to enjoy for a long time.

Naming rights continued for 14th year

●Continued sponsorship of NHK Spring Yokohama FC Seagulls
In 2016, we became the main sponsor of NHK Spring Yokohama FC Seagulls, a Nadeshiko League Division 1 women's football club, and renewed a five-year sponsorship contract in 2021. By sponsoring the Yokohama-based team, whose home stadium is NHK Spring Mitsuzawa Football Stadium, we will continue to deepen our relationship with the local community through the team.



NHK Spring has acquired the naming rights to NHK Spring Mitsuzawa Football Stadium for another five years



NHK Spring Yokohama FC Seagulls players, head coach, and coaching staff
NHK Spring logo in Japanese, on the center of the uniform



Japanese national team uniform with NHK Spring logo

●NHK Spring is sponsoring FID* and a group company employee was selected as an high performance athlete
NHK Spring has been sponsoring Japan Table Tennis Federation for ID (JTTF) from 2018. Our company logo appears on the uniform of

Japanese national team, sent by the federation.

Table tennis player Hekito Yoshikawa, an employee of Nippatsu Harmony, a special subsidiary company for people with intellectual disability, was selected as a high performance athlete for 2021 by JTTF. The high performance athletes are those who have the potential to win medals or high placement in international competitions. It is expected that he will play an active role in the world.

* FID: Federation of Intellectual Disability Japan

●Through TFT, providing school meals to children in the world
We introduced "TABLE FOR TWO" (TFT) in 2014. TFT is a system to make donations for school meals in impoverished regions in the world, by purchasing charitable menus at the cafeteria for executives and employees. In fiscal 2020, we were able to donate 118,887 school meals (a cumulative total of 864,744 meals) through this program, which has been implemented at 11 plants in Japan and Group companies in Japan.

TFT has recognized us as a Platinum Supporter for five consecutive years since 2016 for our support, and have received a Partner Badge and Certificate of Appreciation.



Partner Badge



Certificate of Appreciation

●To be a company rooted in the community (Sumihatsu Co., Ltd.)
Sumihatsu, one of our group companies, relocated its head office from Chiyoda-ku, Tokyo to Sakuragawa City, Ibaraki Prefecture in September 2020. Till then, the head office in registration was in Chiyoda Ward, where the sales headquarters is located. We moved to the location of the actual head office function in Sakuragawa, because we are a community-based company in Ibaraki. In addition, the company established Sumihatsu Services, Inc. as an affiliate for providing home-visit care services since 2000, and opened a day-care center called "Amabiki no Sato" in 2015. Through these business activities, we will continue striving to be a company that is rooted in the community and familiar to the neighborhood.



Amabiki no Sato, a building with the warmth of wood

Social contribution efforts during the COVID-19 pandemic

● Sponsorship and parts supply to Student Formula Japan

The Student Formula Japan organized by the Society of Automotive Engineers of Japan, which we have been sponsoring for a long time, was held in a different way from other years to prevent the spread of COVID-19. We continue to support the event in this difficult time through sponsorship and responding to requests from the teams to provide parts for the development of their vehicles.

● Sponsoring e-sports Soccer League for Science and Technology University Students

Although we were unable to hold a soccer tournament in fiscal 2020 to prevent the spread of COVID-19, we newly planned an e-sports event "e-League" and invited science and technology university students.

In contrast to actual soccer competitions, some of the participants were support staffs, and with the rising popularity of e-sports itself, the event was very well received. We are considering continuing the e-league even when we are eventually able to play soccer as before.



Award ceremony held on large stadium monitor, at the last home game of Yokohama FC (J-League team) (At NHK Spring Mitsuzawa Football Stadium)

● Participation in "Aozora Factory 2020"

On November 14, we participated in Aozora Factory 2020, an outdoor event organized by a non-profit organization, which was held at Deiki Park located next to Kanazawa Ward Office in Yokohama City, which is close to our Head Office.

In previous years, the event was focused on workshops, but due to the COVID-19 pandemic in this year, the event focused on distributing kits for making things at home.

We distributed paper craft kits of the NHK Spring Mitsuzawa Football Stadium, which were quickly handed out. Visitors said they could enjoy their time at home with their family.



Distributing NHK Spring Mitsuzawa Football Stadium paper craft kits

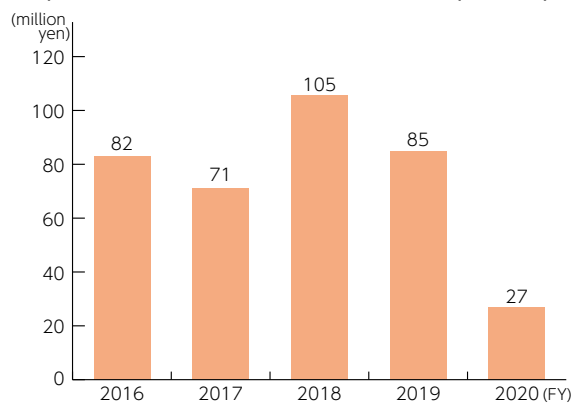
● NHK Precision gave lecture at Akita University

In October 2020, NHK Precision gave a lecture for Materials Science and Engineering Course at Akita University. Originally, the university had planned a plant tour, but the university changed their request and invited NHK Precision to visit the campus and give a lecture, considering the COVID-19 pandemic. We mainly used video images and PowerPoint presentations to introduce products and explain the manufacturing process flow, as if the students were on a factory tour.

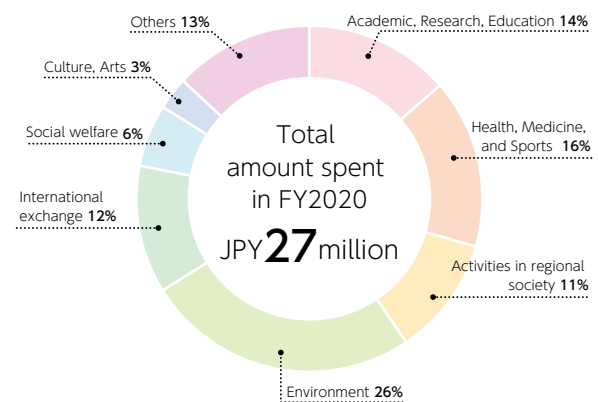


Lecture at Akita University

Expenditures on social contribution activities (past five years)



Category	Major examples
Academic, Research, Education	Donating research fees to universities, accepting internships, plant tour for elementary school students
Health, Medicine, and Sports	Blood donation, donating wheelchairs to hospitals, co-sponsoring 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



Category	Major examples
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 (includes reconstruction of disaster-affected areas)	Participating in crime prevention and traffic safety activities, donating to politicians and organizations, and supporting activities for affected area

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

Our goal is to maintain managerial soundness and increase corporate value from a medium to long-term perspective by building management organizational structures and systems and introducing necessary measures. In order to achieve this goal, we have adopted the following five points as basic policies.

Basic Policies for Corporate Governance

- 1 We ensure the rights and equality of our shareholders and strive to create an environment in which they can exercise their rights appropriately.
- 2 We work to sustain a good relationship by fulfilling our responsibility as a company to stakeholders, such as 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 dialogue by providing feedback to our managers and directors.

Corporate governance framework

In order to achieve prompt decision-making, we adopted a corporate officer system in fiscal 2005, separating business execution (executive officers) from supervision (Board of Directors), thereby improving the effectiveness of supervision and management efficiency. During the General Meeting of Shareholders held on June 25, 2021, the Board of Directors was comprised of eight directors including three highly independent external directors (two of whom are women)

By establishing over 1/3 ratio of external directors, we ensured to provide appropriate advice on management and fair supervision.

Our deliberative bodies include the Management Committee and various other committees and councils. Especially, the Management Committee is composed of directors, corporate officers of executive corporate officers level and above, and senior corporate officers who also serve as division president, in order to exchange opinions among small number 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, 2021. Audit & Supervisory Board Members are appointed from among those who have extensive experience within the Company and knowledge of finance and accounting, and External Audit & Supervisory Board Members are appointed from among those who are highly independent and have broad experience and a high level of insight in corporate management and finance.

 **At least 1/3 of the Board of Directors consists of 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.

Overview of self-evaluation results

The results of the questionnaire survey show that the Board of Directors is effectively fulfilling its roles and overall duties, as each agenda is discussed and examined from various view points through active discussions by directors with diverse knowledge.

We will improve appropriately on matters raised to be improved, and will continue to conduct self-evaluations in the future as we work to improve and increase the effectiveness of the Board of Directors.

Disclosing information for investors

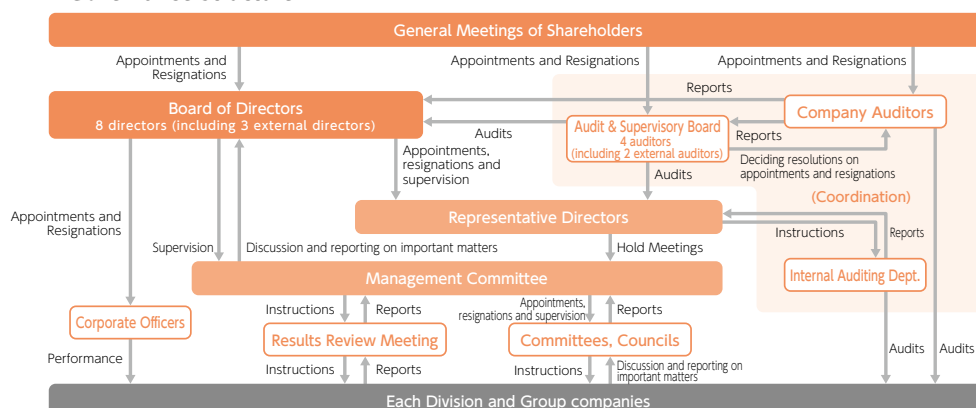
We hold financial results briefings for analysts and institutional investors after the release of interim and full year financial results. We usually hold this event twice a year, in May and November, but in FY2020, due to the COVID-19 pandemic, the May event was cancelled and the November event was limited to one person per company. We will continue to promote proactive disclosure of information to analysts and investors.

 **November Financial results briefing:**
25 attendees, 25 companies
(May briefing was canceled due to the COVID-19 pandemic)

 **Individual interviews: 98 times for 111 investors**
(FY2020, results of dialogues with investors)

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

Governance Structure



*The number of directors and auditors is as of June 25, 2021.

Management Organization (June 25, 2021)

Director



Takashi Kayamoto

President & CEO and Representative Member of the Board, Corporate Officer
In office 6 years 12/12 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, Corporate Officer (present)



Toru Sugiyama

Executive Vice President & CFO and Representative Member of the Board, Corporate Officer President of Procurement Division
In office 3 years 12/12 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 and Representative Member of the Board, Corporate Officer, President of Corporate Planning and Control Division and President of Procurement Division
Apr. 2020 Executive Vice President & CFO and Representative Member of the Board, Corporate Officer, President of Procurement Division (present)
Jun. 2021 Director of Takano Co., Ltd. (non-executive) (present)



Kiyohiko Kanmei

Executive Vice President & CQO and Representative Member of the Board, Corporate Officer
In office 2 years 12/12 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)
Apr. 2020 Executive Vice President & CQO and Representative Member of the Board, Corporate Officer (present)



Hidefumi Yoshimura

Member of the Board, Executive Corporate Officer, President of Corporate Planning and Control Division
Newly appointed

Apr. 1981 Joined the Company
Jun. 2007 Director of Administration Department, Suspension Spring Division
Apr. 2014 Corporate Officer; President & CEO and Member of the Board, NHK of America Suspension Components Inc.; and President & CEO and Member of the Board, New Mather Metals, Inc.
Apr. 2015 Corporate Officer, Director of Human Resources Department, Corporate Planning and Control Division
Apr. 2017 Senior Corporate Officer, Vice President of Corporate Planning and Control Division, and Director of Human Resources Department
Apr. 2020 Senior Corporate Officer, President of Corporate Planning and Control Division
Apr. 2021 Executive Corporate Officer, President of Corporate Planning and Control Division (present)
Jun. 2021 Member of the Board, Executive Corporate Officer, President of Corporate Planning and Control Division (present)



Kazuhisa Uemura

Member of the Board, Senior Corporate Officer and President of Sales Division
In office 3 years 12/12 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 6 years 12/12 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 of 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 5 years 12/12 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, Yokohama City University
Jun. 2016 Member of the Board (External) of the Company (present)



Hiromi Tamakoshi

Member of the Board (External)
In office 1 year 10/10 meetings

Oct. 1987 Joined Chuo Audit Corporation
Apr. 1999 Registered as Attorney at Law (Kanagawa Bar Association) Joined Ryoji Kimura Law Office
Apr. 2017 Auditor of Yokohama City University (present)
Jun. 2020 Member of the Board (External) of the Company (present)
Apr. 2021 Established Yokohama Nagomi Law Office (present)

D Attendance at Board of Directors meetings **A** Attendance at Audit & Supervisory Board
 "In office" indicates the number of years served as a Director or the number of years served as an Audit & Supervisory Board Member.

Audit & Supervisory Board Member



Kenji Shimizu

Audit & Supervisory Board Member
 In office 9 years **D** 12/12 meetings **A** 12/12 meetings

Apr. 1979 Joined the Company
 Mar. 2005 Director of Administration Department, Precision Spring and Components Division
 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 2 years **D** 12/12 meetings **A** 12/12 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
 In office 1 year **D** 10/10 meetings **A** 10/10 meetings

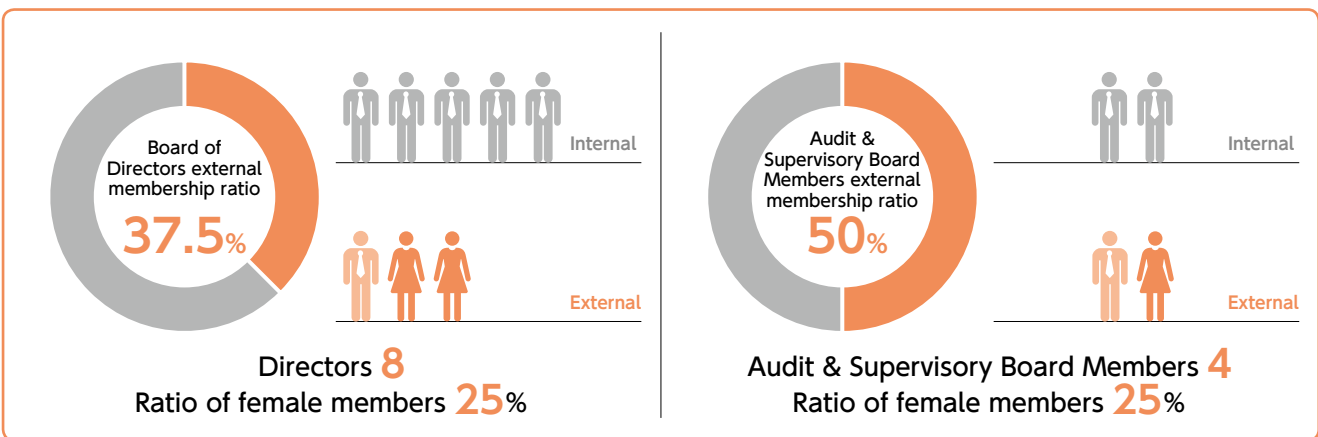
Sep. 1985 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
 Apr. 1989 Registered as Certified Public Tax Accountant
 Oct. 2013 Executive Officer in charge of finance and administration
 Nov. 2015 Group CFO of Deloitte Tohmatsu LLC
 Aug. 2016 Managing Partner of Deloitte Tohmatsu Services 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
 In office 1 year **D** 10/10 meetings **A** 10/10 meetings

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	Hidekazu Hoshino	Senior Corporate Officer	Noritoshi Takamura	Corporate Officer	Osamu Ikejiri	Corporate Officer	Masayoshi Yamaguchi
Executive Corporate Officer	Hideto Enomoto	Senior Corporate Officer	Toshihiro Tachikawa	Corporate Officer	Hajime Okajima	Corporate Officer	Mitsuru Tanaka
Executive Corporate Officer	Jiro Oyama	Senior Corporate Officer	Yuji Shibuya	Corporate Officer	Shunsuke Sasaki	Corporate Officer	Noriyuki Saito
Executive Corporate Officer	Toshinori Saeki	Senior Corporate Officer	Junichi Suzuki	Corporate Officer	Takeshi Kamisaku	Corporate Officer	Hiroshi Nakamura
Executive Corporate Officer	Kazuhiko Otake	Senior Corporate Officer	Masayuki Horie	Corporate Officer	Yoji Ito	Corporate Officer	Kazuhisa Rikitoku
Senior Corporate Officer	Tetsuya Fujiwara	Senior Corporate Officer	Jun Umemo	Corporate Officer	Seichi Saito		
Senior Corporate Officer	Tatsuro Ono	Corporate Officer	Morihiro Ichisugi	Corporate Officer	Shinichi Kozawa		

Compliance

Initiatives for compliance

Our Group's management policy begins with the phrase, "Maintain a straightforward way in business."

In addition to legal compliance, we view it as fulfilling our Social Responsibility (CSR) to our stakeholders, such as our customers, shareholders, suppliers, and local residents, by following our Employees Code of Conduct, company rules, and social norms (manners and morals), as one of the major pillars of our management.

In promoting compliance, the President himself directly calls out the importance of compliance in all dialogues with the top management and employees of each Group company to foster awareness.

Also, in our Employees Code of Conduct stipulates that all corporate officers and employees are to comply with laws, regulations and corporate ethics.

To raise awareness of this, we issue top management messages on compliance with the Anti-Trust Law, anti-bribery, etc. To instill compliance, we conduct compliance trainings for new/promoted employees of all Group companies by level, and various training programs such as compliance with the Anti-Trust Law and harassment.

We designate every November as "Ethics Enhancement Month" and take measures such as sending out messages from the top management of the NHK Group and displaying posters, as well as selecting familiar compliance themes every month and distributing "Compliance News". We engage in this work not just at our Japanese affiliates, but worldwide, through such efforts.

● Compliance promotion structure

Under the supervision of the President and CEO, the GM of the HQ CSR Department is responsible for promoting compliance management, the responsible leader is the head of each division, and the HQ CSR Department serves as the promotion secretariat.

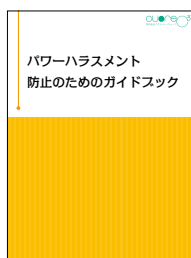
● Framework with respect to antitrust laws

In 2016, NHK Spring underwent an on-site search by the Fair-Trade Commission on suspicion of violation of the Antimonopoly Act. Learning from this, we execute antitrust law training for all sales members annually without fail.

Overseas, training is also conducted in line with the activities of each region. Besides the above, we have introduced a system to check for harmful behavior by implementing and checking prior notification of contact with competitors throughout the Group, as well as e-mail auditing.

● Anti-harassment measures

The NHK Spring Group Management Policy states we will "build a safe, secure, rewarding, and work-friendly work environment." In order to achieve this, we have distributed a "Guidebook on Preventing Abuse of Authority" to Group employees which is used during compliance training and e-learning. Besides, we raise awareness of the prevention of harassment, by providing information on good communication in our compliance news.



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

We have established a compliance hotline where employees of NHK and domestic group companies can consult or report anonymously to NHK Spring or an external law firm that has no conflict of interest with the Company, as a system to consult or report internally when they have questions.

In order to ensure the reliability of the system, we notice compliance hotline contact to all employees, through compliance cards distribution, and in various lectures/ monthly newsletters relating to compliance. Company newsletters are also used to inform employees about the flow of responses and operations from the receipt of internal reports.

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.

We have established a system that leads to the early detection and correction of problems by taking appropriate action against reports to these contact points.

 **Group Compliance Hotline case count: 57**
Number of compliance related reports from suppliers: 0

● Anti-bribery and Anti-corruption initiatives

Our Group has designated bribery, corruption, and inappropriate donations as prohibited acts under the Employee Code of Conduct, Compliance Rules, and Anti-Bribery Regulations, and conducts training programs, especially in high-risk areas overseas. In our compliance newsletters, we raise awareness of the prohibition of bribes to public officials, as well as the prohibition of excessive entertainment and gifts that exceed social norms, even between private companies.

● Security trade control

We set up regulations and detailed rules for security trade control and determining the applicability of export transactions in order to comply with laws and regulations regarding security trade control.

Voice To heighten compliance awareness of each employee



Junya Harada
CSR Department

We, the CSR Department, regularly distributes "Compliance News" on familiar topics and conducts awareness-raising through internal magazines to make employees aware of what kind of actions violate the laws.

Also, we conduct training by level, such as for new employees and managers, and by job category, such as for sales and engineers, using more specific examples to help employees better understand the issues, in order to raise the awareness of our Group employees. We will continue to make efforts in various ways to make compliance more accessible to employees.

Risk Management

Risk management organization

The risks (crises) that a company faces are not limited to natural disasters, but can be various. To fulfill our social responsibility, NHK established a risk management system, including the built of organizations / rules to respond appropriately, when in emergency, and prevent these risks before occurring, minimize the damage, and prevent recurrence, by setting rules and regulations. We work on further improvements, as each and every employee understands daily risks, and take appropriate and prompt action to resolve them quickly, even if unexpected risks occur.

● Responding to risks

To deal with the occurrence of risks, we set up a risk management manual for various risks and have established a system to report to top management speedily when a risk occurs. In the unlikely case of an emergency in Japan or overseas, we will quickly set up a task force in the area where the risk occurred, and also establish a general task force at the head office, to resolve the situation promptly.

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.

In the event of a risk, a task force is convened, and under the direction of the leader, the relevant divisions and departments work together to take prompt action regarding the basic policies of "human life first," "responsibility to supply to customers," and "fulfill social responsibility".

At the head office, each plant, and domestic affiliates, the first step is to establish a disaster prevention system, and on top of that, we formulate a BCP that can respond to various risks. We strengthen our initial response and business continuity capabilities by conducting drills simulating big earthquakes and BCP drills every year to ensure prompt recovery and continuity of operations. Since last year, for preventing the spread of COVID-19, we conducted remote-based training, instead of the way members gather in conference rooms. Based on the reflections from these drills, we strive to step up our crisis management system, to respond to crises in a more practical manner, by reviewing our prevention system and revising our BCP, and relating manuals. In recent years, our overseas group companies are also gradually implementing initial response drills and BCP drills considering the circumstances of each region.

In tandem with this effort, each plant and domestic affiliates conduct annual BCM framework self-evaluations. We are working to improve our BCM system by identifying and improving problems in disaster prevention, BCP, initial response system, and BCM promotion system.



General Headquarter initial response drills (2018)

Ensuring information security

IT utilization is mandatory for companies' global competition. 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.

Our Group has been taking security measures to prevent cyber-attacks, including protection from improper connections and installing anti-virus software.

As a countermeasure against the recent increase in highly targeted cyber attacks, we improve our security level continuously, in order to recover in a short time even in the event of a cyber-attack. Entire NHK group improve our system, methods, and response manual, such as increasing the number of security staff, introduced EDR software*, and strengthened measures from the perspective of multi-layered defense such as monitoring suspicious communications and behavior.

* A software tool that monitors the behavior of viruses after they enter the system and speed up post-infection response.



Tabletop training conducted to simulate failure scenarios for quick initial response

Voice

Promote the improvement of information security throughout our Group



Seichi Nomura
Senior Manager,
Information Systems
Department

Information security is not only crucial to securing the trust of all stakeholders including customers, but is also considered to be an important basis for safe and secure social life. Our information security management is carried out based on the NHK Spring Group Security Management Policy. We are working to ensure and further strengthen information security, such as technical measures using security tools, systematic measures --establishment of rules and regulations--, human measures such as e-learning education and drills for targeted attack e-mails, and management status audits.

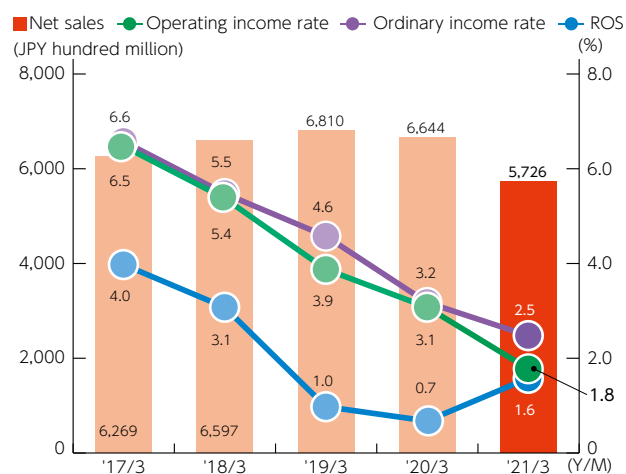
The Information Systems Department is working to improve the level of information security throughout our group, positioning information security as our most important task, and is steadily implementing measures to maintain the soundness of IT as it should be, in line with the guidelines of public and industry organizations.

Financial Highlights 2020 (Consolidated five-year summary)

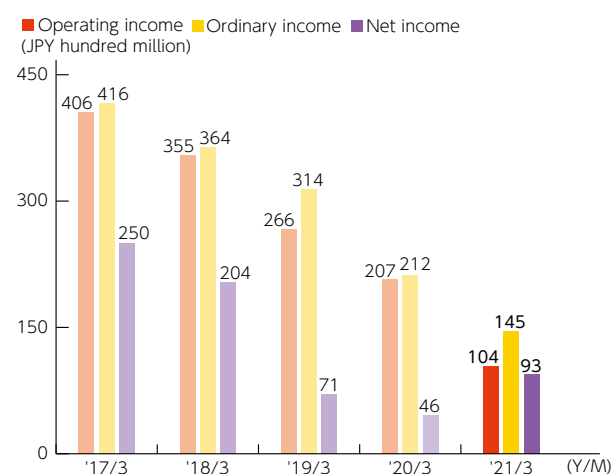
Operating Results	Accounting Period	Year ended in March 2017	Year ended in March 2018	Year ended in March 2019	Year ended in March 2020	Year ended in March 2021
Net sales	(JPY hundred million)	6,269	6,597	6,810	6,644	5,726
Operating income	(JPY hundred million)	406	355	266	207	104
Operating margin	(%)	6.5	5.4	3.9	3.1	1.8
Ordinary income	(JPY hundred million)	416	364	314	212	145
Ordinary margin	(%)	6.6	5.5	4.6	3.2	2.5
Profit attributable to owners of parent	(JPY hundred million)	250	204	71	46	93
Return on sales	(%)	4.0	3.1	1.0	0.7	1.6
Profitability						
ROE	(%)	9.3	7.2	2.5	1.7	3.4
ROA	(%)	8.0	6.6	5.5	3.8	2.7
EPS	(JPY)	103.70	86.45	29.97	19.46	40.45
PER	(Times)	11.85	13.01	33.17	36.38	20.52
PBR	(Times)	1.0	0.9	0.8	0.6	0.7
Financial Condition						
Total assets	(JPY hundred million)	5,379	5,683	5,731	5,326	5,607
Stockholders' equity	(JPY hundred million)	2,796	2,928	2,811	2,709	2,839
Stockholders' equity to total assets ratio	(%)	52.0	51.5	49.0	50.9	50.9
Capital expenditure	(JPY hundred million)	256	340	449	398	249
Depreciation & Amortization	(JPY hundred million)	231	241	250	264	274
Research & development	(JPY hundred million)	161	161	168	184	156
R&D per sales ratio	(%)	2.6	2.4	2.5	2.8	2.7
Shareholder return						
Cash dividends (annual payout per share)	(JPY)	23	23	24	17	17
Dividend payout ratio	(%)	22.2	26.6	80.1	87.4	42.0
Amount of treasury stock acquired	(JPY hundred million)	—	—	—	13	40
Cash flows						
Net cash provided by operating activities	(JPY hundred million)	556	498	367	366	296
Net cash used in investing activities	(JPY hundred million)	(277)	(329)	(422)	(458)	(241)
Free cash flow	(JPY hundred million)	279	168	(55)	(91)	55
Net cash provided by financing activities	(JPY hundred million)	(169)	(59)	73	(169)	27
Cash and cash equivalents at end of year	(JPY hundred million)	824	950	984	743	789

* 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 FY2017 and FY2018 retroactively.

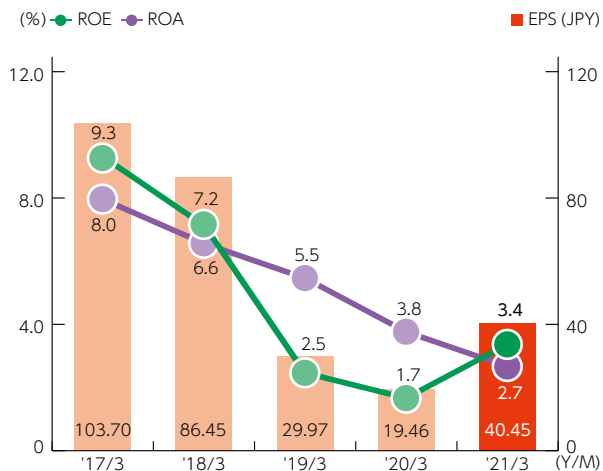
● Net sales



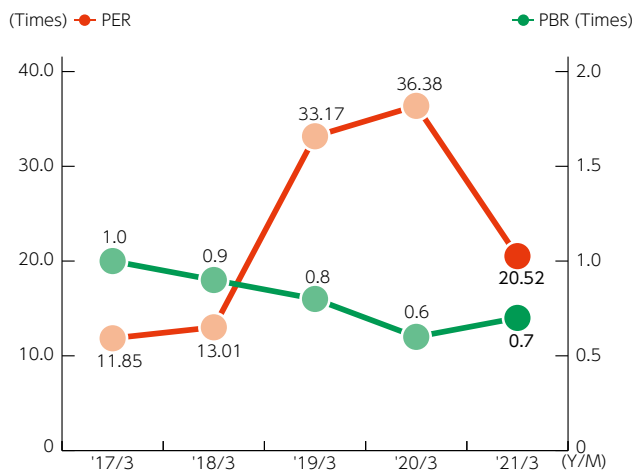
● Operating income, Ordinary income, Profit attributable to owners of parent



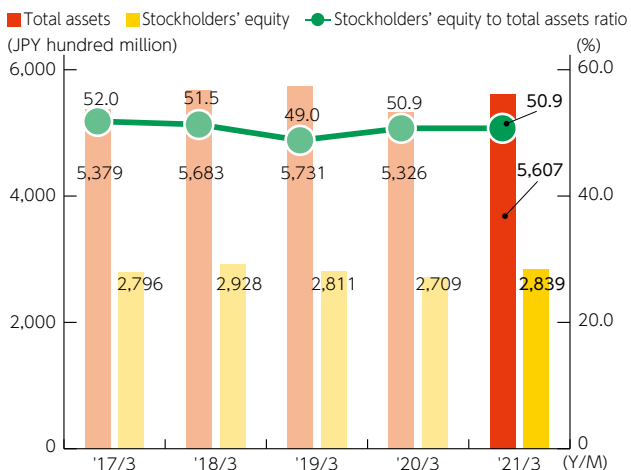
Profitability (ROE/ROA/EPS)



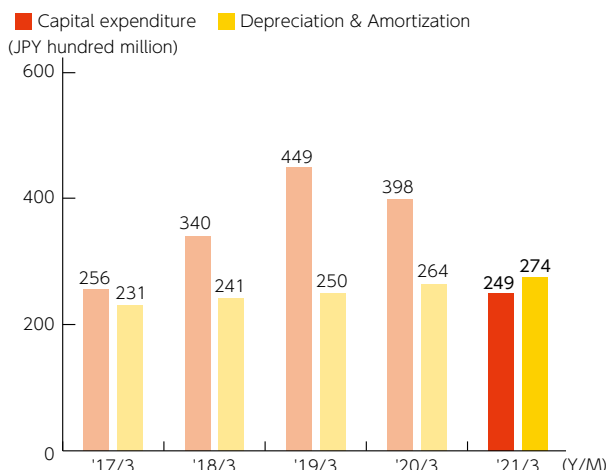
Profitability (PER/PBR)



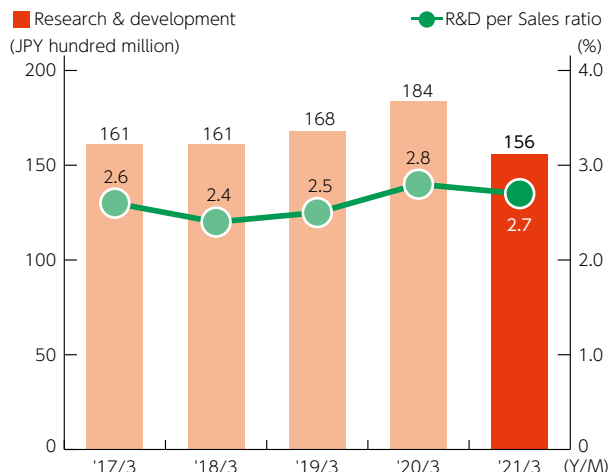
Financial Condition



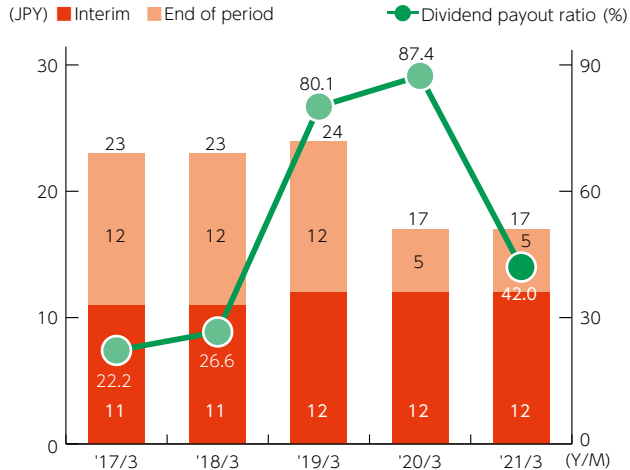
Capital expenditure/Depreciation & Amortization



Research & development



Shareholder return (cash dividends / dividend payout ratio)



Financial Highlights 2020 (Analysis of results)

FY2020 Operating results

During fiscal 2020, although the economies in Japan and the US suffered the impact of the COVID-19 pandemic, they have been recovering since the latter half of the year.

In China, economic activity shrank significantly due to the same impact, but the economy is recovering earlier than in other regions. On the other hand, the economy in Thailand continued to face difficult circumstances although it has stopped declining.

In automotive market, which is the main business field of our group, production volume in Japan was 7.74 million units, a decrease of 15.7% from the previous fiscal year. In North America (U.S.A. and Canada), 10.22 million automobiles were manufactured, down 17.9% from the previous fiscal year. In China, 25.04 million automobiles were manufactured, down 3.2% from the previous fiscal year; and in Thailand, 1.41 million automobiles were manufactured,

down 30.4% from the previous fiscal year (all calculated according to the figures of each region at end of the fiscal year).

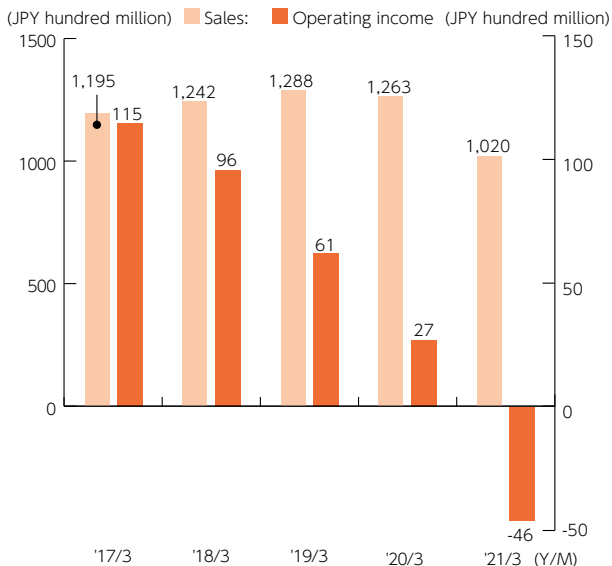
In the data communications market, our other major business field, although the global production volume of hard disk drives (HDDs) decreased from the previous fiscal year, the total demand for suspensions, our main product, increased due to the strong demand for high-capacity HDD for data centers.

As a result of this business environment, net sales were JPY 572.6 billion (down 13.8% year-on-year), operating income of JPY 10.4 billion (down 49.5% year-on-year), ordinary income of JPY 14.5 billion (down 31.7% year-on-year), and net income attributable to owners of the parent company of JPY 9.3 billion (up 103.7% year-on-year).

FY2020 Segment information

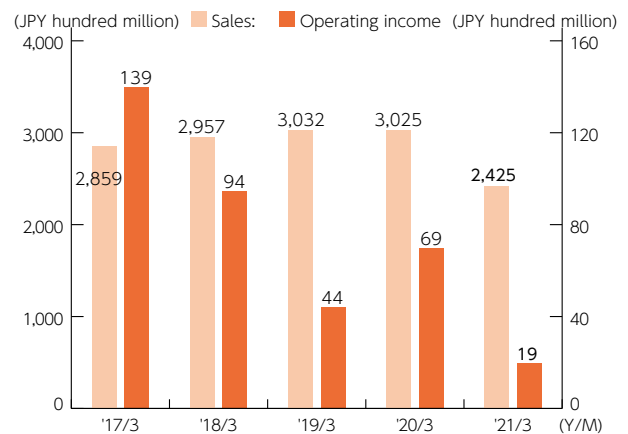
Suspension springs

In the suspension spring business, net sales were JPY 102 billion (down 19.2% year-on-year) and an operating loss of JPY 4.6 billion (compared to an operating income of JPY 2.7 billion in the previous year) due to the significant drop in orders resulting from automakers shutting down operations in response to the spread of COVID-19 infection and production adjustments due to sluggish demand.



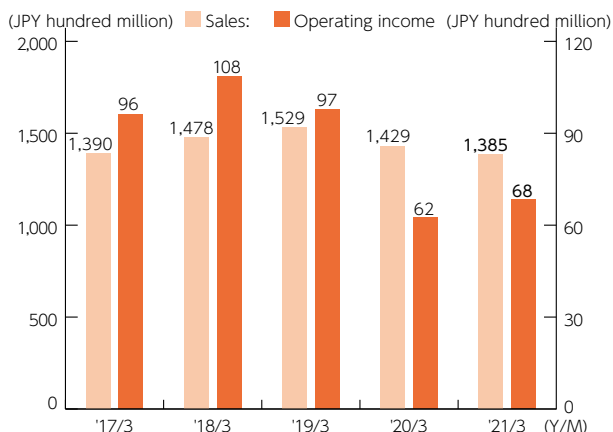
Seating

Due to the same situation as in the suspension spring business, the seating business posted net sales of JPY 242.5 billion (down 19.8% year-on-year) and operating income of JPY 1.9 billion (down 71.7% year-on-year).



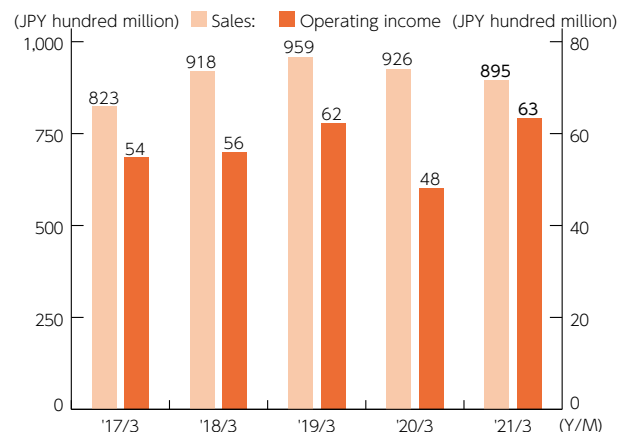
Precision springs and components

In the precision springs and components business, net sales decreased by 3.1% from the previous fiscal year to JPY 138.5 billion and operating income increased by 9.4% to JPY 6.8 billion, despite the significant impact of the COVID-19 pandemic in the automotive-related business, due to the steady performance of the information and data communications-related business and the effect of fixed cost reductions related to COVID-19 pandemic.



Industrial machinery and equipment, and other operations

In Industrial Machinery and Equipment, and Other Operations, despite the impact of COVID-19 pandemic in the automotive-related business, sales of semiconductor process components and other products were strong, and the fixed cost reduction effect of COVID-19 pandemic contributed to a 3.3% decrease in net sales to JPY 89.5 billion and a 32.1% increase in operating income to JPY 6.3 billion.



Cash flow

Cash and cash equivalents during this fiscal year were JPY 78.9 billion, up 6.3% from the previous year.

Incomings by operating activities increased by JPY 29.6 billion (JPY 36.6 billion increase in the previous year), mainly due to net income before income taxes and depreciation and amortization. Outgoings from investing activities decreased by JPY 24.1 billion (a decrease of JPY 45.8 billion in the previous fiscal year), mainly due to payments for capital expenditure.

Incomings from financing activities increased by JPY 2.7 billion (a decrease of JPY 16.9 billion in the previous fiscal year), mainly due to short-term borrowings to keep liquidity in hand in preparation for the spread of COVID-19.

The free cash flow, after subtracting cash flow from investment activities from cash flow provided by operating activities, was JPY 5.5 billion.

As a result, cash and cash equivalents at the end of the period increased by JPY 4.6 billion from the end of the previous period to JPY 78.9 billion. In addition, interest-bearing debt increased by JPY 11.6 million compared to previous year, to JPY 69.2 million.

Basic financial strategy concept

Our Group's basic financial strategy is to allocate management resources at the appropriate time in order to increase corporate value, and we believe it is important to have a strong financial structure and high capital efficiency.

By maintaining equity ratio at around 50%, the Group will maintain a credit rating of "Single A-" (rated by Rating and Investment Information, Inc. (R&I)) and strengthen its risk tolerance.

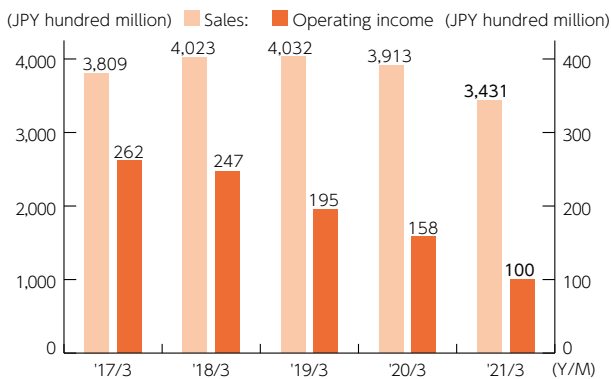
While paying attention to the ability to redeem debts through operating cash flow, we will also consider reducing the capital cost by diversifying our funding sources, such as external borrowing from financial institutions and issuance of bonds.

At the same time, we recognize that the distribution of profits to shareholders is a matter of utmost importance, and our basic policy is to maintain stable dividends by comprehensively taking into account consolidated business results, dividend payout ratio, and other factors. In December 2020, our Board of Directors resolved to repurchase 5.55 million shares at a cost of JPY 4.0 billion, with the aim of implementing a flexible capital policy in response to changes in the business environment, improving capital efficiency, and contributing to shareholder returns.

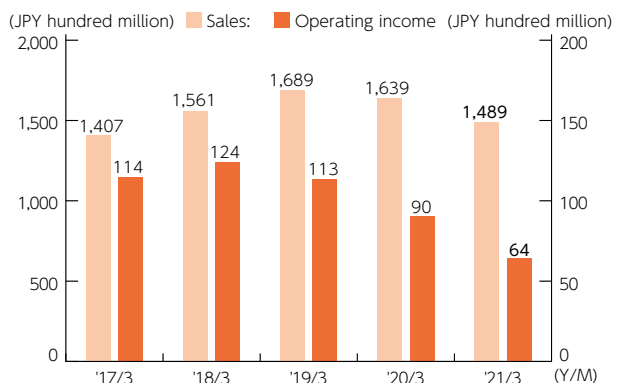
We will continue to consider flexible acquisition of our shares as one of the options for efficient management of our net assets, taking into consideration our financial situation and business environment.

(Reference) Segment by location

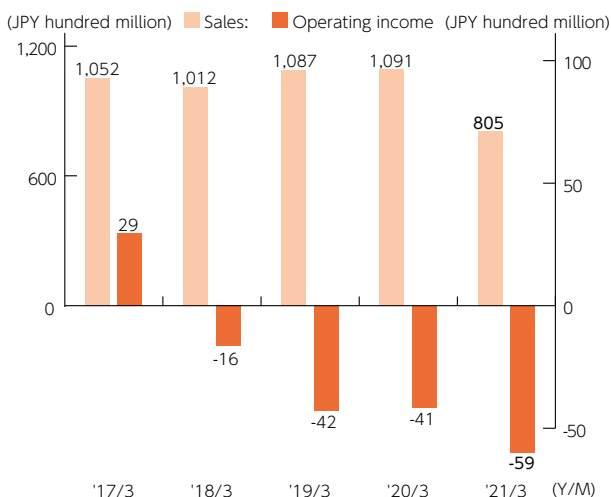
Japan



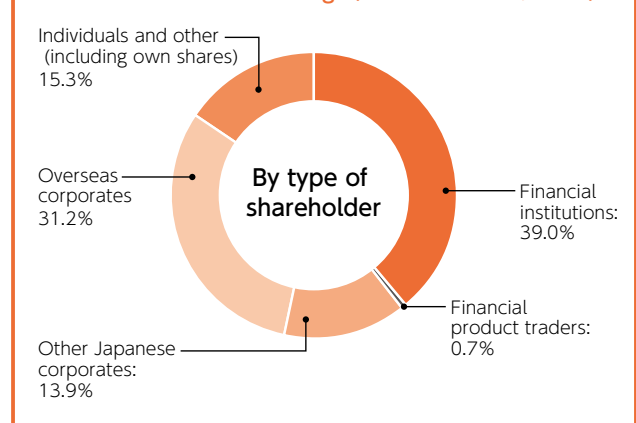
Asia



North America and Europe, etc.



Breakdown of shareholdings (As of March 31, 2021)



Corporate overview (as of March 31, 2021)

Trade name: NHK SPRING CO., LTD.
Founding: September 8, 1939
Capital: JPY 17,009,566,312
Employees: 5,190 (Non-consolidated), 21,778 (Consolidated)
* The number of employees including the average number of temporary employees
Net sales: JPY 572.6 billion (FY2020 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, 2021)

Total authorized shares 600,000,000
Total issued shares 244,066,144
Total number of shareholders 10,345

(JPY)

Share price transition	High	Low
Apr.-Jun. 2020	813	593
Jul.-Sept. 2020	737	575
Oct.-Dec. 2020	757	597
Jan.-Mar. 2021	878	683

Scope

This report covers the business activities of the NHK Spring Group. We worked to ensure the accuracy of the report by using "Our group/ NHK Spring Group" for activity reports covering the entire group, "Our company/ NHK Spring" for activity reports covering NHK Spring's non-consolidated activities, and the name of each company for activity reports covering group companies.

Reporting period

In principle, the Report covers our business activities from April 2020 to March 2021. As it is published in September, it will also include any major developments since April 2021.

Target readers of the report

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.



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