

Building a better world by building innovative products

NHK SPRING REPORT | **2018**
Society • Environment • Finance
April 2017 — March 2018

Contributing to the Development of a Sustainable Society as an Attractive Corporate Group



T. Kayamoto

Takashi Kayamoto
President and COO

K. Tamamura

Kazumi Tamamura
Chairman & Chief Executive Officer

We would like to share our deep appreciation to all stakeholders, from our shareholders and investors to our customers, suppliers and everyone in the local communities where we do business, who have given their ongoing support to our Group activities.

The Japanese economy gradually recovered in light of improved corporate profits, rising stock prices, and a better employment environment. The world economy continued to show economic growth with personal consumption and capital investment increasing in the United States. Asian regions showed ongoing economic growth due to improved exports and the effectiveness of economic policies in China. Thailand and India have also seen recovery.

The supply of automotive parts, our Group's primary field of business, as well as the supply of information technology products are both greatly affected by cyclical changes in the global economy. The effect of the United States' trade policies on Europe and China is a matter of concern. In addition to the need to be sufficiently cautious about shifts in exchange rates, price fluctuations of raw materials, and other trends, we must also put in place measures to respond to a short supply of raw materials and goods due to events such as unexpected accidents at the source of the supply and unprecedented natural disasters.

This type of environment comes with various risks and unpredictable economic shifts, but a basic policy of our Group will always be to provide attractive products and services to our customers as part of our corporate philosophy to foster healthy 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.

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

These efforts aim to build a corporate group always recognized as the best by all of our stakeholders.

Our goal is to maximize corporate value and foster a long-lasting company through our strength in providing key parts to the automotive and data communication fields. We aim to do this by driving next generation technology encompassing new core competencies such as "precision and micro-fabrication technologies" in data communications, as well as "spring behavior analysis", "expertise in metal materials" and "metal heat treatment and plastic fabrication technologies" which were developed for automotive components. The new Electrification Business Promotion Dept. established in April 2018 has been positioned to take advantage of the technology and strengths unique to NHK Spring during a transformation in the automotive industry said to come once a century. We are determined to take on the challenge of next-generation product development and create new technology and products in the hope of always being recognized as a leading engineering company.

In the future, we will continue to build a strong reputation as a global supplier with superior customer response capabilities while continuing to maintain and improve good relationships with all of our stakeholders.

In fiscal 2017, our Group started the 2020 Midterm Plan, which is a medium-term management plan with the final year of the plan set as fiscal 2020. This 2020 Midterm Plan continues active capital investment into new products and new corporate bases and aims to surpass any previous profit levels by increasing sales through greater profitability at existing sites, enhancing overseas sites and expanding existing products.

2020 Midterm Plan Targets

Net sales/profit-loss targets		Financial indicator targets	
● Net sales	¥710 billion	● Ordinary income	8% or higher
● Operating income	¥54 billion (Profitability 7.6%)	● ROE	10% or higher
● Ordinary income	¥57 billion (Profitability 8.0%)	● Payout ratio Target approx.	30%
● Net income	¥38 billion (Profitability 5.4%)		

2020 Midterm Plan Business Strategies

① Strengthen competitiveness that aims for sales expansion	② Develop new products and open avenues to new businesses	③ Promote CSR activities
<p>Toward steady achievements in sales expansion goals</p> <ul style="list-style-type: none"> Strengthen and accelerate design development capabilities Strengthen global sales capabilities Promote further unit cost reduction 	<p>Build innovative products chosen by customers</p> <ul style="list-style-type: none"> Promote development and commercialization of more competitive products Develop new products to support the next generation Deepen production technologies even further 	<p>Become a company continually trusted</p> <ul style="list-style-type: none"> Conduct highly transparent management that emphasizes compliance Promote work-style innovation Willfully educate and attain human resources and promote diversity

Incidentally, 30% of companies which have been in business for a century or more are Japanese. This is because the longevity of a company depends on society. Next year, NHK Spring will celebrate its 80th anniversary. Maintaining the trust of all of our stakeholders is essential in our goal to reach a century in business. Trust is earned by enhancing the corporate value of the Group in the medium and long term. We will promote stronger corporate governance and active information disclosure, strengthen initiatives toward solutions to global environmental issues, promote diversity of human resources, engage in active efforts to solve social issues such as co-existing with local communities, and contribute to a sustainable society.

We hope this report will act as one facet to bring understanding about our thoughts and activities toward the social responsibilities we should fulfill as a corporate group. We ask for your continued support for our activities.

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*Information about business activities, the flow of the life cycle, support of the ISO 14001, environmental accounting and management and reduction of substances of concern have been migrated to the environmental data on our homepage as of this fiscal year.

<https://www.nhkspg.co.jp/eng/csr/env/index.html>

NHK Spring contributes to building innovative products with the automotive sector at the core to provide a wide range of value to society through high-level technology that utilizes the characteristics of springs.



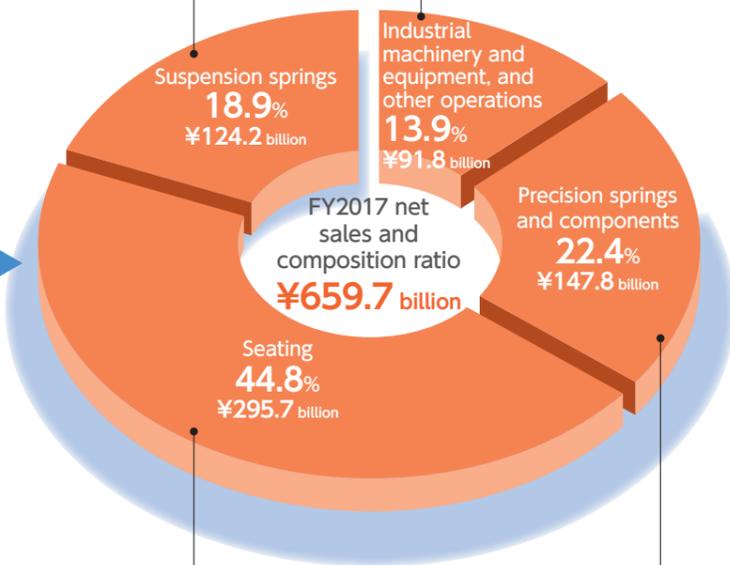
Automobiles

We supply key components for safety, environmental protection, comfort and high functionality.



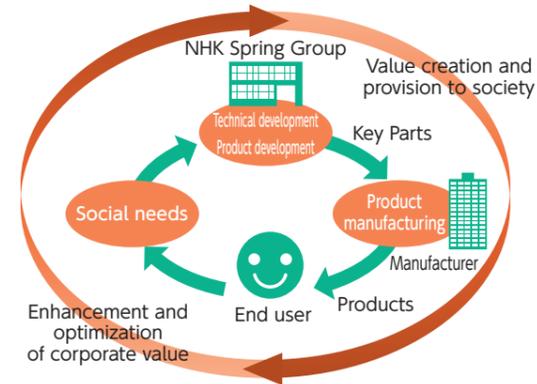
- Coil springs, stabilizer bars, leaf springs, and other suspension springs
- Seats, mechanical components for seats, and interior products
- Wire springs, thin leaf springs, precision machined components
- Polyurethane foam products
- Motor Core
- Metal base printed wiring boards

- Coil springs
- Stabilizer bars
- Leaf springs
- Torsion bars
- Stabilizer links
- Bellows
- Stabilizer and others
- Brazed products
- Ceramic products
- Spring mechanisms
- Pipe support systems
- Parking systems
- Polyurethane foam products
- Metal base printed wiring boards
- Security products
- Lighting equipment
- Golf club shafts and others



- HDD suspensions
- HDD mechanical components
- Wire springs
- Thin leaf springs
- Motor Core
- Probe units for inspection of liquid crystal panels and semiconductors
- Fastener (screw)
- Precision machined components and others
- Automotive seats
- Mechanical seating components
- Interior products and others

Value to Society Provided by NHK Spring Group P06



NHK Spring provides value to society by producing key parts that are essential to manufacturing. We are also enhancing and optimizing corporate value by responding to the needs of society.



Data communications

We deliver high precision, high performance products with cutting-edge technology.



- HDD suspension, HDD mechanical components
- Wire springs, thin leaf springs
- Probe units for inspection of liquid crystal panels and semiconductors
- Precision machined components
- Ceramic products
- Brazed products
- Metal base printed wiring boards
- Polyurethane foam products



Industry and lifestyle

We provide highly reliable products that serve society, with the emphasis on convenience and comfort.



- Parking systems
- Pipe support systems
- Gasket springs
- Polyurethane foam products
- Spring mechanism products
- Security products

Corporate overview

Corporate overview (as of March 31, 2018)

Trade name: NHK SPRING CO., LTD.
 Founding: September 1939
 Capital: ¥17,009.57 million
 Employees: 4,973 (Non-consolidated), 20,834 (Consolidated)
*The number of employees including the average number of temporary employees
 Sales: ¥659.7 billion (Fiscal 2017 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
 Sales offices: 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, 2018)

Total authorized shares 600,000,000
 Total issued shares 244,066,144
 Total number of shareholders 10,886

Movements in share price	High	Low
Apr.-Jun. 2017	1,295	1,151
Jul.-Sep. 2017	1,243	1,066
Oct.-Dec. 2017	1,353	1,199
Jan.-Mar. 2018	1,276	1,002

(Yen)

Members of the board of directors and auditors (As of June 27, 2018)

Board of Directors/Auditors

Chairman & Chief Executive Officer	Kazumi Tamamura	Board of Director (External)	Katsuko Tanaka
President & Chief Operating Officer	Takashi Kayamoto	Audit & Supervisory Board Member	Kenji Shimizu
Executive Vice President	Hiroyuki Kado	Audit & Supervisory Board Member	Tsunehiko Hirama
Executive Corporate Officer	Toru Sugiyama	Audit & Supervisory Board Member (External)	Susumu Komori
Senior Corporate Officer	Kazuhisa Uemura	Audit & Supervisory Board Member (External)	Kazuto Tachibana
Board of Director (External)	Keiichiro Sue		

Corporate Officers (excluding those with additional post as Board of Director)

Executive Corporate Officer	Taro Umemura	Corporate Officer	Tatsuro Ono
Executive Corporate Officer	Ryuichi Shibata	Corporate Officer	Takahiro Okawara
Executive Corporate Officer	Toshio Kazama	Corporate Officer	Toshiyuki Aoyagi
Executive Corporate Officer	Kiyohiko Kammei	Corporate Officer	Yukihiko Seki
Senior Corporate Officer	Hidekazu Hoshino	Corporate Officer	Junichi Suzuki
Senior Corporate Officer	Hideto Enomoto	Corporate Officer	Toshihiro Tachikawa
Senior Corporate Officer	Ko Masuda	Corporate Officer	Yuji Shibuya
Senior Corporate Officer	Kazuhiko Otake	Corporate Officer	Yoshiyuki Shindo
Senior Corporate Officer	Hironobu Sugiura	Corporate Officer	Masayuki Horie
Senior Corporate Officer	Hidefumi Yoshimura	Corporate Officer	Jun Umeno
Senior Corporate Officer	Jiro Oyama	Corporate Officer	Morihiro Ichisugi
Senior Corporate Officer	Tetsuya Fujiwara	Corporate Officer	Osamu Ikejiri
Senior Corporate Officer	Toshinori Saeki	Corporate Officer	Hajime Okajima
Corporate Officer	Noritoshi Takamura	Corporate Officer	Shunsuke Sasaki

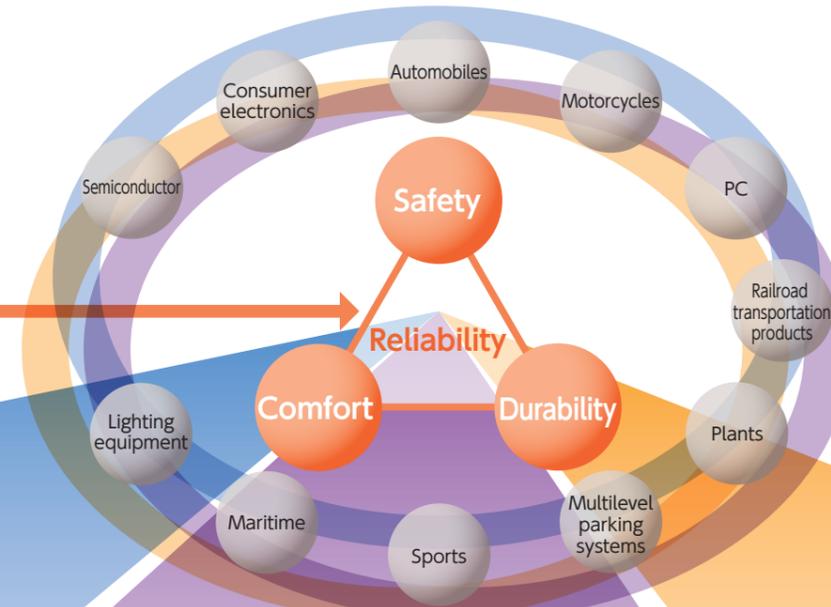
Value to Society Provided by NHK Spring Group

NHK Spring produces key components for many applications with products that utilize the characteristics of springs at the core, including automobiles, data communications, industry, and lifestyle.

We will introduce some of our products as a representation of how we contribute to society through building innovative products and providing value to the world.

Metal heat treatment and plastic fabrication technologies

Core spring technology and analysis



Automobiles

Automotive suspension springs

Coil springs absorb shock and vibration from the road surface. Stabilizer bars help prevent automobiles from tilting during cornering and lane changes. Leaf springs help ensure both a comfortable ride and stability while driving. Designing our products to be smaller and more lightweight also helps improve fuel efficiency of automobiles.



Valve springs

We are constantly improving durability and heat resistance through the development of materials and processing methods. These products are highly reliable in their support of high-revving engines.



Arc springs

These arc-shaped springs are designed with a long stroke for suitable applications. These springs are used to achieve low stiffness and expanded torsion angles for clutch dampers used in automatic and manual transmissions in automobiles, which helps reduce vibration and improve fuel efficiency.



Disc springs

These springs are small, yet capable of handling significant loads, and so are often used in CVT and automatic transmissions in automobiles.



Automotive seats

We produce automotive seats with excellent levels of comfort and safety, completely in-house from design and development through assembly. Our seats must pass through our strict testing criteria to ensure that we provide only the best seats to users in terms of design, durability, comfort, and other expected qualities.



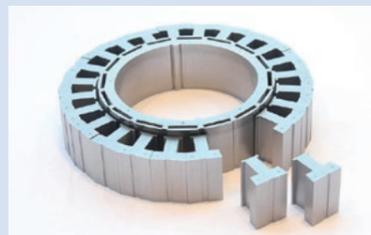
TOPICS

Emphasizing Product Development for Electric Vehicles

NHK Spring set up the Electrification Business Promotion Dept. was set up as an organization under the direct control of the President & Chief Executive Officer in April 2018. As the automotive industry advances electric vehicles, NHK Spring leverages its core technologies and strengths to focus on the development of new products for electric vehicles. We will further emphasize research and development of products in the future by expanding manufacturing of motor cores and metal base wiring boards for all electric vehicles in the initial stage of these activities.

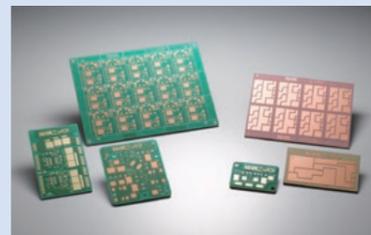
Motor Core

These motor cores are used in EV/HEV drive motors. The motor is made up of the magnetic cores of the rotor and stator. This product requires high-precision press fabrication technology.



Metal base printed wiring boards

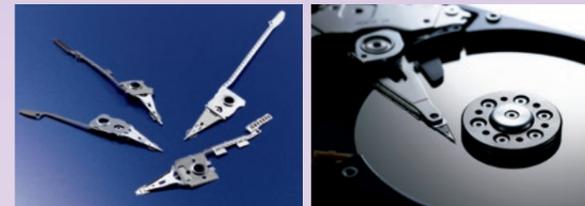
Each core provides superior heat dissipation by combining metal such as aluminum and high-heat conductive insulation. These boards protect electronic devices from heat, which improves reliability and facilitates compact designs.



Data communications

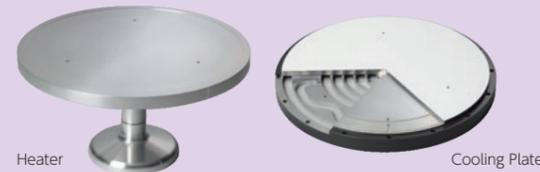
HDD suspensions and mechanical components

Suspensions support the magnetic heads in HDD devices used in personal computers and other consumer electronic devices. Our HDD components are trusted around the world to make HDDs smaller, faster, and with higher capacities.



Semiconductor equipment parts

We produce high-performance products such as heater and cooler units used in semiconductor manufacturing equipment and even electrostatic chucks integrated with both heaters and coolers.



Super Seal / Super Sheet

These materials are made of special urethane foam and used in applications to create waterproof and airtight seals as well as provide sound absorption and cushioning. These products maintain stability and have excellent resiliency even under low compression, which is why they are used in many industries such as automotive, electronics, architecture and civil engineering.



Industry and lifestyle

Mechanical multilevel parking systems

The palette lift rises vertically and also moves left and right, which is made possible by spring and metal processing technologies. Effectively utilizing land in this way helps resolve the social problem of ensuring sufficient parking space.



Pipe support systems

These systems are used to reduce noise and vibration produced by plant and hydraulic equipment, which helps improve safety of facilities.



Tension balancers

Tension balancers absorb flexion that occurs in cables that provide electricity to the railroad pantograph, which helps ensure a constant tension and safe operation of traincars.



Golf club shafts (Nippon Shaft)

We offer the N.S. PRO line of lightweight steel shafts. This brand is famous all over the globe for the control and distance these shafts offer golfers.



"Trustgram" and "Hypergram" anti-counterfeit labels

These label stickers help protect the counterfeiting of name-brand goods such as consumer electronics devices, personal computer components, automobile parts, sporting goods, and others.



Maritime related products (NHK MEC)

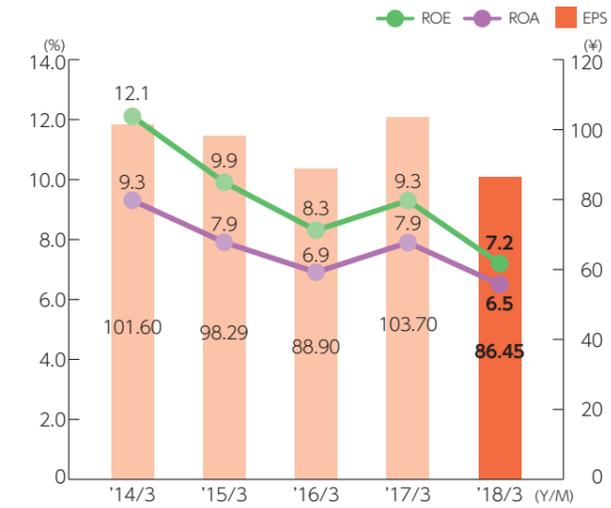
We offer products renowned for their high reliability to various fields in maritime.



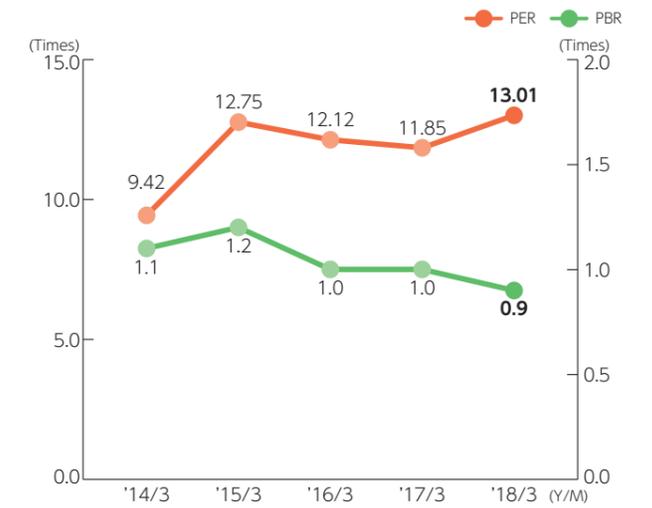
Financial highlights 2017 (Consolidated five-year summary)

Accounting Period	Year ended in March 2014	Year ended in March 2015	Year ended in March 2016	Year ended in March 2017	Year ended in March 2018
Operating Results					
Net sales (Millions of Yen)	569,711	601,434	640,516	626,950	659,730
Operating income (Millions of Yen)	37,480	32,702	35,041	40,613	35,541
Operating margin (%)	6.6	5.4	5.5	6.5	5.4
Ordinary income (Millions of Yen)	41,436	39,075	36,111	41,640	36,421
Ordinary margin (%)	7.3	6.5	5.6	6.6	5.5
Profit attributable to owners of parent company shares (Millions of Yen)	24,677	23,873	21,592	25,098	20,495
ROS (%)	4.3	4.0	3.4	4.0	3.1
Profitability					
ROE (%)	12.1	9.9	8.3	9.3	7.2
ROA (%)	9.3	7.9	6.9	7.9	6.5
EPS (Yen)	101.60	98.29	88.90	103.70	86.45
PER (Times)	9.42	12.75	12.12	11.85	13.01
PBR (Times)	1.1	1.2	1.0	1.0	0.9
Financial Condition					
Total assets (Millions of Yen)	464,972	529,899	509,810	541,741	572,579
Owned capital (Millions of Yen)	218,269	262,654	257,243	279,699	292,836
Equity ratio (%)	46.9	49.6	50.5	51.6	51.1
Capital expenditure (Millions of Yen)	20,713	20,671	27,392	25,637	34,010
Depreciation (Millions of Yen)	21,042	21,448	23,582	23,137	24,141
Research and development expenses (Millions of Yen)	13,803	15,702	16,328	16,130	16,119
Sales ratio (%)	2.4	2.6	2.5	2.6	2.4
Shareholder return					
Cash dividends (Yen)	20	20	22	23	23
Dividend payout ratio (%)	19.7	20.3	24.7	22.2	26.6
Cash flows					
Net cash provided by operating activities (Millions of Yen)	43,798	44,858	42,674	55,664	49,811
Cash flows from investing activities (Millions of Yen)	(27,914)	(24,433)	(35,127)	(27,753)	(32,955)
Net cash used in financing activities (Millions of Yen)	(16,200)	(5,264)	(13,672)	(16,916)	(5,960)
Cash and cash equivalents at end of year (Millions of Yen)	61,993	83,439	72,238	82,493	95,007

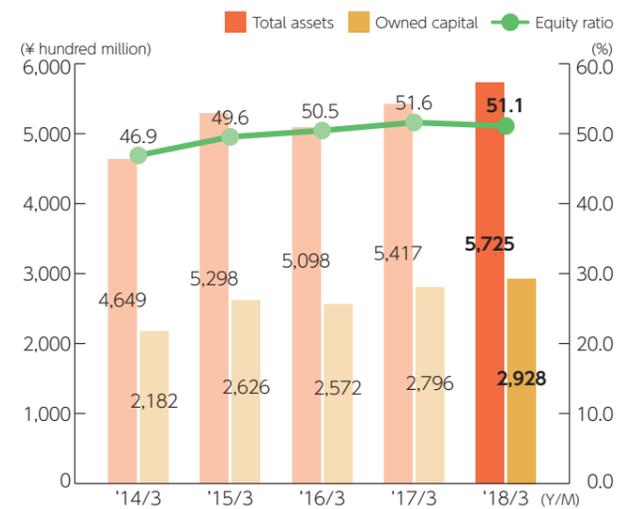
Profitability (ROE/ROA/EPS)



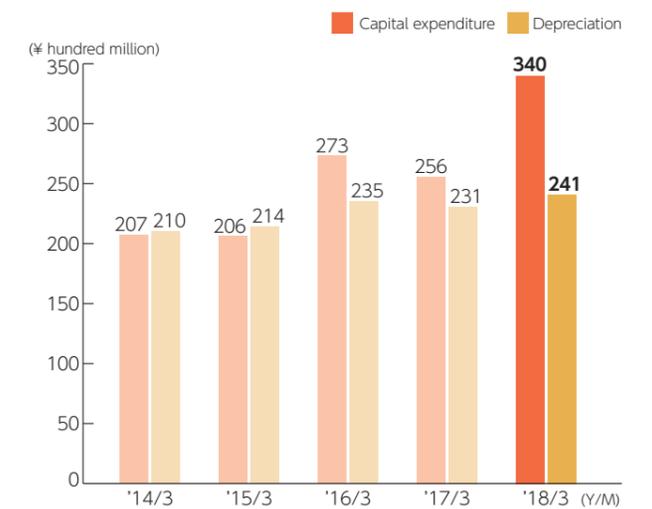
Profitability (PER/PBR)



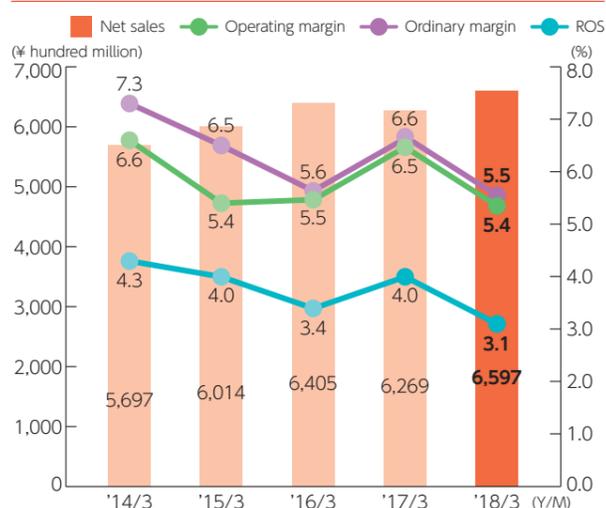
Financial Condition



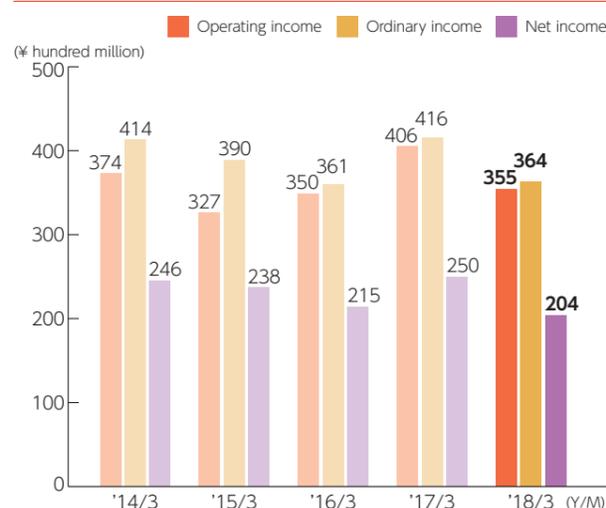
Capital expenditure/Depreciation



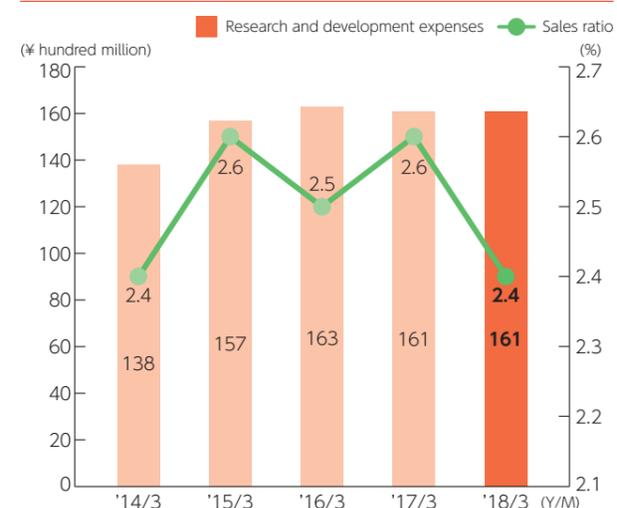
Net sales



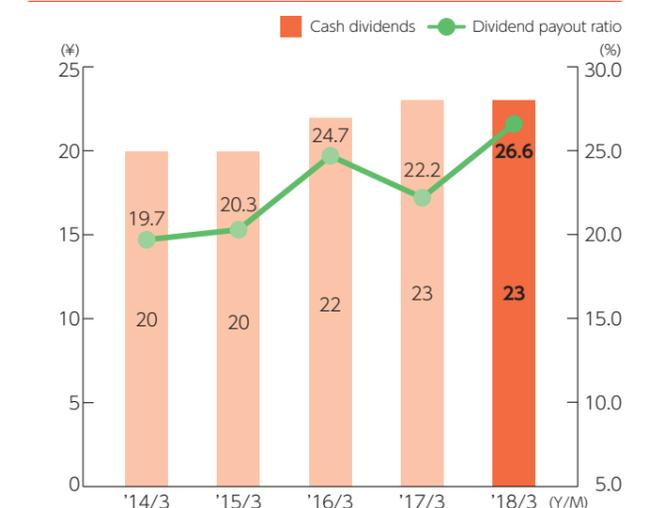
Operating income, Ordinary income, Profit attributable to owners of parent company shares



Research and development expenses



Shareholder return



Operating results for fiscal 2017

In fiscal 2017, the Japanese economy gradually recovered thanks to improved corporate profit, a rising stock price, and better employment environment.

The world economy continued to show economic expansion with the United States increasing personal consumption and capital investments. Asian regions showed ongoing economic growth thanks to the restored exports and effectiveness of economic policies in China. Thailand and India have also seen recovery.

In the automotive market, which is one primary business field of our Group, vehicles sold in Japan requiring registration had disqualification inspection issues discovered last fall and dropped compared to the previous year, while compact vehicle sales increased 2.3% year-on-year to 5,197 thousand vehicles from increases due to circumstances such as the impact of injecting new vehicles to the market. Finished car exports also increased 3.2% to 4,786 thousand units compared to the previous year.

The number of automotive vehicles produced in Japan increased 3.4% to 9,676 thousand units compared to the previous year as well.

In the IT equipment industry, another primary business area for our group, orders increased from the previous year due to the strength of increased HDD (hard disk drive) production spurred by robust production for data centers while production decreased for computers.

In this type of business environment, net sales increased 5.2% to ¥659,730 million, operating income declined by 12.5% to ¥35,541 million, ordinary income declined by 12.5% to ¥36,421 million, and net income attributed to the owners of the parent company declined by 18.3% to ¥20,495 million.

FY2017 Financial Conditions

Total assets at the end of fiscal 2017 increased by ¥30,838 million compared to the previous year to ¥572,579 million due to increase in cash, bank deposits, and tangible fixed assets.

Liabilities increased by ¥15,966 million compared to the previous year to ¥264,930 million due to increases in notes payable, accounts payable, and long-term borrowings.

Net assets increased by ¥14,871 million compared to the previous fiscal year to ¥307,648 million due to an increase in earned surplus thanks to net income attributed to owners of the parent company.

Cash flow

Net cash from operating activities decreased by ¥5,852 million from the year earlier to ¥49,811 million. This was primarily due to a decline in net income for the current fiscal year before adjustments such as taxes as well as an increase in payments

such as corporate taxes.

Net cash from expenditures of investment activities increased by ¥5,202 million from the year earlier to ¥32,955 million. This is primarily due to an increase in expenditures from the acquisition of tangible fixed assets.

The cash flow generated by our financial activities had an excess over expenditure of ¥5,960 million, which was a ¥10,955 million decline in expenditures compared to the previous fiscal year. This is primarily due to the reimbursement of straight bonds and lack of expenditures from the acquisition of treasury stock.

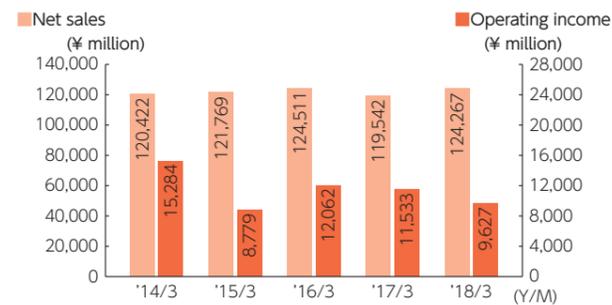
The free cash flow was ¥16,856 million less after subtracting cash flow in investment activities from cash flow in operating activities.

As a result of the foregoing, cash and cash equivalents at end of the period increased by ¥12,513 million at the end of the previous period to ¥95,007 million. Corporate bonds, commercial paper, and long- and short-term borrowings totaled ¥53,283 million, a decrease of ¥107 million at the end of the previous period.

Segment information

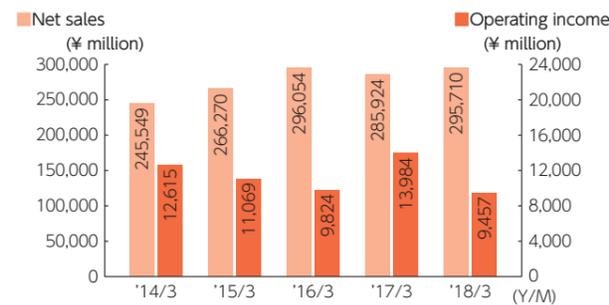
[Suspension springs]

Suspension springs saw net sales of ¥124,267 million (4.0% year-on-year increase). The operating income was ¥9,627 million (16.5% year-on-year decline).



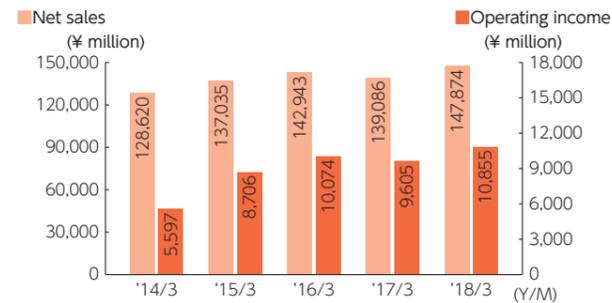
[Seating]

Seating saw net sales of ¥295,710 million (3.4% year-on-year increase) due to an increase in vehicle production volume. The operating income was ¥9,457 million (32.4% year-on-year decline) due to changes in the types of vehicle models for orders.



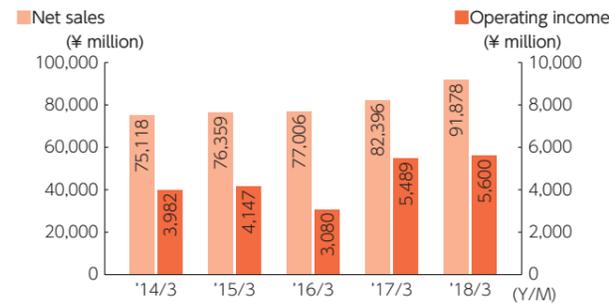
[Precision springs and components]

Precision springs and components saw net sales of ¥147,874 million (6.3% year-on-year increase) and an operating income of ¥10,855 (13.0% year-on-year increase) due to a higher number of product orders and streamlining.



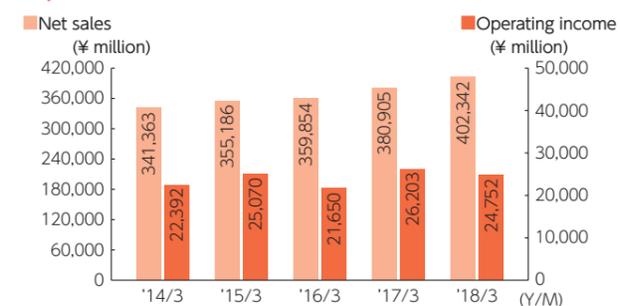
[Industrial machinery and equipment, and other operations]

Industrial machinery and equipment, and other operations saw net sales of ¥91,878 million yen (11.5% year-on-year increase) and an operating income of ¥5,600 million (2.0% year-on-year increase).

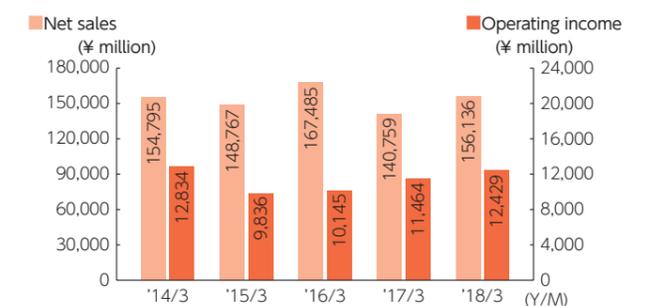


(Reference) Segment by location

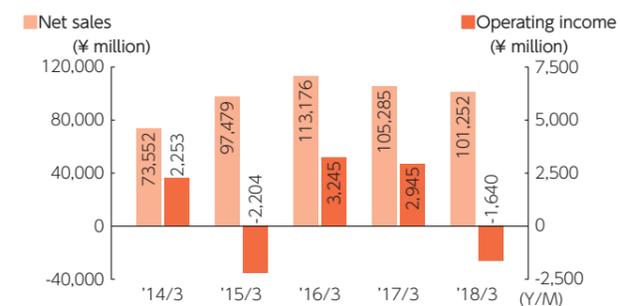
[Japan]



[Asia]



[North America, etc.]



Further Active Expansion in Japan

We are actively advancing business expansion, such as establishing new production sites, together with our Group companies.

Establishing Oshu Plant, Tohoku Nippatsu

Tohoku Nippatsu has set up Oshu Plant in Oshu City, Iwate, which began operations in December 2017. Our company needed to establish and transition production to its own plant after the company handling the pressed parts for automotive seat frames manufactured by NHK Spring shut down. On December 18th, Corporate Officer Yuji Shibuya, Tohoku Nippatsu President Tomoyuki Chino, Oshu Mayor Masaki Ozawa, and Director General Tomuro of the Iwate Department of Commerce, Industry, Labor, and Tourism attended the signing ceremony held for the location of the plant.



Signing ceremony held at the Oshu City Hall

Newly Established NHK Seating Mizushima Began Operation

NHK Seating Mizushima, established in July 2017, leased a plant and equipment from local companies and started production of automotive seats ordered by Mitsubishi Motors in January 2018. NHK Seating Mizushima is currently moving forward with the setup of a new production line inside Mitsubishi Motors Corporation's Mizushima Plant.



NHK Seating Mizushima beginning production

Safety Ceremony for the Miyada Plant, Industrial Machinery and Equipment Division

On January 22, 2018, a safety ceremony was held at the intended site of the new plant in Miyada, Nagano. The Miyada Plant will be established on the site of the Chemical Products Department and will be the second plant to produce components for equipment to manufacture semiconductors for the Chemical Products Department, which are currently being made by the Isehara Plant. We plan to begin production after the plant is partially complete in order to handle the rapid need for increased production. Production and construction will proceed simultaneously.



Safety ceremony held at the Shinto services

Safety Ceremony for No. 12 Plant in Ina

In March 2018, a safety ceremony was held on the grounds of the new No. 12 Plant in Ina City, Nagano. The mayor of Ina City, Takashi Shirotori, attended the ceremony together with representatives of NHK Spring. The No. 12 Plant will be built on the NHK FLEX site to respond to the increased production of automotive precision springs at our Ina Plant. The new plant is scheduled to be completed in November and start operations in January 2019 in a two-story building boasting a total floor area of 6,988 square meters.



President and Chief Operating Officer Takashi Kayamoto breaking ground

NHK MEC Corporation Plant Extension

On May 29, 2017, NHK MEC Corporation (hereinafter "MEC") held a ceremony to lay the cornerstone for the new extension of the Komagane Plant in Komagane City, Nagano. The production space and other areas of the MEC Komagane Plant had become narrow and, in anticipation of further business expansion in the medium and long term, an extension was built on the neighboring lot. We completed this new wing in 2018 and held a completion ceremony on May 17.



Finished new wing at MEC

TOPICS Active Participation of Top Athletes at NHK Spring

Top athletes employed by NHK Spring participate in various tournaments and competitions.

In track and field, our top athletes competed and performed magnificently in competitions worldwide. Kaede Miyasaka (triple jump) won the All Japan Championships for the second consecutive year. Kanae Tatsuta (pole vault) took second at the Japan National Industrial Teams Championships. Yurina Hiraka (long jump) placed fifth at the East Japan Industrial Track and Field Championships. In women's soccer, Mizuki Hirakuni joined the company in April 2018 as a new member of the NHK Spring Yokohama FC Seagulls in the Second Division Women's Football League. Mizuki Oshima as well as her teammates worked hard with the hope of being promoted to the First Division of the Women's Football League. In the future, we hope the participation of these top athletes will heighten the familiarity and brand image of NHK Spring while helping cultivate a sense of solidarity throughout the Group.



Triple jumper Kaede Miyasaka (General Affairs Dept.)



Pole vaulter Kanae Tatsuta (Human Resources Dept.)



Long jumper Yurina Hiraka (Human Resources Dept.)



NHK Spring Yokohama FC Seagulls Mizuki Oshima (General Affairs Dept.)



NHK Spring Yokohama FC Seagulls Mizuki Hirakuni (General Affairs Dept.)

*Athletes affiliated with NHK Spring are introduced on the NHK Spring Athlete website. <https://nhkspg-athlete.com/>

TOPICS Social Contribution Activities of the NHK Spring Group

Throughout the Group we actively promote activities that contribute to society.

Donation of Two Wheelchairs to the Yokohama City Hospital [NHK Spring Mutsumi-kai]

The NHK Spring Mutsumi-kai organized by our Group companies in Japan (hereinafter "Mutsumi-kai") donated wheel chairs to the Yokohama City University Hospital located next to the Yokohama Office as part of its social contribution activities. This year is the 20th annual donation to the Yokohama City Hospital from the money raised by selling used books provided by employees of the NHK Spring Group. Ryuji Yashiro, Mutsumi-kai Chairman (President of NHK Sales), presented two wheel chairs to Michiko Aihara, Director of the Yokohama City University Hospital, on June 21, 2018. Director Michiko Aihara shared her thanks and presented us with a letter of appreciation.

*The positions of the members included herein is current as of the date of the donation.



From left in front of the donated wheelchairs: Chairman & Chief Executive Officer Kazumi Tamamura, Mutsumi-kai Chairman Ryuji Yashiro, Hospital Director Michiko Aihara, and Chairperson Yoshiyuki Futami

Nippatsu Harmony Opens Shiga Office

Nippatsu Harmony, a special subsidiary for persons with disabilities, opened the Shiga Sales Office in April 2017 and began operations by recruiting three new employees. This is our first sales office in western Japan.



Welcoming ceremony at the Shiga Sales Office for three new employees



Families of employees invited to the event to enjoy a party (NHK Spring Precision (Guangzhou))



Members of our Chinese Group companies gather at Auto Shanghai



Overseas Group Companies (35)

North and Central South America

- NHK International Corporation** Other
Main Activities: R&D of suspension springs and engineering services, sales and support of HDD components
- New Mather Metals, Inc.** Automotive suspension springs
Main Activities: Manufacture and sales of stabilizer bars
- NHK of America Suspension Components Inc.** Automotive suspension springs Precision springs and components
Main Activities: Manufacture and sales of coil springs, trunk lid torsion bars, disc springs for transmissions
- NHK Seating of America Inc.** Automotive seats
Main Activities: Manufacture and sales of automotive seats, frames for seating and interior mechanical components
- NHK Spring Precision of America Inc.** Precision springs and components
Main Activities: Manufacture and sales of automotive engine valve springs and AT springs
- Topura America Fastener, Inc.** Precision springs and components
Main Activities: Manufacture and sales of various screws
- NHK Spring Mexico, S.A.DE C.V.** Automotive suspension springs Precision springs and components
Main Activities: Manufacture and sales of automotive suspension springs and drive motor cores
- Rassini-NHK Autopeças Ltda.** Automotive suspension springs
Main Activities: Manufacture and sales of leaf springs and coil springs

Asia

- NHK Spring (Thailand) Co., Ltd.** Automotive suspension springs Automotive seats Precision springs and components HDD-related parts
Main Activities: Manufacture and sales of automotive suspension springs, seats, interior components, precision springs, and HDD components
- NHK Precision (Thailand) Co., Ltd.** Precision springs and components
Main Activities: Manufacture and sales of brake discs, etc.
- Autrans (Thailand) Co., Ltd.** Other
Main Activities: Automotive and motorcycle component logistics
- NHK Manufacturing (Malaysia) SDN. BHD.** Industry and life related
Main Activities: Manufacture and sales of printed wiring boards
- NHK Spring Philippines, Inc.** Precision springs and components HDD-related parts
Main Activities: Manufacturing of HDD parts, appearance inspection, and blanking of chemical products
- NHK Spring (China) Co., Ltd.** Other
Main Activities: Investment support in China and support for integration, management, business expansion, etc. for group businesses in China.
- NHK-Uni Spring (Guangzhou) Co., Ltd.** Automotive suspension springs
Main Activities: Manufacture and sales of coil springs and stabilizer bars

- FNK China Co., Ltd.** Automotive seats
Main Activities: Development and sales of automotive seats and components
- NHK Seating (Hubei) Co., Ltd.** Automotive seats
Main Activities: Manufacture and sales of automotive seats
- NHK Seating (Chongqing) Co., Ltd.** Automotive seats
Main Activities: Design, manufacture and sales of automotive and related components and after service
- Chongqing Qingling NHK Seat Co., Ltd.** Automotive seats
Main Activities: Manufacture and sales of automotive seats, interior components, and automotive parts
- NHK Seating (Zhengzhou) Co., Ltd.** Automotive seats
Main Activities: Manufacture and sales of automotive seats
- Faurecia NHK (Xiangyang) Automotive Seating Co., Ltd.** Automotive seats
Main Activities: Manufacture and sales of automotive seats
- NHK Spring Precision (Guangzhou) Co., Ltd.** Precision springs and components HDD-related parts
Main Activities: Manufacture and sales of valve springs, compression springs, disc springs, and HDD-related parts
- NAT Peripheral (Hong Kong) Co., Ltd.** HDD-related parts
Main Activities: Manufacture and sales of HDD suspensions
- NAT Peripheral (Dong Guan) Co., Ltd.** HDD-related parts
Main Activities: Manufacture and sales of HDD suspensions
- NHK Spring (Taiwan) Co., Ltd.** Precision springs and components
Main Activities: Sales of microcontactor products
- Uni Auto Parts Manufacture Co., Ltd.** Automotive suspension springs Automotive seats
Main Activities: Manufacture and sales of leaf springs, coil springs, automotive seats, and interior components
- NHK Spring India Ltd.** Automotive suspension springs
Main Activities: Manufacture and sales of coil springs and stabilizer bars
- NHK Automotive Components India Private Limited** Precision springs and components
Main Activities: Manufacture and sales of precision springs and components
- NHK F. Krishina India Automotive Seating Private Limited** Automotive seats
Main Activities: Manufacture and sales of automotive seats
- P.T. NHK F. KBU Indonesia Automotive Seating** Automotive seats
Main Activities: Manufacture and sales of automotive seats
- P.T. NHK KBU Seating** Automotive seats
Main Activities: Manufacture and sales of automotive seats
- P.T. NHK Spring Indonesia** Precision springs and components
Main Activities: Manufacture and sales of chain tensioners

Europe

- NHK Spring Europe B.V.** Other
Main Activities: Business management, sales, and technical service in Europe
- NHK Spring Hungary KFT.** Automotive suspension springs
Main Activities: Manufacture and sales of coil springs and stabilizer bars

Domestic Group Companies (24)

- Ibérica de Suspensiones, S.L.** Automotive suspension springs
Main Activities: Manufacture and sales of coil springs and stabilizer bars
- NHK Sales Co., Ltd.** Other
Main Activities: Sales and import/export of automotive components, automotive springs, industrial machinery and components, precision springs and hybrid function components, fasteners, materials, data devices, machined components, and industrial equipment and components
- NHK Transport Co., Ltd.** Other
Main Activities: Motor truck transport, cargo transport and handling, warehousing, packaging, machinery installation, overseas import/export handling
- Nippatsu Service Co., Ltd.** Other
Main Activities: Sales of petroleum, petroleum products, chemical products, automotive components and automotive products; sales of chemical products and pressurized gas; total building management, security service, construction of ancillary facilities; accident and life insurance; real estate, construction business, cleaning service
- G.L.G. Co., Ltd.** Other
Main Activities: Operation of golf driving ranges
- NHK Spring Production Company** Automotive suspension springs Industry and life related
Main Activities: Manufacture and sales of automobiles and automotive related items
- Sumihatsu Co., Ltd.** Automotive suspension springs Industry and life related
Main Activities: Manufacture and sales of leaf springs, clip bands, coil springs, balancers, automotive torsion bars, turnouts and crossings, rail clips, and synthetic rail ties
- Horikiri, Inc.** Automotive suspension springs
Main Activities: Manufacture and sales of springs of all types
- NHK Spring Kyushu Co., Ltd.** Automotive suspension springs
Main Activities: Manufacture and sales of automotive suspension and stabilizer bars
- Tohoku Nippatsu Co., Ltd.** Automotive suspension springs Automotive seats Precision springs and components
Main Activities: Manufacture and sales of coil springs, precision springs, wire springs, and automotive seat components
- Ites Co., Ltd.** Automotive seats
Main Activities: Manufacture and sales of automotive seats and interior components
- Faurecia-NHK Co., Ltd.** Automotive seats
Main Activities: Development and sales of automotive seats
- Faurecia-NHK Kyushu Co., Ltd.** Automotive seats
Main Activities: Manufacture and sales of automotive seats
- NHK Seating Mizushima Co., Ltd.** Automotive seats
Main Activities: Manufacture of automotive seats and interior components
- Sindai Co., Ltd.** Automotive seats Industry and life related
Main Activities: Design, manufacture and sales of automotive components, metal components for furniture, manufacturing machines for automotive components and jigs

- NHK FLEX Co., Ltd.** Precision springs and components
Main Activities: Design, manufacture and sales of automotive components and industrial machinery
- Ayase Seimitsu Co., Ltd.** Precision springs and components
Main Activities: Manufacture and sales of precision springs
- Tokuhatsu Co., Ltd.** Precision springs and components
Main Activities: Manufacture and sales of spring washers, snap rings, clutch plates, thing leaf springs, etc.
- NHK Precision Co., Ltd.** Precision springs and components
Main Activities: Manufacture and sales of screw tools, automotive components, data processing equipment components, and precision industrial components
- NHK Parking Systems Co., Ltd.** Industry and life related
Main Activities: Planning, design, manufacture, sales, installation, leasing, maintenance, and renovation of automatic multi-level parking garage systems; manufacture, sales and design of parking garage ancillary equipment
- NHK MEC Corporation** Industry and life related
Main Activities: Manufacture and sales of marine and industrial mechanical remote control boxes, control cables, electronic remote control systems, steering systems and foot pedals
- Nippon Shaft Co., Ltd.** Industry and life related
Main Activities: Manufacture and sales of golf shafts, metal baseball bats, etc.
- Topura Co., Ltd.** Precision springs and components
Main Activities: Manufacture and sales of automotive screws, bolts, and general springs
- Yokohama Kiko Co., Ltd.** Industry and life related
Main Activities: Development, manufacture and sales of a variety of lighting systems
- Nippatsu Harmony Co., Ltd.** Other
Main Activities: Cleaning and greening of building interiors and exteriors, sorting and collection of general waste, auxiliary manufacturing

Legend	
Automotive suspension springs	Leaf springs, coil springs, stabilizer, torsion bars, bellows, and accumulators
Automotive seats	Automotive seats and interior components
Precision springs and components	Valve springs, microcontactor units, lock hinges, screws, and bolts
HDD-related parts	Suspension and HDD mechanical components
Industry and life related	Brazing products, ceramic products, pipe support products, polyurethane products, metal base printed wiring boards, parking systems, security-related products, sporting goods, lighting systems, marine products, railway-related products, and construction-related products
Other	R&D, regional headquarters and business and management support, transport service, parts of all types, sales and import/export of equipment, various services, and golf driving ranges



NHK Spring Group's CSR Philosophy

We understand the responsibilities of the Group as a member of society, and we aim for consensus within the Group to ensure CSR proceeds smoothly. The CSR Committee recognizes various issues in governance, compliance, risk management, respecting human rights, and social contribution as issues that need to be addressed as a Group, and as such engages in activities within the scope of corporate social responsibility.

Message from the Chairman of the CSR Committee

Enhancing Sustainable Growth and Corporate Value



Hiroyuki Kado
Chairman of the CSR Committee, Executive Vice President

NHK Spring regards its corporate philosophy of “contributing to the development of an affluent society through the realization of an attractive corporate identity,” as the basis of our management policy.

NHK Spring has a wide range of stakeholders through providing innovative products in each of our primary business fields—automobiles, data communications, industry and lifestyle. We will meet the expectations of shareholders, investors, customers, partners, employees and local communities to resolve wide-ranging social issues as a trusted company.

We are strengthening our corporate governance to ensure that we conduct our business in a proper manner, and we aim to increase our corporate value from a medium to long term perspective. We are continuously raising awareness and enhancing an effective risk management system to facilitate higher recognition about compliance throughout the entire group. We will also always respect human rights and promote diversity in our human resources. In addition, we actively

encourage global and local environmental conservation in-line with NHK Spring guidelines and action plans to co-exist and create harmony with the global environment in our corporate activities.

We updated our Employees Code of Conduct in May 2017 to encourage ethical actions by NHK Spring executives and employees and highlight actions prohibited by legal standards. Our fiscal 2018 management policy raises the promotion of thorough compliance and recognizes the importance of corporate ethics in our work to always thoroughly comply with laws and regulations in order to remain a company which continues to enjoy the trust of all its stakeholders. NHK Spring Group companies are found in various regions both in Japan and overseas. As our circle of co-existence with local communities and the world grows wider, we have endeavored to solve global social issues as a group from the perspective of medium to long term management strategies.

Corporate Governance

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

Basic approach to corporate governance

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

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

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

Corporate Governance

NHK Spring utilizes the General Meeting of Shareholders and the Board of Directors as decision-making bodies. We adopted an executive officer system in 2005 and, as of June 27, 2018, have seven directors (including two outside directors). We also started appointing outside directors in 2015 to ensure the validity of decisions made by NHK Spring management in addition to the effectiveness in audits of that management.

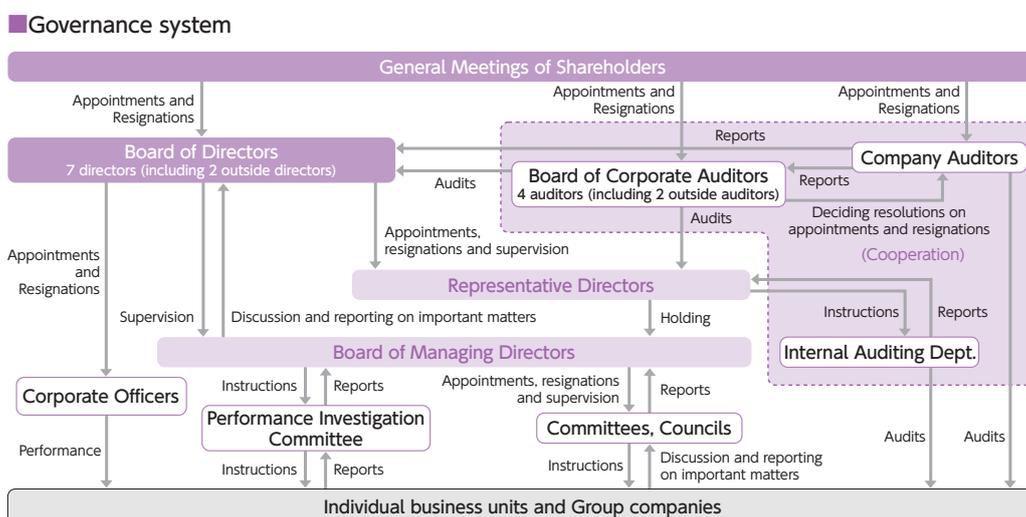
NHK Spring utilizes the Board of Managing Directors and each committee as deliberative bodies. The Board of Managing Directors in particular is made up of a director, full-time corporate auditor, and the managers of each production and business division to facilitate an exchange of ideas between a small group of people.

As an auditory body, the Board of Corporate Auditors has appointed four corporate auditors—two of whom are outside corporate auditors—as of June 27, 2018.

Basic Policies of the Internal Control System

Our Group established the Internal Control System around the following:

1. Build a system that defines the legal regulations and corporate ethics all of our executives and employees must follow and promote compliance.
2. Refuse to engage in antisocial behavior and clearly state that there is no relationship with any antisocial forces such as organized crime as well as educate and raise employee awareness.
3. Identify risks related to Group companies and corporate activities as well as promote the prevention of those risks in advance through defined countermeasures.
4. Adopt a corporate management system for the purpose of efficiently expanding, checking and revising important measures defined in the medium term management plan at NHK Spring as well as some Group companies.
5. Understand the state of management of Group companies as necessary by deploying directors and auditors to Group companies and put in place a system to prevent unfair and inappropriate dealings.
6. Establish a system to provide immediate reports related to important issues and issues that influence legal matters, management and business performance by having auditors attend Board of Managing Directors meetings and strategic management conferences at NHK Spring as well as Group companies.
7. Exchange opinions regularly and as necessary between the President & Chief Operating Officers, accounting auditors, the Internal Auditing Dept. and Audit & Supervisory Board Members at NHK Spring and Group companies to ensure effective auditing.



*The number of directors and auditors is current as of June 27, 2018.

Compliance

Each individual employee strives to conduct himself in accordance with compliance.

Initiatives for Compliance

While we naturally comply with the law, we also genuinely meet the various demands society makes on us. The system is built to promote CSR under the supervision of the President with the Chief Corporate Officer of the Corporate Planning & Control Division responsible for each Compliance Officer providing guidance while the CSR Department in the Corporate Planning & Control Division acts as the promotional secretariat to realize compliance management.

Moreover, our Employees Code of Conduct defines the legal regulations and corporate ethics all of our executives and employees must follow. We thoroughly raise awareness about compliance not only in Japan but overseas via our President's messages on antitrust compliance and prohibition of bribery as well as various training for our employees, including Group companies in Japan and overseas to promote compliance activities at a global level. In addition, we regular broadcast compliance communications and distribute case files as information that play a role in preventing compliance violations.

We publish a President's message every November in the NHK Spring Ethics Monthly communication and strive to shine a light on compliance throughout the entire Group through efforts such as displaying posters and planning various events while raising awareness about compliance in the workplace.

Furthermore, we have put in place a hotline with the internal

legal department and external legal firms for both NHK Spring as well as Group companies in Japan. This establishes a system in which employees are able to consult about or report internally their concerns. We are also gradually introducing this same system at overseas Group companies, including those in North America and China.



Ryohei Mukai
CSR Department



Facilitating continued compliance awareness of each employee

Awareness of compliance in each and every employee is indispensable in achieving compliance management. In the CSR Department, we work to improve compliance awareness of our Group employees such as conducting new hands-on training in a group work format. We also regularly distribute compliance communication, issue compliance case files, broadcast information via a company magazine as well as conduct stratified training for employees such as new graduates and management as a way of fostering awareness about what actions will violate compliance on a daily basis whether part of one's work or not.

We engage in initiatives related to compliance directly related to our Group employees through a wide range of efforts, such as aligning seminars with the publishing of the NHK Spring Ethics Monthly communication by inviting outside instructors as well as distributing compliance cards. We will conduct a broad variety of ongoing initiatives in the future for the purpose of further raising compliance awareness throughout the entire Group.



Antitrust Compliance Lecture

Risk management

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

Risk management organization

Company risk is not limited to natural disasters; it includes many events that could occur unexpectedly. As part of our social responsibility, we have established risk management standards and a risk management system including building organization and rules to appropriately respond during emergencies to prevent the occurrence of and minimize damage caused by unexpected risks.

We are constantly looking for ways to improve our processes so that each employee can have a deeper understanding of risks in their daily work and therefore respond quickly to the occurrence of unexpected risks as well as work toward early resolution or mitigation.

Responding to risks

In addition to disaster reduction measures, we have also formulated a Business Continuity Plan (BCP) and are conducting training so that employees know what to do after the occurrence of a natural disaster until the Business Continuity Plan (BCP) takes effect.

When an emergency occurs in Japan or overseas, a Crisis Management Team will be quickly established in the area(s) where the emergency has occurred and the Headquarters Crisis Management Team will be activated at Head Office to manage and control the situation as quickly as possible.

Basic approach to corporate governance

The NHK Group BCP Basic Policy and NHK Group BCP Guidelines are distributed to all NHK Group companies. We are also currently developing our Business Continuity Management (BCM) system.

When an emergency occurs, directly affected and related departments will convene at the countermeasure office and work together under the command of the chief officer to quickly mitigate and begin to control and recover from the emergency.

Since 2011, NHK Spring Group companies in Japan have taken part in initial response drill after a large earthquake, and training in initiating recovery. After reviewing this training, we revise our BCP and manuals to provide more practical responses to disasters and improve our risk management systems.

We have also began holding initial response drill at overseas Group companies from 2015.



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



Atsushi Negishima
Assistant Manager, CSR Department



Building an effective business continuity management system

Learning the lessons of the Great East Japan Earthquake as well as other natural disasters and risks, NHK Spring, while engaging in revision of a BCP that should minimize the damage caused by unexpected situations, is also striving toward building a management system.

Specifically, all relevant persons are giving insight on how to continue the business if equipment, suppliers or employees are affected. We examine measures, formulate a plan and put it into practice. This raises the consciousness of all, climates problems in the BCP, as we strive for improvement.

I am diligent in the daily drill with the local volunteer fire corps. I believe I can support the various disaster drills within the NHK Spring Group by leveraging my experience in this activity, my knowledge and skill. In the future, we will propose systems able to construct independent training at each site while working to formulating BCP and training for the various risks our overseas Group companies face.

Ensuring information security

NHK Spring and all Group companies, based on the NHK Spring Group Security Management Policy as the standard for preventing the unauthorized disclosure of information relating to transactions with customers and suppliers and personal information that includes the Japanese social security number of our employees, aim to provide information security through the management and operation of these standards and procedures.

The guidelines apply to the executives and employees of NHK Spring and its Group companies and the employees of contractors (including loan and part-time employees). The Group assesses our intellectual property for importance, and classifies and properly manages it according to what is involved and its degree of confidentiality. We also adopt the proper technological measures such as communication log analysis as measures against targeted threats and ransom software, and we are involved in activities to prevent leaks, destruction, modification and inappropriate use of confidential information.



We have also created e-learning courses on information security to raise awareness through employee training



Motoo Yamagami
Manager, Information Systems Department



Promote information security throughout the Group

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

The Information Systems Department conducts IT controls, informational security audits, evaluates and reduces IT risks, and continually engages in activities to sustain sound IT practices.

We are building and establishing IT governance throughout the entire NHK Spring Group, including overseas Group companies.



Customers

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

Basic approach to corporate governance

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

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

Quality Guidelines

Achieve greater customer satisfaction at the global level by delivering world's best quality products

Important policies

- 1) Re-evaluate the process guarantee level from scratch
- 2) Prevent quality and delivery problems for new start and products that have changes in 4M
- 3) Cultivate a culture of quality and prevent violations
- 4) Increase the level of reoccurrence prevention activities
- 5) Increase the level of supplier management

Specific arrangements

This is what we are doing in relation to our important policies:

- 1. Re-evaluate the process guarantee level from scratch**
 - 1) Revise difficult or easily mistaken tasks
 - 2) Optimize the quality assurance gate to prevent production and distribution of defective products
- 2. Prevent quality and delivery problems for new start and products that have changes in 4M**
 - 1) Implement milestone management at the actual site, actual thing, and actual confirmation
 - 2) Strengthen management of changes in 4M
 - 3) Strengthen the verification method in the design process
- 3. Cultivate a culture of quality and prevent violations**
 - 1) Cultivate a culture of quality led by top management
 - 2) Build a workplace environment that prevents violations
 - 3) Regularly confirm the level of prevention for violations
- 4. Increase the level of reoccurrence prevention activities**
 - 1) Improve the ability to pursue essential causes
 - 2) Enhance horizontal expansion
 - 3) Conduct regular inspections of past problems led by top management
- 5. Increase the level of supplier management**
 - 1) Build systems where improvements can spiral-up
 - 2) Optimize QA gates suitable to the capabilities of suppliers
 - 3) Fully inspect direct deliveries and functional products delivered by suppliers

Acquired certification from the International Organization for Standardization

NHK Spring first acquired the ISO 9001 international standardization certificate for the Atsugi Plant in 1996, and since then, all of its plants have acquired the ISO 9000 Series certifications. In addition, we have acquired certifications for the strict IATF 16949 standards

at our plants that produce automotive products.

In addition to actively encouraging our local Group companies to acquire certifications, we are also taking on initiatives to acquire other international quality management systems certifications, such as the ISO 9000 series and ISO/TS 16949, according to the requirements of our customers and different regions.



IATF 16949: 2016 certification acquired for **24** plants

ISO/TS 16949 certification acquired for **12** plants

(We plan to update every plant to the IATF 16949: 2016 certification)

[As of September 2018]

What our customers say about us

NHK Spring is always trying to improve on quality, delivery and costs, to meet customer expectations. As a result, many of our customers have shown their appreciation in the form of awards and so on.



Commended by many customers

VOICE

Yuya Yamamoto

MITSUBISHI MOTORS CORPORATION
Interior Parts and Aftersales Purchasing Department
Manager



Expectation of a Global Production and Supply System

Mitsubishi Motors purchases automotive seats, automotive suspension springs, and precision engine springs from NHK Spring. I am in charge of the seats. The seats for the Mizushima Plant in Okayama Prefecture are currently compatible with all of the production vehicles, and those seats are even being delivered to our production sites overseas in Thailand, Indonesia, and the Philippines.

NHK Spring has built an efficient production line and strengthened its on-site production systems in the ASEAN region founded in its high-level of technical capabilities. I must also praise the company for its sincere efforts in technical considerations for new model vehicles to provide specific proposals.

We are dramatically reforming our purchasing systems as the automotive industry approaches a major transformational period. I expect NHK Spring will build global production and delivery systems as a major component supplier as well as pursue more competitive prices than its competitors.

Shareholders and investors

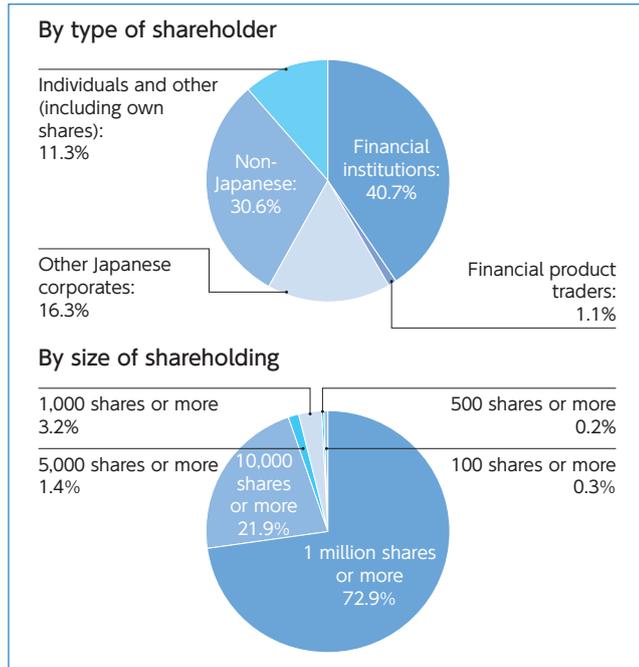
We believe that timely disclosure of the position and finances of NHK Spring is the key to support from shareholders and investors over the long term, and we strive to implement this.

Shareholder information and breakdown of shareholdings

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

The graph below shows the breakdown of shareholders.

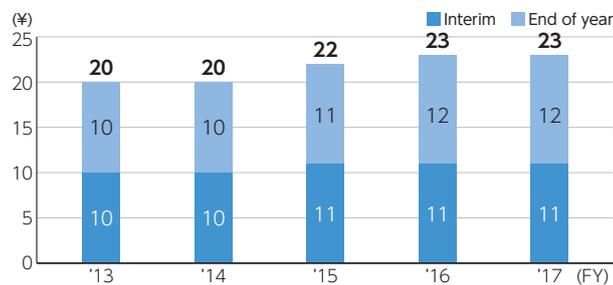
Breakdown of shareholdings (As of March 31, 2018)



FY2017 Return of profit

Performance in fiscal 2017 is available in the Financial Highlight (P8-11). Dividends for this term were ¥23 per share (yearly) to continue long-term stable payout to all of the shareholders.

Change in amount of dividends paid



Dissemination of IR Information

NHK Spring Kyushu and Faurecia-NHK Kyushu held a plant tour for security analysts and institutional investors in April 2018.

The participants toured a plant dedicated to the production of automotive suspension springs utilizing IoT and coverings for automotive seats while deepening their understanding about NHK Spring.



Participants touring the corner to introduce products of NHK Spring Kyushu



URL of Investor Information page

<https://www.nhkspg.co.jp/eng/ir/>

Disclosing information for investors

We hold briefings for analysts and institutional investors after the release of our half-yearly and full year accounts. In fiscal 2017, we held two briefings in May and November.

We will continue to make every effort to release information to analysts and investors.



Briefing after release of accounts



Shinji Kakiuchi

Morgan Stanley MUFG Securities Co., Ltd.
Executive Director

Investors Praise the Advanced Technology from Metal Fabrication to Material Analysis

As a security analyst, I look at aspects of NHK Spring such as the financial statements, corporate strategies, and medium-term management plans to provide my analysis and information to investors. NHK Spring leverages its proprietary strengths to conduct business with a wide range of automotive manufacturers and anticipates the changing needs of its customers. I commend their advanced technological capabilities from metal fabrication to material analysis and believe improvements to the lightness and rigidity of components such as their coil springs and seat frames largely contribute to the environmental and safety aspects of the automotive industry.

I anticipate the standardization of electric and self-driving vehicles to accelerate in the future, which in turn means structural changes such as built-in motors and batteries as well as greater demand for comfortable seats. Investors are focused on whether the core technology possessed by NHK Spring can be utilized in these regions. I think new unconventional challenges will be vital for automotive and automotive component manufacturers.

NHK Spring also engages in unique efforts to support top athletes. The employment of these athletes will improve the solidarity of employees and focus a driving force to overcome uncharted changes in the automotive industry.

Employees

Our company places great value in our people, NHK Spring considers our employees to be important assets, and we make great effort in hiring and training them. In order to be a company where each employee's diverse sense of values can play an active role, we aim not only for diversity, but also enrichment through workplace health and safety and employee welfare.

Employment and training of human resources

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 and overcome problems through teamwork, while maintaining their individuality.

Ideal Human Resources

Has an interest in new things, and resolutely meets challenges

Views matters from various perspectives

Recognizes the individuality of co-workers and sets goals together

With regards to diversity of human resources, we have set targets for hiring women and non-japanese employees and we also promote the hiring of disabled staff through special subsidiary companies. In our mid-career recruitment, we actively employ human resources with excellent abilities in a wide range of fields such as top athletes and support their active participation.

Human resources development

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

For example, we clearly define the desired mindset and actions for each employee to understand the corporate mission and demonstrate this through their conduct. As a result, the image of an ideal employee can be set in detail and skill development training is held based on targets set each year.

The training each person receives includes group training, which is divided by each level of the organization as well as job type and skill level, and foreign language and cultural training. We also proactively support external training such as overseas training opportunities and distance education. We work towards developing our human resources under the philosophy that individuals who want to grow will develop through the power of the organization and the support provided by the human resources system.



We conduct many kinds of training to improve the abilities of our workforce

Recruitment

In recruitment, we conduct our own recruiting sessions, and we make every effort to send recruitment staff from our Human Resources Department to attend sessions organized by schools. Our recruiting sessions provide opportunities to talk freely to newer employees of NHK Spring acting as recruiters. This gives the students the chance to hear what it is actually like to work for us. The students hear about our corporate culture and environment and what life in the company will be like once they start working. We provide information on the recruitment website, and we have links to our recruitment page on our main website. Finally, we also put up advertising posters aimed at new graduates in railway stations.



Company briefing given by our recruiters



Recruitment page on our website



PR on school lunch trays



Tomomi Tanisumi
Manager
Human Resources Department



Initiatives Toward Work-style Innovation

NHK Spring works from a variety of different angles to realize a motivating workplace that is both safe and secure, such as more efficient operations and flexible employment systems.

I am mostly tasked with setting up and revising personnel systems. However, as the diversity of the employees within the company grows, in the spring of 2018, we launched the "Smart Work Project" internal committee to innovate work styles and started engaging in company-wide activities. Stepping up to new challenges and putting every effort into ascertaining what needs to change and what must change as a company is vital, but the most valuable asset of NHK Spring is the safety as well as physical and mental health of employees. We need to endeavor to introduce flexible work styles and incorporate new technologies with this as the central axis. I hope we can strive forward in work-style innovation from the aspects of human resources so that our employees can be even more motivated than ever before while ensuring that NHK Spring will always be a company able to contribute to the growth of a prosperous society as an attractive organization.

Employing the people with disabilities

The Group aims for the people with disabilities and those without to work together 'achieve potentials,' 'becoming an independent member of society,' and 'coexisting with society.'

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

Change in employment rate of people with disabilities (%)

	FY2014	FY2015	FY2016	FY2017	FY2018
Employment rate	2.03	2.14	2.10	2.28	2.34

As of the end of March 2018, these companies have established six offices—three in Kanagawa Prefecture, two in Nagano Prefecture, and one in Shiga Prefecture—where 67 people with disabilities are happily working. In fiscal 2017, 43 people from local special education schools and corporations participated in training. A total of 472 people from various corporations, schools, and related government officials visited and toured our facilities.



Cardboard assembly by employees at Nippatsu Harmony

Occupational health and safety and improving health

Workplace health and safety

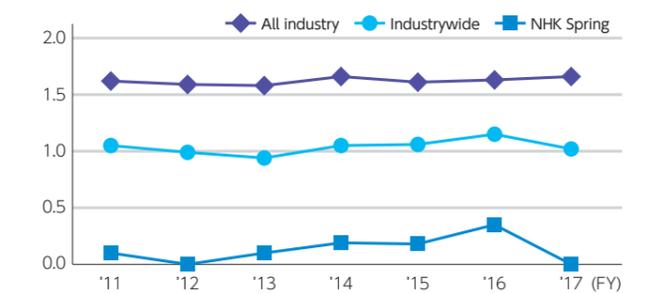
We introduced a Workplace Health and Safety Management System in fiscal 2000, and it was rolled out Group-wide in fiscal 2003. We have taken the following measures to eliminate workplace accidents to achieve zero hazards:

- **Appropriate Actions of Top Management:** Promote powerful health and safety activities through top management in each workplace.
- **Risk assessment:** Method to find, mitigate, and eliminate potential dangers and hazards in workplaces.
- **Risk prediction:** Activity to prevent labor accidents before they happen by increasing sensitivity toward risks.
- **Health and safety training:** Training to obtain knowledge of dangers and hazards to prevent labor accidents before they happen.

The rate of days lost through injury has been lower than the average for all industry and manufacturing industry in recent years.

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

Changes in days lost due to work-related injuries



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

Initiatives to improve health

We believe preserving and bettering the health of employees at NHK Spring helps to enhance sustainable corporate value and so we are promoting health measures by clarifying the roles of the company, employees and health management staff. To enhance health even further, we set up the Central Health Promotion Committee in fiscal 2017 under the authority of the Central Health Promotion Council, which is the highest authority in promoting health with the Executive Vice President at the helm. This committee formulates policies for health measures throughout the entire organization, confirms the progress, and investigates action items. In conjunction with this effort, we also appointed members for the health promotion committee and a person in charge of health promotion at each business site to advance various health measures.

As a target for promoting health for fiscal 2018, in 2016 we set an appropriate weight of 20% or less above BMI25 and a rate of employees requiring blood pressure consultations at all of our business establishments to 15% or less. We are also providing more opportunities for exercise by handing out activity scales to employees, visualizing the level of health by setting up body composition analyzers and blood pressure meters, as well as nutritional efforts that use the cafeteria at each business site, among other activities. After successfully achieving the blood pressure targets for fiscal 2017, we have increased our health promotion activities and revised the fiscal 2018 target to the number of employees requiring blood pressure consultations at all of our business establishments to 13% or less.



Visualizing the level of health by setting body composition analyzers and blood pressure meters

We are conducting new initiatives in mental health efforts, including support for high-stress workplaces using stress checks and ongoing individual support for people under a high level of stress. In addition we revised our new management and supervisor training and e-learning for management and supervisors which began in fiscal 2017. In March 2018, NHK Spring Group companies also promoted health management. Our Group companies and the health insurance society joined forces and entered into the NHK Spring Group Health Commitment jointly



signed by the presidents of each Group company to move forward based on the belief that promoting better physical and mental health of employees is an important part of work-style innovation.

Benefits programs

Supporting both work and child/family care

NHK Spring has introduced various programs which go beyond the standard of public programs to support both work as well as child and family care as employees approach different stages of life, such as raising children or taking care of family, so that they may continue to work with peace-of-mind while reaching their full potential at the company.

In fiscal 2012, we entered agreements with non-profit organizations with which our employees can inquire about family care whether in Japan or overseas for the purpose of alleviating concerns and lightening the burden when employees need to care for a family member.

In the two years between fiscal 2016 and 2017, we have held a total of 17 family care seminars through the entire organization with a total of roughly 440 people participating.

In addition to the child and family care programs as well as our existing temporary leave benefits, we also introduced a Group Long Term Disability (GLTD) program in fiscal 2018 to support lower incomes due to treatments for long-term injuries or sicknesses.



Seminar held at the Yokohama office in February 2018

Introducing a GLTD Program

NHK Spring adopted a GLTD program in fiscal 2018. This program subsidizes the primary living expenses when an employee cannot work in the long term due to sickness or injury. This promotes an environment where employees can work with confidence from an employee welfare perspective.



We are holding briefings about the program at each of our business establishments. Deepening employee understanding about the program

Step-counting events as a health visualization program

Our employees regularly hold an independent step-counting event for fun as part of the Health Visualization Program.

In this event, participants walk a virtual course and count the number of steps using an activity meter. This year the step-counting event took on an Okinawa theme where roughly 900 people—equivalent to 20% of all NHK Spring employees—walked while sightseeing between April and June 2018.

The event also included a competition between each plant and presents for the winners, which brought even more

excitement. An event was also held to award points for walking and measuring body composition. Promoting health effectively limits medical costs and helps to invigorate communication between employees by sharing how many steps they took the previous day and where they are currently ranked.



Employees talking excitedly about the rankings

Holding health seminars for women

The Women's Health Seminar was held to help women stay healthy and enthusiastic in the workplace. This seminar aimed to deepen understanding about sicknesses and characteristics unique to women. The participants learned about independent health management through a lecture in addition to touching a palpation examination model for breast cancer and measuring the healthiness of the skeletal system.



Measuring the healthiness of the skeletal system

Holding the NHK Spring Sports Festival 2017

We held the NHK Spring Sports Festival 2017 for employees and their families at the Yokohama Cultural Gymnasium in October 2017. The festival this year expanded the scale to bring together roughly 800 employees and their families from the Yokohama, Atsugi and Isehara plants at the competition held in Kanagawa Prefecture. Participants were able to communicate with one another away from work with excitement that included ball-toss games, tug-of-wars, and relay races.



Sports festival held for the purpose of invigorating internal communication

Suppliers

We have established basic policies on procurement, and we encourage green procurement according to our own guidelines.

Basic procurement policies

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

Basic Policies for Purchasing Supplies

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

CSR Procurement Guideline

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

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 March 2016 as contact in the supply chain of chemical substances and legal compliance overseas becomes more and more important.

NHK Spring Group Partners Meeting

Our Group invites representatives from our partners to hold NHK Spring Group Partners Meetings once a year. We explain our fiscal policies, challenges we need to address and other aspects of our business to foster understanding and cooperation in strengthening the relationships with each partner company another level.

The Procurement Division describes our business environment and our basic approach to purchasing policy. The Engineering

Division explains our policies and targets for quality and how the manufacturing divisions as well as business divisions are dealing with quality, seeking cooperation in improving quality.



NHK Spring Group Partners Meeting held to strengthen relationships with each partner company

VOICE

Yuichi Sano
Sumitomo(SEI) Steel Wire Corp.
President



Anticipating Support via On-site Overseas Production

As a comprehensive manufacturer of specialty steel wire products, Sumitomo (SEI) Steel Wire Corp. delivers products to a wide range of fields from civil engineering and construction to the automotive, electronics, and IT fields. NHK Spring uses our oil tempered wire for its automotive precision springs. Our corporate mission is to contribute to society through world-class quality as well as proposal and development capabilities able to respond to weight reduction, diversification, and globalization of the automotive industry. We support greater workability able to help reduce costs while delivering products to NHK Spring sites from Itami, Hokkaido, and Indonesia.

The Basic Procurement Policies of NHK Spring outline a basic policy to build long-term partnerships based on mutual trust. We also have a philosophy to engage in fair business activities according to the Sumitomo Spirit which include "Put your heart into everything you do," "Place prime importance on integrity and sound management" and "Steadiness and reliability are of the greatest importance; speculative profit should not be sought". I see NHK Spring as a partner who mutually grows business and think that instilling these values in every employee is wonderful.

The demand for automobiles worldwide is expected to grow further in the future, and I anticipate NHK Spring will expand its share in regions outside of Japan by responding with on-site overseas production. The major management challenge for automotive companies is the replacement of engines with motors that support the transition to electric vehicles. Sumitomo (SEI) Steel Wire and NHK Spring will work together to quickly anticipate environmental changes and develop new products and applications.

Local communities

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

Involvement by NHK Spring

Activities based on the NHK Spring Mitsuzawa Football Stadium

It is the 11th year since we acquired the naming rights to the NHK Spring Mitsuzawa Football Stadium from 2008. The five-year contract was updated from March 2016. We are striving to effectively use the free usage rights, which is a benefit of the naming rights.



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

College of Science & Engineering Soccer League in Kanto Area was established to assist promising students. We have also incorporated diverse and unique activities, such as Futsal, in response to student needs.

NHK Spring Group Soccer Tournament

We held a soccer competition with the goal of cultivating a sense of unity throughout the NHK Spring Group.



120 people, including employees and their families, came to cheer at the event

Accepting internships

NHK Spring actively offers internships to provide work experience. In addition to offering work experience to high school students at the spring and seat plants in Yokohama in fiscal 2017, we also provided internships to university and graduate students. These work experiences offered a literature student to learn about our businesses in a classroom setting and a science student to learn practically in the Research & Development Division, Spring Development Department, and the Seat Evaluation & Analysis Department. Faculty from the junior and senior highs in Yokohama City were also able to experience the seat manufacturing process at the seat plant in Yokohama. In addition, the Toyota Plant offered work experience to senior high school students while the Ina Plant provided work experience to junior and senior high school students.



Actively offering internships

Ratio of amount used for social contribution activities by category



Providing school meals to children worldwide through TFT

We introduced "Table For Two" (abbreviated as TFT) in 2014. TFT is a system to make donations for school meals in deprived regions worldwide by eating charitable meals at the cafeteria for executives and employees. We conducted TFT at all of our nine plants in Japan and have expanded the system to Group companies in Japan. This has allowed us to donate 137,430 school meals in fiscal 2017, which brings us to a cumulative total of 463,949.



Isehara Plant recognized for regional disaster prevention

Our Industrial Machinery & Equipment Division, Isehara Plant, was recognized by the Kanagawa Prefectural Association of Hazardous Materials for its safe management of dangerous articles and disaster prevention initiatives. In addition to the activities of the private fire brigade, the Isehara Plant was highly praised for its efforts as a corporate member of this council. In the future, we will continue to strive in regional disaster prevention activities as a company rooted in the community.



Sponsoring and collaborating with local events

We sponsor, collaborate with and support local events in the communities where we operate.

Sponsoring the YOKOHAMA Beach Sports FESTA

The YOKOHAMA Beach Sports FESTA was held in August 2018 at a coastal park in the Kanazawa ward of Yokohama City. NHK Spring has participated as a main sponsor for two consecutive

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

years. This year an elaborate environmental program was held for children enjoying their summer vacation in addition to the conventional sports event.

In the Sea Paradise Beach Hut, these students learned about biodiversity and climate change by observing coastal marine life. In the Coral Workshop, students made tatakizome dyed prints on handkerchiefs using coral remains. Through these various workshops, the children were able to understand the necessity of protecting their coast by stepping closer to all of the life living there.



Environmental program for children in addition to the sports event

Providing and Exhibiting Parts at the Student Formula SAE Competition of Japan

The Student Formula SAE Competition of Japan was held by the Society of Automotive Engineers of Japan at the Ogasayama Sports Park (ECOPA) for five days from September 5 to September 9, 2017. NHK Spring sponsored the competition where university and vocational school students built and competed with their own vehicles. In addition to noise and gas emissions, the judging for this true competition centered upon the student clubs conducted a static assessment that included an inspection of the vehicle as well as the cost and design in addition to a dynamic assessment that included acceleration and auto cross.

NHK Spring received requests from more than 30 universities to supply damper springs, which the company provided free of charge as part of its social contribution activities. Junior engineers from the Precision Product Development Department communicated with the students about the specifications and fabricated most of the parts that were requested at Ina Plant.

NHK Spring was able to play a part as several of the universities that requested parts earned a spot in the top ranks of the competition this year.

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



Providing parts for the formula cars built by the students

Participating in the Tenryu River Environmental Picnic

The 24th Tenryu River Environmental Picnic was held by the Recycling System Society of Nagano Techno Foundation's Ina Techno Valley Regional Center and others on May 20, 2017. Ina Plant, Disk Drive Suspension Komagane Plant, and the Industrial Machinery and Equipment Plant of NHK Spring, its Group companies, NHK MEC, and nearly 200 employees and their families from Nippon Shaft took part in the event. Everyone cleaned the riverbeds and walkways of Tenryu River. We participate in this picnic every year, and we will always strive forward in activities to protect the natural environment while raising awareness about global environmental conservation in the future.



Participants working in the environmental clean-up activities of the Tenryu River System

We also contributed to the use of the gymnasium for the Special Olympics Nippon/Kanagawa, which supports people with intellectual disabilities, installation of vending machines, and supplied photos and material on our products for some teaching materials.

In addition, each of our sites takes part in different events, working with local government and organizations.



Providing gymnasium space (Special Olympics Nippon/Kanagawa)



Volunteers conduct clean-up activities that include weeding planters and walkways at Mitsuzawa Park in Yokohama City

NHK Spring Athlete Initiatives

Holding YNUS & NHK Spring track & field jumping clinic

On January 21, 2018, we held a track and field jumping clinic together with the Yokohama National University Sports Academy (YNUS)*. This is the second consecutive year of the event. On the day of the clinic, Kaede Miyasaka (General Affairs Dept.), Yurina Hiraka and Kanae Tatsuta (both Human Resources Dept.) participated as athlete employees to provide guidance on the fundamentals of jumping and body techniques to the 135 junior high and high school students as well as visiting track and field coaches who participated from Kanagawa. The participants engaged seriously in the clinic to absorb the techniques in this unique opportunity to learn things not normally taught in the club activities.

*It conducts ventures to spread and revitalize various sporting for local communities thanks to the cooperation of Yokohama National University.



Participants from Kanagawa

Junior Soccer School held by NHK Spring

We held the NHK Spring and Asahi Shimbun Junior Soccer School on July 29, 2018. Former Japan Team Member Tsuyoshi Kitazawa and others were invited as coaches in addition to the support given by Mizuki Hirakuni (General Affairs Dept.) from the Women's Football League's NHK Spring Yokohama FC Seagulls. The children ran around in the stadium usually used by the professional athletes while listening intently to the guidance from Tsuyoshi Kitazawa and the other coaches to fill the day with memories of the summer.



Tsuyoshi Kitazawa provides instruction to the children who passionately chase the ball

Group company involvement

NHK Spring (China) Co., Ltd. signs an internship partnership agreement with Guangdong University of Foreign Studies

On November 14, 2017, NHK Spring (China) Co., Ltd. signed an internship agreement with Guangdong University of Foreign Studies at the Guangdong University of Foreign Studies with Executive Vice President Hiroyuki Kado, who is the president of NHK Spring (China), and General Manager Makoto Asano of Nippan (Guangdong) in attendance. Over the four years since first entering into a partnership with Guangdong University of Foreign Studies in October 2013, NHK Spring (China) and Nippan (Guangdong) have accepted interns, two of whom have joined and are actively participating in each company after graduating. This new agreement allows for interns to not only learn on the job at NHK Spring (China) and Nippan (Guangdong) but also at the head office in Japan. This provides an opportunity for interns to further their experience in a Japanese organization and in Japanese culture, and it has become one aspect of our social contribution activities.



Executive Vice President Hiroyuki Kado (Right), General Manager Makoto Asano (Left) and Vice President of Guangdong University of Foreign Studies Jiao Fangtai shake hands

Work experience for junior high school students and the local summer festival [G.L.G. Co., Ltd.]

G.L.G., which operates a golf range in Kawasaki City, provides work experience for students from the local Kawasaki City Hiyoshi Junior High School. The students gain on-the-job experience in shifts, such as customer service at the front desk and maintenance of the golf boxes. A summer festival was also held with great success thanks to food stands run by local residents, stage presentations like dances, drawings and much more.



Junior high school students handling customers service at the front desk

Environmental Report



Information about business activities, the flow of the life cycle, support of the ISO 14001, environmental accounting and management and reduction of substances of concern have been migrated to the environmental data on our homepage as of this fiscal year. <https://www.nhkspg.co.jp/eng/csr/env/index.html>

Environmental Voluntary Action Plan

We have established the Global Environmental Activities Plan and Global Environmental Activities Guidelines for involvement in a broad range of global environmental issues. We published them in May 1993 as our Environmental Voluntary Action Plan. The NHK Spring Group draws up Environmental Activity Policies each year on that basis.

Global Environmental Activities Guidelines

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

Global Environmental Activities Guidelines

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

Global Environmental Activities Plan

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

Main concerns

- Reducing CO₂
- Reducing waste
- Lifting recycling
- Compliance with various environmental laws and regulations
- Reducing and managing pollutants
- Contributing to local communities & environmental protection
- Promoting use and development of energy-saving products
- Alliance between the government, customers, and partners

Global Environmental Activities Plan

- 1. Framework to encourage activities**
 - 1) Operating the Global Environmental Measures Committee and encouraging protection of the environment across the entire Group
 - 2) Set up CO₂ Reduction and Waste Reduction Committees to respond to social needs
- 2. Involvement in specific issues**
 - 1) Saving energy and reducing CO₂
 - 2) Involvement in the recycling-oriented society
 - 3) Encouraging green procurement at a global level
 - 4) Product design and technical development taking account of impact on the environment
 - 5) Reducing toxic chemicals
 - 6) Preventing environmental accidents
 - 7) Streamlining logistics
 - 8) Reliably running and upgrading Environmental Management Systems (EMS)
 - 9) Review water usage management
- 3. Publicity and social activities**

We recognize our corporate social responsibilities (CSR), and develop environmental conservation activities throughout the company, which will widely gain the empathy of local communities and the general public.
- 4. Activities overseas**

We are actively involved in the actual preservation of the environment and observe local environmental rules. We also protect the environment through technology transfer, etc. having regard to local social and economic conditions.

Environmental Activity Policies

We are striving to address environmental issues worldwide from a global Group perspective based on the Environmental Activity Policies drafted every year. We research new measures toward ongoing energy savings and introduce and expand those measures horizontally to build on the previous year to achieve our independent target to reduce unit consumption of CO₂ emissions by 1% or more in fiscal 2018.

In waste management, we continue zero emissions activities in Japan and promote restrictions in emissions by transitioning waste to useful resources. We also continue to improve the recycling rate at our overseas bases.

We will systematically conduct management of environmental load substances, support customers, maintain and update environmental equipment, and respond to facilities subject to environmental laws and regulations.

Environmental Activity Policies 2018

- 1. Encourage global environmental management**
 - 1) Continuing CO₂ reduction activities and investigation and implementation of new measures
 - 2) Maintaining zero emissions* and continuing to reduce waste
 - 3) Promoting control of substances of concern (SOC)
- 2. Maintain 'zero' global environmental incidents**
 - 1) Maintaining and stepping up environmental management and thorough risk management
 - 2) Maintaining environmental legal compliance and responding to revisions to ISO standards
 - 3) Maintaining environmental facilities in operation and protecting them

*Group-wide definition for "zero emissions": Recycling rate of 99.0% or better, also regards thermal recycling as recycling

Systems to encourage environmental conservation

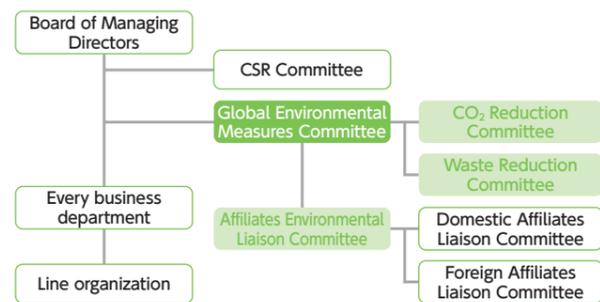
Our Global Environmental Measures Committee is at the center of our efforts to promote and implement our Environmental Voluntary Action Plan. Our continuous environmental activities follow the PDCA cycle.

Organization

The Global Environmental Measures Committee unilaterally debates environmental activities overall throughout the NHK Spring Group and formulates and executes global environmental action plans. The CO₂ Reduction and Waste Reduction Committees have been set up as two subcommittees under the Global Environmental Measures Committee.

NHK Spring Group has also set up the Affiliates Environmental Liaison Committee to establish a system to actively promote global environmental conservation activities.

System for encouraging environmental protection



Zero emission activities

This project achieved zero emissions at the Yokohama Office in 2003 before the activity spread to reach zero emissions at all of our plants in 2004. We are also stepping up these activities to include a 100% recycling rate at NHK Spring in 2010.

We have also achieved zero emissions at all Group companies in

Japan and have been conducting efforts to improve our recycling rate since 2009 and are continuing to at overseas Group companies.

2010 recycling rate Achieved **100%**

VOICE

Takashi Yonezawa
Manager, Safety & Environmental Activities
Department, Engineering Division



Promoting a Wide Range of Environmental Support by Updating the ISO 14001 (2015 Version)

We have furthered the acquisition of the ISO 14001 certification at each plant since its inception in 1996. Today, we have acquired the third-party certification at all of our plants and Group companies involved with manufacturing in Japan as well as at our main overseas Group companies. In September 2015, we finished a large-scale update to the ISO 14001, and we have finished renewing our certification to the 2015 version at each plant as of September 2018. The update to this new version requires active support for additional requirements new to the ISO 14001, such as a support for CSR, various risk management, and greater environmental performance.

In the future, we will advance the use of the ISO 14001 by incorporating perspectives to promote the effective use of water resources and measures toward biodiversity (forest conservation, etc.) in addition to reducing CO₂ and waste emissions.

Environmental audits and energy conservation diagnostics

We are conducting environmental audits and energy conservation diagnostics to improve environmental performance while ensuring clear management in accordance with the environmental manual.

ISO 14001 and environmental auditing

By conducting environmental audits, the NHK Spring Group checks whether Group company environmental management systems are functioning correctly according to ISO 14001.

Environmental audits also help us comply with the laws on the environment, improve our environmental performance, isolate areas that need improvement, and lift our management capacity.

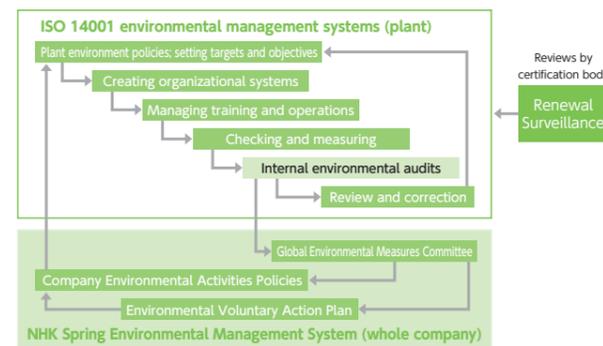
Environmental audits

People who have graduated from a specialized education program are appointed as the members who conduct internal environmental audits. In addition to conducting internal environmental audits based on ISO14001 at each plant in fiscal 2017, NHK Spring head office conducted independent environmental management audits (verification via a check sheet) to ensure that our systems were functioning properly. We were improving our performance.

The results of these audits were reported to the plant chiefs and presidents of Group companies and measures were taken to

quickly improve and rectify any issues. These auditing results are also reported to the Global Environmental Measures Committee and reflected in the Environmental Activity Policies and Environmental Voluntary Action Plan.

Environmental management and environmental auditing



External audits

External audits are conducted by an external registered auditing authority to verify whether the environmental management system complies with and operates in accordance to the requirements of the ISO 14001. A surveillance audit is generally done every year and a renewal audit once every three years.

All 11 plants received external audits in fiscal 2017; eight plants had surveillance audits for the ISO 14001: 2015, and three plants had a renewal audit. The results of these audits found that each of the plants and the environmental management systems are run correctly, that pollution is being prevented, and that we were making continuing efforts to improve.

Fiscal 2017 external audits
 8 plants (surveillance audits), **3** plants (renewal audits)

Energy saving diagnostics

NHK Spring Group began energy conservation diagnostics in fiscal 2017. The diagnostician listened to representatives at each plant and checked the site to find new energy-saving measures for the purpose of effectively using resources and further reducing CO₂ emissions. In fiscal 2017, energy saving diagnostics were done at a total of ten plants—six NHK Spring plants and four Group companies in Japan—and proposals for energy-saving measures were expanded horizontally. In the future, we will continue to improve the environmental performance throughout the Group by regularly conducting these diagnostics at each plant.



Energy Saving Diagnostics

VOICE



Hajime Yamanoue
Manager,
General Affairs Section,
Precision Spring &
Components Division
Atsugi Plant

Striving to Further Improve Environmental Management

The Atsugi Plant of the Precision Spring & Components Division is located inside of the Nairiku Industrial Park in Aikawa Town in the Aiko District of Kanagawa Prefecture. This plant produces components such as thin spring products, precision stamped products and wire springs. In waste management, we thoroughly separate garbage and increase what we can take and reuse as a valuable resource to further reduce our waste emissions. In energy-saving activities, we operate engine compressors that use plant-derived fuel to limit CO₂ emissions while keeping energy consumption at the height of summer to less than the contracted power. We also underwent an audit at the plant to assess conformity with the ISO 14001: 2015 in August 2018 before a renewal audit in October in an effort to improve our environmental management. As part of our activities to contribute to local communities, we participated in the Clean Campaign in Aikawa Town on May 27 and October 20.

Environmental education

We conduct a variety of environmental education and consciousness-raising activities to ensure that all our employees carry out their regular jobs with knowledge of the environment and a high level of awareness of the issues.

Environmental education

Raising the environmental consciousness of individual employees is important to carrying environmental work forward. Our Group has an excellent in-house training system to extend awareness of environmental issues, including a range of environmental education programs, training for internal environmental auditors, and encouragement to acquire external qualifications.

At NHK Spring, we offer different levels of education for all employees, as well as specialist training for staff with particular environmental responsibilities. General environmental education at different levels is included in our staff training program and is repeated with promotion. Specialist education is provided when staff begin new positions, and regular skill upgrading is also provided.

Furthermore, abstracts of relevant domestic environmental laws have been periodically distributed to Group companies since fiscal 2014 to share information.

Contents of environmental education

Education at different levels		
Recipients	Content of training	
Training for new employees	Global environmental issues, environmental management systems, and requirements for environmental laws and regulations and efforts made by NHK Spring	
Training for new assistant managers		
Training for new senior staff		
Training for new executives		
Specialist education		
Recipients	Content of training	
Internal environmental auditors (Responding to ISO revision)	Training and education	Internal environmental auditor training and refresher courses
	Skills upgrading training	Environmental auditor workshops for lead auditors
Overseas secondees (expatriates)	Environmental management system, overseas environmental laws, NHK Group environmental requirements	

Number of staff with environmental qualifications (as of June 2018) (Units: Persons)

Qualification	Classification	Numbers holding qualifications
Pollution prevention management	Air	Type 1: 7, Other: 29
	Water quality	Type 1: 8, Other: 25
	Noise	40
	Vibration	34
	Dioxins	1
Environmental management system auditors	Assistant auditor	1
Working environment measurement experts	Type 1	Dust: 5, Special chemicals: 3, Metals: 1, Organic solvents: 3
		Type 2: 5
		Certified environmental measurers
Specialty controlled industrial waste managers		49
Qualified persons for energy management		34
Energy managers for Type 2 Designated Energy Management Factories		11

Environment-related qualified persons



259 people

(including multiple qualifiers)

NHK Spring involvement at production sites

We encourage reducing electricity use and saving energy, and encourage making energy use more visible (transparent); we also practice energy management through electricity monitoring and other initiatives. We continue our zero emissions work through recycling.

Energy-saving equipment

Use of solar energy

We installed solar power generators at our DDS Komagane Plant in 2008, our Yokohama Office in 2009, and our Gunma Plant in 2012. We make extensive use of renewable solar energy to promote energy saving and reducing CO₂ emissions.



DDS Komagane Plant
(20 kW)
Commissioned 2008



Yokohama Office
(100 kW)
Commissioned 2009

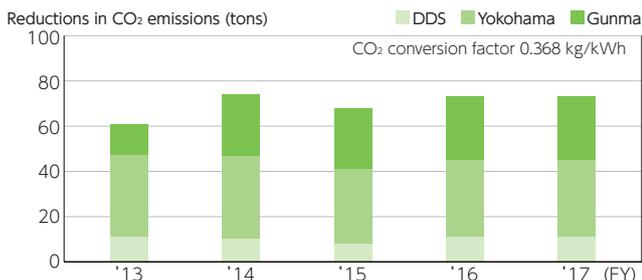


Gunma Plant (56 kW)
Commissioned 2012

NHK Spring solar generation performance



*In fiscal 2013, because of a malfunction in the control system, electric power generation dropped (restored)



Zero emissions

To realize an environmentally-friendly society, we promote recycling of waste and continually strive to reduce emissions by establishing a recycling center and an Environmental Dojo at each of our business establishments.

Recovering resources as valuables from waste plastics and food waste

Soft types of plastics are stored and transported as compact as possible by using compression packing machines. We recycle with the appropriate waste processors. We will also process and recycle high quality waste into raw plastic materials as useful resources and high-calorie fuel. Food waste is being recycled as feed for livestock as well as being processed through fermentation and decomposition process using a food waste processor.

On-site checks of waste processors and waste recovery processors

We confirm whether operators take high quality waste according to contracts before outsourcing while conducting regular checks of waste processors at each plant to confirm that they are treating waste in accordance with the contract, in order to ensure that our zero emissions policies are being implemented.



Exterior of the recycling center



Separating waste at the recycling center



On-site checks of waste processors



On-site checks of waste processors

NHK Spring fiscal 2017 targets and performance

We approach energy saving, reducing CO₂ emissions, recycling wastes and reducing pollutants in production in a planned way, setting specific targets to be achieved.

Energy saving

NHK Spring has long recognized the need for global environmental conservation and has striven to engage in energy-saving activities. We have been engaged in ongoing debate since the 1990s at the Energy Saving Subcommittee set up under the Global Environmental Measures Committee at that time, and today, we continually promote energy-saving activities by actively exchanging ideas at the CO₂ Reduction Committee. Our unit energy consumption in fiscal 2017 decreased by 1.2% compared to the previous fiscal year.

Targets		
Unit energy consumption to sales: Annual reduction of 1% (based on fiscal 2016) (Under the Law Concerning the Rational Use of Energy, evaluation criteria of factories for rationalization of energy use)		
FY2017 target	FY2017 actual	Assessment
Target unit consumption* 99.0	Unit consumption 98.8	

*Target unit consumption: Targeted reduction with fiscal 2016 unit consumption as 100

Movements in target and actual energy consumption to sales



*Unit consumption in fiscal 2016 is set as 100

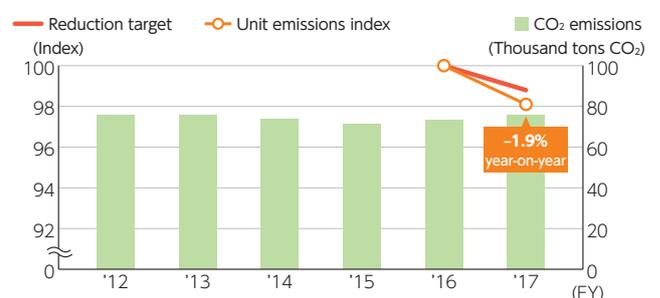
Reduction in CO₂ emissions

We established the CO₂ Reduction Committee in 2008 to engage in CO₂ reduction activities in cooperation with affiliate companies in Japan. We have laid out specific reduction targets for CO₂ emissions for the entire Group and have been working to prevent global warming. We reduced the unit amount of CO₂ emissions 1.9% in fiscal 2017 compared to the previous year and achieved our fiscal target.

Targets		
Per unit CO ₂ to sales: Annual reduction of 1% (based on fiscal 2016) (According to independent targets) (According to Japan Auto Parts Industries Association Eighth Environmental Voluntary Action Plan)		
FY2017 target	FY2017 actual	Assessment
Target unit consumption* 99.0	Unit consumption 98.1	

*Target unit consumption: Targeted reduction with fiscal 2016 unit consumption as 100

Movements in target and actual CO₂ emissions



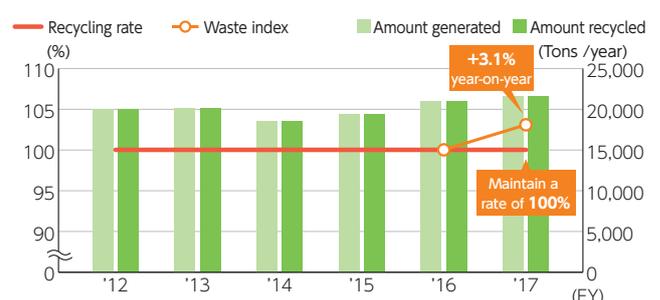
*Unit consumption in fiscal 2016 is set as 100

Recycling of waste

NHK Spring also worked to reduce the amount of landfilling disposal of waste with the goal of achieving zero emissions and successfully reached this target at the Yokohama Office at the end of fiscal 2002. This became a company-side initiative in fiscal 2003 and was expanded and furthered by Group companies in Japan in fiscal 2005. Since fiscal 2010, we have maintained a 100% recycling rate. In addition, the amount of waste increased compared to the previous fiscal year due to sludge, chemical treatment, and the transition of some valuables to waste, but waste reduction will improve by enhancing production activities and reforming waste processing in the future.

Targets			
Maintain zero emissions across the entire company (Recycling rate of at least 99% achieved since fiscal 2004)			
FY2017 target	FY2017 actual	Assessment	FY2018 target
Continue recycling rate of 99% or higher	Recycling rate of 100% (at least 99.95%)		Continue recycling rate of 99% or higher

Shift in performance in recovering resources from waste and the waste index



*Waste index in fiscal 2016 is set as 100

Group company involvement

We involve the entire Group in our environmental conservation activities. They are all engaged in reducing environmental pollution.

Domestic Group companies

Energy saving

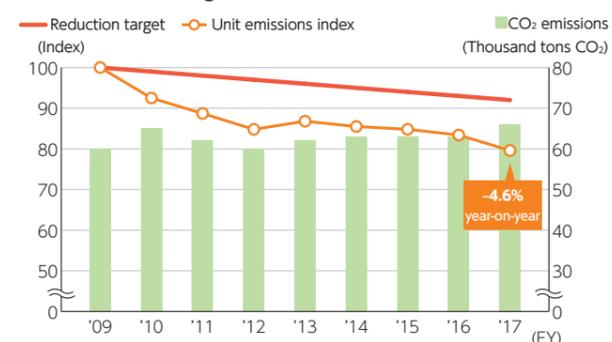
We have set a target to reduce the unit energy consumption 1% annually and conduct cooperative NHK Spring energy-saving activities with the base year set as fiscal 2009. In addition to furthering energy savings through efforts that include rationalizing production, we are striving to reduce CO₂ emissions through measures that include thermal insulation of furnaces. As a result, we reduced the unit amount of CO₂ emissions 4.6% in fiscal 2017 compared to the previous year and achieved our target. In addition, the basic unit of heating decreased year-on-year.

Movements in target and actual energy consumption to sales



*Unit consumption in fiscal 2009 as 100
*Electric heat value coefficient = 9.97 GJ/1,000 kWh

Movements in target and actual CO₂ emissions



*Unit consumption in fiscal 2009 as 100
*Electric CO₂ coefficient = 0.368 tons/1,000 kWh

Towards an environment-friendly society

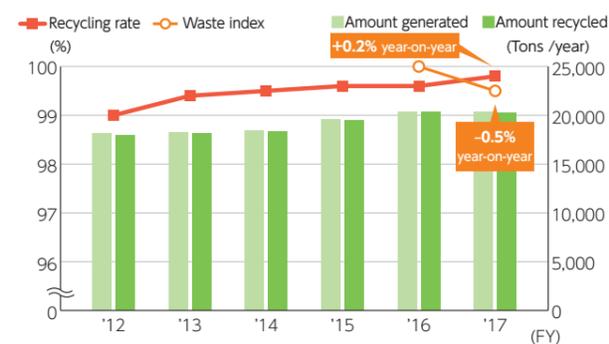
The waste produced by Group companies in Japan during fiscal 2017 was 20,316 tons. We were able to recycle 20,277 tons. This improved the recycling rate from 99.6% to 99.8% by reducing the sludge from wastewater processing in fiscal 2017. Efforts to reduce waste reduction are also undertaken in the same way as NHK Spring. We reduced waste another 0.5% year-on-year thanks to the recovery of resources from waste and improvements to production activities. We will continue these various activities in the future.

Our aim was to achieve a recycling rate of over 99% between fiscal 2007 and fiscal 2009 at Group companies in Japan and succeeded in reaching this target by furthering zero emission activities.

As an example of recycling activities, Nippatsu Service at Group companies in Japan and Nippatsu Harmony separate and

collect various waste at the Yokohama Office to encourage recycling and waste reduction.

Shift in performance in recovering resources from waste and the waste index



*Unit consumption in fiscal 2016 as 100



Weighing separate waste via the Nippatsu Service



Kazuyuki Onchi
Topura Co., Ltd.
Manager, Environmental Section,
Safety & Environmental Activities Department



Striving to Conduct Business Activities in Harmony with the Environment

My company develops, manufactures and sells a wide range of springs from small springs and turbine springs to high-strength bolts from production sites in Kanagawa, Shizuoka, and Osaka as a specialized spring manufacturer. Our environmental activities move forward under an environmental management system that complies with the ISO 14001: 2015 in accordance with our policy to pass on to the next generation a prosperous and beautiful world.

In reducing CO₂ emissions, we improved energy-savings of the actual heat treatment equipment and reduced the losses when switching temperatures during operation. We also worked to improve unit consumption in each process through activities to enhance manufacturing and promoted the transition to LED lighting. We also engaged in other efforts to reduce emissions and recycle such as the reduction in emissions of industry sludge, activities to improve product yield, and improve the accuracy of waste sorting. We are also working to develop environmentally-friendly products such as products that are lighter and support EV applications.

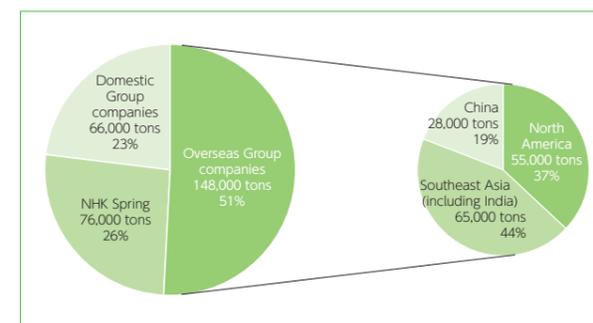
In the future, we will strive to conduct business activities that think about harmony with the environment to contribute to further reductions of the global environmental burden.

Overseas Group companies

CO₂ emissions

The volume of CO₂ emissions for overseas Group companies in fiscal 2017 accounted for 51% of the whole Group, which is the same ratio as the previous fiscal year. This breakdown shows a decrease of 2,000 tons in North America and an increase of 7,000 tons in Southeast Asia as well as 1,000 tons in China. In the future, we will further new activities to reduce CO₂ emissions through energy conservation diagnostics of our plants and the expansion of energy-saving examples.

Fiscal 2017 CO₂ emissions by Group segment

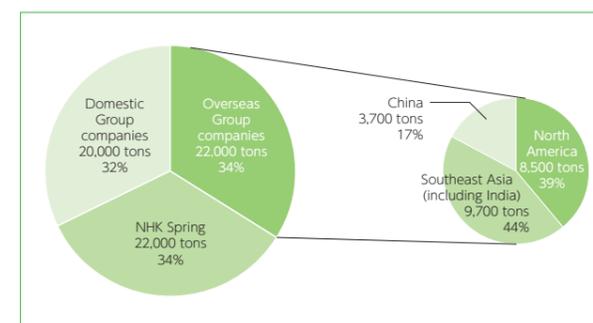


Waste emissions

The basic unit for the amount of waste in Japan has a tendency to increase, and our overseas Group companies are also showing a tendency for an increase in the amount of waste.

The ratio of overseas waste for fiscal 2017 was 34% throughout all of the Group companies, but the emissions increased 2 points compared to last year. We will further resource recovery from waste through recycling activities on each site in the future because we are showing an upward trend of waste, especially in Southeast Asia and China.

Fiscal 2017 volumes of waste generated by Group segment



Energy saving

Each company is engaged in energy-saving activities to mitigate energy consumption during production. We are systematically promoting improvement activities based on energy-saving examples of each company in North America and Southeast Asia.

We also are expanding similar improvement activities as were carried out in Japan even in other regions, to progress energy saving actions throughout the Group overseas.

Movements in CO₂ emissions in overseas Group companies (10 manufacturing companies)



*Unit consumption in fiscal 2009 as 100

Movements in waste generated in overseas Group companies (10 manufacturing companies)



*Unit consumption in fiscal 2009 as 100

Editorial policy

The NHK Spring Group has published the NHK Spring Report since fiscal 2008 to summarize the social, environmental and financial aspects of what we have done over the last year. The 2018 NHK Spring Report is our 11th. We have reviewed our page layout to make it easier to follow for our readers.

In addition, because the latest CSR information publishes more detailed shareholder and investor information on the home page, feel free to use it at the same time.

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

Shareholder and investor information <https://www.nhkspg.co.jp/eng/ir/>

Scope

This Report covers the fundamental business activities of the NHK Spring Group.

'NHK Spring Group' refers to the Group overall; 'NHK Spring' refers specifically to NHK Spring Co., Ltd., and our Group companies are identified individually by their company name. We make every effort to ensure that the Report is accurate.

Reporting period

In principle, the Report covers our business activities from April 2017 to March 2018.

As it is published in November, it will also include any major developments since April 2018.

Readership

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



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