



NHK SPRING REPORT 2022

Manufacturing Derived from Springs.
—— Technology to Change & Unchanged Reliance

NHK
NHK SPRING CO.,LTD.



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Editorial Policy
Since fiscal 2008, NHK Spring has published the NHK Spring Report, which summarizes and outlines our annual social, environmental, and financial activities, including those in the NHK Spring Group companies. Now in its 15th year, NHK Spring Report 2022 is structured around a value creation diagram and six categories of accompanying capital. By adopting such a structure, we have tried to create a narrative for the entire booklet.
Please refer to our website for the latest CSR information and more detailed information for shareholders and investors.
CSR Information <https://www.nhkspg.co.jp/csr/index.html>
Information for Shareholders/Investors <https://www.nhkspg.co.jp/ir/index.html>

Reference Guidelines
Integrated Reporting Framework (VRF)
Value Co-Creation Guidance
(Ministry of Economy, Trade and Industry)
GRI Standards (GRI)

Scope of Reporting
This Report basically covers the NHK Spring Group's business activities. We have strived for accuracy in reporting by using "the NHK Spring Group" for activity reports covering the entire Group, "our Company/the Company" for activity reports covering NHK Spring Co., Ltd. alone, and the name of each company for activity reports covering Group companies.

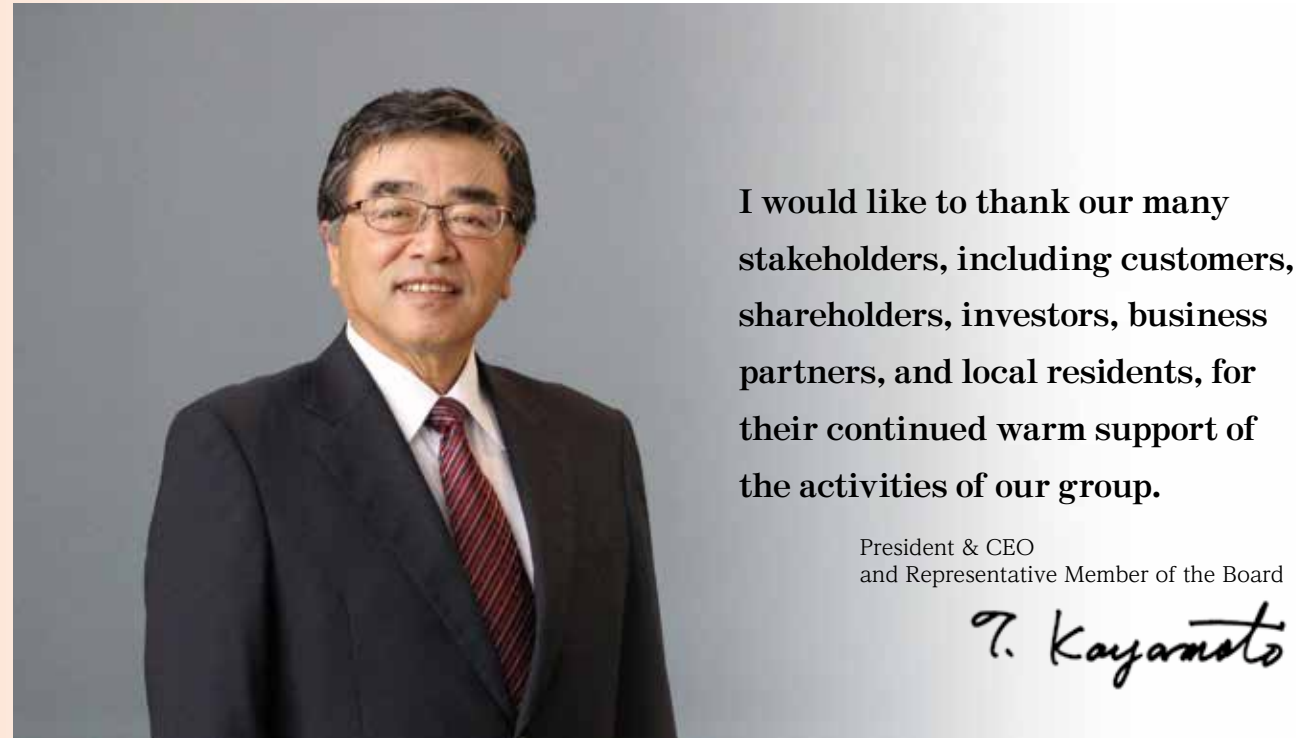
Reporting Period
In principle, the Report covers our business activities from April 2021 to March 2022. As it is published in September, it will also include any major developments since April 2022.

Intended Readers
This report is intended for our shareholders, investors, customers, business partners, employees and their families, local residents and others.

The NHK Spring Group is committed to aiding the resolution of various social issues through manufacturing based on its Corporate Philosophy and Guiding Principles. From the formulation of management policies to the actions of each and every employee, here are the ideas we cherish.



Message from Management



President & CEO
and Representative Member of the Board

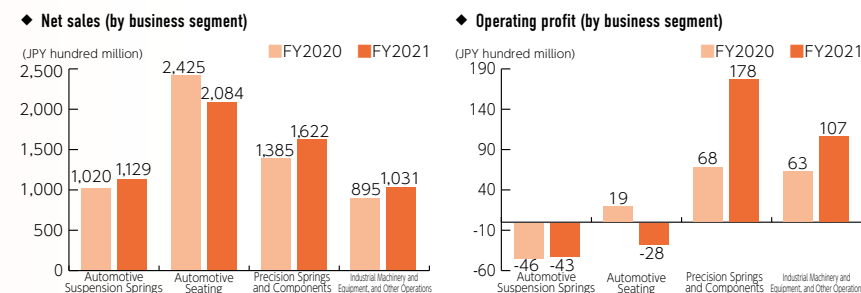
T. Kayamato

Review of FY2021

In FY2021, with the global COVID-19 pandemic showing no sign of abating and leading to distribution disruptions, automobile production cuts due to semiconductor shortages and other factors, and soaring prices for steel and other materials, NHK Spring was confronted with an extremely harsh environment.

However, we are proud of the fact that even under such circumstances, we have not experienced a single major delivery failure at any of our domestic or overseas bases, and as a result, we have been able to earn even greater trust from our customers.

In contrast to the severe environment facing automotive components, we have enjoyed brisk business in our Precision Springs and Components business, which has witnessed increased sales of HDD suspensions, and our Industrial Machinery and Equipment, and Other Operations business, where sales of and semiconductor process components have increased. This prosperity has been realized amidst the recent emergence of the large-capacity and high-speed information and telecommunications society featuring IoT and digital transformation (DX).



Progress of the 2023 Medium-Term Management Plan

As we look ahead to our 100th anniversary in 2039, we formulate a medium-term management plan every three years to strengthen our earnings base for the future while responding to the drastically changing business environment. Under the current 2023 Medium-Term Management Plan, which concludes in the fiscal year ending March 31, 2024, we are rapidly advancing our response to the advancement of information and communications, the electrification of vehicles, automated driving, etc., and we are also working to create next-generation core businesses in response to climate change and other social issues.

Looking to our 100th anniversary and beyond, we are committed to fully demonstrating our strengths in creating value and contributing to a sustainable society through our core businesses.

◆ Business Performance		(JPY hundred million)		
	FY2021 Results	Forecast for FY2022	Target for FY2023	
Net sales	5,869	6,380	6,500	
Operating profit	213	380	400	
Operating margin	3.6%	6.0%	6.2%	
Ordinary profit	306	400	420	
Ordinary margin	5.2%	6.3%	6.5%	
Profit attributable to owners of parent	319	240	250	
Return on equity (ROE)	10.5%	7.3%	8.0%	

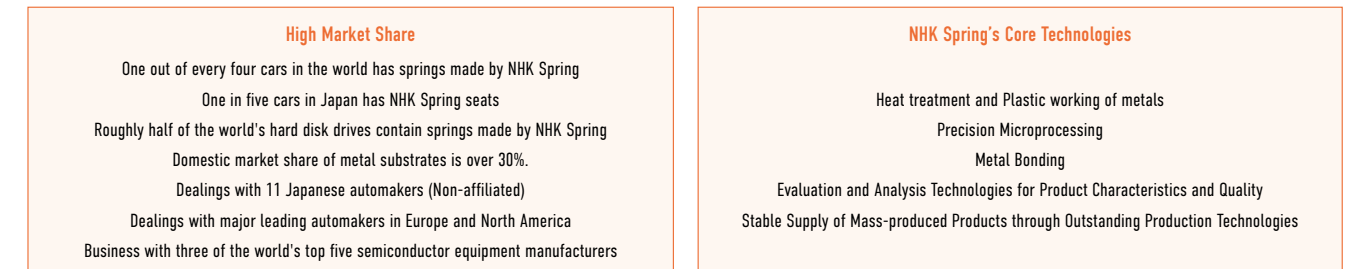


Our Strengths

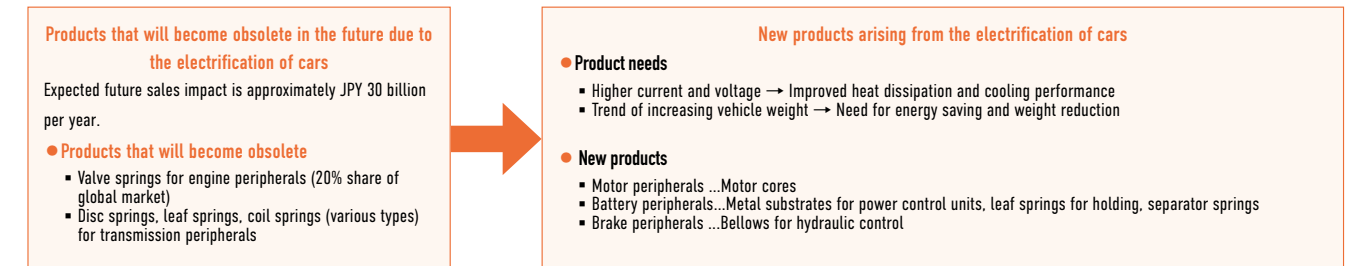
NHK Spring has a variety of strengths. Among these, our greatest forte is our "high level of trust from customers and business partners".

Based on our proprietary technology and reliable quality, many of our products are unrivalled and have a high market share.

Our efforts to find true causes of problems based on information from customers and respond sincerely to individual expectations have enabled us to build strong relationships of trust.



The automotive industry is currently undergoing a transformative period in line with the advance of electrification, but thanks to the trust we have built with our customers and business partners, we regard this as "more of a business opportunity than a crisis".



By leveraging our strengths as an independent manufacturer, we will maintain a wide range of business relationships and continue to be a company that is an indispensable presence for the business activities of our many clients.

Rich Individuality and Competence of Employees

It is the strength of our employees that supports our one-of-a-kind appeal from the inside out.

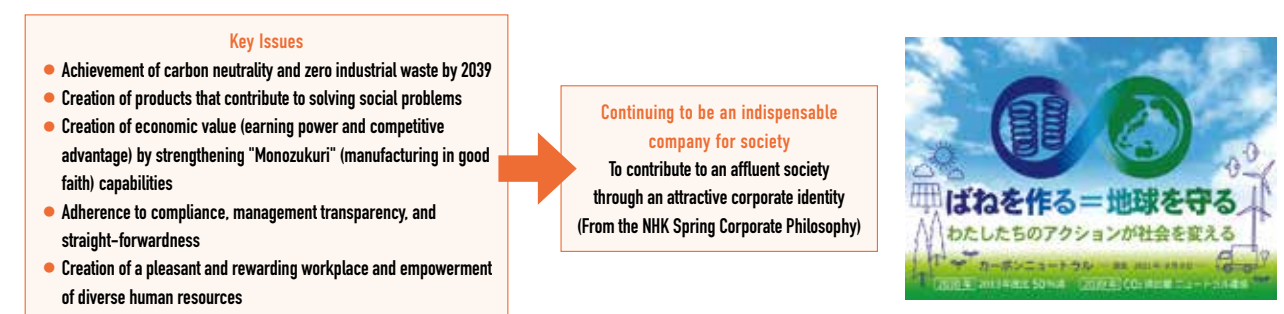
We have a corporate culture that encourages people to take on new challenges, whatever they may be. Each year, we ask our workplace leaders to always understand what each member has to offer and pay attention to each person's job satisfaction and quality of the working environment, and we present this as a basic policy to the NHK Spring Group. We believe that our future competitiveness depends on the efforts and growth of our human resources.

- Encouraging the "Nails that Stick Out"**
- We will let someone do what they say they want to do
 - Even if things don't work out, if someone is willing to continue, we will not stop them.
 - We will not hold anyone accountable for trying and failing.

NHK Spring's Aspiration

Through "Monozukuri" (manufacturing in good faith), NHK Spring contributes to solving social issues for the realization of a sustainable society.

To continue being an indispensable company for society in the future, we will seriously address important issues of the environment, human resources, and management governance and work on them from a medium- to long-term perspective while achieving our short-term profit targets.



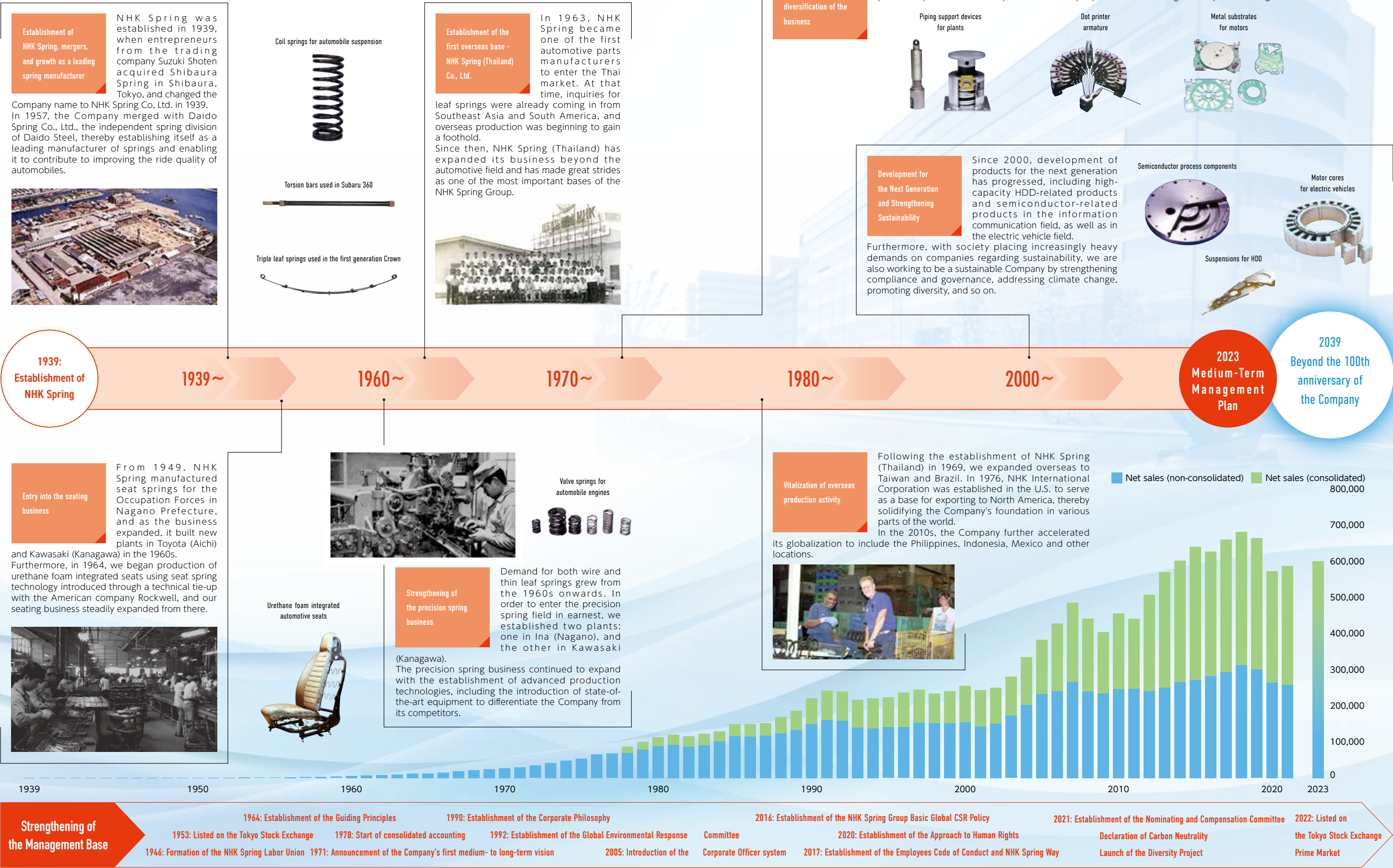
Greetings

The NHK Spring Report 2022 summarizes the status of our sustainability efforts, including our "Environmental Challenges" and diversity initiatives, and, from the dual perspectives of financial and non-financial information, describes our "Monozukuri capability" platform, business developments, and future growth strategies that leverage our unique strengths.

We hope that this report will help our shareholders, investors, and other stakeholders understand our thinking regarding the social role the Group should play and some of our activities towards realizing a sustainable society, and provide an opportunity for constructive dialogue geared to enhancing our corporate value. We look forward to enjoying your continued support for many years to come.

NHK Spring's History

We present the history of our Company here. Just as we have made great strides in the spirit of our Guiding Principles, we are committed to growing even further in the future so that we continue to be a Company that supports society with key parts up to our 100th anniversary and beyond.





Professor,
Graduate School of Business Administration,
Hitotsubashi University

Mr. Shoichi Tsumuraya

President & CEO and
Representative Member of the Board,
NHK Spring Co., Ltd.

Takashi Kayamoto

|| Toward the 100th anniversary of our founding and beyond

Professor Tsumuraya : You have set the Environmental Challenges of becoming carbon neutral and achieving zero industrial waste by your company's 100th anniversary in 2039. I'm sure that many factors will come into play over the long term, however, what kind of company do you want NHK Spring to be when it passes its 100th anniversary?

Kayamoto : The year 2039, which marks our 100th anniversary, is a milestone, but it is merely a passing point. If we do not succeed with numerous challenges in the area of sustainability by then, we will not be able to make our key stakeholders happy beyond that point. While environmental aspects are prominent, for example, achieving carbon neutrality in the area of greenhouse gases and reducing industrial wastes to zero, there are other important items as well.

Professor Tsumuraya : You have announced ambitious environmental goals, even though it maybe difficult to set long-term plans and goals for the company's 100th anniversary in 2039, in the practical business of management.

Kayamoto : Component makers are willing to propose the development of production technologies and products, however, since their survival is conditional on having customers, it is difficult for them to devise long-term plans and goals. Nevertheless, by setting the target of achieving carbon neutrality by our 100th anniversary in 2039, which is 17 years away, we have raised a challenging goal that represents our longest-term numerical target ever. Although there are many challenges ahead before we can achieve this goal, we intend to work steadily toward resolving our sustainability issues.

Professor Tsumuraya : You are also responding to society's expectations regarding sustainability other than the environment. Where do you see challenges arising in achieving this goal?

Kayamoto : As president, it is my earnest desire to build a foundation for sustainable growth beyond our 100th

anniversary while addressing a wide range of sustainability issues, including diversity and human rights, in addition to environmental issues. In order to invest in this growth, the company must remain above its current profit level and be in a position to bear the costs of bringing its sustainability agenda to fruition. We hope to transition to such a condition in the next five years or so, and move from a company that is good in terms of its so-called conventional values to one that is also good in terms of sustainability. In order to do so, we will probably have to raise the current profit margin by about 3% to meet the challenge in a stable manner.

|| What to change and what not to change in the runup to the company's 100th anniversary

Kayamoto : We can envision what we want to be like by 2039, the year of our 100th anniversary, but we must set up a concrete process and determine the things we need to do, the things we must change, the things about NHK Spring's uniqueness that we must not change, and the things we must uphold for the younger employees who will still be working at NHK Spring in 2039.

Professor Tsumuraya : Unless you can clearly differentiate the "things that must be changed" from the "things that must not be changed (things that must be upheld)" and explain them in an easy-to-understand manner, it will be difficult for employees to determine the direction they should take and how to proceed. How about human resources, technical capabilities, community relations, company culture, organization, and other such considerations?

Kayamoto : Something we must not change is the importance we attach to our employees. If the company were to continuously show a deficit, it would no longer be able to take care of its employees. To take care of our employees, we must also ensure that we are profitable.

In addition, we view our employees based on the assumption that human nature is fundamentally good. Rather than rule-bound management which assumes that human nature is bad, we adopt the attitude that our

employees will not be tempted to do bad things because they have innate goodness. Having said that, we believe that rules are required just to the extent that deters temptation from arising. We believe that our concept of management based on the based on the assumption of innate goodness in humans is something that we must not fundamentally change.

We also encourage everyone to encourage the "nails that stick out". Our corporate culture is such that we do not censure failure for things that have been done with a positive attitude. Of course, we should avoid making losses due to doing the wrong things, however, we do not point the finger much when losses arise out of trying to do something with positive intentions. We want to retain this way of thinking as part of our corporate culture. In fact, I experienced many failures before I succeeded in my research and development in the semiconductor field, and it was only by chance that I realized one success in the shape of incubation.

Professor Tsumuraya : That's wonderful. So you are saying that all your employees work in such an atmosphere?

Kayamoto : Yes, I believe so.

Professor Tsumuraya : That's good. I would like to join a company that places such trust in the fundamental goodness of human nature. That is certainly an attitude toward employees that should not be changed. On the other hand, what are the things that you need to change or would like to change?

Kayamoto : The first thing is a sense of speed. For example, in situations where a sense of speed is important, such as the Investment and Loan Committee, which considers and implements capital investment, we feel there is a need to speed up the decision-making process while following the appropriate processes.

The second thing is our personnel management system. There is a mixture of "things that must not be changed" and "things that must be changed" in the personnel management system, and while it is necessary to appropriately differentiate the two, the system must be fundamentally transformed to one that supports the empowerment of women. Not only must we change our codified rules, but also the attitudes that exist within the organization, such as the "glass ceiling" concept. In addition, there is the question of how we should differentiate between career-track and general positions. In activating human resources, pre-existing personnel categories may not work well due to the restrictions they engender. How to reconfigure these constraints is an issue that we need to address with speed. We believe that regional career-track positions should be created first, and soon be followed by a fundamental review of career-track and general positions.

Professor Tsumuraya : The same thing applies not only to companies but to all Japanese organizations, including universities and government offices.

Kayamoto : I always waver between the approach to evaluation that gives incentives and the approach that encourages long-term employment. We must also take into account harms that may arise from changing the system too quickly and the ill effects of losing a sense of speed.

Professor Tsumuraya : Other organizations in society are confronted with similar concerns, so attention to the theme

of human capital has been especially growing recently.

Kayamoto : Rather than fitting ourselves into a job-based system or role-based system, I believe that we need to create a style that suits our company. We must also take into account the fact that different generations have different ideas about how to work.

Professor Tsumuraya : Concerning the things that need to be changed now, you talked more about what needs to be changed inside the company, but what would you like to see changed in terms of your links with the outside world?

Kayamoto : Automotive parts can be divided into two main categories: trendy auto parts, and traditional auto parts. The auto parts we handle are representative of the traditional variety. In a sense, they will never disappear and there is a sense of stability, but compared to so-called trendy components such as driver assistance systems, I believe that the sale prices of the parts we handle are too cheap. I believe it is important to maintain a sense of trust in our relationships with our customers in the auto industry while retaining tension in negotiations, and I believe that this is an area for improvement.

Professor Tsumuraya : Do you mean improving negotiation skills?

Kayamoto : Yes. In particular, we have told our employees that we want them to negotiate prices that appropriately reflect higher steel material prices and energy costs. Although it has been difficult to raise prices in a deflationary economy, we believe that appropriate price formation should take place in business relationships now that inflationary concerns have become apparent. Even with traditional automotive parts, I believe that if we continue to improve our quality, our customers will accept prices that are commensurate with value.

|| NHK Spring Value Creation Story

Professor Tsumuraya : Please tell us about your intention behind adding the new element, "Base for Supporting Sustainability", to the 2022 NHK Spring Report.

Kayamoto : This year's NHK Spring Report has been revised in several areas since last year, and we have put particular emphasis into the pages devoted to value creation stories (p.14 - p.19). Through these pages, we aim to organize and communicate to readers our corporate thinking, resources, strengths, and how we co-create value with our stakeholders. Especially, the section entitled "Base for Supporting Sustainability" is a major revision, since we consider that initiatives in not only corporate governance and risk management but also human resources, the environment, CSR procurement and other areas support our manufacturing and enable us to grow sustainably.

Professor Tsumuraya : The value creation diagram gives us a bird's eye view of the company as a whole.

Kayamoto : I hope that not only people outside of the company but also our employees will see this and use it as an opportunity to understand how our company and our products and operations are connected to society.

|| Communication with Stakeholders

Professor Tsumuraya : The "Base for Supporting Sustainability" lists "customers", "local residents", "business partners", and

"shareholders and investors" as stakeholders. What kind of relationships do you hope to build with these stakeholders? "Employees" are depicted at the center of the "Base for Supporting Sustainability". Human capital is also a hot topic in 2022. What are the strengths of your employees, and what does management expect from them in the future?

Kayamoto : The abiding strength of the company lies in our belief that human nature is fundamentally good. Our employees are basically good people, earnest, and doing the best they can. They continue to hold those traits as part of their corporate culture. The Guiding Principles established in 1964 close with the words,"Caring teamwork". At that time of almost 60 years ago "Team" referred to the employees as stakeholders within the company. I think these traditional strengths have been carried over.

Professor Tsumuraya : Within the theme of diversity, there is an aspect of tolerating various ways of thinking, but how do you balance this with the "Ceaseless excellence" that is also contained in the Guiding Principles?

Kayamoto : We see the words " Ceaseless excellence" in the Guiding Principles not so much as a mental fighting spirit, but rather as an attitude of "Never give up". Rather than simply admitting that something cannot be done, they carry the nuance of not giving up and seeing a challenge through to the end, and this has been passed on as a good quality of our employees. I am a developer, so even if I have to do something in various different ways, I manage to make it happen without "giving up" on it. I believe that reflects "Ceaseless excellence".

Professor Tsumuraya : I see. The "Ceaseless excellence" in the Guiding Principles refers to never giving up. Since there may be many ways of getting things done, it is important to have the basic attitude of "Never give up". Around this core of employees, how do you intend to develop relationships with key stakeholders, such as customers, local residents, business partners, shareholders, and investors?

Kayamoto : It is vital for us to gain the deep trust of our customers. We need customers to trust us and feel that "If there is anything I need, I will go to NHK Spring first". It is important for us to be trusted as a supplier without being regarded as exclusively dealing with any particular automaker. Out of the necessary prerequisites including routine deliveries, quality, and price, the relationship with the customer is the most important thing. The same can be said for our suppliers. In accordance with revision to the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, we will change our method of payment to target suppliers by adopting cash payments at the end

of the month following the month when deliveries are made. To contribute to the cash flow of suppliers, we will simultaneously apply the new system to suppliers including group companies for deliveries made from October 1, prior to the enforcement of the revised law.



Professor Tsumuraya : That's good news for suppliers.

Kayamoto : I gave instructions internally to listen carefully to requests from suppliers, reflecting inflationary pressure on materials and various other items in our prices. And our purchasing department, including purchasing by factories, will also appropriately respond to internal audit items. Since we are both sellers and buyers in the supply chain, we carefully consider the mutual relationship on both sides.

Professor Tsumuraya : How do you intend to handle your relationships with shareholders and investors in the future?

Kayamoto : We believe that the right attitude is to properly explain our company's strengths and growth potential so that people come to place expectations on the company. I intend to be responsive to reasonable requests from institutional investors and also be available for direct dialogue as president. I will also attend financial results briefings twice a year.

Professor Tsumuraya : As president, I assume that you sometimes speak to institutional investors about your vision. What kind of stance do you adopt at such times?

Kayamoto : I believe that only the president can talk about certain aspects of the vision, unlike reporting business results at financial results briefings. We believe it is very important to explain to institutional investors what we want to do and the way we want to be.

Professor Tsumuraya : Your company seems to have a relatively high ratio of foreign shareholders. Is there anything that you place particular emphasis on when talking with overseas institutional investors?

Kayamoto : We review the results of voting rights exercised at general shareholders' meetings, and in the case of dissenting votes, we work to improve the causes of such dissent. I hope we can further strengthen our dialogue in the future.

Professor Tsumuraya : Foreign institutional investors tend to be more individualized and dialogue-oriented than Japanese institutional investors. I think there is a good chance that even something that would be considered an objection under ISS*1 or other general standards for exercising voting rights could be accepted by properly explaining your company's thinking, internal rules, etc. It is also effective to have outside directors give explanations.

Role of the management team

Professor Tsumuraya : The management team is the key to increasing corporate value, but what qualities, skills, and attitudes do you think will be necessary for the management team in the future?

Kayamoto : There are people who are endowed with various qualities that do not change greatly from era to era. That is why diversity is necessary, and I believe that the thinking inside the management team should not only point in one direction.

Professor Tsumuraya : That's wonderful.

Kayamoto : We instruct managers not to think along the same lines, in our management training program for managers and directors. Vectors can be varied to a certain extent, and I believe that the company would be in danger if everyone completely started to think only in the same way. In the aspect of business skills, we need to have a

variety of expertise in fields of technology, accounting, human resources and so on. If I were to request common denominators, they would be the qualities of not fearing change, the ability to adapt to change quickly, and the ability to move with speed.

Professor Tsumuraya : Is the atmosphere at board meetings conducive to voicing various opinions?

Kayamoto : The Board of Directors has been holding lively discussions, partly due to the increase in the number of outside directors. We ask the outside directors to engage in a wide variety of discussions from the perspective of how they want to see the business and what NHK Spring wants to do with the business in the future. We also provide opportunities for active discussions with the executive officers, who are members of the company's Management Committee, to address issues with a sense of urgency. Due to this vitalization, meetings have recently been running over the scheduled time, and we are now intending to extend meeting times.

Automotive and Non-automotive Concepts

Professor Tsumuraya : I understand that you consider it necessary to change the concept of Automotive and Non-automotive regarding your company's business.

Kayamoto : If we take an overview of our organization, we are in a situation where we are recognized as an auto parts company because about 70% of our sales are related to automobiles. But each business unit does not necessarily make only automotive parts. However, if we think in terms of automotive and non-automotive, our thinking cannot go beyond the scope of the automotive industry. I think our development potential is constrained if we view the external value of the NHK Spring brand (products, production technology, etc.) as belonging to either the automotive industry or non-automotive sectors. For example, for metal substrates handled by the Industrial Machinery and Equipment and Other Operations Division, we work with customers who need substrates and we realize the necessary specifications, regardless of whether they are for automobiles or not. Although the number of substrates for automobiles is increasing due to the shift to EVs, we believe that we should take a blanket view of products and technologies and develop value propositions that are not restricted to the automotive industry. We believe that we need to maintain our relationships with the automotive industry, but also expand our work outside of it for various possibilities in terms of products, production technologies, and simulation capabilities. In the automotive industry, the NHK Spring brand has a reputation based on having already achieved a certain level of performance, but in new fields and domains, we should not be afraid to build from scratch.

Initiatives to generate synergies among businesses

Professor Tsumuraya : The general trend in integrated reports*2 is to give detailed descriptions of each business, but not to discuss so much about synergies among businesses. Please tell us about the synergies between the various businesses in NHK Spring.

Kayamoto : I do not think it is desirable for segments to formulate business plans and develop the business as if

we were independent companies. Since our company also experiences cultural differences between business units, this raises the question of synergies between businesses. As a specific example of our efforts, we have succeeded in having executive officers and general managers who are familiar with productivity-enhancing technologies transfer their expertise between businesses so that the technology and know-how for productivity improvement can also take root in other business divisions.

Kayamoto : Our microcontactor products are a good example of not giving up and continuing to pursue the possibilities of technology to the end. Microcontactors are pins that can check the continuity of semiconductors using a spring with a coiling diameter thinner than a hair. Previously, microcontactors were regarded as something that should be handled by the Precision Spring Business Division, but due to the increasing demand for high-frequency characteristics such as 5G communication technology and semiconductors, they were transferred to the Disk Drive Suspension Division, which possesses this technology. The high synergy effects of this in terms of technology and production are about to blossom in one fell swoop.

Professor Tsumuraya : You could say that such synergy effects are one of your goals for the 100th anniversary.

Kayamoto : Yes, that's right. One of the measures we are planning is to introduce an open recruitment system for interdivisional transfers. We hope to revitalize the entire group by providing motivated employees with opportunities to explore new possibilities, and by adopting a sense of crisis in managing business units that are unattractive or are not performing well.

Professor Tsumuraya : I look forward to your company's future efforts.



*1
ISS...Acronym for Institutional Shareholder Services. A voting advisory company that advises investors on the approval or disapproval of general shareholders' meeting proposals.

*2
Integrated report...A report consisting of financial and non-financial information that explains the long-term value creation of an organization.

Various NHK Spring Group Products in City Life

NHK Spring Group contributes to manufacturing in each field, from automotive to data telecommunications, industry, and lifestyle. The products of four businesses (Suspension Springs, Seating, Precision Springs and Components, Industrial Machinery and Equipment, and Other Operations) that play integral roles in everyday life will be introduced.

Suspension Springs Business

Automotive Seating Business

Precision Springs and Components Business

Industrial Machinery and Equipment, and Other Operations Business

On golf courses

In stadiums

In stores

On boats and ships

In data centers

On railways

In automobiles

In semiconductor manufacturing

In multi-level parking lots

Golf shafts

Lighting equipment

Anti-counterfeiting labels

Marine products

HDD suspensions

HDD mechanical components

Railway tension balancers

Turnouts

Automotive suspension springs

Accumulators for brakes

Automotive seats

Motor cores for electric vehicles

Wire springs

Damper springs for HEVs

Leaf springs for holding

Thin leaf springs

Integrated metal substrates

Polyurethane products

Cooling plates for etching equipment

Stage heaters for film-forming equipment

Microcontactors

Multi-level parking lot with EV charger

SEMICONDUCTOR PLANT

Value Creation Stories

Growth Strategy

Human Capital ①

Natural Capital

Manufacturing Capital / Intellectual Capital

Social Capital ①

Human Capital ②

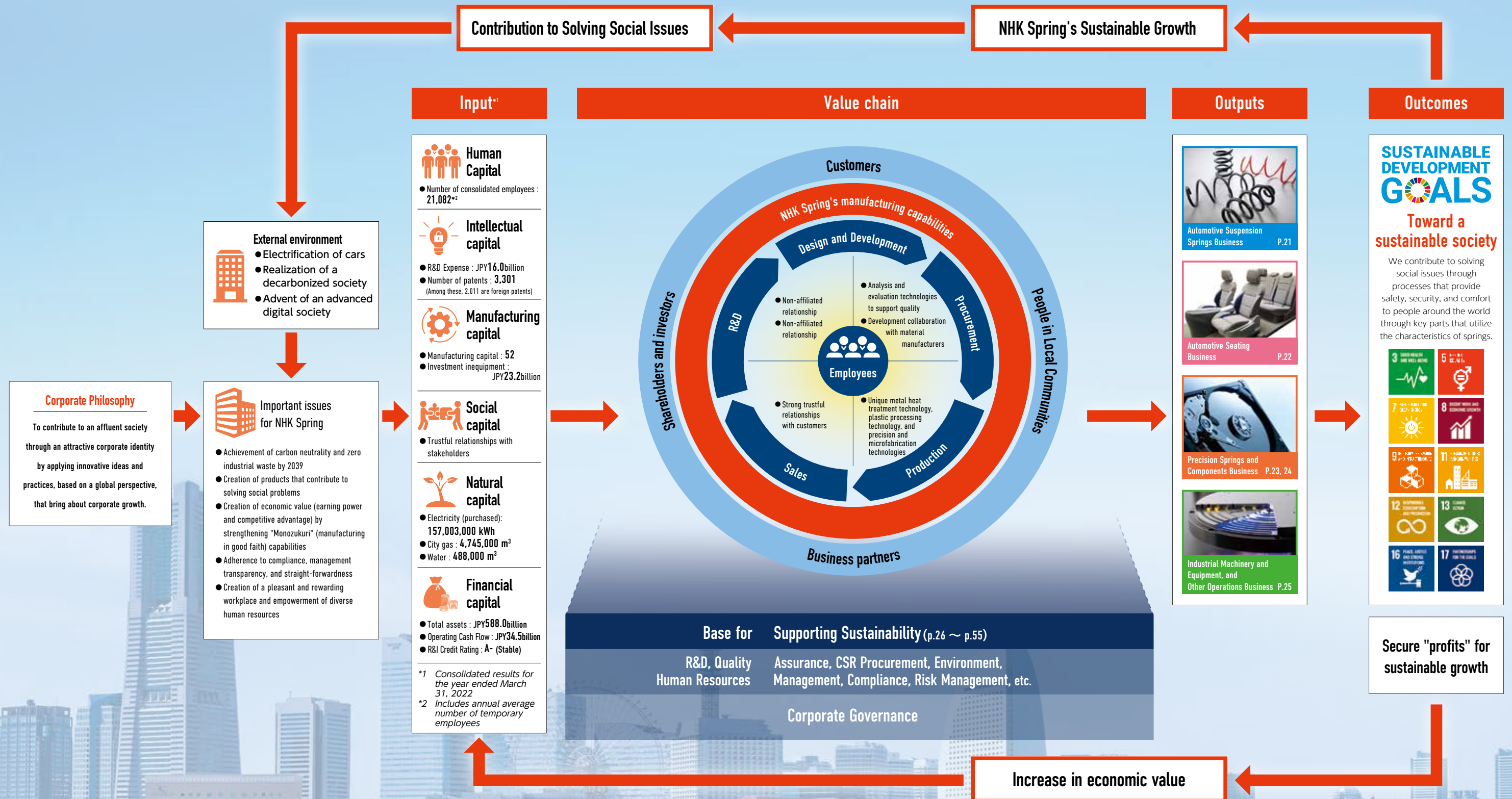
Social Capital ②

Financial Capital

Value Creation Process

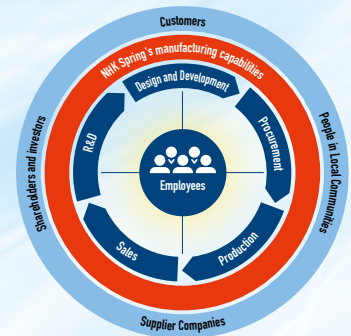
Based on the thinking contained in our Corporate Philosophy, we aim to contribute to the development of an affluent society to address management issues in light of social challenges in a drastically changing environment. We aim to solve social (manufacturing in good faith), which leverages our strengths cultivated over many years in a wide range of fields including

through our business activities. To realize this goal, we are promoting our business from a medium- to long-term perspective issues and increase our corporate value by providing various technologies and products through "NHK Spring's Monozukuri" automobiles, information and telecommunications, daily life, and industry.



Creating Corporate Value with Stakeholders in the Value Chain

We are creating value that contributes to solving social issues by efficiently utilizing various capital resources to address the challenges of each business activity in the value chain, as outlined in the Value Creation Process, and by leveraging our unique strengths.



NHK Spring's sustainable growth



Research, Development, and Design

Issues to be addressed	Six Types of Capital	Applicable Stakeholders	Initiatives to Support NHK Spring's Sustainability	Outcomes
Accumulation of core technologies and know-how	Intellectual capital	Employees / Business partners	• Accumulation and utilization of core technologies (materials development, metal processing, heat treatment, bonding, analysis)	• Contribution to innovation through core technologies
Joint research with customers, business partners, and external organizations	Social capital	Customers / Business partners	• "Quality-first, Proposal-oriented" manufacturing based on front-loading	• Promotion of joint research by industry, academia, and government
Achievement of zero emissions and carbon neutrality	Natural capital	Customers / Local communities	• Promotion of environmentally friendly design (lightweight, energy-efficient design, etc.)	• Mitigation of global warming and environmental pollution
Technology-related investments for growth	Financial capital	Customers	• Continuous investment in R&D (development of new products and orders)	• Return to stakeholders by increasing corporate value

Sales

Issues to be addressed	Six Types of Capital	Applicable Stakeholders	Initiatives to Support NHK Spring's Sustainability	Outcomes
Building trustful relationships with customers	Social capital	Customers	• Systematic understanding of industry needs and trends that only a non-affiliated company can provide • Building a strong customer base through high market share	• Value chain enhancement • Proposal of products that contribute to solving social issues

Procurement

Issues to be addressed	Six Types of Capital	Applicable Stakeholders	Initiatives to Support NHK Spring's Sustainability	Outcomes
Building trustful relationships with business partners	Social capital	Business Partners	• Compliance with measures on conflict minerals • Compliance with the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors based on guidelines	• Building a resilient supply chain
Reduction of environmental impacts throughout the supply chain	Natural capital	Business partners / Local communities	• Planned implementation of the Environmental Challenges (carbon neutral declaration, zero industrial waste) • Promotion of green procurement based on guidelines	• Mitigation of global warming and environmental pollution

Production






Issues to be addressed	Six Types of Capital	Applicable Stakeholders	Initiatives to Support NHK Spring's Sustainability	Outcomes
Enhancement of plants and equipment	Manufacturing capital	Customers / Employees / Local communities	• Establishment of a global supply system (24 domestic and 33 overseas locations) • Continuous capital investment (productivity improvement, quality improvement, production capacity expansion)	• Building trustful relationships with customers through stable supply • Contribution to the local economy through local employment
Building trustful relationships with customers, business partners, and local communities	Social capital	Customers / Business partners / Local communities	• Continuation of stable employment (consolidated workforce: 21,082) *Including average annual number of temporary employees as of March 31, 2022 • Ongoing contributions to local communities	• Building trustful relationships with customers through stable supply • Contribution to the local economy through local employment
Achievement of zero emissions and carbon neutrality	Natural capital	Customers / Business Partners / Employees / Local communities	• Planned implementation of the Environmental Challenges (carbon neutral declaration, zero industrial waste) • Installation of solar power generation equipment • Energy saving diagnosis and environmental audits	• Mitigation of global warming and environmental pollution

Base for Supporting Sustainability

Issues to be addressed	Six Types of Capital	Applicable Stakeholders	Initiatives to Support NHK Spring's Sustainability	Outcomes
Strengthening of governance	Social capital	Customers / Business Partners / Shareholders and investors	• Further strengthening of corporate governance (e.g., functions of the Board of Directors) • Strengthening of risk management systems (BCM, cyber security, etc.) • Promoting compliance • Communication with shareholders and investors • Creating a rewarding and comfortable workplace through work style reforms	• Establishment of sound management systems
Utilization of human capital	Human capital	Employees	• Creating a rewarding and comfortable workplace through work style reforms • Promotion of diversity • Promotion of health management	• Safe and productive employment
Strengthening of the financial base	Financial capital	Shareholders and investors	• Creation of earning power by improving Shareholders' Equity Efficiency	• Sustainable economic growth

NHK Spring continues to provide key parts indispensable for solving social issues.

Through providing customers with products that are indispensable to people's safe and comfortable lives in a wide range of everyday fields, the NHK Spring Group contributes to solving social issues and supports the sustainable growth of society.


	The value of the products NHK Spring offers to our customers	Customer issues related to products	The value of the products offered by our customers	Social issues NHK Spring contributes to through our customers	
For example, In HDD suspension...	High product performance <ul style="list-style-type: none">Fine positioning accuracyCharacteristics to suppress resonance	HDD Higher Capacity Higher Density Higher Reliability	Contributing to the development of digital infrastructure such as data centers by providing high-capacity HDDs	Rapid increase in data processing and communication volume due to IoT, AI and DX Securing of data storage has become a social issue Integration of high-volume data centers with high energy efficiency	We contribute to the advanced digital society infrastructure through supplying HDD suspensions. 
For example, In semiconductor process components...	High product performance High product reliability <ul style="list-style-type: none">Temperature controlCorrosion resistance & durability	Semiconductor Processes Miniaturization Complication	Contributing to the stable supply of semiconductors by providing semiconductor manufacturing equipment	Digitalization of machines in all industries due to IoT, AI, DX, etc. Shortage of supply due to rapid growth in demand for semiconductors Concerns about negative impacts on economic activity	Through supplying semiconductor process components, we contribute to improving the performance and functionality of machines used in all industries, to meet the growing global demand for semiconductors. 
For example, In motor cores for electric vehicles...	High product reliability <ul style="list-style-type: none">High machining accuracyHigh production efficiency	Motors for EVs Higher power and efficiency Miniaturization and weight reduction Efficient design and development	Providing safe and comfortable mobility by offering EV motors/ electric vehicles. EVs can also be used as storage batteries, not only a means of transportation.	Reduction of automobile CO ₂ emissions, which account for about 16% of total emissions. Curbing of global warming.	Promoting the electrification of cars through the supply of motor cores for electric vehicles, we contribute to the reduction of CO ₂ emissions. 
For example, In automotive seats...	Product safety Product comfort <ul style="list-style-type: none">Fatigue reductionSeat weight reduction	Preventing accidents before they happen Safe driving support functions Diversification of seat forms	Safety and comfort of passenger space. Free space arrangement.	Building a safe, comfortable, and efficient transportation infrastructure. Contributing to a society with zero fatalities and injuries from traffic accidents.	Through supplying automotive seats, we arrange the interior space of vehicles safely and comfortably, supporting "sitting" and thereby contributing to user satisfaction. 
For example, In automotive suspension springs...	High product performance and weight reduction technology	Automobile Electrification Weight reduction of car bodies Reduced fuel consumption	Contribute to a decarbonized society by reducing vehicle weight and improving fuel efficiency	Reduction of automobile CO ₂ emissions, which account for about 16% of total emissions. Curbing of global warming	Through supplying suspension springs that achieve high driving stability and vehicle weight reduction, we contribute to the improvement of vehicle fuel efficiency and reduction of CO ₂ emissions. 

Safety, Security and Comfort
Support, Convey, Maintain, Spring, Energize, Grow, Bond

NHK Spring Group Products for Electric Vehicles/Automated Vehicles


Electrification and automation are essential topics for the future business of the NHK Spring Group. In each segment, we offer a variety of products to support electrification and automated driving.

Suspension springs




Coil springs, leaf springs, stabilizers, and other springs contribute to driving stability by supporting the undercarriage of automobiles. By reducing weights, we contribute to higher fuel economy of automobiles.

Accumulators for HEV brakes




This component is used in the brakes of HEVs. The oil is instantly discharged from the stored pressure by means of a bellows-shaped telescopic tube, thereby providing the necessary pressure for braking instantly and easily.

Arrange & Comfort Seat




In anticipation of automated driving, we are developing seats with various functions such as fatigue reduction, car sickness mitigation, comfortable operability, and comfortable posture.

Multi-level parking system with charger for EVs




We install the EV battery charging pallet developed by YourStand, Inc. in the multi-story parking systems supplied by our group company NHK Parking Systems Co., Ltd.

Motor core




This is the core component of the motor. The motor core generates power by rotating with the force of a magnet.

HEV damper springs




These springs are used in transmissions such as torque converters and lock-up dampers to absorb shock during power transmission.

Leaf springs for holding



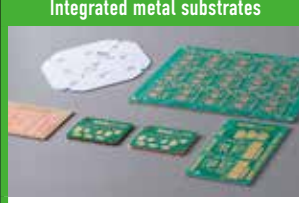
Leaf springs for holding are used to press against coolers for the purpose of efficiently dissipating heat generated by PCUs (power control units), which are used to properly control the power of motors.

Battery cushion



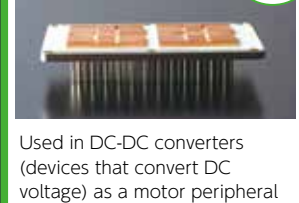
These urethane foams are used to support and cushion the bottom of the battery housing (the box-like structure covering the battery) and each cell, and to prevent water from entering housing joints.

Integrated metal substrates



These components are used in LED headlights, meter panels, chargers, etc., and support the use of electronics in products.

Substrate with integrated heat sink (DB-IC)



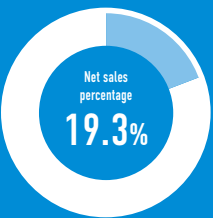
Used in DC-DC converters (devices that convert DC voltage) as a motor peripheral component. This type of metal substrate integrates a heat sink - a heat-dissipating component - and a metal substrate, and has the features of high heat dissipation, high current, and high durability.

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

Automotive Suspension Springs Business

FY2021 Results

Net sales	JPY 112.9 billion
Operating loss	JPY 4.3 billion



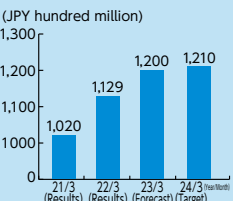
Business Overview

In the Automotive Suspension Springs Business, we manufacture suspension springs used mainly in automobiles.

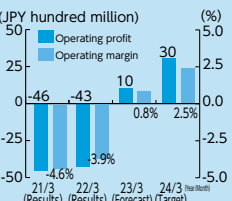
Main Products

Coil springs, leaf springs, stabilizers, accumulators, torsion bars, stabilizer links, stabilinker, etc.

Net Sales



Operating profit



The forecast figures for 22/3 (Forecast) are as of May 13, 2022.

Initiatives to Achieve Carbon Neutrality

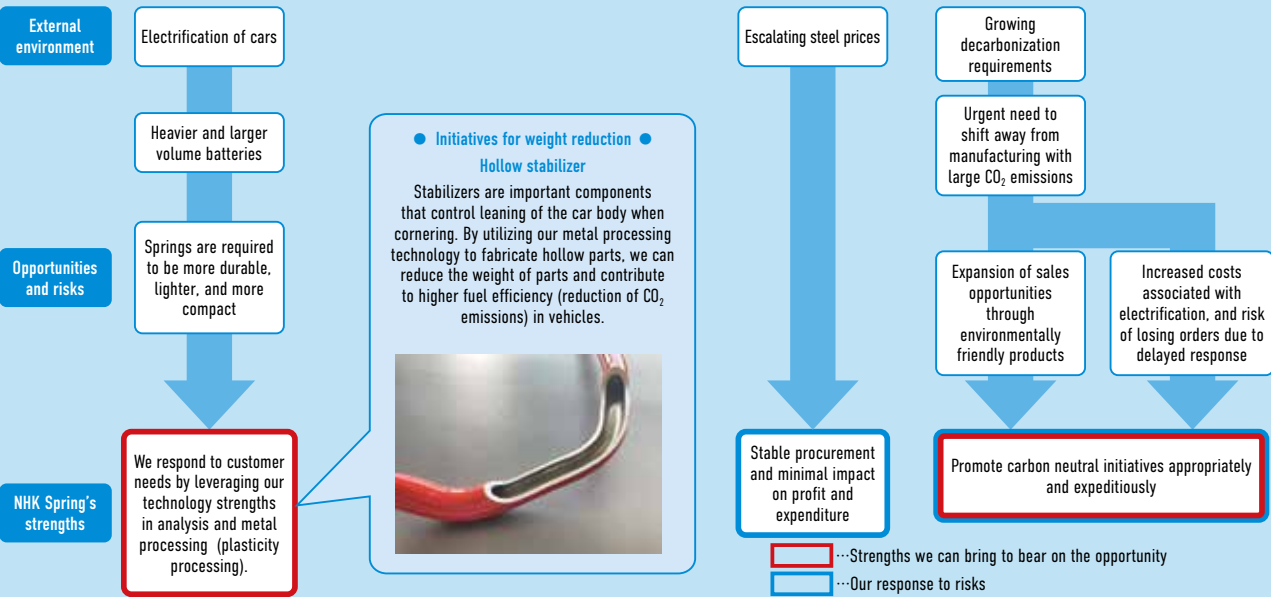
To achieve the goal of 30,228 tons of CO₂ emissions in FY2030, we are promoting fuel conversion from kerosene and propane. We aim to achieve waste reductions of 8,993 tons by 2026 by advancing measures including the following from FY2023 onward:

- Energy savings through high-efficiency heating
- Introduction of solar power generation



Solar panels installed at our Yokohama Office

Key External Environment and Opportunities and Risks



The Vision We Aim For

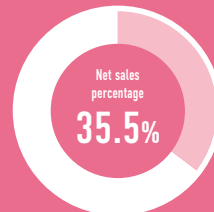
In the Automotive Suspension Springs Business, we need to conduct thorough improvement activities and promote even greater cost management at our domestic production operations, against a background of wildly fluctuating orders and increasing uncertainty surrounding the steel market, semiconductors supply and power costs. In parallel, we will rebuild our global production system to ensure continuous competitiveness.

We will develop next-generation products responding to the electrification of cars and differentiate ourselves from our competitors. In addition to the increasing needs for lighter and downsized products, we will accelerate the development of products and processes that can achieve carbon neutrality, and deliver them to the market.

Automotive Seating Business

FY2021 Results

Net sales	JPY 208.4 billion
Operating loss	JPY 2.8 billion



President of Seating Division
Executive Corporate Officer

Tatsuro Ono

Business Overview

In the Automotive Seating Business, we mainly manufacture seats that are used in automobiles.

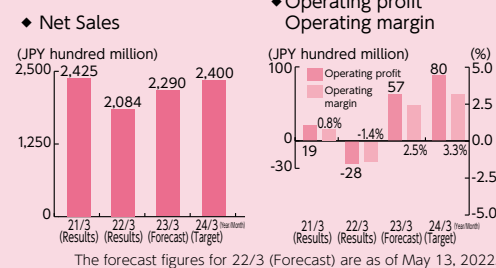
● Main Products

Automotive seats, mechanical parts for seats, interior components, etc.

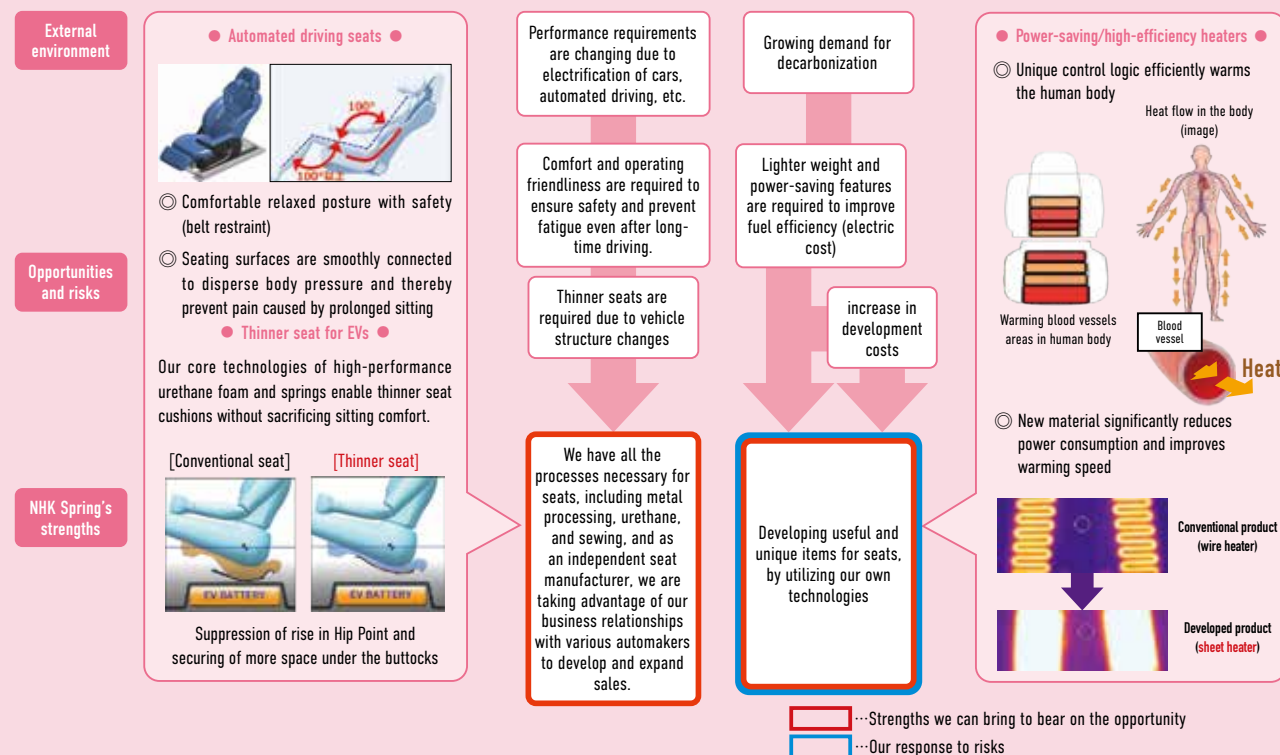
Initiatives to Achieve Carbon Neutrality

To achieve the goal of 6,475 tons of CO₂ emissions in FY2030, we have been promoting energy-saving and waste reduction activities. In addition, we aim to realize a reduction in CO₂ emissions of 6,376 tons in FY2026 by advancing measures including the following:

- Elimination of heat dissipation losses from mold temperature control in urethane forming process, and consideration aimed at using high-efficiency temperature control equipment.
- Development with fewer prototypes by promoting virtual analysis (waste reduction)
- Introduction of solar power generation equipment and active use of renewable energy sources



Key External Environment and Opportunities and Risks



The Vision We Aim For

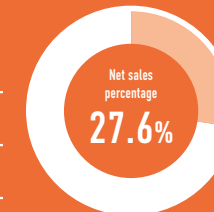
We will strengthen our competitiveness in development and manufacturing by anticipating changes in performance requirements for seats arising from recent reforms and innovations, such as CASE, MaaS, and carbon neutrality, and by developing attractive technologies and products, while focusing on two key points: ensuring customer-first awareness, and maintaining and improving product quality. In the seating business, price competition is becoming tougher in sales, and development costs are increasing due to more sophisticated safety and quality requirements, making the maintenance and improvement of profitability an important issue. Seeking further automation and labor saving in the manufacturing aspect, we will shorten development times by utilizing AI and virtual technologies, actively promote prototype-less development to strengthen profitability, meet the needs of each automaker, and thereby aim for continuous and stable transactions.

MaaS...stands for "Mobility as a Service" and refers to the integration of various transportation services into a single mobility service.

Precision Springs and Components Business

FY2021 Results

Net sales	JPY 162.2 billion
Operating profit	JPY 17.8 billion



President of the Precision Spring and Components Division
Executive Corporate Officer

Kazuhiko Otake

Business Overview

In the Precision Springs Business, taking advantage of our strength in metal material analysis and high-precision press work, we manufacture products in a wide range of fields such as automobiles and information and data communications.

● Main Products

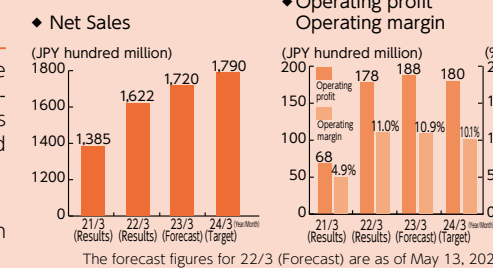
HDD mechanical components, wire springs, thin leaf springs, motor cores, microcontactors, etc.

Initiatives to Achieve Carbon Neutrality

We are aiming for CO₂ emissions of 11,800 tons in FY2030.

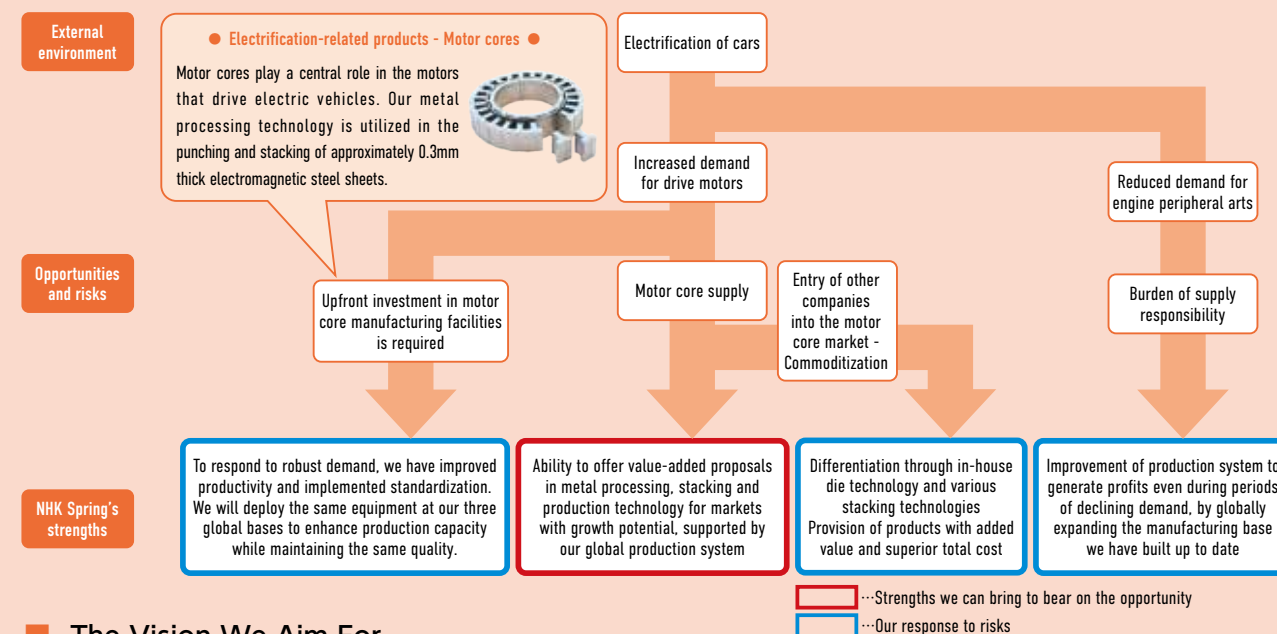
Visualization of energy saving and power consumption together with efforts from all employees form the basis for the Precision Spring and Components Division's environmental conservation efforts. We aim to achieve reductions in CO₂ emissions of 33,308 tons in 2026 through the following measures among others :

- Discontinuation of fossil fuel usage (promote electrification)
- Introduction of energy-saving and renewable energy equipment
- Further development of energy-saving technologies
- Waste reduction



Example of energy conservation

Key External Environment and Opportunities and Risks



The Vision We Aim For

In the Precision Spring Business, we consider motor cores for electric vehicles to be a future growth area, while demand for existing wire springs used in engines and transmissions is expected to decline due to the increasing electrification of cars.

Amidst the global trend toward decarbonization, the demand for drive motors for electric vehicles and other applications is expected to remain brisk, and we intend to expand motor cores, which are components of these motors, as a new pillar of earnings. We are focusing on expansion by leveraging the strength of our global supply system out of our three bases in Japan, China, and Mexico. We will expand the business by boosting motor core production capacity at our Atsugi plant, while closely monitoring profitability. In order to respond to technological needs and differentiate our technology from competitors, we will pursue even higher precision in stacking technology, while concurrently developing technology for the sub-assembly process, which is part of the product assembly process, to add value and strengthen our market competitiveness.

In line with the electrification of automobiles, the demand for electrified or electrically controlled components other than motor cores is expected to increase. We will focus on the development of next-generation products that take advantage of our strengths in in-house die manufacturing and metal press processing technologies, and will aggressively promote sales expansion activities.

With regards to existing engine parts and transmission-related wire springs, for which demand is expected to decline as electrification progresses, it is necessary to establish a profit structure that is not affected by the shrinking market size. In addition to strengthening product competitiveness, we aim to further improve quality and reduce costs by globally deploying the results of the Manufacturing Reform activities we have been pursuing.

HDD Suspension Business



President of the DDS (Disk Drive Suspension) Division
Executive Corporate Officer

Tetsuya Fujiwara

Business Overview

In the HDD Suspension Business, we manufacture HDD suspensions, which are special spring products that control the reading/writing position of data on HDDs.

- **Main Products**
Suspensions for HDDs

Initiatives to Achieve Carbon Neutrality

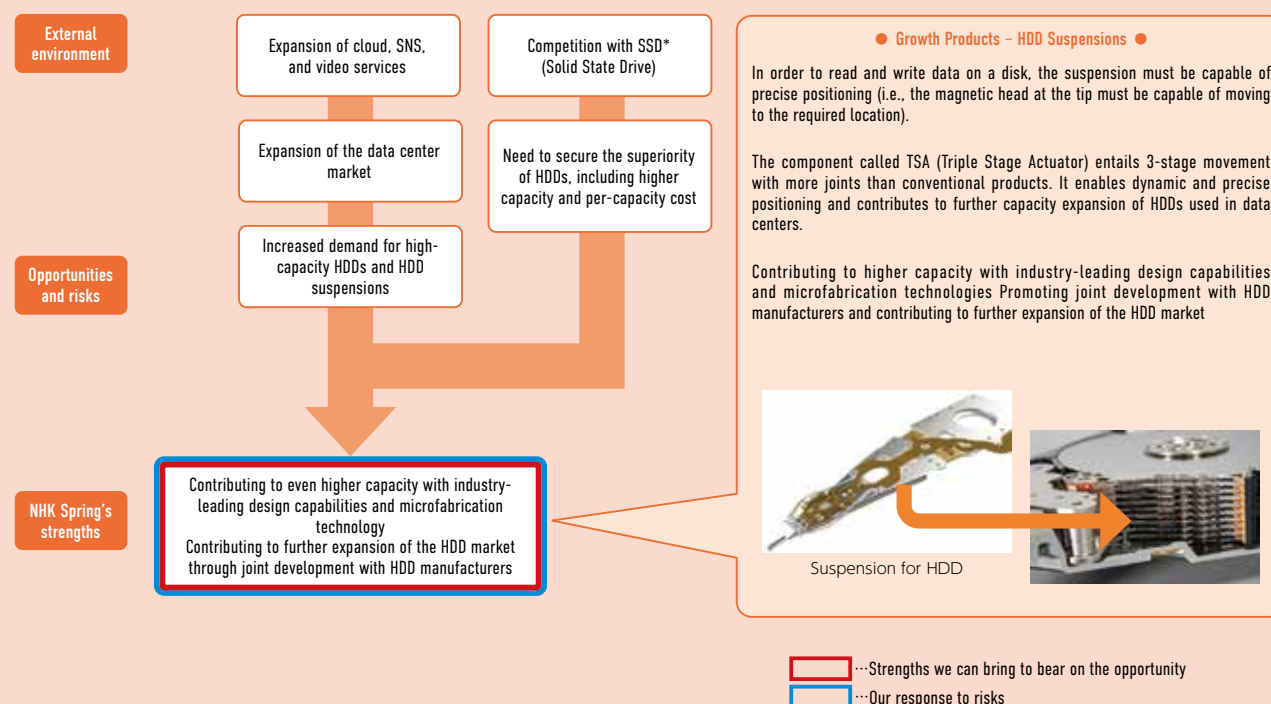
To achieve the goal of 4,252 tons of CO₂ emissions in FY2030, we are promoting the shift away from fossil fuels and the introduction of green electricity. Looking to FY2023 and beyond, we aim to realize a reduction in CO₂ emissions of 2,411 tons in FY2026 by advancing measures including the following.

- Cleanroom operations with low energy consumption
- Development of next-generation facilities that achieve high production capacity and energy savings
- Introduction of solar power generation



Solar panels installed at Komagane Plant

Key External Environment and Opportunities and Risks



The Vision We Aim For

The total demand for HDD suspensions is increasing at an annual rate of 10%, while HDD shipments will gradually decline up to 2030. Meanwhile, demand for HDDs with a larger number of disks for data centers will grow.

However, we believe it is important to address the following issues in order to further increase capacity and differentiate applications to SSDs, which are increasingly replacing HDDs in mobile and desktop applications, and maintain the per-GB price differential.

- Acceleration of thin suspension development to achieve HDDs that contain even more disks through deepening cooperation with customers.
- Expansion of output at each production site by improving tact and maximizing operating efficiency

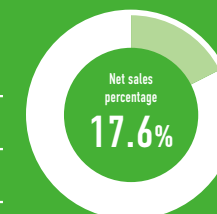
Our HDD suspension business features both technological innovation and high-precision production automation, and as a leading HDD suspension company, we will continue to contribute to the development of an affluent ICT society by meeting the global demand for big data.

► Growth Strategy by Business Segment

Industrial Machinery and Equipment, and Other Operations

FY2021 Results

Net sales	JPY 103.1 billion
Operating profit	JPY 10.7 billion



President of the Industrial Machinery and Equipment Division
Senior Corporate Officer

Masayuki Horie

Business Overview

In the Industrial Machinery and Equipment, and Other Operations Business, we manufacture a wide variety of products in such fields as electric vehicles, semiconductors, railways, and leisure products.

● Main Products

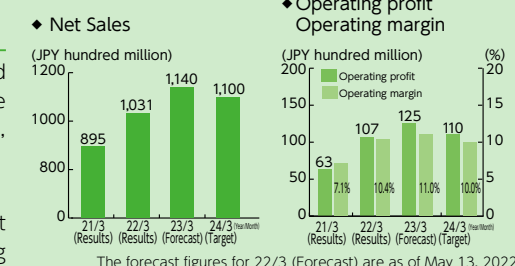
Semiconductor process components, piping support equipment, metal substrates, multilevel parking equipment, security products, lighting fixtures, golf shafts, etc.

Initiatives to Achieve Carbon Neutrality

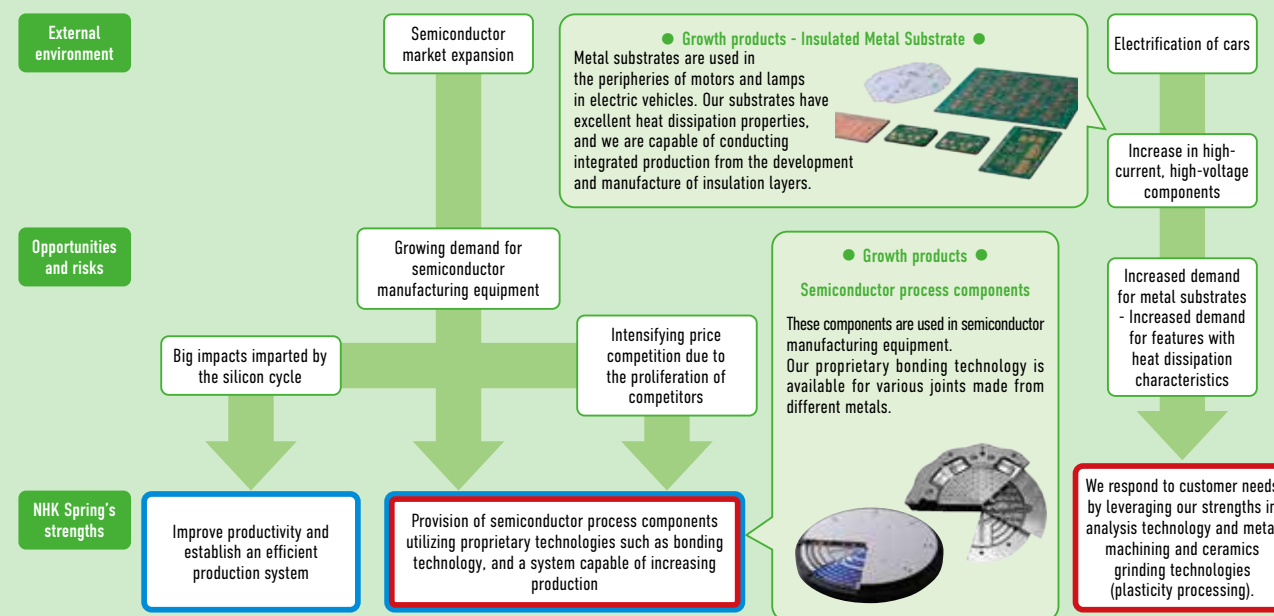
To achieve the goal of 3,698 tons of CO₂ emissions in FY2030, we are promoting the transformation to an energy-efficient structure by eliminating fossil fuels and improving productivity.

Since 2014, CO₂ emissions have increased in line with sales growth, but we will proceed with the following measures from 2023 onward to convert the current upward trend to a downward one. We aim to realize a reduction in CO₂ emissions of 14,010 tons by 2026 by advancing measures including the following:

- Adoption of biomass fuels
- Reducing energy consumption by improving efficiency in furnaces operations
- Introduction of solar power generation



Key External Environment and Opportunities and Risks



The Vision We Aim For

In the Industrial Machinery and Equipment, and Other Operations Business, we see semiconductor process components and metal substrates as future growth products.

In the area of semiconductor process components, our Miyada Plant, which began full-scale operations in the second half of FY2020, has been gradually expanding its production capacity to meet strong demand and optimally allocating production with existing plants. We have decided to expand the Miyada Plant and will work to further improve profitability as well as respond to further increases in demand in the future.

As for Insulated metal substrates, we will expand sales of conventional products, including those for automotive LEDs, and develop and expand sales of power modules, AC-DC and DC-DC converters, and other products that respond to the electrification of automobiles. As for semiconductor process components, we see increased demand for semiconductor production equipment in line with the expansion of the semiconductor market, while concerning Insulated metal substrates, we see opportunities in expansion of the car electronics market and the market for power modules for industrial applications in line with advances in automotive electrification. On the other hand, we view the decline in demand associated with the semiconductor silicon cycle, the stagnation of the expansion path, and the intensification of price competition as risks common to both businesses.



The business environment surrounding NHK Spring has been changing dramatically in recent years, and the speed of change is increasing more than ever.

In order to continue to be an "indispensable company" that supports the ever-changing society and the progress of our customers, we have established a roadmap and are advancing diversity promotion initiatives.

Basic Stance

In FY2021, we formulated the "Basic Diversity Policy" and disclosed the Company's guidelines and stance on diversity promotion on our website and in other media. We aim to create rewarding workplaces where the diverse individuality and abilities of each employee can be maximized based on the mutual recognition of differences in gender, age, nationality, disability, sexual orientation, and diverse values.

Roadmap

~ 2020

2021 ~ 2023

2024 ~

Expansion of Personnel Systems and Benefits

- Phased development of systems and benefits to support work-life balance
- Support for balancing work with childcare, nursing care, and medical treatment
- Developing a system for diverse work styles

Building Momentum to Promote Diversity

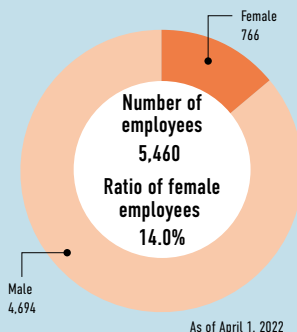
- The "Diversity Promotion Project" was established in the Corporate Planning and Control Division based on the commitment of top management.
- Acceleration of diversity promotion by developing Company-wide and continuous activities through projects

Expansion and Deepening of Diversity Promotion Activities

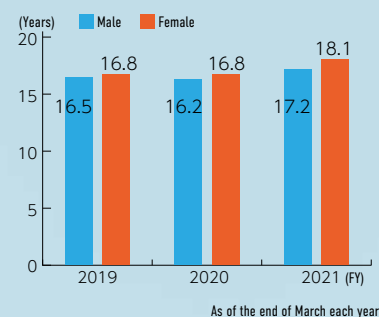
- Expansion to the group companies
- Promotion of activities of seniors, people with disabilities, foreign employees, etc.
- Fostering of a corporate culture of diversity, fairness, and inclusion

Basic Indices

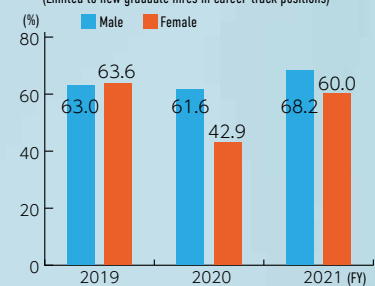
Ratio of female employees



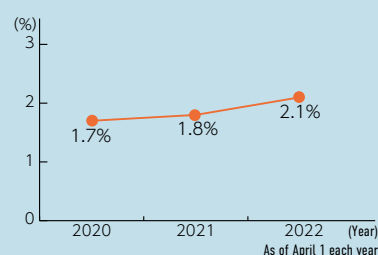
Average length of service by gender



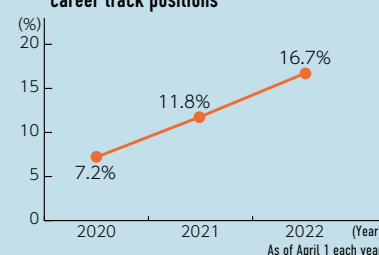
Percentage of continued employment after 10 years of service by gender



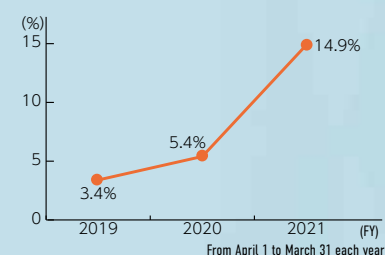
Ratio of female managers



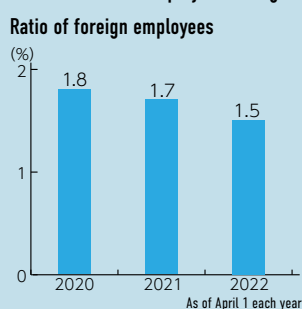
Ratio of female new graduates hired for career track positions



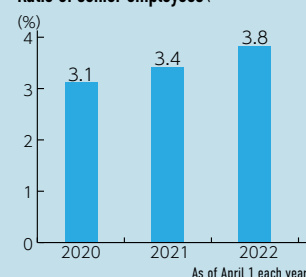
Ratio of male employees taking childcare leave



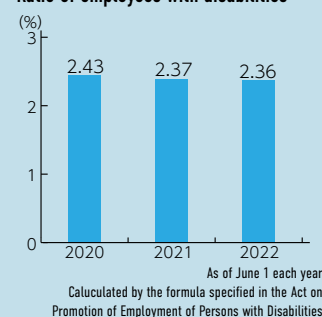
Ratio of male employees taking childcare leave



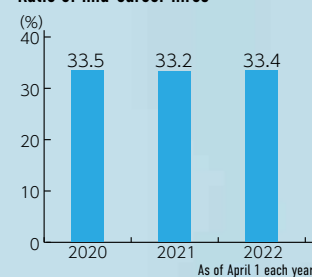
Ratio of senior employees (rehired after retirement)



Ratio of employees with disabilities



Ratio of mid-career hires



2021-2023 Roadmap and Key Issues

In FY2021, we launched the Diversity Promotion Project, while our Group Management Policy for FY2022 includes the promotion of diverse human resources. In line with the 2023 Medium-Term Management Plan, we have established a three-year action plan and are developing various initiatives to address four issues for promoting diversity in the company.

Issue 1 Promoting understanding of diversity

- ▶ Providing information to increase the interest of each and every employee
- ▶ Training for managers and field leaders
- ▶ Disclosure of information internally and externally via website, etc.

Issue 2 Support for balancing work and family life

- ▶ Further expansion of personnel systems and benefits
- ▶ Creating a work environment that facilitates the use of systems

Issue 3 Encouraging male employees to take childcare leave

- ▶ Efforts to increase the rate of male employees taking childcare leave
- ▶ Establishment of systems and review of work styles so that vacancies caused by childcare leave can be covered

Issue 4 Promotion of women's participation and career advancement

- ▶ Strengthening the development of female leaders
- ▶ Expansion of the number of female employees hired
- ▶ Initiatives to improve job satisfaction for female employees

Examples of Initiatives

Issue 1 Promoting understanding of diversity and inclusion

We disseminate information to each employee through internal newsletters and other means, and conduct training for managers.

Diversity training for newly appointed managers

We implemented training for new managers in September and December 2021. This training program allows participants to practice and reflect in the workplace on what they have learned in lectures, and is practical in that it can be used by managers in day-to-day management. The training was well received by the participants, who commented that the training gave them various insights and was beneficial. We intend to expand the scope and further enhance the content while implementing the training on an ongoing basis from now on.



Issue 2 Support for balancing work and family life

We offer a full range of support and benefit programs to help our employees balance work and family life. We also continue to implement various initiatives to improve the work-life balance of our employees, such as introducing systems that accommodate diverse work styles, encouraging employees to take annual paid leave, and curbing long working hours.

Acquisition of "Childcare-friendly company" certification ("Kurumin" Certification)

On November 24, 2021, we received "Kurumin" certification from the Minister of Health, Labor and Welfare as a "Company that Supports Child Rearing".

Manual for creating a workplace where people can continue to work while undergoing infertility treatment (Ministry of Health, Labour and Welfare)

Our case is highlighted in the introduction manual for companies regarding the balancing of infertility treatment and work issued by the Ministry of Health, Labor and Welfare, which was revised in April 2022. The manual describes how we introduced our systems and initiatives.



Issue 3 Encouraging male employees to take childcare leave

As the number of dual-earner households increases, in order for women to continue to be active after childbirth, it is necessary to create a work environment where couples can cooperate in balancing childcare and work. We are advancing measures to foster a culture in which men can take childcare leave as a matter of course, in the spirit of "mutual respect".

Roundtable discussion between the President and male employees who have taken childcare leave

A roundtable discussion was held in August 2022 for an internal newsletter article. The project was implemented as a way to have readers understand the current status of our company's male childcare leave and encourage future generations who will raise children from now on to take the leave.



Roundtable discussion between the President and male employees who have taken childcare leave

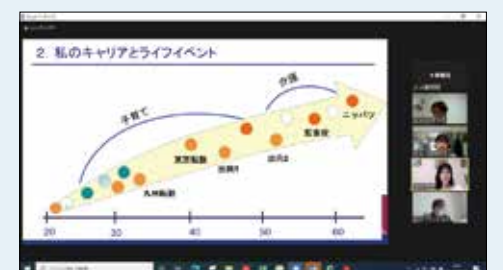
Issue 4 Promotion of women's participation and career advancement

Implementation of training for female leaders

Enhancing training of female career-track employees is an important issue, to increase the ratio of female managers, which is currently 2% in NHK Spring. In August 2022, we held a leadership training program for female chiefs, which included the acquisition of practical skills and exchanges of opinions among women who normally have few opportunities to discuss their problems. The Company President and a female Audit & Supervisory Board Member (External), Ms. Furukawa, took the stage and spoke about their thoughts and experiences in promoting women's participation and career advancement in the company. Participants listened attentively and engaged in lively discussions in the group work sessions that followed.

Newly established a special page on "Participation and Career Advancement of Female Core Human Resources"

As one of our initiatives to hire more female employees, we have created new content on our website that introduces our core female personnel. By including case studies of female employees working in NHK Spring, we hope to make students and job seekers aware of the active roles women are playing in our company, and thereby strengthen our ability to recruit.



Lecture by Ms. Furukawa, Audit & Supervisory Board Member (External)

With the expansion of economic activities, there is growing concern about global environmental issues such as climate change due to the Environmental Voluntary Plan in 1993, the entire NHK Spring Group has been involved in global environmental conservation. In September 2021, the NHK Spring Group declared the "NHK Spring Group Environmental Challenges" with the aim of achieving a planet for our children.

Environmental Challenge 1 : Declaration of Carbon Neutrality

2030 Reduce CO₂ emissions by 50% compared to fiscal 2013

2039 Achieve carbon neutrality

Declaration of Carbon Neutrality

Responding to the Paris Agreement, countries and companies have been making carbon neutral declarations one after another. In October 2020, the Japanese government declared its goal to "decrease 2030 domestic CO₂ emissions by 46% less than 2013 emissions and reach carbon neutrality by 2050".

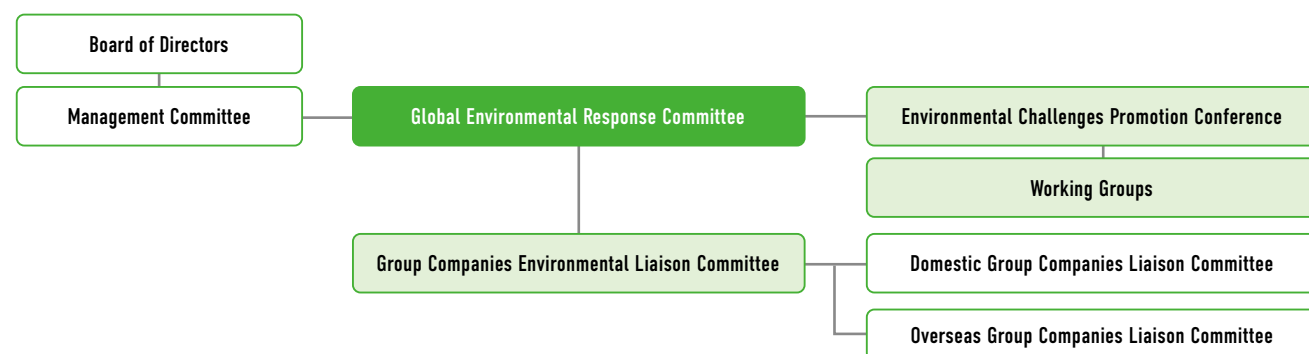
In the NHK Spring Group, the President, Mr. Kayamoto, declared the following to all employees on the anniversary of our founding in 2021: "We will achieve carbon neutrality by 2039, and to achieve that target, we will reduce CO₂ emissions by 50% from the FY2013 level by 2030".

Based on the roadmap, we are currently preparing specific measures through FY2026, and we have already begun to implement some of these.

Top-down type activity structure

NHK Spring Group has conventionally established the systems and implemented activities for promoting environmental conservation. Achieving carbon neutrality goals and the Environmental Challenges will require more innovative technological development and bolder measures than ever before. To ensure successful implementation, the Global Environmental Response Committee is convened under the leadership of the President and Vice Presidents to advance environmental initiatives. The activities of the Global Environmental Response Committee are reported to and reviewed by the Board of Directors.

Global Environmental Conservation Activities Structure Chart



Environmental Activity Policy

We are addressing global environmental issues on a group and global basis, according to the Annual Environmental Activity Policy.

Unlike in the past, our Environmental Activity Policy for FY2022 is based on our Group's Declaration of Environmental Challenges, and we have set a policy for activities to achieve this major goal.

Measures to Achieve Carbon Neutrality

Methods		Measures planned or under consideration (example)
Change energy sources	Electrification of facilities related to production activities	Gas furnaces, boilers, forklifts, company cars and trucks
	Electrification of building equipment	Electrification of water heaters and cafeteria facilities Switching to biofuel for in-house generators
	Installation of solar power generation equipment	Self-investment type PPAs (Power Purchase Agreements)
	Purchase of CO ₂ -free electricity	Purchasing will begin at the Company and domestic Group companies in fiscal 2022.
Reduce energy consumption	Energy saving in production processes	<ul style="list-style-type: none">· Upgrading compressors and motors· Equipment reduction based on review of processes· Use of waste heat
	Development of new technologies and products with high efficiency	Development of urethane formulations that can be foamed at low temperatures, etc.
	Energy saving in building and equipment	Switching to energy-efficient lighting, double-paned windows, air conditioners, etc.

Environmental Policy for FY2022

1. CO₂ Emissions Reduction Activities

- (1) Preparation of a medium-term plan of activities through FY2026
- (2) Consideration and utilization of renewable energy and carbon-free electricity
- (3) Holding of "Environmental Challenge Promotion Committee" and information sharing at the working level of the Global Environmental Response Committee

2. Industrial Waste Reduction Activities

- (1) Re-examining of recycling contractors
- (2) Promotion of free recycling and conversion of waste materials into valuable resources
- (3) Consideration of thermal recycling reduction

to global warming, contamination of environmental resources by chemical substances, and loss of biodiversity. Since the publication activities.

sustainable society. We are advancing Group-wide activities for achieving these challenges in the hope that we can leave a beautiful

Environmental Challenge 2 : Aim for "zero" industrial waste

2030 Reduce industrial waste by 95% compared to FY2013

Maintaining a Recycling Rate of 99% or Higher

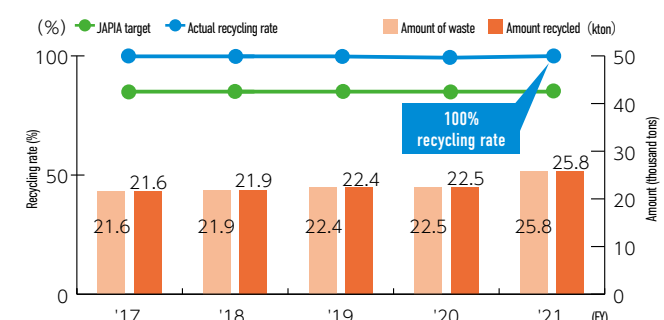
We have set a target of "recycling rate of 99% or more," which is higher than the 85% recycling target of the Japan Auto Parts Industries Association (JAPIA), and have achieved an actual recycling rate of 100%.

In order to achieve a 100% recycling rate, it is important to thoroughly separate waste and outsource recycling to appropriate contractors. We have established detailed rules for each business establishment, created an environmental "Dojo" workshops to repeatedly educate employees, and set up recycling centers to ensure thorough separation of waste. We also check the status of waste disposal contractors on site to confirm that waste is being properly disposed of.

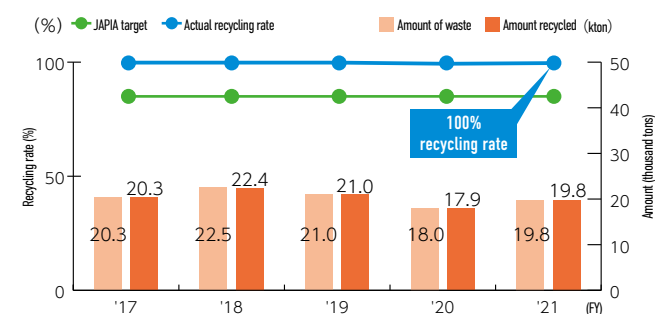
As a result, NHK Spring and domestic Group companies have achieved and currently maintain a 100% recycling rate.

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

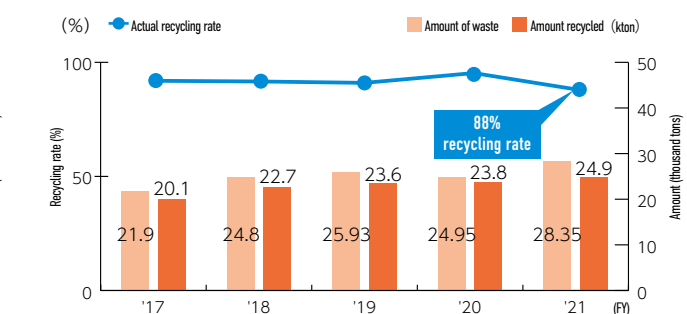
Transitions in Waste Recycling Rates (NHK Spring)



Transitions in Waste Recycling Rates (Domestic Group Companies)



Transitions in Waste Recycling Rates (Overseas Group Companies)



Recycling of waste plastics and food wastes

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

High-grade waste plastics are recycled into plastic raw materials and high-calorie fuels.

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



Recycling Center in Yokohama site

Certified as "3R activities Excellent business sites" in Yokohama City

In recognition of our social contribution activities, such as waste recycling, proper management of waste contractors, and cleanup of neighborhoods near our business sites, our Yokohama Plant has been certified as an excellent business site for 3R* activities by the city of Yokohama for 10 consecutive years since fiscal 2012. We will continue to strive to maintain this certification.



3R : Acronym for Reduce, Re-use, Recycle activities

Yokohama City "3R Activity Excellent Business Establishment" Certificate

NHK Spring Group's CO₂ Reduction Activities

NHK Spring Group has set reduction targets for CO₂ emissions calculated according to energy consumption, and we are committed to implementing global environmental conservation activities. Up to FY2020, we managed our CO₂ emissions per unit of sales, but since FY2021 we have switched to managing based on total emissions in order to achieve carbon neutrality. We will also continue to compare with the past activities based on per unit of sales to verify the performance.

CO₂ Reduction Activities in FY2021

In FY2021, CO₂ emissions increased in NHK Spring, domestic Group companies, and overseas Group companies. This was due to recovery of production volumes and increase of factory operating hours.

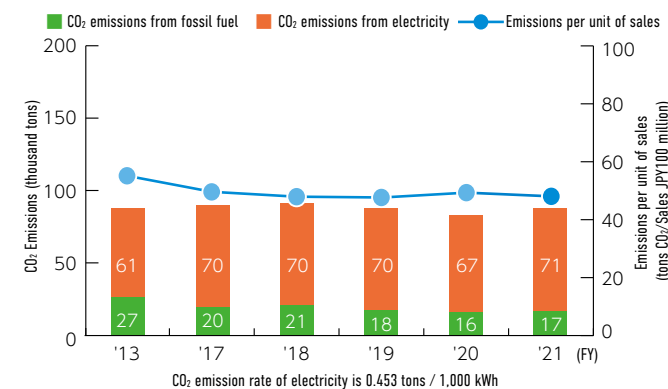
On the per-unit-of-sales basis, NHK Spring witnessed a slight decrease, while domestic and overseas Group companies saw an increase. In addition to increased sales, the Company implemented measures such as (1) updating compressors to optimize control, (2) replacing aging air conditioners, (3) electrifying boilers that use fossil fuels, and (4) reducing and discontinuing use of equipment. We are also continuing our conventional activities, such as conducting air leak inspections and shutting control panel power breakers.

At sales offices and other offices, we ensure that power is turned off in unoccupied office rooms and thin out fluorescent lights.

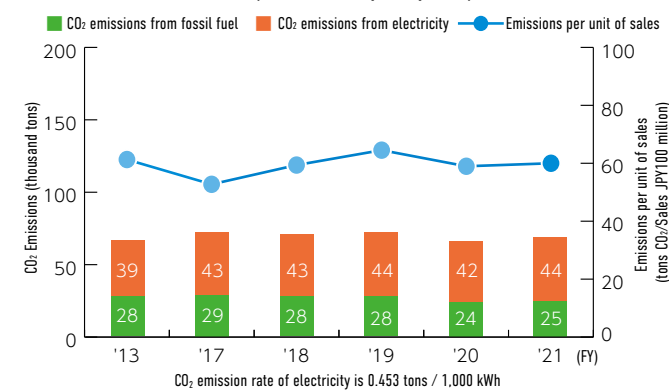
We have also reduced the amount of electricity used in offices through efforts to promote on-time work and telework as part of our work style reforms.

NHK Spring Group will start by reducing CO₂ emissions at its domestic sites. Overseas sites will carry out activities in accordance with those in Japan.

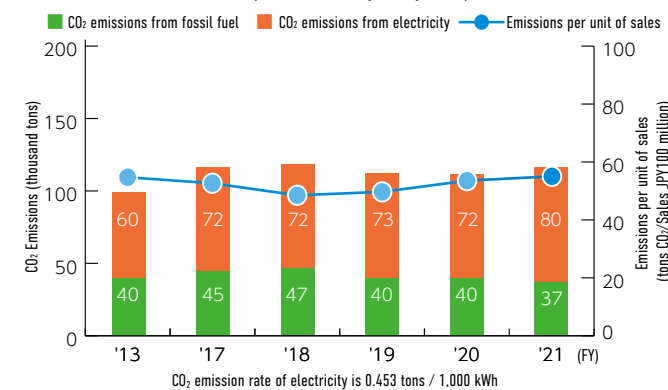
Transition in CO₂ Emissions (NHK Spring)



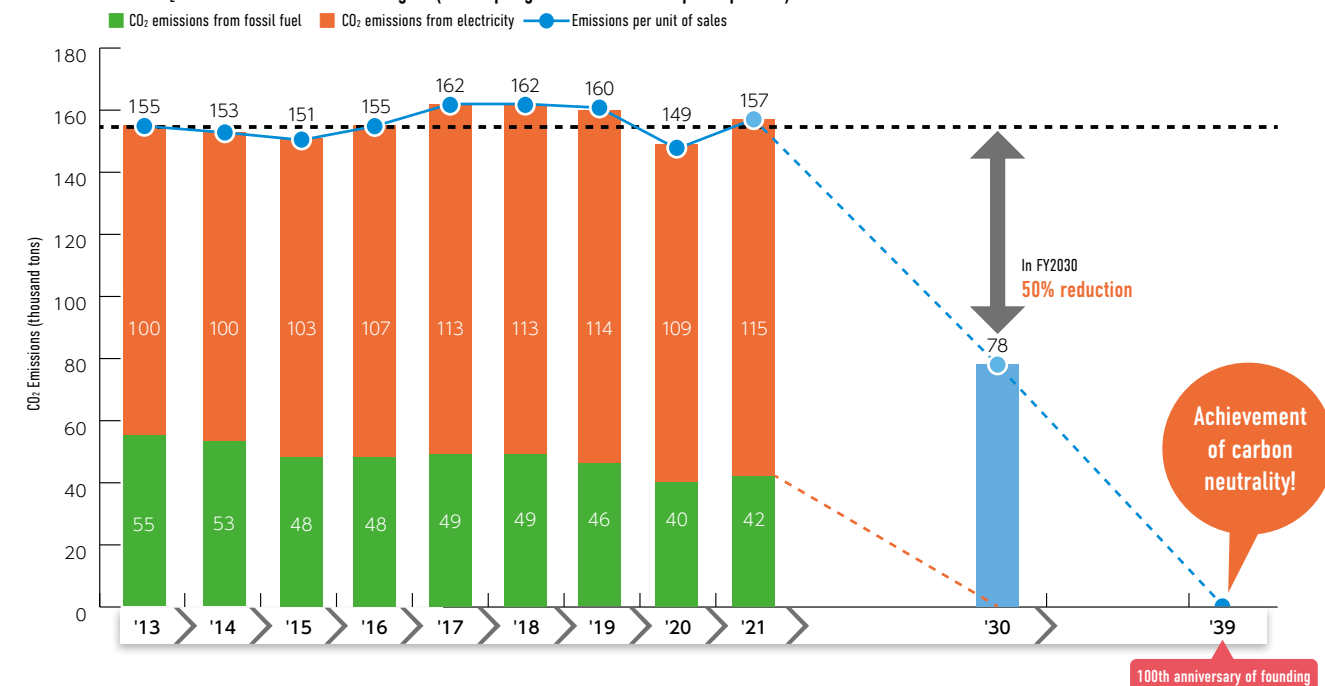
Transition in CO₂ Emissions (Domestic Group Companies)



Transition in CO₂ Emissions (Overseas Group Companies)



Transitions in CO₂ Emissions and Reduction Targets (NHK Spring and Domestic Group Companies)



Utilizing Renewable Energy

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

Initiatives by NHK Spring Group

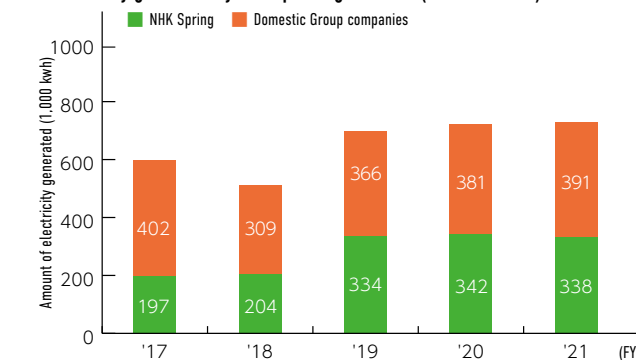
Following introduction of a solar power generation system at DDS Komagane Plant in FY 2008, similar systems have been installed at a total of 18 sites: four at NHK Spring plants, and 14 at domestic Group companies. The solar power generation system at our Yokohama Office provides enough electricity to power the office automation equipment of our Head Office divisions.

To achieve carbon neutrality, several business sites are planning to install solar power generation equipment.

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

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

Electricity generated by solar power generation (domestic total)



Hama Wing Supporter

Since FY2022, we have supported the wind power generation project undertaken by the City of Yokohama and become a supporter of the Yokohama Wind Power Plant (Hama Wing).

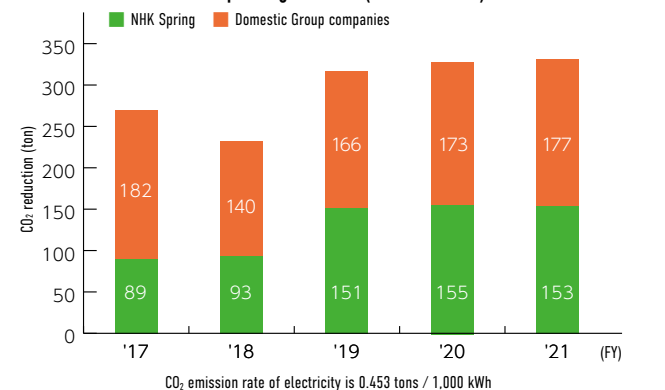
Hama Wing generates 2.1 million kWh per year, equivalent to the annual electricity consumption of 500 average households.

Generated electricity is supplied to restaurants and retail stores in Yokohama City through a retail electricity company in the City of Yokohama, leading to local production for local consumption of electricity.



Yokohama Wind Power Plant (Hama Wing)

CO₂ reduction from solar power generation (domestic total)



Yokohama Site (100kW) Start from FY2009



NHK Spring Miyada Plant (144kW) Started operation in FY2018

Sharing of CO2 Reduction Technologies (CO2 Reduction Activity Awards)

NHK Spring Group is taking various measures to promote CO2 reduction. In order to share these technologies throughout the Group, we hold annual awards for CO2 reduction activities. Business establishments compete with each other on countermeasure technologies, and effective countermeasure technologies are shared throughout the group.

FY2021 Awards

Global Environmental Response Committee Chairperson's Award: Reduction of steam consumption through piping optimization" at Gunma Factory, Seating Division

Die release agent is used in the cleaning of urethane foam dies. During cleaning, steam is passed through the die to create high temperatures, thereby melting the die release agent, which is then wiped off. The Gunma Plant was able to reduce steam consumption by 114 tons/year as a result of reviewing and optimizing the piping structure.

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

CO2 reduction of 4,312 tons over the past five years (Total for FY2017 - 2021)



Urethane foaming process

Award-winning actions, technologies of the past five years

FY	Award	Business site	Description
FY2017	President's Award	Suspension Spring Division	CO2 reduction by using electric servos in hydraulic fatigue testers
	Chairperson's Award	NHK Spring Production Company	Manufacturing technology development and application
	Chairperson's Award	Yokohama Plant (Seating)	Reduction of CO2 emissions by unnecessary steam pipe disconnection
	Chairperson's Award	Tokuhatsu Co., Ltd.	Installing of solar system and visualization of electric consumption
FY2018	President's Award	DDS Komagane Plant	Air consumption reduction by production facilities improvement
	Chairperson's Award	Komagane Plant (Industrial Machinery and Equipment)	CO2 reduction by reviewing clean room operation methods
FY2019	Chairperson's Award	Yokohama Plant (Seating)	CO2 reduction through adoption of package air conditioning
	Chairperson's Award	Isehara Plant No.1	CO2 reduction by reviewing equipment cooling methods
	Chairperson's Award	DDS Komagane Plant	Reduction of energy consumption during shutdown period
FY2020	President's Award	Atsugi Plant	Saving electricity by optimizing hydraulic pump discharge pressure
	Chairperson's Award	Yokohama Plant (Suspension Springs)	Power saving by restructuring compressor number control
FY 2021	Chairperson's Award	Gunma Plant	Reduction of steam consumption through piping optimization
	Chairperson's Award	Tokuhatsu Co., Ltd. (Itami Plant)	Energy saving by adjusting exhaust fan speeds

Energy Saving Diagnosis for CO2 Reduction

NHK Spring Group conducts regular energy saving diagnoses.

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

Due to the COVID-19 pandemic, the program was cancelled in FY2020 and FY2021.

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

Environmental Audit

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

Moreover, we strive to improve our environmental performance and reduce CO2 emissions by understanding our current status through environmental audits and energy saving diagnoses.

ISO 14001 and Environmental Audit

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

Environmental audits (internal auditing)

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

In fiscal 2021, we conducted internal environmental audits at each Group plant in accordance with ISO 14001 (2015).

Moreover, we regularly hold internal environmental auditor

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

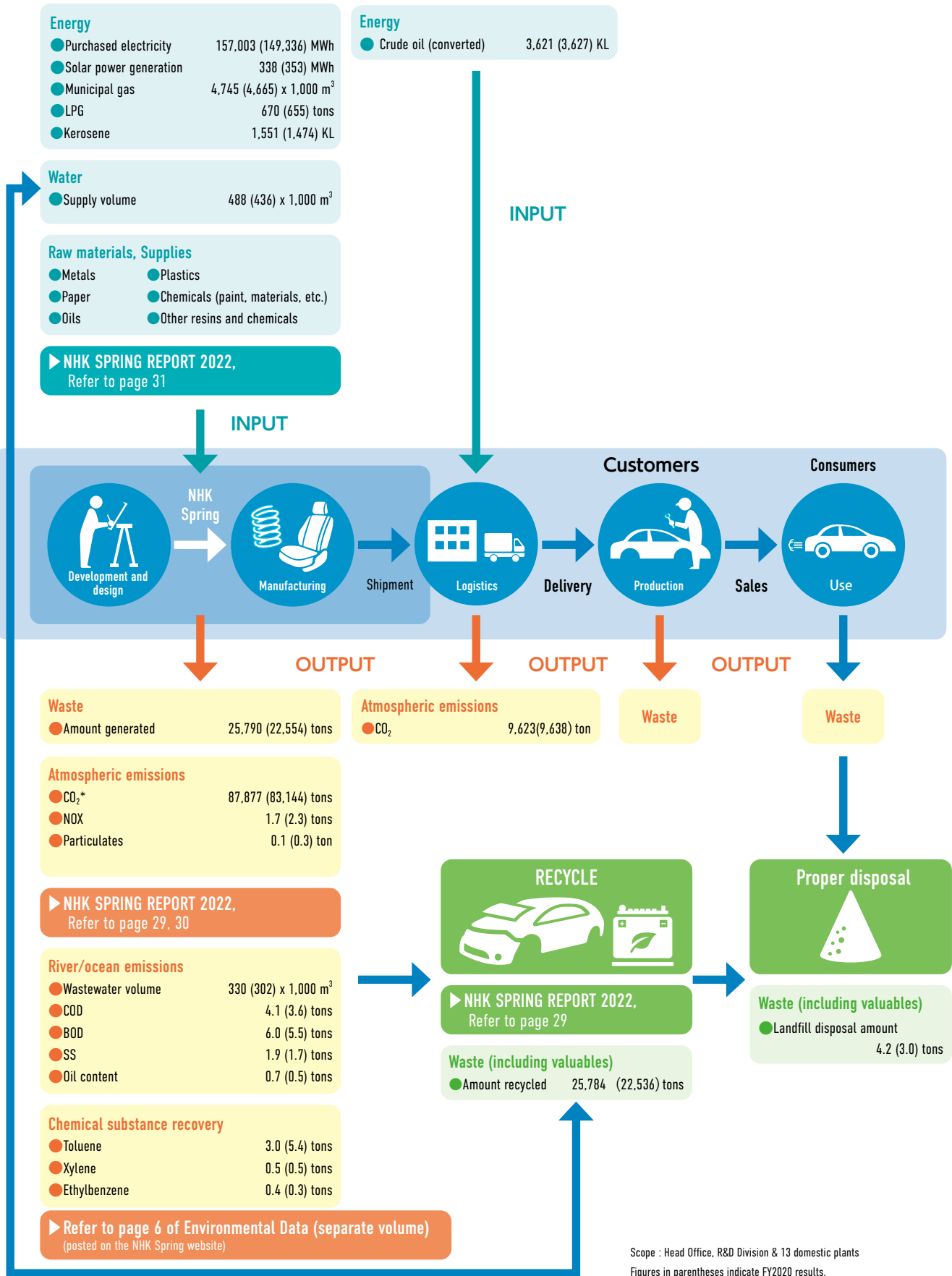
Environmental audits (external audits)

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

The results of external audits at all 12 plants in fiscal 2021 showed that the EMS was operated properly, pollution was being prevented and continuous environmental improvement activities were implemented.

Business Activities and Life-cycle Flow

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



Scope : Head Office, R&D Division & 13 domestic plants
Figures in parentheses indicate FY2020 results.
* CO2 emission rate of electricity is 0.453 tons / 1,000 kWh

Research and Development / Production Technologies

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

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

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

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

Accelerating development of next-generation technologies and new products

The Group is accelerating its responses to the drastically changing social environment. In addition to

NHK Spring Group Technologies

strengthening technology and product development to meet various needs, our policy is to create next-generation core businesses. We will link this to the development of attractive new products for sustainable growth.

Start of exploration activities for new themes

With the aim of creating new businesses, in FY2021 we launched "Exploration of Development Themes," in which members of the R&D department freely participate in activities regardless of their position or age. Working groups in a total of seven fields, including the environment, small mobility, and medical devices, have been studying issues, and three development themes have emerged as candidates for concrete realization. In FY2022, the working groups have strengthened cooperation with sales and production members to further explore themes in line with customer needs.



Development theme exploration activities by volunteers

Entry into the Medical Field

As a potential next-generation core business, we are entering the medical equipment field, where future market expansion is anticipated, based on the concept of "soft and bendable joints" utilizing the characteristics of springs. It is anticipated that joints for surgical support robots will contribute to "reduction of patient burden" and "safe and secure medical care" through



Medical robots are expected to become more widespread

the spread of more advanced medical instruments. Here, we make full use of the advanced production technologies we have cultivated over the years, such as precision coiling and welding of ultra-small parts, as well as our spring design and analysis technologies for realizing high reliability.



Flexible joints of forceps for surgical support medical robot

Production Technology Development

Production Technology

We will enhance our competitiveness with products backed by our production technologies, such as production of ultra-high-tensile seat frames using high-precision press and die design technology, and automation to improve productivity and reduce labor.



Automatic conveyance and electric sintering treatment by robots for realizing labor and energy savings (Suspension Spring Business)



Automated adjudication and labor saving by introducing AI technology to seat appearance and shape inspections (Seating Business)



Press work using advanced die design technology (Precision Spring Business)

Materials Development Technology

We are jointly developing high-strength and high-toughness steel materials for springs with material manufacturers. We also respond to the needs of society with our unique compounding technologies used with urethane raw materials for the automotive seating business, insulating materials for the metal substrate business and so on.



Steel materials for springs developed jointly with a materials manufacturer

Metal Processing Technology

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



Stamping process for HDD suspensions using high-precision dies

Core technologies supporting NHK Spring Group

Heat Treatment Technology

To increase the durability of spring materials, quenching and tempering heat treatment processes are required. We intend to accelerate our carbon-neutral and energy saving initiatives, such as current heating and high-frequency heating using electricity with low environmental impact.



Electric current heating for stabilizer bar [Reduces CO₂ emissions]

Analysis Technology

We have developed a unique vibration and stress analysis technology by leveraging the spring and metal analysis and simulation technologies that we have cultivated over many years.

Computer simulation to visualize the behavior of valve springs when driven at high speeds



Bonding Technology

We have developed our own highly reliable brazing materials and deployed them in semiconductor process components used in special environments. We are also developing technologies for bonding dissimilar materials to meet needs for lighter weight in electric vehicles and so on.



Semiconductor process components made by leveraging technology for bonding different metals

Quality Assurance

Quality assurance is a vital foundational initiative that supports the NHK Spring Group's Monozukuri (manufacturing in good faith). Through the development of a culture of quality based on the customer's point of view, we are committed to providing customers with products of appropriate quality and constantly striving to raise levels of delivery, cost, safety, environmental friendliness, etc., with the aim of continuously improving "customer satisfaction" on a global basis.

Quality Policy

[Quality Policy]

We aim to achieve global improvement in customer satisfaction by providing world-class quality.

Priority Measures and New Initiatives

- (1) Fostering a culture of quality and adhering to quality compliance through enhanced governance**
 - Permeation of awareness and strengthening of systems to build quality back to the design process
 - Fostering an unwavering, quality-first, back-to-basics culture through problem solving
- (2) Responding to critical quality issues by improving verification capabilities**
 - Clarification of product competence values, including variations in the development process, and verification from a third-party perspective
- (3) Reduction of customer claims and in-process defects through activities to prevent recurrence**
 - Promotion of sharing of quality information across the organization and improvement of basic technology for analyzing data.

Strengthening of Group Governance

The NHK Spring Group has established a quality assurance system at each production site and vigorously promotes quality control, audits, and improvement activities. In addition, our quality control department regularly conducts independent audits at all domestic production sites. In FY2021, we conducted a so-called "audit of auditing operations" to confirm that the systems and activities related to quality assurance are being properly implemented.

In the process, we also educated employees on quality compliance and conducted activities to foster a group-wide quality culture. By implementing a number of such initiatives over and over again, the Group has formed a strong group governance system that leads to appropriate quality manufacturing at all production sites.

40 sites audited (including domestic Group companies)

3,600 Number of trainees: approx.

VOICE

To survive, we want to work together to solve problems

Ken Tsuji, Nissan Motor Co., Ltd. Alliance Purchasing Organization Supplier Account Manager

NHK Spring supplies us with automotive seats on a global basis, and we are also involved in joint activities for sourcing and launching new vehicles and improving QCT (Quality, Cost, Time) in current mass-produced vehicles. The automotive industry continues to face a fiercely competitive environment, and we, together with our suppliers, must continue to work together to stay ahead of our competitors.

NHK Spring salespeople are always aware of customer needs and coordinate well with our related internal departments. We have received reliable proposals in dealing with solutions to issues through manufacturing that take advantage of our strong organizational strength and corporate culture that places value on people.

We will continue to value our long-term partnership based on mutual trust. I also look forward to earnestly working together in achieving tough goals.



Acquisition of International Quality Standard Certification

We have completed the acquisition of certification under the ISO 9000 series, the international standard for quality, in all of our plants. In addition, at plants that produce automotive-related products, we have switched to certification under IATF 16949, which is also a requirement of our customers, while for other plants, we have obtained updated ISO 9001 certification. In addition to actively promoting acquisition of certification at each of our domestic Group companies, our overseas Group companies are also acquiring international quality standard certification tailored to their customers and regions.

43 plants
(As of May 2022)

Fostering a Culture of Quality

Although quality control tends to be associated with "quality control technologies for objects", we believe that "it is people who create quality". Therefore, in addition to providing regular training on quality control technologies, we also focus on training aimed at "raising consciousness for fostering a culture of quality". For new hires, the program focuses on instilling the concepts of "Quality = Customer satisfaction" and "Quality is created by all employees." For mid-level employees and managers/supervisors, the program focuses on solving problems and improving work procedures according to experience.

Moreover, in online education, we focus on the formation of team skills by conducting group exercises that facilitate small group dialog, rather than just one-way lectures. In addition, we are also engaged in QC circle activities and business process improvement activities geared to putting such skills into practice and making them take root.

Awards received from customers (FY2021)

	Company name (titles omitted)	Name of commendation
Domestic	SUBARU	Quality Production Cooperation Award
	Mazda	Effort Award for Consecutive Zero Delivery Defects
	Nissan Shatai	Certificate of Appreciation for Quality Contribution
	JATCO	Regional Quality Award
Overseas	Subaru of Indiana Automotive	Special Recognition Award
	Toyota Kirloskar Motor Private Ltd.	Quality Award, Delivery Award
	Hino Motors Manufacturing (Thailand) Ltd.	The Best Supplier of Quality Performance
	Honda Auto Parts Manufacturing Co., Ltd.	Quality Excellence Award
	Mazda Powertrain Manufacturing Thai	Zero defect supplier award
	Western Digital	Best Overall Supplier

[Some examples of awards received from customers]

Quality-First Manufacturing

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

Promotion of front-loading: Development, design and manufacturing phase (upstream process)

In order to create products that meet customer's required specifications, it is important to identify issues and incorporate countermeasures early in the development and design stage. We promote front-loading, in which critical quality-related processes are incorporated in the early stage of development, to prevent quality problems before they occur.

Further reinforcement of the last stronghold: Inspection and measurement phase (downstream process)

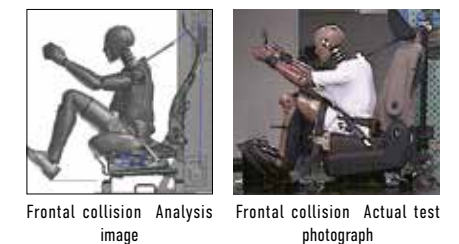
The inspection and measurement process is the last stronghold for ensuring quality. As our customers' products have become more sophisticated, our products have also become more precise and complexly shaped. Relentless efforts to improve our inspection and measurement technologies are what ensure the reliability of our products.

Development & Design

Collision testing of automotive seats using analytical technology

Automotive seats are important products that hold occupants in place and ensure their safety. Seats are composed of hundreds of parts and use a wide variety of materials, including metal, urethane, trim covers, etc., and they are required to display performance in terms of collision, strength, and durability.

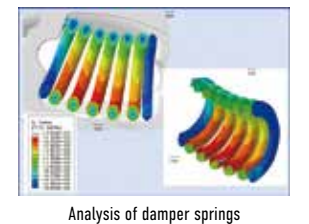
We utilize simulation analysis technology to incorporate various conditions of each component into our analysis data to predict dummy behavior and seat deformation in collision tests. By improving consistency between analysis results obtained in this way and actual test results, we try to ensure performance quality at an early stage of development. We are working to further improve forecasting techniques and reduce the number of tests themselves.



Visualization of precision spring behavior using originally developed analysis software

In determining spring specifications for valve springs, damper springs, and disc springs used in powertrain systems, it is necessary to consider the complex behavior of these springs in the actual vehicle.

"We use our proprietary analysis software to visualize the behavior of products during the development stage, to understand the stresses that occur under actual usage conditions, and to build product quality during the development stage. Moreover, we use profile management and statistical quality control methods that leverage non-contact measuring instruments to ensure high-precision, high-quality spring manufacturing."



Shape measurement of automotive stabilizers in the molding process

Automotive stabilizers are complex three-dimensional shapes, and the molding process, which must maintain stable quality, requires the advanced techniques of skilled workers based on optimal tool conditions, equipment rigidity, and material conditions that support advanced processing technology. By introducing a system that measures complex shapes in three dimensions and corrects the shape, we aim to build a process that does not rely on the know-how of skilled workers and ensure proper quality on a global basis. By accumulating and analyzing the data obtained, we are able to optimize all processes and work on front-loading to improve the quality of manufacturing from the upstream process with feedback to the development and design stages.



Stabilizer shape measuring device

Weld appearance inspection of metal frames using image technology

Welding of metal frames is an integral part of the automotive seat production process. Although welding technology has improved in recent years, we still rely on visual sensory evaluation by skilled workers to assure welding quality. In order to realize quantitative inspections based on equipment, we are constructing a system to determine the "OK/NG of weld condition appearance" by utilizing image technology and evaluation software. This equipment enables us to accurately determine items that are difficult to judge with the human eye, for example, weld heights and length disparities from specifications, at a speed equivalent to human inspection, and we are working to build a more stable welding quality assurance and traceability system.



Automated arc welding visual inspection

CSR Procurement

Procurement activities play an extremely important role in the NHK Spring Group's manufacturing, which requires a large number of materials and components. Through our CSR procurement efforts, we will fulfill our social responsibility over the entire supply chain.

Basic Procurement Policies

"We have established three basic policies for procurement: "Building long-term partnerships based on mutual trust," "Fair and open procurement," and "Compliance and confidentiality. By advancing digital transformation amidst the COVID-19 pandemic, we are promoting online interviews with business partners and web-based procurement, but our three basic policies remain unchanged."

[Basic Policies for Purchasing Supplies]

● Building long-term partnerships based on mutual trust

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

● Fair, equitable and open procurement

We are open to all suppliers, regardless of country of origin, size, or affiliation, and select suppliers based on comprehensive consideration of quality, price, service, technology, and development capabilities.

● Compliance and confidentiality

All our procurement activities are premised on compliance (adherence to laws and regulations, work rules, corporate ethics, and social norms). We do not make any unauthorized disclosures to third parties of any confidential information we may acquire through our business partners.

NHK Spring Group CSR Procurement Guidelines

Recent social trends, such as corporate scandals, the emergence of employment and labor problems associated with economic crisis, and global environmental issues, have led to expectations for stronger corporate social responsibility (CSR) initiatives. In this context, we would like our suppliers to understand our CSR activities and, based on mutual trust, we want to strive to fulfill our CSR not only in our company but also in the entire supply chain. As part of these activities, we established the "NHK Spring Group CSR Procurement Guidelines" in 2014, and have posted Japanese, English, Chinese, and Thai versions on our website.

In recent years, since more and more items are required, such as respect for human rights and environmental issues, we will obtain specific details and revise them to meet global standards*1.

*1 NHK Spring Group CSR Procurement Guidelines
<https://www.nhkspg.co.jp/csr/stakeholder/pdf/guideline.pdf>



Green Procurement

Having established the "Green Procurement Guidelines" based on our Basic Policies for Purchasing Supplies, we strive to procure products with less environmental impact from environmentally conscious companies. In collaboration with our business partners, we promote the management of environmentally hazardous substances throughout all stages of product design, production, and disposal, and strive to mitigate environmental impacts, including wastes.

We completely revamped the contents of the Guidelines in line with the growing importance of supply chain communication of chemical substances and compliance with overseas laws and regulations in December 2020. In January 2022, we also incorporated the following carbon neutrality-related items*2.

① Achieve carbon neutrality (virtually zero CO₂ emissions) by 2039.

② Aim to reduce CO₂ emissions by 50% from the FY2013 level by 2030.

Our entire group is committed to realizing green procurement, which aims to protect the global environment.

*2 NHK Spring Group Green Procurement Guidelines
https://www.nhkspg.co.jp/csr/stakeholder/pdf/guideline_green20718.pdf



Addressing Responsible Mineral Procurement

In recent years, there has been concern that minerals illegally mined in areas surrounding Congo in Africa are funding anti-government militias responsible for causing human rights abuses. The Financial Regulatory Reform Act passed in the U.S. in 2010 defines tantalum, tin, gold, and tungsten as conflict minerals and requires companies listed on U.S. stock exchanges to disclose information on the use of conflict minerals in their products. In addition, the target minerals and areas have been expanded since around 2020 in anticipation of corporate ESG initiatives. Accordingly, EU designations of conflict and high-risk areas were added to the target areas in 2021, while cobalt and mica have been added to the list of target minerals.

In the procurement of raw materials and parts derived from such minerals, from the perspective of "addressing human rights issues in the supply chain," we will work with customers, suppliers, and industry associations to identify the supply chain and verify the identity of refiners, and promote initiatives to eliminate the use of illegally mined minerals.

Initiatives to Comply with the Subcontract Act

As a member of the Japan Auto Parts Industries Association (JAPIA), we will also work with the Ministry of Economy, Trade and Industry (METI) and the Japan Automobile Manufacturers Association (JAMA) to ensure proper transactions in accordance with the Guidelines for Fair Trade in the Automotive Industry established by METI as part of its efforts to promote fair competition and enhance competitiveness in the industry.

● Change in the Method of Payment of Subcontract Proceeds

The Group is reviewing its payment methods to companies subject to the Subcontract Act based on the "Request for the further payment term shortening of negotiable instruments, etc." jointly issued by the Small and Medium Enterprise Agency and the Japan Fair Trade Commission in February 2022.

We have conventionally followed the payment method requested by the Japan Fair Trade Commission. Although note payment, etc. account for only a small percentage of our payments, in an effort to strengthen compliance, we plan to discontinue payment by note payment, etc. and change to month-end closing and next month-end cash payment (average payment term of 45 days), from deliveries made in October 2022, one and a half years ahead of the requested date. Not only NHK Spring, but also Group companies are planning to change their payment method as well, and the entire Group will further strengthen its measures to ensure proper transactions.

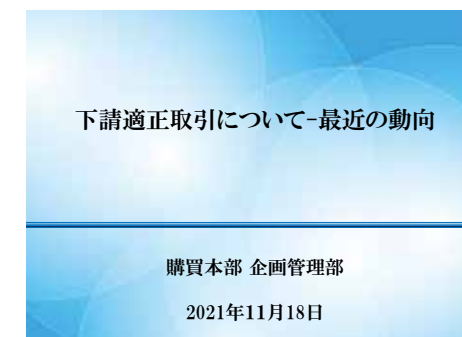
● Development of the Group's internal structure and mechanisms

The Procurement Division conducts audits of the Subcontract Act and other laws during regular audits conducted by the Internal Auditing Department.

As with other audits, we follow up on the findings until they are completely addressed.

● Holding of Purchasing Committee

Since 2012, the NHK Spring Group Purchasing Committee has been held to strengthen group purchasing capabilities and communication. We also set aside time in each meeting to discuss the Subcontract Act and the Act on the Promotion of Subcontracting Small and Medium-Sized Enterprises and to review changes in the law and issues raised in audits, and the entire Group strives to comply with these laws.



Materials for NHK Spring Group Purchasing Committee

BCP Initiatives

We believe that one of our social missions is to quickly restore operations and provide a stable supply of products in the event of disasters. However, to achieve this, not only our company but also our business partners need to work together for early restoration. We have introduced safety confirmation service to all of our employees to rapidly assess the impact on our supply chain and help us achieve quick recovery and secure stable supply in the event of large-scale natural disasters.

Promotion of Digital Transformation and Strengthening of CSR Activities

We will improve work-life balance by promoting operational efficiency through digital transformation, such as the use of web conferencing systems and other systems with mobile devices to conduct online interviews that are not restricted by location, workflow for payment processing, and web procurement.

In addition, to become carbon neutral, we will promote the electrification of company vehicles and green procurement of office supplies and other items. We will further strengthen our organizational response and systems regarding these initiatives.

VOICE

Aiming to be the best player in a particular field



Keisuke Koshijima, Kajima Corporation
Executive Vice President, General Manager, Overseas Operations Division

Our goal is to "build a solid network" with the goal of serving global companies on a global scale. In 2016, we built a plant for NHK Spring Indonesia and are currently constructing a new plant for the local subsidiary of a Group company on an adjacent site. We would like to use this opportunity as a springboard to respond to NHK Spring's future new business development in Japan as well using our strength in a wide range of solution capabilities.

NHK Spring is expanding its business worldwide with key parts produced from its advanced core technologies in metal heat treatment, plastic processing, and precision and microfabrication. Although the company's business is different from ours, I can empathize with the company's efforts to value its employees and empower them to become the best players in their respective fields.

NHK Spring is also squarely focused on solving social issues such as carbon neutrality as well as improving productivity in the manufacturing industry. We look forward to learning and working together as we continue our partnership.

Social Contribution Activities and Sponsorship/Cooperation for Local Events, etc.

The business establishments of NHK Spring Group companies are spread across various regions, both in Japan and overseas, and each location is developing its own localized activities. The entire Group is working together to further expand harmonious circles from local communities to the world.

■ Sponsorship and Cooperation for Local Events, etc.

● Activities based on the NHK Spring Mitsuzawa Football Stadium

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



● Sponsorship of NHK Spring Yokohama FC Seagulls

We have been the title sponsor of the NHK Spring Yokohama FC Seagulls, a women's soccer team in the Nadeshiko League, for eight years. By sponsoring this Yokohama-based team, which uses NHK Spring Mitsuzawa Football Stadium as its home stadium, we will continue to deepen our relationship with the local community.



Players, managers and coaches of NHK Spring Yokohama FC Seagulls.
NHK Spring logo in Japanese, on the center of the uniform

● Through TFT, providing school meals to children in the world

We introduced TABLE FOR TWO (TFT), a system for donating school meals to impoverished areas of the world, in 2014. TFT features a matching gift system, in which the Company matches the donations that are made by employees when they eat meals in the employee cafeterias. Having expanded the program to 11 plants and Group companies in Japan, we were able to donate 121,957 school meals in FY2021 (so far, 989,684 meals in total).

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



Partner Badge



Certificate of Appreciation

 TFT donations for **121,957** meals

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

As one of the ways to utilize the naming rights of NHK Spring Mitsuzawa Football Stadium, we stage a soccer league for science and engineering students, with the stadium holding the final and other games. In 2021, the event was held online (e-sports) as in the previous year to prevent the spread of COVID-19, but students from the winning and runner-up teams were invited to the final home game of Yokohama FC, and an awards ceremony was held on the pitch of NHK Spring Mitsuzawa Football Stadium.

● Implementation of Corporate Version of Hometown Tax Donation

The corporate version of the Furusato Nozei Program (a tax system to support regional development) is a system that allows companies to support the promotion of projects of local governments by making donations to centrally approved regional development projects of local governments. For companies, the tax burden is effectively reduced to approximately 10% due to the tax reduction effect.

In fiscal 2021, we made donations to 17 municipalities where the Group's main offices are located, with the aim of supporting local development efforts and directly expressing our gratitude to the local governments.



Corporate Officer Ikeji, Vice President of DDS (Disk Drive Suspension) Division, chatting with the Mayor of Komagane City (right).
Donations will be used for "childcare support projects."

◆ List of Donation Recipients (FY2021)

Municipality	NHK Spring Group's Main Location
Yokote City, Akita Prefecture	NHK Precision Co., Ltd. (Yokote Plant)
Kitakami City, Iwate Prefecture	Tohoku Nipatsu Co., Ltd. (Head Office and Main Plant)
Oshu City, Iwate Prefecture	Tohoku Nipatsu Co., Ltd. (Oshu Plant)
Sakuragawa City, Ibaraki Prefecture	Sumihatsu Co., Ltd. (Tsukuba Office)
Ota City, Gunma Prefecture	Gunma Plant
Isehara City, Kanagawa Prefecture	Isehara Plant#1 & Plant#2, NHK Spring Production Company, and NHK Precision Co., Ltd. (Head Office and Isehara Plant)
Hadano City, Kanagawa Prefecture	Topura Co., Ltd. (Head Office and Hadano Plant)
Ina City, Nagano Prefecture	NHK FLEX Co., Ltd.
Miyada Village, Kamiina-gun, Nagano Prefecture	Ina Plant and Miyada Plant
Komagane City, Nagano Prefecture	Komagane Plant (DDS/Industrial Machinery and Equipment), NHK MEC Corporation (Komagane Plant), Nippon Shaft Co., Ltd. (Komagane Plant)
Omaezaki City, Shizuoka Prefecture	Topura Co., Ltd. (Tokai Plant)
Toyota City, Aichi Prefecture	Toyota Plant
Koka City, Shiga Prefecture	Shiga Plant
Yasu City, Shiga Prefecture	Yasu Plant
Itami City, Hyogo Prefecture	Tokuatsu Co., Ltd. (Head Office and Itami Plant)
Sanda City, Hyogo Prefecture	Tokuatsu Co., Ltd. (Sanda Plant)
Kurashiki City, Okayama Prefecture	NHK Seating Mizushima Co., Ltd.

● Cooperation for Effective Use of Stockpiled Food

We cooperate with companies and local governments to make effective use of food that is stockpiled for disasters but is nearing its expiration date.

Our Yokohama Office donated stockpiled food equivalent to a total of 720 meals in cooperation with Stock Base, a company started by local Yokohama City University students. Similarly, our DDS Komagane Plant in Nagano Prefecture has donated the plant's stockpiled food that was nearing its expiration date to the Komagane City Social Welfare Council a total of five times since 2019.

Through these activities, items that would otherwise have to be discarded can be donated to those in need through companies and organizations, thereby reducing food loss. We will continue to work with local governments and companies to make effective use of stockpiled food.

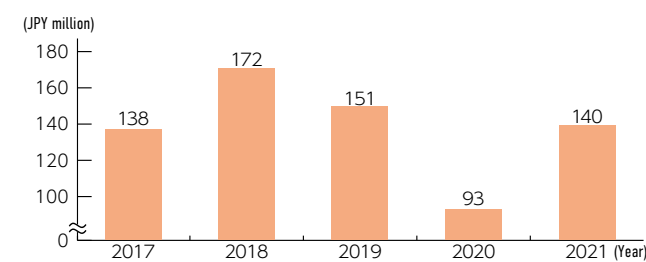


Komagane City Social Welfare Council (2 persons on the right) receiving stockpiled food delivered by DDS Komagane Plant (2 staff members on the left)

● Humanitarian Assistance to Ukraine

In addition to providing humanitarian aid in the hope that the people of Ukraine will return to a peaceful and safe life as soon as possible, we and all 19 companies in the NHK Spring Group have donated a total of JPY 6 million through the United Nations High Commissioner for Refugees (UNHCR).

■ Expenditure on Social Contribution Activities



Field	Major Examples
Academic/Research/Education	Donation of research funds to universities, acceptance of internships, plant tours for elementary school students
Health/Medicine/Sports	Blood donations, wheelchair donations to hospitals, sponsorship and volunteer participation in sporting events, sponsorship agreement with "Yokohama FC Seagulls"
Activities in regional society	Naming rights for Mitsuzawa Football Stadium, donations to local festivals, inviting local residents to Noryosai (summer evening festival)
Environment	Clean-up activities of neighboring areas

● Letters of Appreciation from the Japanese Red Cross for Blood Donation Cooperation

Sumihatsu, one of the NHK Spring Group's companies in Japan, received a letter of appreciation from the Japanese Red Cross Society and a letter of thanks from Sakuragawa City Mayor Otsuka for its 38 years of blood donation cooperation.

Our Atsugi Plant (Kanagawa Prefecture) also received the same award from the Japanese Red Cross Society for 10 years of blood donation cooperation.

We will continue to actively cooperate through the Group.



Sakuragawa Mayor Mr. Otsuka (left) and Sumihatsu President Mr. Masuda (right)

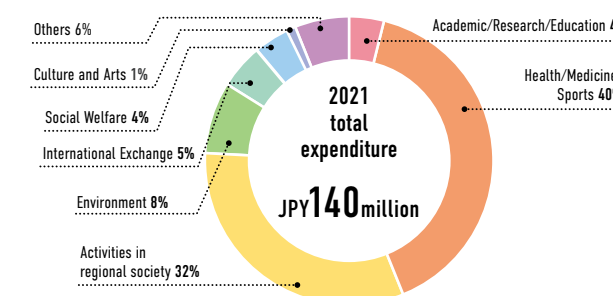
● Acceptance of Hands-on Classes and Internships by Group Companies

In 2021, Sumihatsu, a domestic group company, accepted two students from the technical department of a local high school as interns to experience property and performance qualification testing in the Quality Assurance Department.

In addition, the Chubu Distribution Center of NHK Transport Co., Ltd. hosted about 40 local second-grade elementary school students for a hands-on class as part of the school's Living Environment Studies curriculum. The students observed forklifts and received explanations about warehouse work, thereby learning about the flow of how goods get delivered.



Children learning about how much cargo a large truck can carry



Field	Major Examples
International exchange	TABLE FOR TWO activities, Eco-Cap activities
Social welfare	Donations to social welfare facilities
Culture & Arts	Donations to arts organizations and events
Others (including reconstruction of disaster-affected areas)	Participation in crime prevention and traffic safety activities, donations to politicians and organizations, support for disaster-stricken areas

Basic Approach to Employment

NHK Spring advocates "growth through innovative ideas and practices" as part of its Corporate Philosophy, and we are widely looking for motivated individuals who are willing to break out of the mold, take on challenges, and overcome difficulties through teamwork.

[Ideal Human Resources]

"Has an interest in new things, and resolutely meets challenges"
"Views matters from various perspectives"
"Appreciate the individuality of each colleague
and work together to achieve the goal."

In terms of the diversity of human resources, we are further promoting the employment of people with disabilities through a special-purpose subsidiary, and are also actively recruiting women and non-Japanese employees. In addition, we employ and support the activities of persons such as top athletes who possess outstanding abilities in various fields.

Human Resources Development

Our human resources development aims to realize qualitative improvement in both the abilities of human resources and organizational capabilities for sustainable growth.

First, in terms of human resources, each employee should be aware of our Corporate Philosophy and demonstrate it in his or her own actions. Considering the ideal being aimed for, employees are expected to establish their own ability development goals and strive to achieve them in their work while conducting dialog with their superiors.

In addition to group training based on job level and job function, against the background of the increasing globalization of our business, each employee participates in foreign language and cross-cultural training programs and the like, which are designed to enhance their ability to accept diverse values and communicate cross-culturally.

In addition, in order to further improve our competitiveness as a manufacturing company in terms of organizational strength, we conduct courses for training manufacturing line Kaizen (improvement) leaders, courses for instilling the strategic thinking needed to conduct practical business strategy reviews, and courses for cultivating creativity and innovation.

In this way, the entire company will continue to work on human resource development as a three-part system, in which "individuals" who are trying to grow on their own are nurtured by the "organization" and supported by the "personnel system".

Training to be attended 250 hours (during the first 5 years of employment)
Available e-learning courses 188 courses (6th-7th year of employment)
Global human resources training 70 hours per year
Dispatch of trainees abroad 107 trainees to a total of 6 countries (since 2004)

Recruitment Activities

In the recruitment activities for new graduates who will join the Company in April 2022, from the viewpoint of preventing the spread of COVID-19, we prepared and posted the contents of all recruitment plans on the internet to enable online applications, uploaded "Work experiences" introducing the NHK Spring work style under

the catchphrase "Key parts professionals = Monozukuri professionals", and provided online "career interviews" with Human Resources Department staff for persons who wanted to know more about the Company's work style.

We also asked young employees and mid-career employees to join in free talking sessions so that students could hear the real voices of employees. Our activities are designed to give prospective new recruits an idea of our corporate culture and atmosphere, as well as Company life after recruitment.

We are also striving to increase awareness of NHK Spring by disclosing information on recruitment information websites and setting up a dedicated "Recruiting page" on the Company's website.

Special page address
<https://www.nhkspg-recruit.com/>

Virtual Company Tour



You can also see the manufacturing process and the voices of senior employees in the virtual tour of the PR Center.

Amidst the COVID-19 pandemic, to communicate the attractiveness of "manufacturing," "springs," and "the Company where I work" and convey an image of working to applicants or new recruits who are preparing to join NHK Spring, we have

created a virtual Company tour tool and published it on the NHK Spring website.

The system allows visitors to move around the Company facilities on the screen, and to view explanatory materials and video interviews by clicking on exhibits and photos of people. Students who have applied for the program have given positive feedback to the recruiting staff, saying that they could concretely visualize the Company and they enjoyed the experience that seemed like taking a stroll. The current scope of the tour covers part of the Yokohama Office, but we plan to expand the scope to other offices in the future.

Moreover, we will also use this as a tool to deepen understanding of the Company, not only for students and new graduates, but also for employees who have fewer opportunities to visit other offices and plants due to limitations placed on out-of-prefecture travel due to the COVID-19 pandemic.

Employing people with disabilities



In April 2002, with the aim of "realizing our corporate social responsibility and contributing to local communities", we established "Nippatsu Harmony" as a special subsidiary to employ people with disabilities.

In addition, since March 2009, two group companies, NHK Sales Co., Ltd. and NHK Transport Co., Ltd., have been designated as special subsidiaries applicable to the Group, with the aim of increasing the employment rate of persons with disabilities.

As of the end of March 2022, the company has established seven offices - three in Kanagawa Prefecture, three in Nagano Prefecture, and one in Shiga Prefecture - where 75 people with disabilities are working happily.

Transition in employment rate of people with disabilities

※ Statutory employment rate: 2.30% (2022)

	FY2018	FY2019	FY2020	FY2021	FY2022
Employment rate	2.34%	2.29%	2.43%	2.37%	2.36%

NHK Spring's "Smart Work Project" for Reforming Work Styles

In FY2018, we started the "Smart Work Project" geared to reforming work styles, with our first priority being a "safe and secure company" and "a company that is rewarding and comfortable to work in".

We believe that placing the health and physical and mental wellbeing of our employees first, improving operational efficiency, and creating an environment in which a diverse workforce can flourish, will facilitate the growth of each individual and the development of the Company.

In FY2021, we thoroughly managed working hours throughout the Company to ensure labor compliance, shared information on good practices in departments

for improving operational efficiency and workplace environment, and held roundtable discussions (hosted by our labor union) to discuss how initiatives are actually being implemented and confirm future issues.

As flexible and diverse work styles, we introduced a telecommuting system and a coreless flex system in April 2021, and a career track system for specific areas in April 2022.

To create rewarding and comfortable workplaces, we will continue our efforts to build an environment in which diverse human resources can play active roles, and to further improve operational efficiency.

Labor-Management Relations

Active Labor-Management Communication

To discuss various matters and share information with the labor union, NHK Spring as a whole holds monthly meetings of the Central Labor-Management Council, while individual business establishments hold monthly meetings of Branch Labor-Management Councils.

Other periodic councils are held to hold discussions on labor-management issues in a timely manner, for example, a preliminary council to discuss overtime work, a council on production planning, and a council on health and safety.

In addition, the Company and the labor union have concluded a comprehensive labor agreement covering all working conditions and overall labor-management relations with the aim of establishing fair and stable labor-management relations and promoting the Company's development and improving the livelihoods of union members. The collective labor agreement is publicly disclosed through printed materials distributed and posted on the Company's intranet so that all employees can view the latest working conditions whenever they want.

Moreover, in response to the recent spread of COVID-19, we have been implementing measures such as workplace vaccinations and special measures for employees who test positive or come into close contact with positive cases. In this way, we are committed to maintaining close communication between labor and management, with the safety and security of employees as the top priority.

Staging of a Women's Training Program Sponsored by the Labor Union

In May 2022, the labor union hosted a career development training program for female union members. Sixteen participants, including online participants from each

business establishment, attended a career design seminar given by an external lecturer and an opinion exchange session based on the results of a questionnaire survey of female employees.

In addition to the program participants, from the Company side, a manager of the Human Resources Department and female director participated in the opinion exchange meeting, where there was an active exchange of views from the respective standpoints concerning the Company's personnel systems, improvement of the workplace environment, and awareness and questions concerning women's career development. Labor and management will continue to work together to promote the advancement of women from now on.



VOICE

From the labor union standpoint, promoting a workplace that is easy to work in

Ms. Marie Ooka, Deputy Secretary General, NHK Spring Labor Union

I became the first female full-time executive member of the NHK Spring labor union when I was approached by a member of the labor union's Yokohama branch. My current duties are diverse, including discussions with the Human Resources Department, which is the Company's point of contact, on institutional matters, etc., coordination and information sharing with other labor unions, and organizational management and planning, and within the Secretariat I am mainly responsible for the management and operation of the labor union's financial aspects.

From the labor union's point of view, NHK Spring currently has various systems in place and is well-equipped to make it easier for female employees to work, but the reality is that there are still many workplaces where there are no female managers, and we feel that we are only halfway towards realizing female advancement. With social trends such as the promotion of parental leave by men becoming mandatory in April 2022, I believe that gender role divisions will disappear further and the working environment will continue to change.

In order to make NHK Spring a workplace where both men and women can work comfortably, the labor union hopes to make efforts not only to create an environment that facilitates the use of current systems but also to introduce and expand necessary systems.



Promotion of Health Management

Basic Policy on Health Management

One of our management policies is to "build a safe and secure company and a rewarding and comfortable workplace." We believe it is important for the Company's sustainable growth that employees can continue to work with good physical and mental health and vitality, which will lead to improved performance. To this end, we will actively promote health management aimed at improving the health of our employees.

Health Declaration

The NHK Spring Group Health Declaration has been jointly signed by the presidents of the Group companies to ensure that employees and their families, the companies, and health insurance associations work together to promote health improvement and raise the health awareness throughout the entire NHK Spring Group.



NHK Spring Group Health Declaration

Health management/promotion initiatives

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

① Physical Health Care

"We will support employees in raising their self-awareness of health and implement health measures that will enable them to continue working with vigor and vitality."

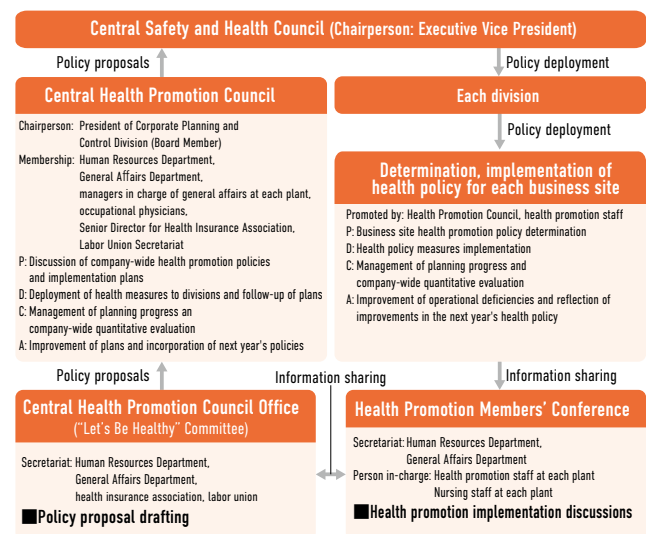
② Mental Health

"We will promote measures to ensure the sound mental health of our employees and create safe and comfortable workplaces."



Health Promotion System

To promote health management on a systematic basis, we have established the Central Health Promotion Council, under the Central Safety and Health Council, the highest level organization, to confirm the policy and implementation status of company-wide health measures and examine items to be implemented. In addition, each business establishment has appointed health promotion committee members and health promotion staff to promote various health measures.



Health Promotion Issues and Targets

① Physical health maintenance

Target	FY2020 targets achieved	FY2021 targets achieved
Percentage of obese persons	(Not Achieved)	(Achieved)
Abnormal blood pressure prevalence	(Not Achieved)	(Achieved)
Reducing the number of smokers	(Not Achieved)	(Not Achieved)

- Persons in the group with issues observed in the Company's health checkups are more likely to be obese with a BMI of 25 or higher than persons in the group with no issues observed, and we expect to reduce the ratio of persons with issues observed by reducing the ratio of obese persons. In addition to obesity, high blood pressure and smoking are also factors that increase the risk of developing lifestyle-related diseases in the future.
- In order to prevent worsening of presenteeism*1 and decline in productivity through improving employees' physical health, we have set targets for reducing the ratio of obese employees, blood pressure prevalence, and smoking rate, respectively.

② Mental Health

Target	FY2020 targets achieved	FY2021 targets achieved
Leave rate	(Not Achieved)	(Not Achieved)
Leave days	(Not Achieved)	(Not Achieved)

- We believe that we can improve productivity by lowering the rate and number of days of absence from work due to mental health issues, and thereby reducing absenteeism*2. In order to reduce the number of employees with mental health issues and shorten the length of absence from work, it is important to prevent mental health issues before they occur or detect them at an early stage.

*1 Presenteeism...Situation where there are employees who are working while suffering with poor physical and/or mental health.

*2 Absenteeism...Situation where attendance is affected due to poor physical and/or mental health.

Health Promotion Measures and Effectiveness

① Physical health maintenance

- Raising of awareness about doing more exercise through distributing fitness trackers to employees, and visualizing health levels using body fat monitors and blood pressure manometers
- Implementation of nutritional education activities using the employee cafeterias at each business establishment
- Provision of interviews with medical staff to offer guidance on how to make improvements for persons who have issues observed in the Company's health checkups
- As activities to reduce smoking rates, education on smoking cessation using visual aids and interviews with those who wish to quit smoking.

In FY2021, the percentage of obese patients decreased by 1.3 percentage points from the previous year, and the rates of persons with issues observed regarding blood pressure, liver function, and fat also decreased.

② Mental Health

- "Self-care" and "line care" education through group training, morning meetings, and e-learning.
- Improvement of workplaces utilizing group analysis of stress checks.
- Provision of support for individuals found to have high-stress in stress checks and those with poor mental health through interviews with medical staff.

Although the number of employees absent from work due to mental illness is on a slight upward trend, the average number of days of absence from work has decreased,

indicating that effects are being realized in terms of maintaining and improving workplace performance due to early return to work.

● Health Promotion Events

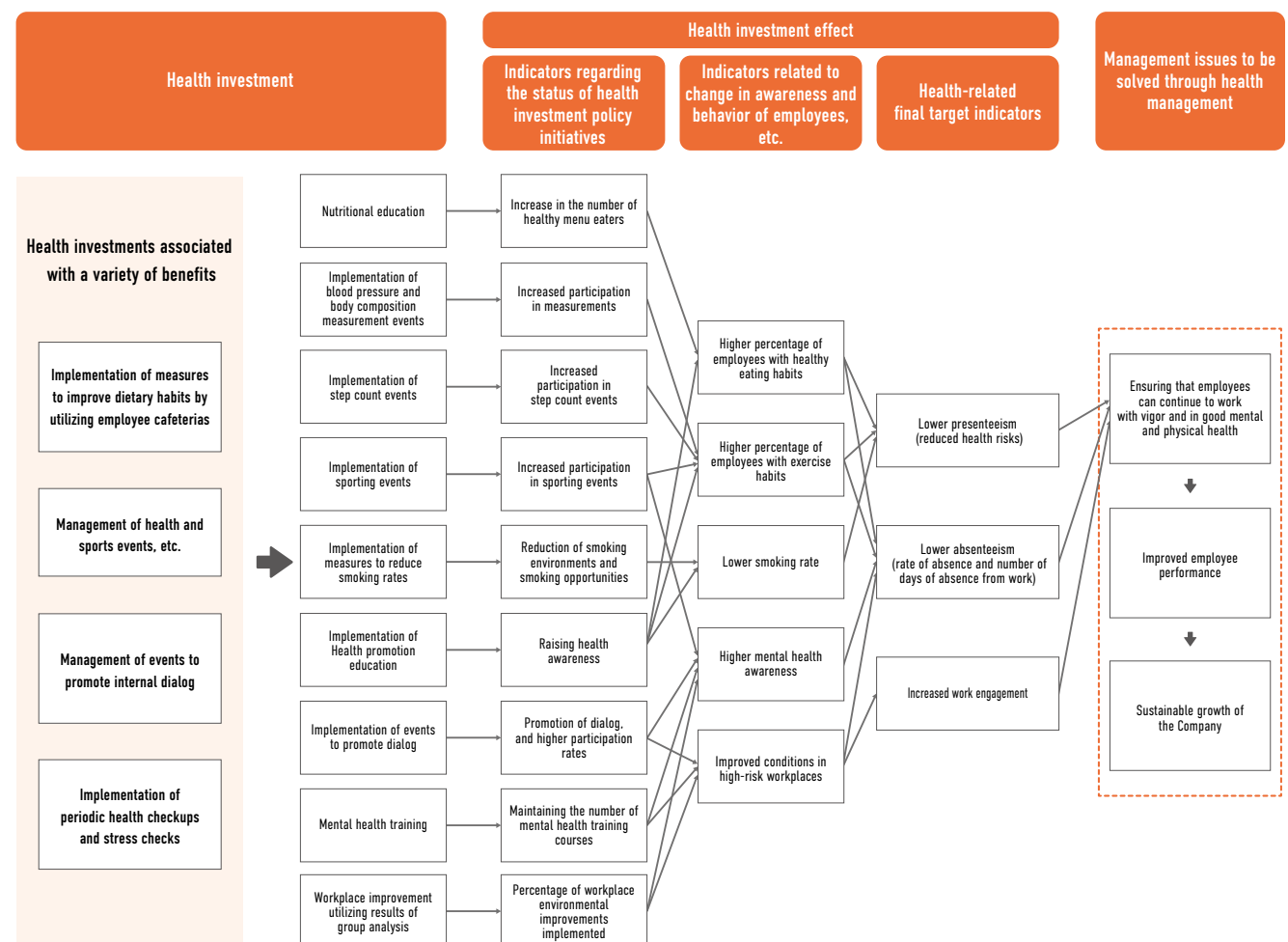
To promote the use of fitness trackers provided to each employee and body composition monitors and blood pressure manometers installed in each business establishment, a "measurement event" is held once a year to provide incentives to those who continuously measure and those who improve their body fat ratio and BMI values, with approximately 25% of all employees participating in fiscal 2021. In addition, "step count events" were held three times in the year.

We anticipate that these events will help stimulate communication among employees and establish the habits of walking and conducting measurements for the purpose of checking physical condition, leading to greater health awareness and ultimately to healthier employees.

● Nutritional Education Activities in Employee Cafeterias

In the employee cafeterias at each business establishment, we label the ingredients (calories, salt, carbohydrates, etc.) of food items on menus, indicate appropriate intake amounts, and provide healthy menus and seasonings with low salt and calorie content. Each business establishment's efforts are shared throughout the entire Company, and the Company as a whole is engaged in health promotion activities utilizing employee cafeterias.

Health Management Strategy Map



Corporate Governance

To continue sound business activities, we are developing systems to further improve governance.

Basic Stance on Corporate Governance

We aim to maintain sound management and increase corporate value from the medium- to long-term perspective by developing management organizational structures and mechanisms and implementing the necessary measures.

To achieve this, we have adopted the following five basic policies.

Basic Policies for Corporate Governance

- 1 We ensure the rights and equality of our shareholders and strive to create an environment in which they can exercise their rights appropriately.
- 2 We work to sustain a good relationship by fulfilling our responsibility as a company to stakeholders, such as our shareholders, customers, partners, local communities, and employees.
- 3 We appropriately conduct disclosure based on the law while also independently striving to provide information other than that required by law.
- 4 The Board of Directors will intensively deliberate on agenda items, determine the supreme management policy, and supervise business management trends based on each member's knowledge and experience underpinned by a thorough understanding of the business. In addition, the Board will actively discuss management issues derived from the agenda items in order to fulfill its appropriate roles and responsibilities.
- 5 We will endeavor to engage in constructive dialog with shareholders, and strive to disseminate and share information by providing feedback to management and members of the Board on the opinions and other information collected through such dialog.

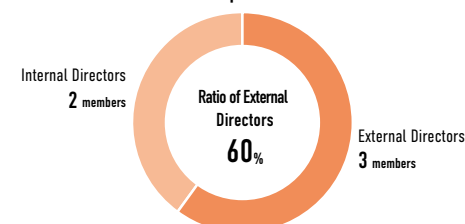
Nomination and Compensation Committee

To strengthen the independence and objectivity of decisions on nominations and compensation of Members of the Board, the Board of Directors has established a voluntary Nomination and Compensation Committee, an advisory body to the Board of Directors, consisting of a majority of independent external directors, to consider matters related to personnel matters and compensation for Members of the Board.

◆ **Composition of the Nomination and Compensation Committee**

Post	Name	Nomination and Compensation Committee member
President & CEO and Representative Member of the Board	Takashi Kayamoto	<input checked="" type="radio"/>
Executive Vice President and Representative Member of the Board	Toru Sugiyama	<input type="radio"/>
Executive Vice President and Representative Member of the Board	Kiyohiko Kanmei	<input type="radio"/>
Member of the Board	Hidefumi Yoshimura	<input type="radio"/>
Member of the Board	Kazuhisa Uemura	<input type="radio"/>
Member of the Board (External)	Keiichiro Sue	<input type="radio"/>
Member of the Board (External)	Katsuko Tanaka	<input type="radio"/>
Member of the Board (External)	Hiromi Tamakoshi	<input type="radio"/>

© Chairperson

◆ **Nomination and Compensation Committee** ◆

Board of Directors

NHK Spring clearly distinguishes the roles of the Board of Directors, which is responsible for corporate management and supervision, and the Corporate Officers, who are in charge of business execution. This will enable the Board of Directors to intensively discuss important management judgments, make important management decisions, and supervise the execution of operations by Corporate Officers, thereby further maintaining and improving management efficiency and continuously increasing corporate value over the medium to long term under the corporate governance system.

In addition, external members of the board are appointed for the purpose of receiving advice based on their knowledge regarding management policies and management improvement, as well as to seek their active involvement in management supervision through decision-making on important matters of the Board of Directors.

Independence of External Members of the Board

In December 2021, the Company established independence criteria for its external directors.

Board of Directors effectiveness evaluation

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

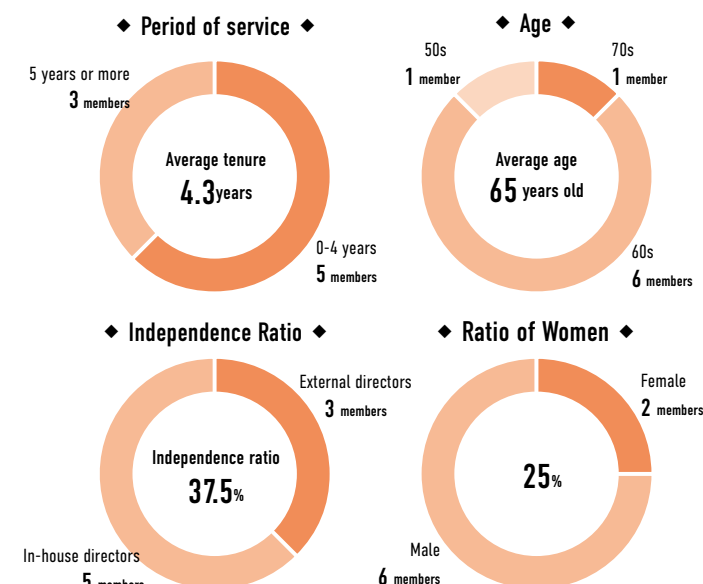
Questionnaire Items

1. Composition of the Board of Directors; 2. Operation of the Board of Directors;
3. Enhancement of Board deliberations; 4. Communication with shareholders and investors;
5. Role and expectations of the Audit & Supervisory Board in the Board of Directors (answered
only by auditors); 6. Support system and information provided to external members of the
board (answered only by external members of the board))

Overview of self-evaluation results

Based on the results of the questionnaire, we believe that the Board of Directors as a whole is effectively fulfilling its roles and responsibilities, as individual proposals are discussed and examined from various perspectives through active discussions by the Board, which has a diverse range of knowledge.

We will implement improvements as appropriate for the areas identified and will continue to conduct self-evaluations as well as work to improve and enhance the effectiveness of the Board of Directors.



■ **Directors' Training**

The Company conducts in-house training for all members of the Board of Directors and the Audit & Supervisory Board twice a year. Such training is implemented by external instructors to ensure compliance with laws and regulations and to acquire the latest knowledge necessary for management. We are enhancing the content by expanding the scope of attendance to include Corporate Officers and selecting timely themes.

◆ Training Topics for Board of Directors

Year	Contents
FY2020	Automotive market in China in the aftermath of COVID-19
	Trends in workplace reform
FY2021	Creating a sustainable system for organizational risk response
	Long-term outlook for the automotive industry
FY2022	Governance Code and corporate management *Two meetings are scheduled for FY2022.

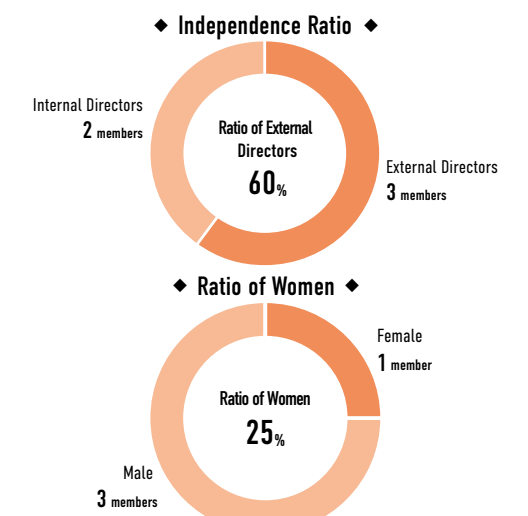


May 2022 Directors' Training

Audit & Supervisory Board

The responsibility for auditing the Company's management execution rests with the Audit & Supervisory Board, which is independent of the Board of Directors.

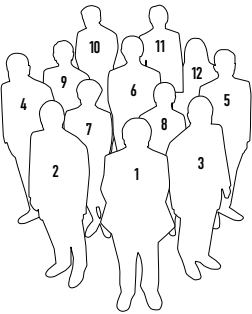
In addition, the Company ensures a sufficient support system to support the monitoring of management by corporate auditors, and takes necessary measures from the viewpoint of strengthening the functions of corporate auditors, including the appointment of independent external auditors and auditors endowed with high levels of knowledge and expertise in finance and accounting.



Management Organization (as of June 28, 2022)



■ Directors and Auditors



<Member of the Board>

1 Takashi Kayamoto
President & CEO and Representative Member of the Board
In office 7 years **BOD** 13/13 meetings
Apr. 1979 Joined the Company
Jun. 2010 Corporate Officer, Vice President of Research and Development Division and Director of Development Department
Apr. 2013 Senior Corporate Officer and President of Suspension Spring Division
Jun. 2015 Member of the Board, Senior Corporate Officer and President of Sales Division
Apr. 2016 Member of the Board, Executive Corporate Officer and President of Sales Division
Apr. 2017 President & CEO and Representative Member of the Board (present)

3 Kiyohiko Kanmei
Executive Vice President & COO/CTO and Representative Member of the Board
In office 3 years **BOD** 13/13 meetings
Apr. 1980 Joined the Company
Jun. 2011 Corporate Officer, Vice President of Seating Division and Director of Global Business Promotion Department
Apr. 2015 Senior Corporate Officer, President of Seating Division
Apr. 2018 Executive Corporate Officer, President of Engineering Division
Jun. 2019 Member of the Board, Executive Corporate Officer, President of Engineering Division
Director of Takano Co., Ltd. (non-executive)
Apr. 2020 Executive Vice President & COO and Representative Member of the Board (present)

5 Kazuhisa Uemura
Member of the Board, Executive Corporate Officer, President of Sales Division
In office 4 years **BOD** 13/13 meetings
Apr. 1983 Joined the Company
Apr. 2014 Corporate Officer, Vice President of Sales Division and Director of Seating & Component Sales Department
Apr. 2018 Senior Corporate Officer, President of Sales Division
Jun. 2018 Member of the Board, Senior Corporate Officer, President of Sales Division
Apr. 2022 Member of the Board, Executive Corporate Officer, President of Sales Division (present)

7 Katsuko Tanaka **External Independent**
Member of the Board (External)
In office 6 years **BOD** 13/13 meetings
Apr. 1970 Researcher, hygiene class, Okayama University Medical School (Worked in the local hospital.)
Jul. 1970 Medical license registration (No. 207731)
May 1976 Worked at Yokohama City Hall
May 1998 Mayor, Sakae Ward, Yokohama City
Apr. 2000 Director General, Social Welfare Bureau, Yokohama City
Apr. 2004 Director General, Civic Affairs Bureau, Yokohama City
Apr. 2006 Trustee and Secretary General, Yokohama City University
Apr. 2013 Chancellor, Yokohama City University
Jun. 2016 Member of the Board (External) of the Company (present)

<Audit & Supervisory Board Members>

9 Kenji Shimizu
Audit & Supervisory Board Member
In office 10 years **BOD** 12/13 meetings **A&S** 12/13 meetings
Apr. 1979 Joined the Company
Mar. 2005 Director of Planning and Control Department, Precision Spring and Components Division
Jun. 2008 Director of Internal Auditing Department
Jun. 2012 Audit & Supervisory Board Member of the Company (present)

11 Ichiro Ebihara **External Independent**
Audit & Supervisory Board Member (External)
In office 2 years **BOD** 13/13 meetings **A&S** 13/13 meetings
Sep. 1985 Joined Tohmatsu Awaki & Co. (now Deloitte Touche Tohmatsu LLC)
Apr. 1989 Registered as Certified Public Accountant
Oct. 2013 Executive Officer in charge of finance and administration
Nov. 2015 Group CFO of Deloitte Tohmatsu LLC
Aug. 2016 Managing Partner of Deloitte Tohmatsu Services Co., Ltd.
Jun. 2019 Ichiro Ebihara Certified Public Tax Accountant Office (present)
Jun. 2020 Audit & Supervisory Board Member (External) of the Company (present)

BOD Attendance at Board of Directors meetings **A&S** Number of Audit & Supervisory Board meetings attended
In office: Indicates the number of years served as a Board Member or the number of years served as an Audit & Supervisory Board Member.

2 Toru Sugiyama
Executive Vice President & CFO/CLO and Representative Member of the Board
In office 4 years **BOD** 13/13 meetings
Dec. 1980 Joined the Company
Jun. 2001 President & CEO, NHK International Corporation
Jun. 2010 Corporate Officer, Vice President of Suspension Spring Division and Director of Planning and Control Department
Apr. 2014 Senior Corporate Officer, Director of Corporate Planning Department, Corporate Planning and Control Division
Apr. 2017 Executive Corporate Officer, President of Procurement Division
Jun. 2018 Member of the Board, Executive Corporate Officer, President of Corporate Planning and Control Division and President of Procurement Division
Apr. 2019 Executive Vice President, Representative Member of the Board, President of Corporate Planning and Control Division and President of Procurement Division
Apr. 2020 Executive Vice President and Representative Member of the Board, President of Procurement Division
Jun. 2021 Director of Takano Co. Ltd. (non-executive) (present)
Apr. 2022 Executive Vice President and Representative Member of the Board (present)

4 Hidefumi Yoshimura
Member of the Board, Executive Corporate Officer, President of Corporate Planning and Control Division and President of Procurement Division
In office 1 year **BOD** 10/10 meetings
Apr. 1981 Joined the Company
Jun. 2007 Director of Planning and Control Department, Suspension Spring Division
Apr. 2014 Corporate Officer, President & CEO and Member of the Board, NHK of America Suspension Components, Inc.; and President & CEO and Member of the Board, New Mather Metals, Inc.
Apr. 2015 Corporate Officer, Director of Human Resources Department, Corporate Planning and Control Division
Apr. 2017 Senior Corporate Officer, Vice President of Corporate Planning and Control Division and Director of Human Resources Department
Apr. 2020 Senior Corporate Officer, President of Corporate Planning and Control Division
Apr. 2021 Executive Corporate Officer, President of Corporate Planning and Control Division
Jun. 2021 Member of the Board, Executive Corporate Officer, President of Corporate Planning and Control Division
Apr. 2022 Member of the Board, Executive Corporate Officer, President of Corporate Planning and Control Division and President of Procurement Division (present)

6 Keiichiro Sue **External Independent**
Member of the Board (External)
In office 7 years **BOD** 12/13 meetings
Apr. 1984 Registered as Attorney at Law (a member of Dai-ichi Tokyo Bar Association)
Joined Nobuo Takai Law Firm
Jan. 1989 Joined Matsuo & Kosugi
Oct. 1995 Registered as Attorney at Law in New York State, USA
Jun. 2009 Partner of Blakemore & Mitsuki (present)
Jun. 2014 Corporate Auditor (External) of the Company
External Director of METAWATER Co., Ltd.
Jun. 2015 Member of the Board (External) of the Company (present)

8 Hiromi Tamakoshi **External Independent**
Member of the Board (External)
In office 2 years **BOD** 13/13 meetings
Oct. 1987 Joined Chuo Audit Corporation
Apr. 1999 Registered as Attorney at Law (Kanagawa Bar Association)
Joined Ryoji Kimura Law Office
Apr. 2017 Auditor of Yokohama City University (present)
Jun. 2020 Member of the Board (External) of the Company (present)
Apr. 2021 Established Yokohama Nagomi Law Office (present)

10 Masakazu Toyoda
Audit & Supervisory Board Member
In office 3 years **BOD** 13/13 meetings **A&S** 13/13 meetings
Apr. 1982 Joined Dai-ichi Kangyo Bank (now Mizuho Bank)
Jan. 2013 Joined the Company
Apr. 2013 Member of the Board (Vice President) of NHK International Corporation
May 2017 Director of Corporate Planning Department, Corporate Planning and Control Division
Jun. 2019 Audit & Supervisory Board Member of the Company (present)

12 Reiko Furukawa **External Independent**
Audit & Supervisory Board Member (External)
Newly appointed
Apr. 1981 Joined Nippon Univac Kaisha, Ltd. (now BIPROGY Inc.)
Apr. 2005 Nihon Unisys Excelutions (now UEL Corporation), General Manager of Service Department, Mechanical Solutions Division
Apr. 2007 General Manager of Industry Development Department
Apr. 2009 Executive Officer
Apr. 2011 UNIADEX, Ltd.
General Manager of Outsourcing Planning Department of MBK Outsourcing Center
Apr. 2014 General Manager of Quality Assurance Department.
July 2017 Audit & Supervisory Board Member of Uniadex, Ltd.
Jun. 2022 Audit & Supervisory Board Member (External) of the Company (present)
External Member of the Board, Hanwa Co., Ltd. (present)

Compliance

We strive to ensure that each and every employee acts in a compliant manner.

Initiatives for compliance

The NHK Spring Group's management policy begins with the statement, "We will maintain a 'straightforward' way in business". In addition to legal compliance, we believe that compliance includes adherence to our Employees Code of Conduct, Company Rules, and social norms (manners and morals) and fulfillment of our social responsibility (CSR) to our stakeholders, including customers, shareholders, investors, business partners, and local residents, and we regard it as one of the major pillars of management. In promoting compliance, specifically, the President himself directly calls out the importance of compliance in every dialog with the top management and employees of each Group company to foster awareness.

In addition, our Employees Code of Conduct stipulates that all officers and employees are to comply with laws, regulations, and corporate ethics. To raise awareness of this, we send out top management messages on compliance with antitrust laws, anti-bribery, etc. To instill compliance, we conduct compliance training by rank for new employees and promoted employees at all Group companies, as well as various training programs on themes such as compliance with antitrust laws, harassment, etc. Every November is designated as "Ethics Enhancement Month," during which the Group's top management sends out messages and displays posters, and each month we select a familiar compliance theme and distribute the "Compliance Newsletter" to raise awareness among all employees of the NHK Spring Group, both in Japan and overseas, of the importance of compliance with laws, regulations, and corporate ethics.

Compliance Promotion Structure

Under the supervision of the President & CEO, the Director of the CSR Department in the Corporate Planning and Control Division is responsible for promotion, with the directors of each department as responsible officers and the CSR Department as the promotion secretariat. In addition, the Company systematically conducts compliance education and awareness-raising activities to prevent the occurrence of legal violations and antisocial behavior. In addition, since FY2021, the Company has conducted a Compliance Awareness Survey of employees in NHK Spring and domestic Group companies. Based on the results of these checks, a compliance activity plan for the next fiscal year is formulated. This survey will be conducted annually.

Number of respondents to the 2021 Compliance Awareness Survey: 7,953

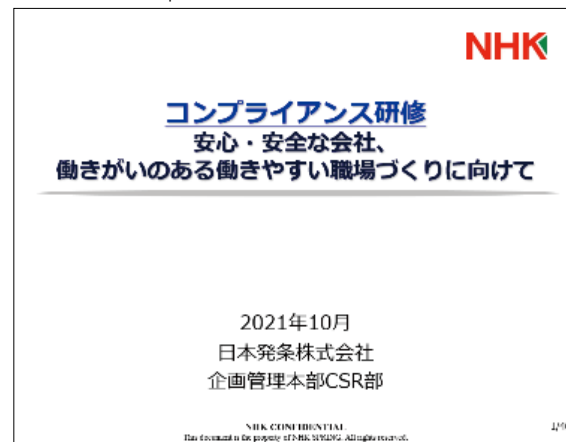
Initiatives related to Antitrust Laws

In 2016, the Company received an on-site inspection by the Fair Trade Commission and other authorities for violating the Antitrust Act. Learning from this lesson, we have been conducting annual antitrust law training for employees in sales departments without fail to ensure compliance with antitrust laws globally. Overseas, we also offer training programs with content that is consistent with local activities. In addition to the above, we conduct e-learning on antitrust law, implement and check preliminary notifications throughout the Group when coming into contact with competitors, and conduct e-mail audits using AI (artificial

intelligence) to check for problematic behavior before it occurs.

Anti-harassment Measures

To realize the Group's management policy of "Creating a safe, secure, and pleasant workplace and working to ensure job satisfaction", we conducted harassment training throughout the Group in FY2021. This training was mainly intended to promote a correct understanding of harassment and to foster awareness of compliance with a view to creating a safe and secure Company and rewarding and comfortable workplaces.



We also conduct compliance training and e-learning using the "Guidebook for Prevention of Power Harassment," which is distributed to all Group employees. In addition, the Company conducts educational activities to prevent harassment, such as disseminating information on good communication in the Compliance Newsletter.



Whistleblowing System (Compliance Hotline) and Partner Reporting Desk

As a mechanism for employees of the Company and its domestic subsidiaries to consult or report internally when they have questions or doubts, a Compliance Hotline, which allows anonymous reporting, has been established at a contact point operated by an external third-party organization from the viewpoint of neutrality and impartiality. Moreover, all employees receive a compliance card that states the Compliance Hotline number, and we are striving to ensure the reliability of the system through implementing various compliance training sessions and issuing the monthly Compliance Newsletter and internal magazines to inform employees about the operational flow of whistleblowing from the receipt of reports, the guarantee of anonymity, and the prohibition of prejudicial treatment against whistleblowers.

In the event where a whistleblower makes a report, the Company reports the matter to the Compliance Promotion Manager and conducts an investigation to confirm the facts. If a problem is confirmed to exist, corrective measures are taken and the whistleblower is briefed on the response if he or she desires feedback.

In addition, the Company has a system in place for appropriately reporting to the Board of Directors on serious matters.

Overseas, similar systems have been introduced in North America, China, Thailand, Mexico, and other Group companies.

In addition, we have set up a "Partner Reporting Desk" on our website for business partners to report any compliance violations in the course of doing business with us. The Company has established a system for realizing the early detection and correction of problems by appropriately handling reports that are made to these contact points.



Approach to Human Rights

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

- 1. Respect for human rights** We will respect human rights in all our business activities, recognize our mutual values and beliefs, and never engage in conduct that harms the character or dignity of any person.
- 2. Prohibition of discrimination** We will never discriminate based on nationality, race, ethnicity, creed, philosophy, gender, social status, religion, age, sexual orientation, gender identity, mental or physical disability, illness or place of origin.
- 3. Prohibition of child labor and forced labor** We will never allow child labor of any kind, nor will we permit forced labor in any of our business activities.

Participation in the "My Declaration of Human Rights" project

In July 2021, we joined the "My Declaration of Human Rights" project as part of the Ministry of Justice's efforts to realize a society where everyone respects each other's human rights, and made the declaration stated on the right.

NHK Spring continues to be committed to respecting human rights for all people and communities involved in our business activities.



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

Transitions in the Number of Group Compliance Hotline Reports

	FY2019	FY2020	FY2021
Reports	42cases	57cases	81cases

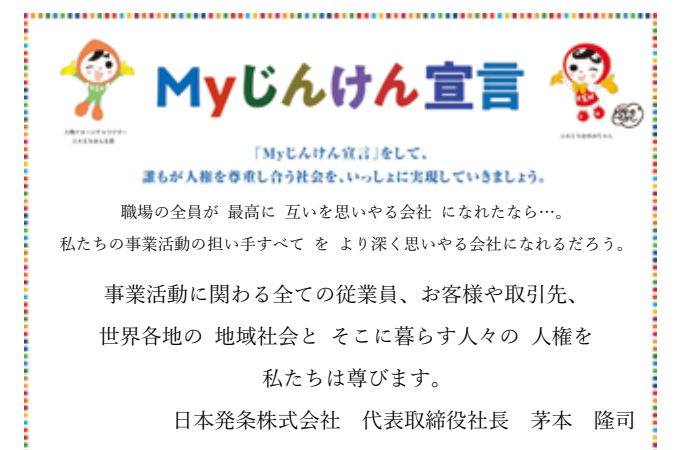
Partner Reporting Desk - number of reports: 0

Anti-bribery and Anti-corruption initiatives

Under the Employee Code of Conduct, Compliance Regulations, and Anti-Bribery Rules, the Group has defined bribery, corruption, and improper donations as prohibited acts, and has established various rules and conducted training on bribery, particularly in high-risk areas overseas. In addition to prohibiting bribes to public officials, we also send out compliance newsletters to promote awareness about the prohibition of excessive business entertainment and gifts that go beyond social common sense, even among private companies.

Security Export Control

To comply with laws and regulations concerning security export control, we are reviewing our security export control regulations and detailed rules, and have appointed an export control officer in each production division to provide training. In addition, the Company conducts compliance inspections for export transactions and takes steps toward realizing appropriate import/export control.



Risk Management

Risk Management Structure

The risks (crises) faced by companies are not only limited to natural disasters but can arise in various forms. In order to fulfill our social responsibility as a corporation, we have established risk management regulations to avert such risks, minimize damage, and prevent recurrence, and have built a risk management structure having the President & CEO and Representative Member of the Board as the chief responsible officer and having the President of the Corporate Planning and Control Division in charge of promotion. We aim for further improvement so that each employee can deepen their understanding of risks on a daily basis, and we can respond appropriately and promptly when unexpected risks occur to resolve them as quickly as possible.

Responding to Risks

For the purpose of responding to the occurrence of risks, the Company has issued a risk management manual that covers a variety of risks and established a system for promptly reporting to top management when risks occur. In the event of an emergency situation in Japan or overseas, we will promptly set up a task force in the area concerned and establish a general headquarters at our Head Office to quickly bring the situation under control.

Business Continuity Management (BCM)

Establishment of a BCM System

The NHK Spring Group has distributed the "NHK Spring Group BCP Basic Policy" and "NHK Spring Group BCP Guidelines" to all Group companies in Japan and overseas and is promoting the establishment of a Business Continuity Management (BCM) system. In the event of a risk occurrence, a task force is convened and, under the direction of the task force leader, the divisions under its jurisdiction and related divisions work in unison to respond quickly based on such fundamental policies as "human life first," "responsibility to supply customers," and "fulfillment of social responsibility".

Strengthening of the BCM System through Training, etc.

At our Head Office, each plant, and domestic Group companies, we are working to strengthen our initial response and business continuity capabilities by first establishing a disaster prevention system as a platform for formulating a BCP that can respond to various risks. Also, we annually conduct initial response drills assuming the scenario of a large-scale earthquake and BCP drills for quickly restoring and continuing business operations. Since last year, instead of the conventional training conducted by gathering in a conference room, we have conducted drills remotely to prevent the transmission of COVID-19. Based on the reflections from these drills, we are also reviewing our disaster prevention system and revising our BCP and various procedure manuals to step up our crisis management structure so that we can respond to crises in a more practical manner. In addition, in recent years, overseas Group companies have also been gradually implementing initial response drills and BCP drills based on disaster scenarios according to the conditions in their respective regions.

Also, each plant and domestic Group company conducts an annual self-assessment of its BCM system to identify and improve issues related to disaster prevention, BCP, initial response setup, and BCM promotion, and thereby improve the BCM system.

Ensuring Information Security

The use of IT by companies has become a necessary condition for competing globally. On the other hand, an information security incident, such as a cyber-attack, can have a serious impact on customers and other stakeholders.

The Group has conventionally taken security measures to prevent cyber-attacks, including protection against unauthorized communications and the introduction of anti-virus software.

To counter the recent increase in highly targeted cyber-attacks, we have strengthened our measures from the viewpoint of multi-layered defense by introducing EDR (Endpoint Detection and Response)* software, establishing a dedicated contact point for security incidents, separating networks between offices and plants, and monitoring suspicious communications and behavior. In the event of a cyber-attack, we are making a Group-wide effort to enhance systems, methods, and response manuals so that recovery can be achieved in a short period of time, and we are constantly striving to improve our level of security.

EDR...Software tools designed to monitor the behavior of viruses after they enter the system and implement a post-infection response.



Desk training assuming failure scenarios is conducted to ensure rapid initial response.

VOICE

Providing unwavering safety, security, and trust

Akihiro Izumi, Assistant Manager, Information Systems Department

We believe that the reliable functioning of IT is an important quality undertaking for gaining the trust of our customers and other stakeholders. As social conditions change, remote telecommuting is becoming more widespread and the way systems are used is constantly changing, but at the same time, such changes create new security risks.

Cyber-attacks have intensified in recent years, and cases where a cyber-attack on even a single company in a supply chain can force the entire supply chain to shut down are increasing.

Therefore, the Information System Department has positioned information security as its most important task, and is working with external security evaluation organizations to evaluate the degree of achievement based on the guidelines stipulated by public and industry organizations, and to review the measures taken. The entire Group is implementing measures and strengthening human resources to provide a system infrastructure that satisfies the concerns of stakeholders.



Shareholder-Investor Communication

Through holding constructive dialog with shareholders and investors, we strive to provide fair and accurate information in a timely manner and to gain the understanding of shareholders and investors.

Dialog with Investors

After the announcement of interim and full-year financial results, we hold a financial results briefing for analysts and institutional investors. Briefings in FY2021 were conducted in May and November, and both comprised online financial presentations due to the COVID-19 pandemic. By switching to online briefings, we can now have participation by overseas institutional investors, who have conventionally found it difficult to attend onsite briefings.

We remain committed to promoting proactive disclosure of information to analysts and investors.



Holding of online financial results briefings

Financial Results Briefings



May **33** attendees, **28** companies

November **34** attendees, **30** companies



Individual interviews

112 times Total **206** persons

(FY2021, results of dialogues with investors)

Dissemination of IR information

In order for our shareholders and investors to better understand the Company, we issue business reports and the NHK Spring Report, and also provide the latest information through press releases and our website. We will continue to provide full and timely information from now on.



Investor Relations page

<https://www.nhkspg.co.jp/ir/index.html>

New Page for Individual Investors

In order to better inform individual investors about the Company, we have launched a new page on our website called "For Individual Investors (A Quick Guide to NHK Spring)," which focuses on our products, history, strengths, and other information in an easy-to-understand manner.



For Individual Investors (A Quick Guide to NHK Spring)

<https://www.nhkspg.co.jp/ir/investor/index.html>

General Meeting of Shareholders

We recognize the General Meeting of Shareholders as a forum for holding constructive dialog with our shareholders. In order to allow shareholders to exercise their voting rights to a greater extent, we send out convocation notices three weeks prior to the AGM and conduct other measures such as sending information and making web disclosures well in advance. Furthermore, since last year, we have been working to make the convocation notice easier to read and more comprehensive by printing it in full color, incorporating ESG topics and so on.

The 102nd Annual General Meeting of Shareholders was held in June 2022, and all proposals were approved by a majority vote. At this meeting, two shareholders asked a total of three questions, which were answered by the Chairperson, Mr. Kayamoto. We will continue to make efforts to improve operation of the General Meeting of Shareholders.



General meeting of shareholders held under COVID-19 countermeasures

VOICE

Expectations for Responding to Changes in the External Environment

Shiro Sakamaki, Chief Analyst, Equity Research Dept, Daiwa Securities Co.Ltd.

I have worked as a sell-side analyst for NHK Spring for over 10 years. I participate in biannual financial results briefings as well as small meetings. Before the COVID-19 pandemic, I also participated in the plant tour to learn about the strengths of the Company's products and technologies.

In the automotive industry, where structural changes such as CASE are salient, many suppliers have identified entry to and expansion of non-automotive businesses as a management issue. In fact, there are only a few companies, including NHK Spring, that have a solid track record in this area. I recognize this as a good example of showing persistence in a project that does not produce immediate returns.

In addition, the easy-to-understand expressions and humorous answers given by President & CEO Mr. Kayamoto at the financial results briefings have been well received by many investors, leading to a subsequent rise in the share price. Since NHK Spring is involved in many businesses, I think that hearing directly from the top management about how each business is positioned imparts a feeling of acceptance and peace of mind.

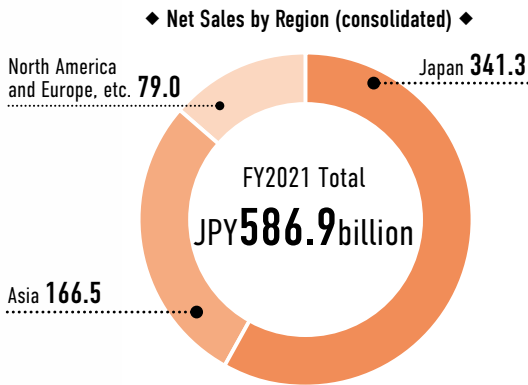
As changes gain pace in the external environment, I expect that NHK Spring will accelerate transformation of its business portfolio. I will carefully monitor how the Company reallocates management resources such as people, goods, and money, and how much urgency it displays in addressing such questions as, "How and when will the Company review the business for internal combustion engines in the mid- to long-term," and "To what extent will the Company aggressively address areas where growth is expected, such as motor cores".



Global Network

The NHK Spring Group operates globally with 57 Group companies. We aim to further strengthen our global business base by developing local subsidiaries and their employees, in line with the growth of local markets.

Number of Group Companies by Region



TOPICS

Social Contribution Activities by an Overseas Corporation: NHK Spring (China) Co., Ltd.

Continuing internship activities for local university students since 2013

NHK Spring (China) Co., Ltd., our regional headquarters in China, concluded a cooperative internship agreement with Guangdong University of Foreign Studies in October 2013. Through the conclusion of this agreement, the company aims to contribute to the local community of Guangzhou by accepting students as interns. This activity was started with the expectation that students would learn knowledge and common sense as members of society by experiencing the workplace of a Japanese-affiliated company, and that this would be useful for their futures.

In November 2017, NHK Spring (China) and Nippan Guangzhou Co., Ltd. (the Chinese base of our domestic group company, NHK Sales Co., Ltd.) held a signing ceremony at the said university in line with expansion of the agreement. Since the agreement was signed in October 2013, NHK Spring (China) and Nippan Guangzhou have accepted two to three trainees for a period of about six months over the past four years, with two of these interns graduating and one each joining the companies. With this agreement, in addition to the practical training at NHK Spring (China) and Nippan Guangzhou, we are also able to conduct practical training at the head offices in Japan, thereby providing opportunities to experience Japanese companies and Japanese culture in depth.

In addition, presentations of practical training results were held in 2018,



Participants at the signing ceremony (2013)



Participants at the signing ceremony (2017)

2019, and 2021. These have been valuable opportunities for the companies and schools to connect, and have also facilitated friendly exchange between Japan and China. Although it was not possible to dispatch trainees to Japan in FY2020 due to the COVID-19 pandemic, from 2021 we are conducting internships at NHK Spring (China) and Nippan Guangzhou, as well as at two of our Group manufacturing bases in Guangzhou, namely NHK-Uni Spring (Guangzhou) and NHK Spring Precision (Guangzhou), for factory training. Through gaining onsite experiences at the NHK Spring Group, interns were able to acquire knowledge and experience. We will continue internship activities from Guangdong University of Foreign Studies as part of our social contribution program.



Scene of the debriefing session on the results of the practical training and the participants who attended



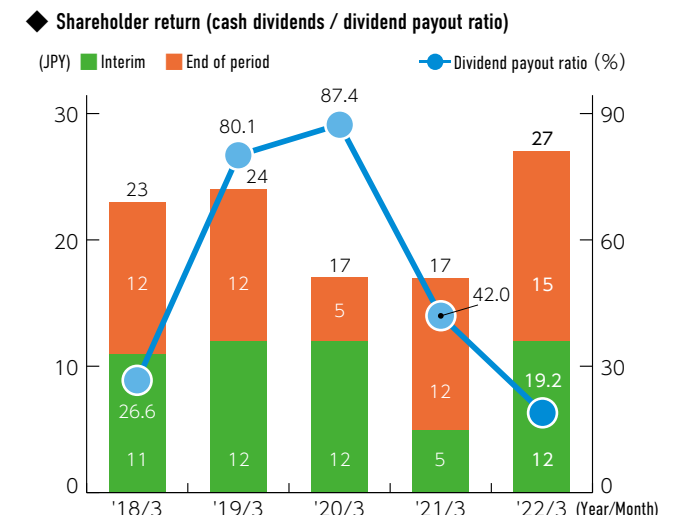
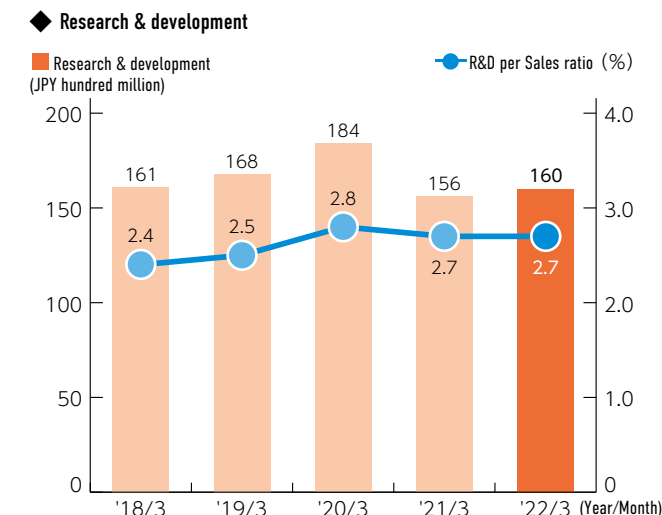
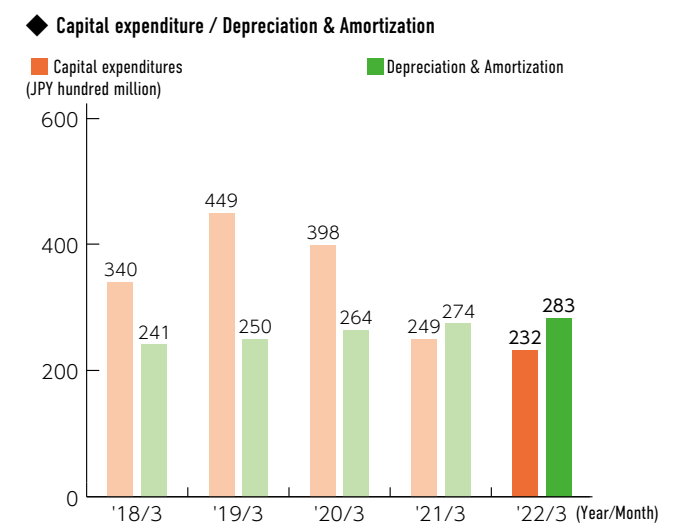
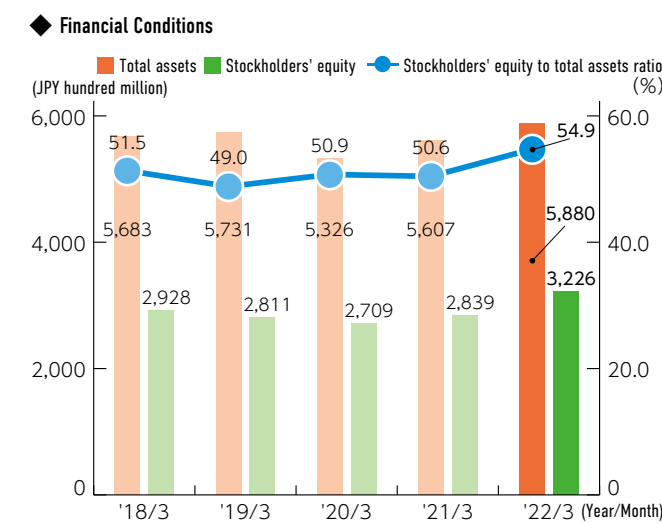
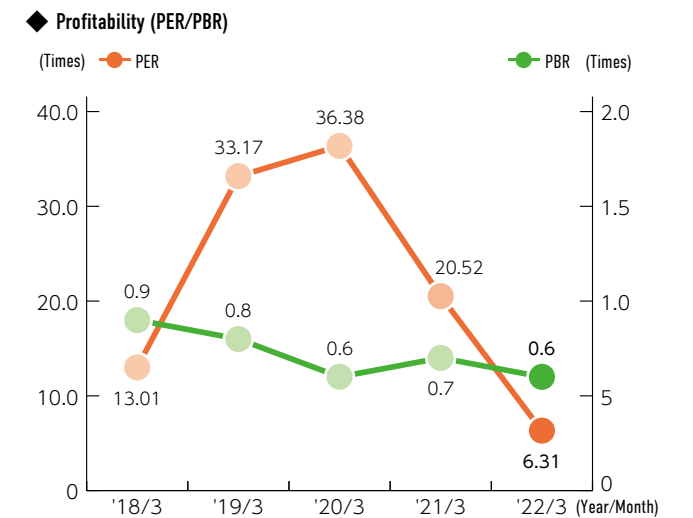
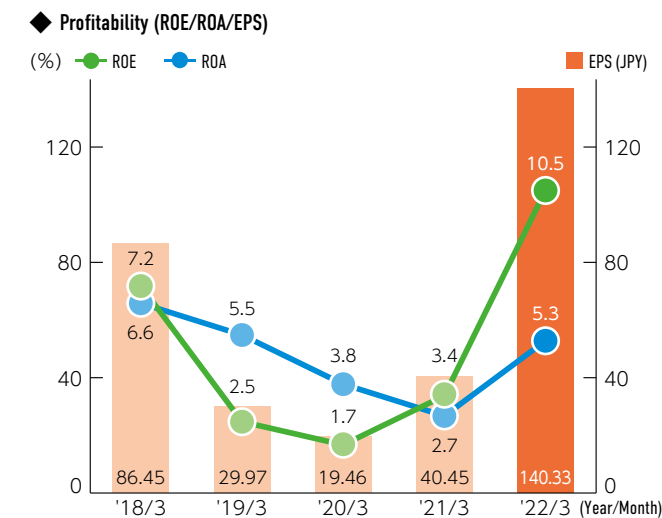
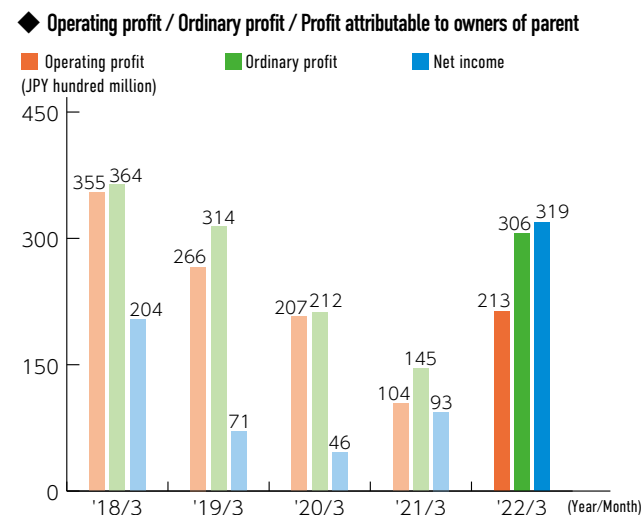
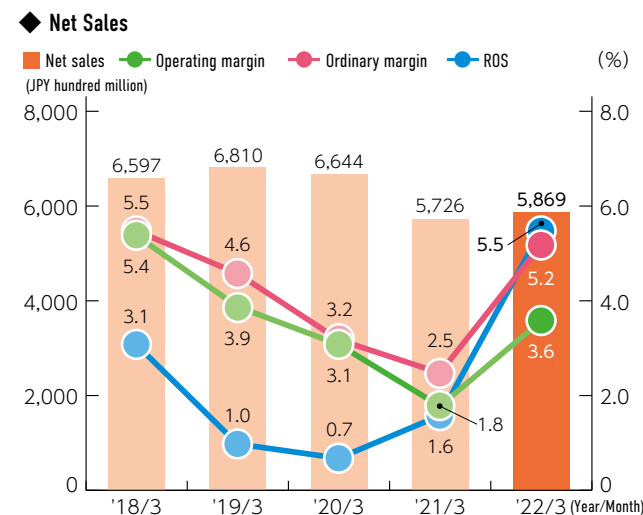
Students participating in practical training



Financial Highlights 2021(Consolidated five-year summary)

Operating Results	Accounting Period	Year ended in March 2018	Year ended in March 2019	Year ended in March 2020	Year ended in March 2021	Year ended in March 2022
Net sales	(JPY hundred million)	6,597	6,810	6,644	5,726	5,869
Operating profit	(JPY hundred million)	355	266	207	104	213
Operating margin	(%)	5.4	3.9	3.1	1.8	3.6
Ordinary profit	(JPY hundred million)	364	314	212	145	306
Ordinary margin	(%)	5.5	4.6	3.2	2.5	5.2
Profit attributable to owners of parent	(JPY hundred million)	204	71	46	93	319
Return on sales	(%)	3.1	1.0	0.7	1.6	5.5
Profitability						
ROE	(%)	7.2	2.5	1.7	3.4	10.5
ROA	(%)	6.6	5.5	3.8	2.7	5.3
EPS	(JPY)	86.45	29.97	19.46	40.45	140.33
PER	(Times)	13.01	33.17	36.38	20.52	6.31
PBR	(Times)	0.9	0.8	0.6	0.7	0.6
Financial conditions						
Total assets	(JPY hundred million)	5,683	5,731	5,326	5,607	5,880
Stockholders' equity	(JPY hundred million)	2,928	2,811	2,709	2,839	3,226
Stockholders' equity to total assets ratio	(%)	51.5	49.0	50.9	50.6	54.9
Capital expenditures	(JPY hundred million)	340	449	398	249	232
Depreciation & amortization	(JPY hundred million)	241	250	264	274	283
R&D expenses	(JPY hundred million)	161	168	184	156	160
R&D per sales ratio	(%)	2.4	2.5	2.8	2.7	2.7
Shareholder return						
Cash dividends (annual payout per share)	(JPY)	23	24	17	17	27
Dividend payout ratio	(%)	26.6	80.1	87.4	42.0	19.2
Amount of treasury stock acquired	(JPY hundred million)	—	—	13	40	—
Cash flows						
Net cash provided by operating activities	(JPY hundred million)	498	367	366	296	345
Net cash arising from/incurred in investing activities	(JPY hundred million)	△329	△422	△458	△241	49
Free cash flow	(JPY hundred million)	168	△55	△91	55	394
Net cash arising from/incurred in financing activities	(JPY hundred million)	△59	73	△169	27	△276
Cash and cash equivalents at end of year	(JPY hundred million)	950	984	743	789	918

Following application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended March 31, 2022, the figures for the fiscal year ended March 31, 2022 are based on application of the said accounting standards.



Financial Highlights 2021 (Analysis of Results)

FY2021 Operating results

The global economy during the current consolidated fiscal year remained in a difficult situation due to the spread of COVID-19 and the tight supply and demand situation for semiconductors and various materials. However, in Japan and the and US, the economy continues to show signs of recovery.

In China, recovery from the effects of the COVID-19 pandemic has been faster than in other regions. In Thailand, the economy is also showing signs of recovering despite the difficult conditions.

In the automotive-related market, which is the main business field of the NHK Spring Group, domestic automobile production was 7.58 million units, down 2.0% from the previous year. In North America (U.S.A. and Canada), sales were up 5.3% year-on-year to 10.77 million units; in China, sales were up 1.2% year-on-year to 25.35 million units; and in Thailand, sales were 1.67 million units, an increase of 18.6% from the previous year (in each case, volume figures are compiled according to the fiscal year of each location).

In our other major business field of information and data communications, total demand for suspensions, our mainstay products, increased due to firm demand for high-capacity data centers, even though global HDD (hard disk drive) production volume remained generally flat compared to the previous fiscal year. In addition, strong demand for semiconductors led to increased demand for semiconductor process components.

In this business environment, the NHK Spring Group has been working toward sustainable growth by adhering to a "straight-forward" approach, strengthening our manufacturing capabilities, improving profitability, accelerating development of new technologies and products, creating a safe and secure company, and creating a rewarding and comfortable workplace as the group's management policy.

In recent years, competition with global competitors in the automotive-related market has become increasingly intense, and this has been a major factor affecting the Group's profitability. We recognize that recovering and improving profitability is an important issue for the NHK Spring Group, and our production, sales, and head office divisions are working together to find solutions.

In the above business environment, net sales were JPY 586.9 billion (JPY 572.6 billion in the previous year), operating profit was JPY 21.3 billion (up 104.1% from the previous year), and ordinary profit was JPY 30.6 billion (up 111.1% from the previous year) due to an increase in foreign exchange gains. In addition, net income attributable to owners of the parent was JPY 31.9 billion (up 240.5% from the previous year), mainly due to recording extraordinary gains on sales of fixed assets from the sale of real estate.

Cash Flows

Cash and cash equivalents during this fiscal year were JPY 91.8 billion, up 16.3% from the previous year.

Net cash provided by operating activities amounted to an increase of JPY 34.5 billion (increase of JPY 29.6 billion in the previous year), mainly due to profit before income taxes and depreciation and amortization.

Net cash provided by investing activities amounted to an increase of JPY 4.9 billion (decrease of JPY 24.1 billion in the previous year), mainly due to proceeds from sales of property, plant and equipment.

Net cash used in financing activities amounted to a decrease of JPY 27.6 billion, compared to an increase of JPY 2.7 billion in the previous year, mainly due to repayment of short-term and long-term debts.

Free cash flow, which is net cash provided by operating activities plus net cash used in investing activities, was JPY 39.4 billion.

As a result of the above, cash and cash equivalents at the end of the period increased by 12.9 billion from the end of the previous period to JPY 91.8 billion. Interest-bearing debt amounted to 49.7 billion, down JPY 19.4 billion from the end of the previous period.

Basic financial strategy

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

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

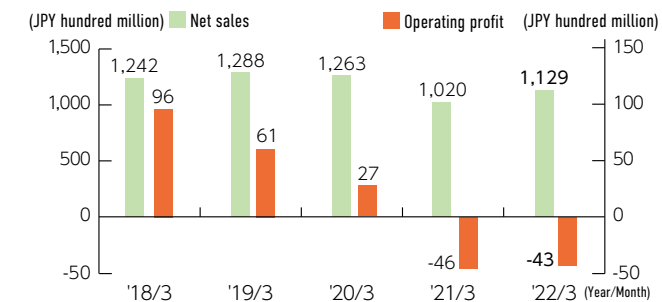
While paying attention to the ability to redeem debts through operating cash flow, we will also consider reducing the capital cost by diversifying our funding sources, such as external borrowing from financial institutions and issuance of bonds.

On the other hand, we recognize that the return of profits to shareholders is a matter of utmost importance, and our basic policy is to maintain stable dividends by comprehensively taking into account consolidated financial results and the dividend payout ratio. We repurchased our own shares based on a resolution of the Board of Directors from FY 2019 to FY 2020 with the aim of executing a flexible capital policy in response to changes in the business environment, improving capital efficiency, and contributing to shareholder returns. As of the end of the current fiscal year, treasury stock held by the Company amounted to 16.04 million shares, equivalent to 6.6% of the total number of shares outstanding.

FY2021 Segment overview

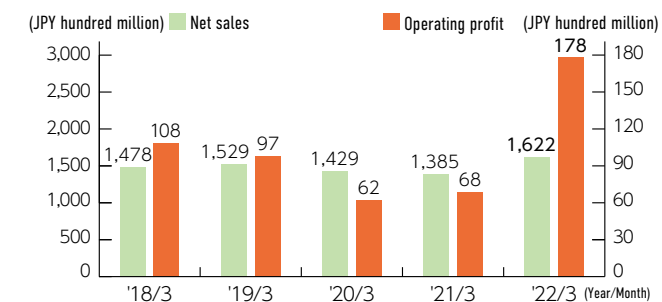
◆ Automotive Suspension Spring Business

In the Automotive Suspension Springs Business, although there were signs of recovery from the impact of the COVID-19 pandemic, net sales were JPY 112.9 billion (JPY 102.0 billion in the previous year) and operating loss was JPY 4.3 billion (JPY 4.6 billion in the previous year). This was due to production adjustments by automobile manufacturers caused by shortages of semiconductors and disruptions in the supply of parts and materials arising from the spread of COVID-19 in Southeast Asian countries and other regions, and soaring raw material prices and logistics costs.



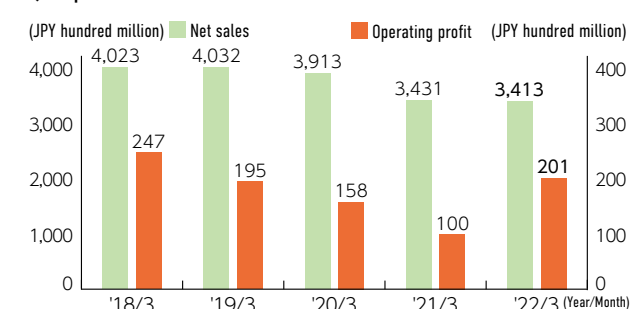
◆ Precision Springs and Components Business

In the Precision Springs and Components Business, similar to the situation in the Suspension Springs Business and Seating Business, the automotive sector was affected by semiconductor supply shortages and soaring raw material prices and logistics costs. Despite that, sales were JPY 162.2 billion (JPY 138.5 billion in the previous year) and operating profit was JPY 17.8 billion (up 160.6% from the previous year), thanks to continued strong demand for HDD suspensions in information and data communication-related fields.

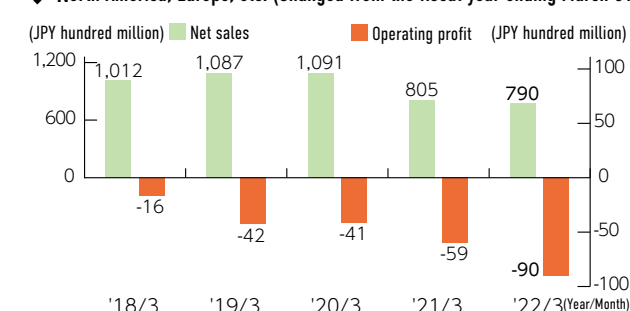


(Reference) Operating Results by Location

◆ Japan

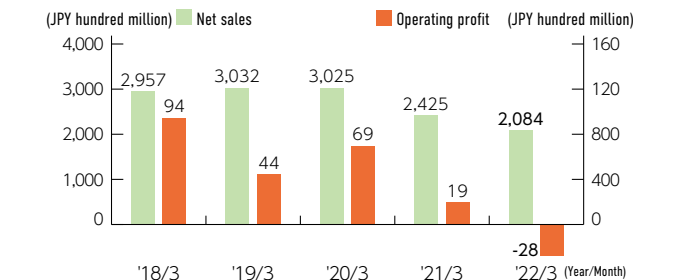


◆ North America, Europe, etc. (Changed from the fiscal year ending March 31, 2019)



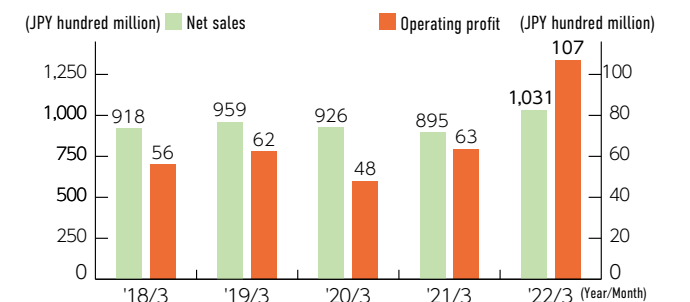
◆ Automotive Seating Business

Although the Automotive Seating Business showed signs of recovery from the impact of the COVID-19 pandemic, it was particularly affected by production adjustments by automotive manufacturers due to semiconductor supply shortages and other factors, as well as soaring raw material prices and logistics costs, resulting in net sales of JPY 208.4 billion (242.5 billion in the previous year) and an operating loss of JPY 2.8 billion (JPY 1.9 billion in the previous year). The difference in net sales from the previous year includes the impact arising from application of the "Accounting Standard for Revenue Recognition" and other standards (JPY decrease of 31.6 billion).

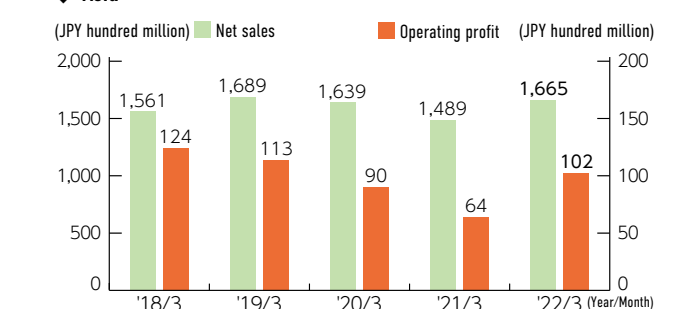


◆ Industrial Machinery and Equipment business, and Other Operations

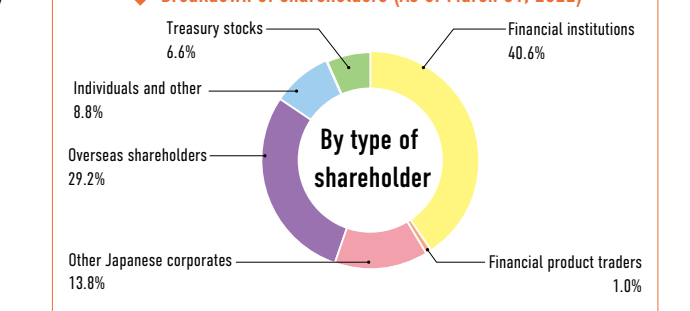
In the Industrial Machinery and Equipment, and Other Operations Business, sales were JPY 103.1 billion (JPY 89.5 billion in the previous year) and operating profit was JPY 10.7 billion (up 69.6% from the previous year) due to a recovery in the automobile-related business from the impact of the COVID-19 pandemic and strong orders for semiconductor process components.



◆ Asia



◆ Breakdown of shareholders (As of March 31, 2022)



Corporate overview (as of March 31, 2022)

Trade name	NHK SPRING CO., LTD.
Founding	September 8, 1939
Paid-in Capital	Capital JPY 17,009,566,312
Employees	5,131 (non-consolidated) 21,082 (consolidated) The number of employees including the average number of temporary employees
Net sales	JPY 586.9 billion (FY2021, 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 and Equipment Division
Plants	Yokohama Plant (suspension springs/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

Sales Head office:	Yokohama Minatomirai
Branches:	Kita-Kanto, Hamamatsu, Nagoya, Osaka, Hiroshima, Fukuoka
Stock market listing:	Tokyo Stock Exchange, Prime Market (Code 5991)
Group companies	24 Domestic, 33 Overseas



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