

CSR REPORT

2017

NOK CORPORATION



NOK



Europe

NOK Group's Global Operations



Asia



North America

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The symbols next to chapter titles indicate the chapter's relevance to the seven core subjects of social responsibility as defined by ISO26000.

- Organizational Governance
- Human Rights
- Labor Practices
- The Environment
- Fair Operating Practices
- Consumer Issues
- Community Involvement and Development



- Bases of NOK CORPORATION
- Bases of NIPPON MEKTRON, LTD.
- Bases of SYNZTEC CO., LTD.
- Bases of NOK KLUEBER CO., LTD.
- Bases of UNIMATEC CO., LTD.

Editorial Policy

This report has been edited in reference to ISO 26000:2010-Guidance on Social Responsibility.

● Period Covered

Most of the activities described in this report were carried out in FY2016 (April 1, 2016, to March 31, 2017), but some took place in FY2017.

● Organizations Covered

All divisions of NOK Corporation and other NOK group companies in Japan and abroad.

● Date of Issue for Japanese Version: July 2017

● Date of Issue for English Version: August 2017



NOK Charter of Corporate Behavior

We, NOK Corporation, are committed not only to contribute toward the economic development of society by creating added value through fair competition but also to being an entity that contributes to society at large, according to the Management Principles under the NOK spirit, by developing the Management Policies in such a way that all its stakeholders are proud of us and chase their dream with us. We will behave according to the Principles of Corporate Behavior of Ten Principles both domestic and overseas so as to respect human rights, comply with related laws, regulations, and international rules as well as the spirit behind those, discharge our social responsibility with a strong sense of ethical values.

Management Principles

1. The Management has to run the Company based on feelings of love and trust in its employees.
2. The Management has to run the Company while uniting to ensure full ventilation without forming any cliques.
3. The Management has to run the Company while making absolutely incredible efforts against all odds and risks.
4. The Management has to run the Company while pursuing dreams with management plan.

Management Policies

1. We are committed to be a strong and unique parts supplier while focusing its managerial resources on core business areas.
2. We are committed to be a profitable and robust company while fulfilling company-wide cost reduction programs ranging from front-line sales to manufacturing floor.
3. We are committed to continuously improving our quality while producing and selling our products that are proven to be technologically unique and socially on a global scale.

Principles of Corporate Behavior

- | | |
|--|---|
| 1. Provision of Socially Useful Products | We will develop and provide socially useful and safe products, thereby gaining satisfaction and deeper trust both from end users and customers. |
| 2. Fair and Appropriate Trade | We will engage in fair, transparent, and free competition and ensure that transactions are appropriate when selling products and purchasing materials.
Also, maintain a sound and proper relationship with political bodies and government agencies. |
| 3. Proper Disclosure and Management of Information | We will disclose accurate information about the Company timely and appropriately.
Also, protect and properly manage personal and customer data and other types of information as well as intellectual property rights. |
| 4. Severance of all relations with Antisocial Forces and Groups | We will resolutely confront any antisocial forces and groups that threaten the order and safety of civil society, and sever all relations with such groups. |
| 5. Commitment to Environmental Conservation | We will proactively initiate environmental conservation activities while taking into account the fact that commitment to solving environmental issues is a prerequisite for a company to engage in business activities as a going concern. |
| 6. Promotion of Social Contribution Activities | As a good corporate citizen, we will actively contribute to community activities and other similar activities. |
| 7. Cooperation with the International Community | As a global corporation, we will comply with laws and regulations of the countries and regions where our business operations are based, and respect human rights and other international norms of behavior (e.g. prohibition of child labor and forced labor). Also, conduct business by taking into consideration the local culture and customs as well as the interests of stakeholders, and contribute toward the development of the local economy and society. |
| 8. Respect for Human Rights and Provision of a Safe and Comfortable Working Environment | We will promote mutual respect diversity, character and personality among employees, draw a line between public and private matters, maintain order in the workplace, and provide a clean, safe and comfortable working environment. |
| 9. Responsibilities of Directors | The Directors recognize that it is their role to realize the spirit of this Charter of Corporate Behavior, and will take the lead in an exemplary manner to implement the Charter within entire the NOK Group, while encouraging our business counterparts to follow the same example. In addition, the Directors will constantly listen to opinions from both within and outside the company to effectively improve the corporate system and ensure compliance with business ethics. |
| 10. Response to Problems | In the event of noncompliance with this Charter, the Directors will commit themselves to solving the problem, while identifying the cause, thus taking measures to prevent the recurrence of similar problems. Moreover, they will publicly disclose relevant information promptly and appropriately, fulfill their accountability requirements, indicate those who are in authority and those who are responsible, and severely punish those involved, including them. |

Message from the President



Reinforcing business structure for sustainable growth and becoming a highly profitable corporate group in which all stakeholders can take pride

Chairman of the Board and President of
NOK CORPORATION

Our New Three-year Plan for Reinforcing Business Structure for Sustainable Growth

As of recently, global politics and the global economy are becoming increasingly uncertain. The acquisition of knowledge and development of new technologies, as well as economic globalization, have benefited people but worsened some social problems, such as poverty, inequality of educational opportunities, religious conflicts and tensions related to immigration issues. Recognizing and preparing against such risks and uncertainties, the NOK group strives to produce low-cost original products—backed by technology—which are useful to society, and sell them at reasonable prices all over the world.

The NOK group launched a new Three-year Plan (mid-term business plan) in FY2017. Its underlying policy is *Reinforcing Business Structure for Sustainable Growth*. In pursuit of becoming a highly profitable corporate group in which all stakeholders can take pride, NOK places top priority on steadily continuing business. As the automotive industry moves toward electrification and advanced driver assistance systems (ADAS), and as new technology trends emerge, including advances in artificial intelligence (AI), we seek to optimize our customer base by expanding sales of existing products and by boosting development and sales of new products.

Under the new plan, we will also emphasize better, more reliable quality by making comprehensive efforts to prevent the occurrence and outflow of defective products. We will rebuild our business continuity management (BCM) system based on the lessons learned

from the 2011 Great East Japan Earthquake and the 2016 Kumamoto Earthquake.

Another priority for us is *implementing management spirit that respects human dignity*. Respect for human dignity is one of the Management Principles of the NOK group. We aim to build a workplace where all employees can feel that they are growing through their work, and that what they are doing is worthwhile and helping to enhance their organization or company's performance directly or indirectly. Our policies for organizational operation, personnel systems and employee education will be reviewed and improved from these perspectives.

Continuing Environmental Management

The NOK group is committed to environmental conservation activities because we consume energy as a developer, manufacturer and seller of components used in automobiles, machinery, electronic devices. Safety, environment and quality are key factors that we must focus on in order to remain a preferred parts supplier to customers. This has become particularly true in the past several years and is now a precondition for sustainable business activities. Taking action on environmental issues is one of our top priorities, and we implement environmental management with this resolve in mind because we are under scrutiny by the government and consumers regarding environmental issues and must respond to external requirements, including those from the customers. We intend to make sustained contributions to building

a recycling-oriented society by cutting back on the use of environmentally hazardous substances, reducing waste and developing environmentally friendly products at the global level.

The Paris Agreement was adopted by COP21, which is officially known as the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change, and entered into force later in 2016. In this climate accord, Japan pledged to reduce its greenhouse gas emissions by 26% from the 2013 levels by 2030. In response to this move, the Japan Auto Parts Industries Association (JAPIA), of which NOK is a member, established a voluntary environmental action plan to pursue its targets to be achieved by FY2020 and FY2030. The NOK group has developed a medium- to long-term environmental plan in view of these goals.

Our Environmental Policy for the three years starting FY2017 is to *Take on Challenges for the Next-Generation Environment*. Its three pillars are prevention of environmental problems, which is for practical and effective BCM actions; reduction of our environmental impact for future generations, which seeks to help Japan fulfill its pledge under the Paris Agreement; and enhancement of the environmental hazardous substance management system to meet external requirements, which relates to environmental quality. We will also address the recently discussed topics of environmental impact on water and biodiversity conservation in the course of these activities.

In FY2017, we have started deliberations to draw up a medium- to long-term environmental vision for NOK to strengthen our environmental management. We are striving to share more of the NOK group's environmental activities with stakeholders.

A Corporate Group in Which All Stakeholders Can Take Pride

We believe that communicating with local communities as a good corporate citizen is essential for the continuation of business activities. Among various social contributions we have made to date are implementing community support programs in districts where our sites are located and sponsoring events relating to the education of younger generations. We also seek to build an organization that encourages open communication and a workplace where employees can work with a sense of fulfillment. This is a part of our efforts to implement the management spirit that respects human dignity. The NOK group aims to be an enterprise that not only brings economic benefits to stakeholders, but also makes them proud.

CSR Report

NOK published its first *Environmental Report* in 2004 and has continued since then, with the title being changed to *Environmental & Social Report* in 2006. It was renamed again as the *CSR Report* from this year onward to better describe our business and social activities in addition to environmental efforts. This report is an important tool to improve the way we communicate with stakeholders and the public. We would look forward to receiving frank opinions and comments on the report.

NOK Group Three-year Plan (FY2017 to FY2019)

Slogan

“Reinforcing Business Structure for Sustainable Growth”

Chairman's Initiatives

- (1) **Building well-balanced customer mix**
— Targeting sales expansion and new business creation
- (2) **Achieving sustainable unrivalled quality**
- (3) **Establishing practical and effective BCM**
- (4) **Implementing management spirit that respects human dignity**
— Fostering vibrant people and workplace

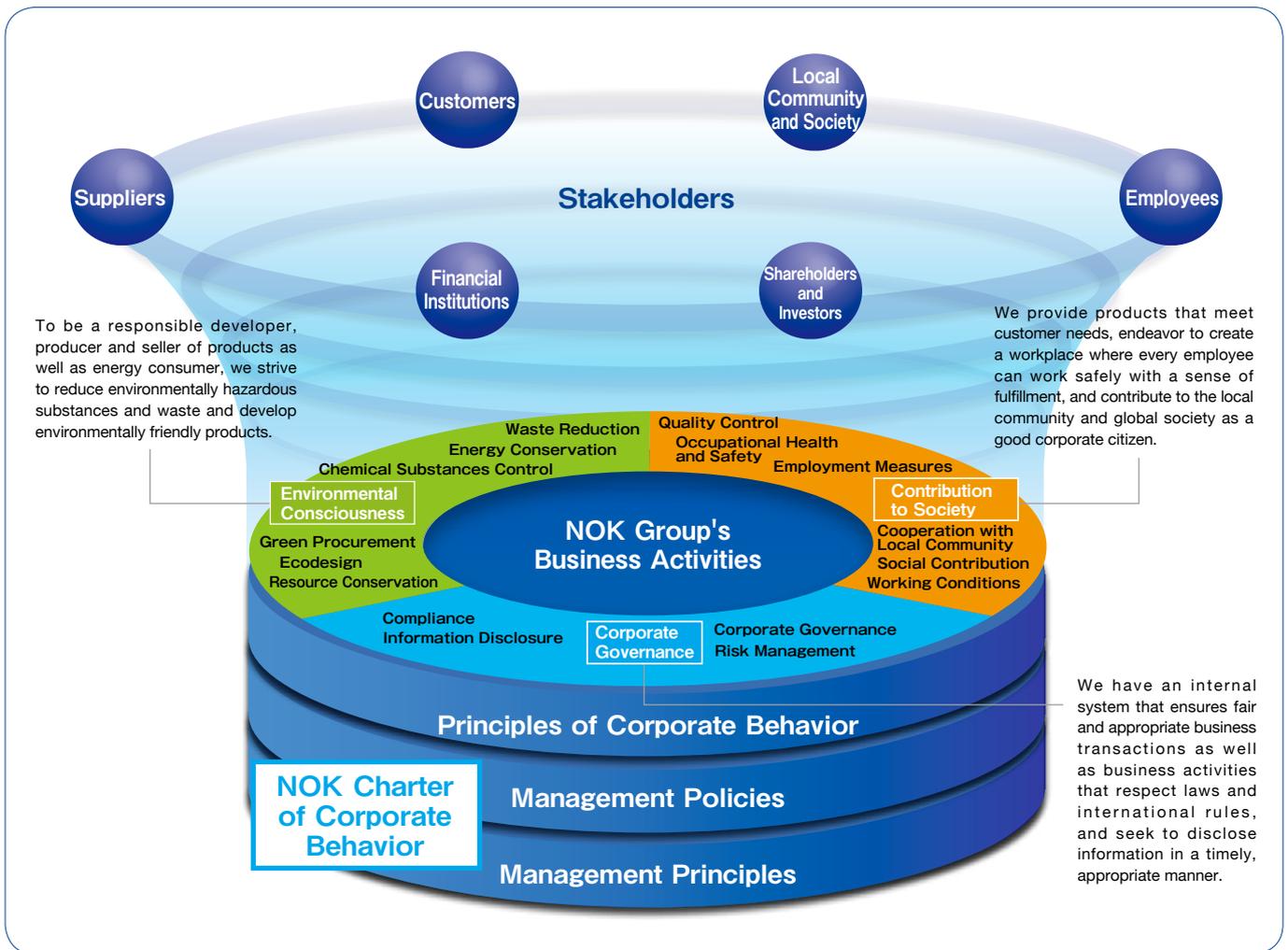
Concept of CSR and Our Organization

Concept of CSR

As stated in the Charter of Corporate Behavior, the NOK group not only endeavors to contribute to the economic development of society, but wants to be a company with which all its stakeholders are proud of us and chase their dream with us. All of our business activities are built on the NOK Charter of Corporate Behavior (Management Principles, Management Policies and Principles of Corporate Behavior). We believe that fulfilling the environmental, social and corporate governance aspects of corporate social

responsibility (CSR) is an integral part of continuous business activities.

We also value communication with stakeholders as an effective way to broadly examine the business climate and situation, as well as to identify business risks and opportunities. The NOK group aims to be a company that not only brings benefits to stakeholders, but also makes them proud.



Our CSR Organization

The CSR Committee was organized in October 2016 to increase the awareness of CSR throughout the company and to promote CSR activities more effectively.

Chair: Manager of Corporate Administration Office

Members: Representatives of the Environmental Control Dept., Corporate Planning Dept., Corporate Communication Dept., Procurement Control Dept., Business Management Dept., Personnel Dept., Safety & Health Dept., Legal Affairs Dept., General Affairs Dept., IT Planning Dept., Engineering Administration Dept. and Sales Administration Dept.

The CSR Committee collects reports from related internal committees and divisions and oversees company-wide CSR activities while disseminating external information, such as issuing CSR reports.





Management Foundation

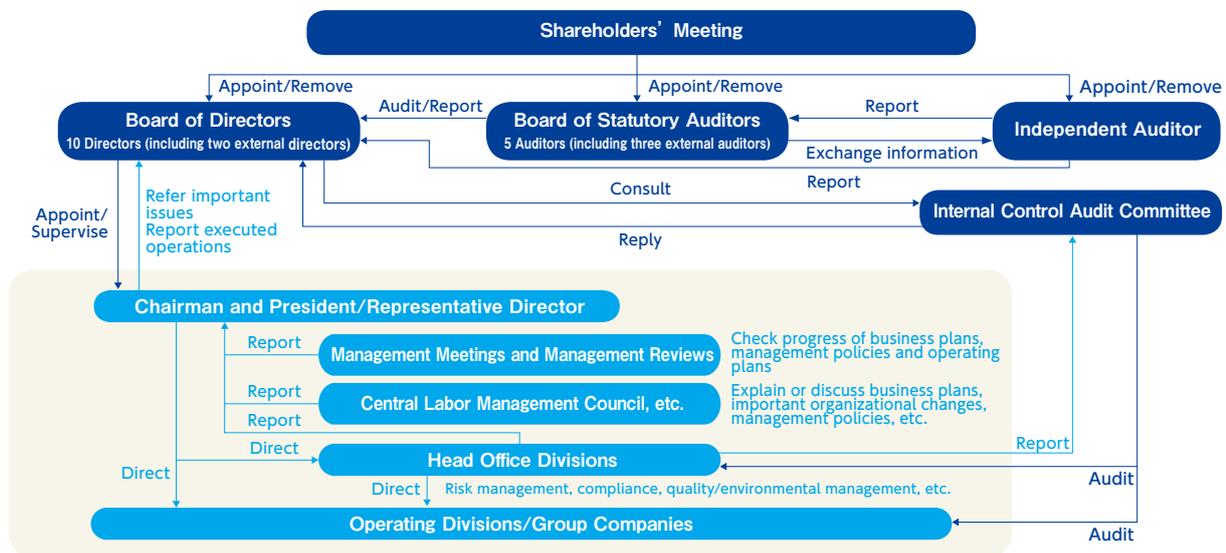
Corporate Governance System

Continuously strengthening the corporate governance system is one of our business management priorities, and we are committed to this goal.

NOK has adopted the format of a company with a board of corporate auditors. In our organization, directors who are well-versed in operations work together in harmony, while good governance is maintained through mutual monitoring by internal and external directors, as well as through management audits conducted by statutory auditors, including external auditors.

NOK's head office divisions have established rules for the internal control system. In accordance with the rules, these divisions give directions to NOK's operating divisions and subsidiaries, while the Internal Control Audit Committee periodically audits the internal control system to determine the progress of improvement and implementation. In FY2016, there were no legal violations or lawsuits against NOK that affected our performance critically.

Corporate Governance System



The numbers of directors and auditors are as of June 28, 2017.

Compliance System

Pursuant to the NOK Principle of Corporate Behavior, the Behavioral Guidelines Concerning Employee Compliance set forth the rules that employees must observe in their business activities.

We also continuously promote awareness. Efforts include distributing a compliance guide to every employee, publishing a series of articles entitled *An Introduction to Compliance* in company newsletters, conducting compliance training during new employee orientation and providing workshops for new managers.

Risk Management

To effectively address diversifying risks, the NOK group promotes an organization-wide risk management system with the Risk Management Committee as its center.

Crisis Management

Our Corporate Risk Management Office takes the initiative in building our crisis management system, setting the following basic policies:

- (1) Give first priority to ensuring safety, protecting people and saving people's lives.
- (2) In the event of a disaster in the local region, make proactive contributions to the reconstruction of the region as a member of the community.
- (3) In an emergency, minimize the impact on our customers and other stakeholders by continuing business to the extent possible in order to fulfill our responsibilities.

To ensure quick information gathering in the event of a major disaster, we maintain a safety confirmation system and an emergency calling tree, and have emergency communication devices in place. We also store supplies necessary to resume business smoothly.

Our experiences with the 2011 Great East Japan Earthquake and the 2016 Kumamoto Earthquake have prompted us to build a more effective business continuity management (BCM) structure. In October 2016, the Central BCM Committee was formed by bringing together representatives of ten offices and four group companies. The NOK group is prepared to maintain a solid BCM structure in an emergency, while prioritizing people's lives.

Information Security Measures

To protect information received from customers, preserve company assets such as proprietary technologies, and ensure appropriate use of information assets, we have established the NOK Group Information Security Policy. Also, the Information Security Committee has been formed to closely coordinate our information security efforts with our business activities and to involve top management in this initiative.

In FY2016, we revised our overall information security regulations. The aim was to rebuild the information security measures of our divisions and group companies and allow the Information Security Committee to audit them from objective, expert perspectives.

We will review these activities repeatedly to maintain and improve our information security measures.

Protection of Intellectual Property

Our Behavioral Guidelines Concerning Employee Compliance raise awareness among employees by providing precautions regarding adherence to laws related to intellectual property rights. This is one of our efforts to promote patent application and rights acquisition for our inventions and prevent infringement of third party patents and other rights. To protect NOK's brands, we combat counterfeiting, even outside Japan, through our Anti-Counterfeit Committee. In FY2016, we uncovered five counterfeit factories and six fake stores.

Business Plan

We intend to be a competitive, world-leading enterprise group under the management principle of respect for human dignity.

In the Three-year Plan that started in FY2017, the NOK group seeks to achieve sustainable growth and development by optimizing its customer base through sales expansion and new business creation, further improving and stabilizing quality, establishing a BCM system, and developing human resources to drive these activities.

Reporting and Whistle Blowing System

The NOK group provides a reporting and whistle blowing system for the early detection and correction of compliance regulation violations.

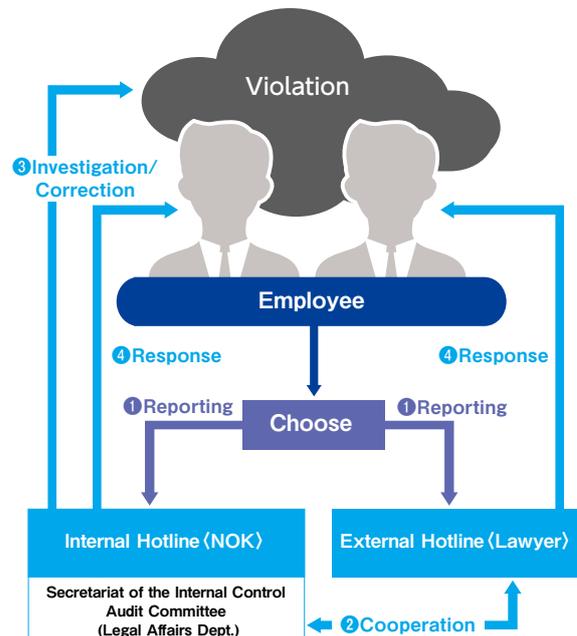
An employee who has noticed a violation can contact the reporting hotline. If the violation continues even after the reporting or the employee finds it difficult to report the case, he or she can contact the whistle blowing hotline. The whistle blowing hotline connects the employee to the Internal Control Audit Committee or an external lawyer. The whistle-blower is protected from disadvantages under the compliance regulations.

NOK Group Reporting/Whistle Blowing System

1 Reporting Hotline



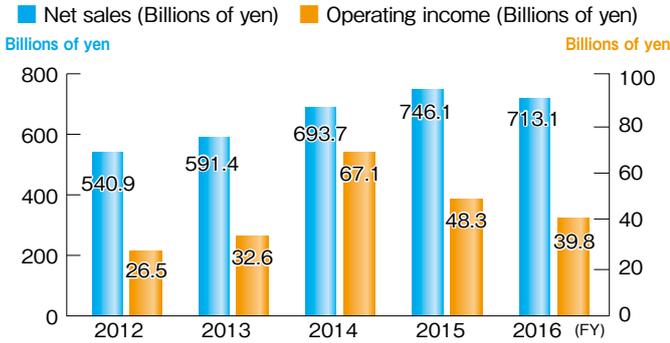
2 Whistle Blowing Hotline



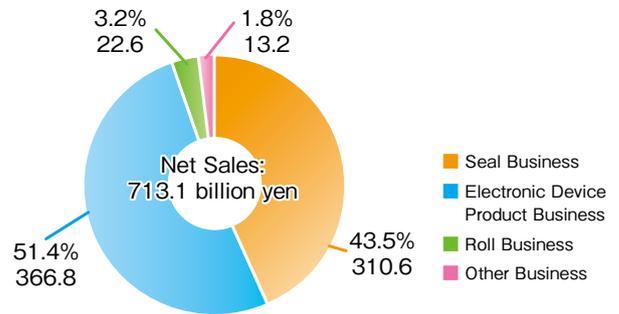


NOK Group Business Overview

Net Sales and Operating Income (FY2012 to FY2016)



Sales by Segment (FY2016)



Seal Business

Net sales: 310.6 billion yen (up 4.9% year on year)

Operating income: 37.1 billion yen (up 14.1% year on year)

Major products: Oil seals, O-rings, dust covers, industrial rubber and resin products, rubber sound and vibration isolators

Major operating companies: NOK CORPORATION, UNIMATEC CO., LTD.

Founded in 1941, NOK is Japan's first oil seal manufacturer. This functional part seals oil and is used in automobiles and many other machines in a wide range of industries. Our synthetic rubber processing technology is also used to produce items such as O-rings and packings.



Electronic Device Product Business*

Net sales: 366.8 billion yen (down 10.5% year on year)

Operating income: 0.6 billion yen (down 95.4% year on year)

Major products: Flexible printed circuits (single-sided, double-sided, multilayer and component assembly FPCs)

Major operating company: NIPPON MEKTRON, LTD.

The flexible printed circuit (FPC) is a film-based soft circuit board. FPCs are built in electronic devices that need compact, lightweight, super-flexible electronic circuit boards. They are commonly found in smartphones, mobile phones, hard disk drives and digital cameras. As automobiles are employing an increasing number of electric and electronic components, automotive FPCs are finding wider applications including switches, sensors and lights.

*The Electronic Device Product Business was renamed the Electronic Components Business in FY2017.



Roll Business

Net sales: 22.6 billion yen (down 18.1% year on year)

Operating income: 0.8 billion yen (down 32.4% year on year)

Major products: Development and charge rollers, cleaning blades, fixing belts, pressure rollers, products for financial terminals, products for textile machinery,

Major operating company: SYNZTEC CO., LTD.

Production of highly functional rollers for office equipment such as copiers and printers.



Other Business

Net sales: 13.2 billion yen (up 4.2% year on year)

Operating income: 1.1 billion yen (up 46.1% year on year)

Major products: Special lubricants (grease, oil and coating products for automobiles, industrial machinery, electric appliances, food machines, etc.)

Major operating company: NOK KLUEBER CO., LTD.

We manufacture and sell a range of lubricants that perform excellently in severe operating conditions, such as super-high or super-low temperatures, at high speed or under heavy loads. Comprehensive services are available to help customers improve the productivity of their facilities and machinery and to reduce maintenance costs.





NOK Group's Products Support Daily Lives

1 Strategy & Management

2 Environment

3 Society

Automobile and Traffic Safety Products

The NOK group's products for automobiles and motorcycles include seal products (such as oil seals, O-rings and gaskets), flexible printed circuits (FPCs), rubber vibration isolators, dust covers and lubricants. We also offer lane control/guidance products and shock absorbers.

Electronic Devices

NOK's FPCs, precision rubber and resin components are built into various electronic devices, such as smartphones, mobile phones, computer hard disk drives, and digital cameras.

General Industrial Machinery

NOK's oil seals, O-rings, gaskets, packings, and belts are used in construction machinery (such as power shovels, bulldozers and cranes), agricultural machinery (such as tractors and grain combines) and plant machinery for various industries (such as steel, paper and food).

Aircraft and Rockets

Our seal products are installed in engines and turbo pumps for aircraft and rockets.

Marine Vessels

We offer seals for stern tubes and bearings in marine vessels.

Power Generation Plants

Our oil seals, O-rings and lubricants are built into equipment and auxiliaries for thermal power plants and renewable energy power plants (such as wind, hydroelectric, photovoltaic and solar thermal plants).

Residential Equipment

NOK's O-rings are found in water supply systems, water purifiers and shower toilet seats, while CELLSEAL and membrane humidifiers are used in residential fuel cells.

Office Equipment and ATMs

The NOK group's products are installed in copiers, printers and other office equipment, including development rollers, charge rollers, fixing belts and cleaning blades. Our bill beater rubber is used in ATMs and other financial terminals.



NOK Group's Technology

The NOK group has been developing pioneering products, including oil seals and O-rings, which are both functional components essential to many industries, as well as flexible

printed circuits (FPCs) mounted in mobile phones. We leverage our technical strengths built since the company's foundation to deliver products that can contribute to a sustainable society.

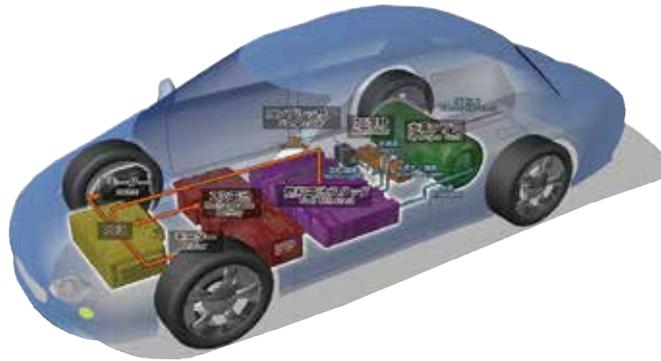
Fuel Cell Components to Support a Hydrogen Society

Hydrogen can be produced from various renewable energy sources and thus has a large potential as a means to store and transport unstable natural energy. Hydrogen is also expected to serve as a clean energy source because it generates no greenhouse gases or hazardous substances when producing

energy. With ongoing public-private joint efforts to create a hydrogen energy society in view, the NOK group is developing technologies that can broadly support relevant fields, including fuel-cell vehicles (FCVs), residential fuel cells and devices used for production, transport and supply of hydrogen.

Membrane Humidifier

The fuel cell uses a built-in ion exchange membrane to generate electric energy. The membrane humidifier moisturizes the ion exchange membrane to increase generation efficiency.



CELLSEAL*

A fuel cell stack consists of unit structures called cells. CELLSEAL is used to seal hydrogen, oxygen and coolant into the stack. We offer rubber gaskets as single parts as well as gaskets integral to the separator or other components. Our products are made of rubber that is highly resistant to acid, water, heat and low temperatures. *CELLSEAL is a registered trademark of NOK CORPORATION.

Grease for fuel cells*

Grease used in fuel cells must be water-insoluble and resistant to acid and alkalis. We offer high-performance grease that is proven to work in a wide temperature range (from -40°C to above 200°C) while exerting little adverse effect on rubber and resin materials.

*Provided by NOK KLUEBER Co., Ltd.

O-rings for high-pressure hydrogen

FCVs and hydrogen stations use a variety of seal products in high-pressure tanks, valves, pipe joints and so on. We offer O-rings that can confine hydrogen gas, which is combustible, at high pressure with excellent sealability and damage resistance.

Low-Friction Technology That Contributes to Fuel Efficiency

We offer various types of seal parts for use in automotive engines and automatic transmissions. As automobiles advance in fuel economy, demand is growing for low-friction technologies for engine seals and rotational seal rings.



Le-μ's*

Le-μ's is NOK's brand for low-friction sealing technology. We have succeeded in reducing friction without compromising sealability by developing four technologies: (1) configuration design, (2) low-friction coating, (3) low-friction material and (4) low-friction grease.

*Le-μ's is a registered trademark of NOK CORPORATION.



TS-Ring (dynamic pressure seal)

The sliding surface of the seal ring is textured so that oil spreads over it to effectively serve as the sealing medium. This allows an oil film to form on the sliding surface, which creates dynamic pressure and thus significantly reduces the coefficient of friction. The TS-Ring achieves up to an 80% reduction in torque compared with our conventional products.

1 Strategy & Management

2 Environment

3 Society



Environmental Management

Basic Policies on Environmental Conservation

On the basis that the company is a member of the society, we give all our employees full recognition to the fact that our business activities, products, and services have diverse relations to the environmental impact in the global scale. We set and implement the Basic Environmental Policy from a longitudinal perspective in order to contribute to the realization of sustainable development of a society toward future generations.

- 1 Based on our unique technology, we promote the improvement of technology and development of products with environmental considerations to reduce the negative environmental impacts.
- 2 We promote energy saving to prevent the global warming, and promote reuse and reproduction of resources and reduction of wastes corresponding to the recycling society.
- 3 Setting the goals by NOK central environmental protection committee, we will continue environmental improvement cooperating with business partners including suppliers, strengthen the control of chemical substances, prevent global environmental pollution and strengthen the effort to initiative of water environmental impact.
- 4 We comply with related laws and regulations, local government ordinances, and regional agreement, etc., and promote activities for environmental conservation.
- 5 We comply with self-imposed restrictions by the industry and customers, and positively engage in the requirements from our stakeholders toward environmental issues.
- 6 We disclose information on environmental conservation and social contribution activities, and positively communicate with local and broader society.
- 7 As a good corporate citizen, we strive to continually improve the environmental management system, as well as promoting all employees to recognize the importance of biodiversity and conservation of global environment and cultivate the awareness toward the global environment.

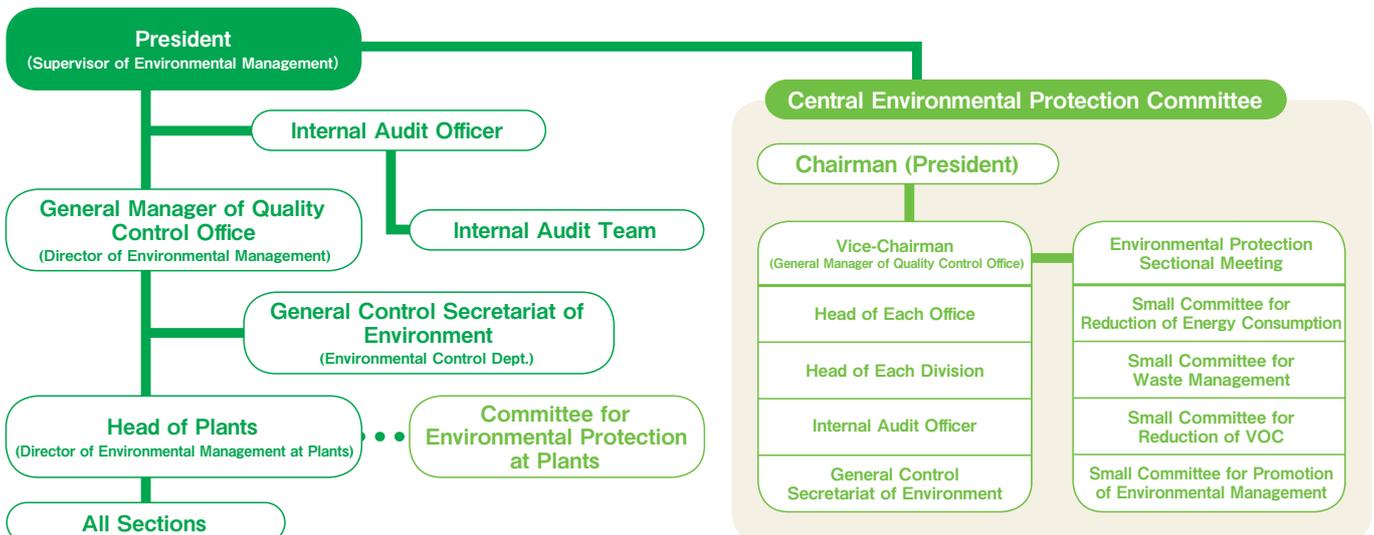
● Second revision on 20 September, 2016

Chairman of the Board and President of NOK CORPORATION
Chairman of Central Environmental Protection Committee

Environmental Management System

To promote our environmental management activities smoothly and steadily, company-wide efforts are made under the following system. The Central Environmental Protection Committee, chaired by the President, sets the overall direction of our environmental management and implements it. Small committees take the

initiative in our activities to reduce energy consumption, manage waste and reduce VOC emissions. The Small Committee for Promotion of Environmental Management, launched in 2017, has started discussions in an effort to formulate a medium- to long-term environmental vision.



Strategically reducing our environmental impact under the environment policy of *Take on Challenges for the Next-Generation Environment*

In the past three years (FY2014 to FY2016), we have implemented various measures to fulfill the four fundamental goals of our environment policy, *Construct a Mechanism Corresponding to the Globalization of Environmental Issues*. These goals were aimed at complying with environmental laws and regulations, improving our environmental protection performance, preventing environmental quality problems, and meeting the revised ISO14001.

Pursuing these measures, we expanded the mutual monitoring system for compliance and environmental performance to satellite companies in Japan and even group companies abroad. We have successfully finished the three-year period with no environmental nonconformities detected globally. We also kept our global environmental performance at desirable levels for CO₂ emissions, as well as for the recycling rate of industrial waste and VOC emissions to the environment. To meet the revised ISO14001, we amended the NOK environmental management manual accordingly and offered internal training to ensure that every employee understands the new requirements.

The Paris Agreement, a new international framework to combat climate change, came into force in November

2016. The Japanese government has set a long-term target for reducing greenhouse gas emissions. In response to this move, the Japan Auto Parts Industries Association (JAPIA), of which NOK is a member, announced its own targets to be achieved by FY2020 and FY2030, along with associated measures. Recognizing the achievement of these targets as a priority in our business operations, NOK will strive to reduce its environmental impact through proactive and strategic approaches.

A new Three-year Plan has started in FY2017. Under the fundamental policy, *Take on Challenges for the Next-Generation Environment*, we have established priority action items around three pillars: prevention of environmental problems (for BCM); reduction of our environmental impact for the next generation (for the Paris Agreement, etc.); and enhancement of the environmental hazardous substance management system to meet external requirements (for environmental quality). To carry out these priority action items, we will share information through closer coordination across our group and global network and pursue the fulfillment of our common objectives and targets.



Operating Officer, General Manager of Quality Control Office
(Director of Environmental Management)

Tomio Nakayama

NOK Environmental Policy FY2017 to FY2019

Take on Challenges for the Next-Generation Environment

FY2017 Priority Action Items

Pillar 1

Prevention of environmental problems (for BCM)

- a. Monitor and eradicate environmental problems by thorough compliance
- b. Monitor and eradicate environmental problems arising from defective environmental facilities

Pillar 2

Reduction of our environmental impact for the next generation (for the Paris Agreement, etc.)

- a. Reduce our environmental impact and promote it through activities of the Small Committee
- b. Respond to environmental requirements that consider the next generation
- c. Improve our environmental protection performance

Pillar 3

Enhancement of the environmental hazardous substance management system to meet external requirements (for environmental quality)

- a. Increase the accuracy of investigations for environmental hazardous substances contained in products and promptly respond to requests for investigation
- b. Upgrade the environmental quality voluntary audits

Environmental Management System

NOK has built an environmental management system compliant with ISO14001 and is implementing it. Our divisions have become ISO14001 certified collectively and are operating under a single environmental management system.

To ensure compliance with environmental laws and regulations, NOK's divisions and group companies have identified laws and regulations that they must observe, along with key control items, and periodically check and improve the compliance status. We will continue our efforts for the early detection and prevention of environmental nonconformities.

- Registration Agency: Japan Automobile Research Institute, Registration Body
- Certificate Number: JAER 0335



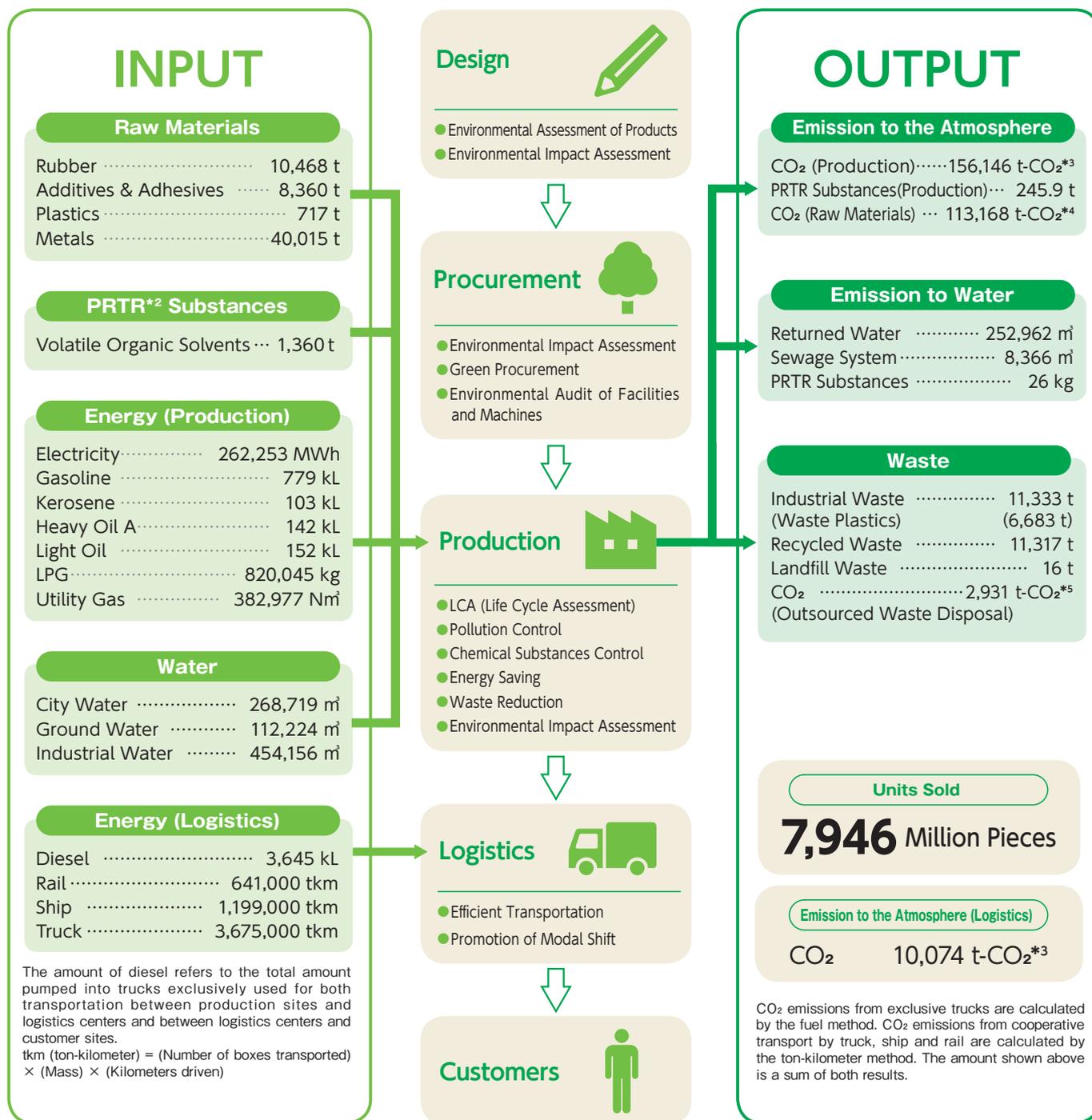
Input & Output of Our Business Activities

NOK Corporation and Satellite companies*1 in Japan during FY2016

1 Strategy & Management

2 Environment

3 Society



★Scope of coverage

The above input and output refer to the amounts from business activities at NOK's seven divisions (Fukushima/Nihonmatsu, Kitaibaraki, Shonan R&D Center, Shizuoka, Tokai R&D Center for Membrane Technology, Tottori, and Kumamoto) and 17 satellite companies in Japan (Tenei Seal Industry, MIHARU Industry, SENPOKU Industry, MIYAZAKI Industry, Tohoku Seal Industry, Nihonmatsu Seal Industry, Isohara Polyurethane Industry, ISSHIN Industries, MYK, Kikugawa Seal Industry, TVC, SAGA SEAL Industry, Kumamoto Seal Industry, KUSU Kogyo, Nichinan Seal Kogyo, Kawazu Kogyo and TOSU Seal Industry). Exceptions are PRTR substances, water used and emission to water, for which the amounts refer only to NOK's seven divisions.

***1 Satellite company**

A production subsidiary that manufactures products according to NOK's specifications.

***2 PRTR**

Pollutant Release and Transfer Register, a publicly accessible database of

hazardous chemicals released to the environment and transferred off-site for treatment in the form of waste. It brings together information about which chemicals are being released, how much and from which sources. (Source: Website of the Ministry of the Environment)

***3 CO₂**

CO₂ emissions are calculated in accordance with the greenhouse gas emissions accounting and reporting manual under the Act on Promotion of Global Warming Countermeasures.

***4 CO₂ (Raw Materials)**

CO₂ emissions are calculated from the mass data of purchased raw materials while referring to the JAPIA LCI Guideline.

***5 CO₂ (Outsourced Waste Disposal)**

CO₂ emissions are calculated based on the emission factor database for organizations calculating GHG emissions through supply chains.



Results and Targets

FY2016 Results and FY2017 Targets for Environmental Protection

Environmental Policy	FY2016				FY2017
	Action Item	Target	Result	Rating*7	Target
Prevent environmental problems	Comply with environment-related laws and regulations (Monitor and eradicate environmental problems by thorough compliance)	100% compliance	100% compliance	Good	Promotion of compliance self-audit in Japan and abroad
Maintain and improve EMS	Eliminate operational problems (Review the environmental aspects of changes and irregular activities)	Identify and follow up	Identify and follow up	Good	Sufficient quantity and quality of human assets
Reduce environmental hazardous substances	1 Absolute CO ₂ emissions (t-CO ₂)*6 from NOK's divisions	46,500	47,300	Poor	51,600
	2 Intensity (t-CO ₂ /million yen) at production divisions	1.71	1.62	Good	1.71
	3 Intensity per square meter (t-CO ₂ /m ²) at development divisions	0.16	0.16	Good	0.17
	4 VOC emissions to the environment (t) from NOK's divisions	1,043	967	Good	976
	5 CFC facilities (number of machines)	184	178	Good	—
	6 Absolute CO ₂ emissions (t-CO ₂)*6 from NOK group companies in Japan and abroad	881,000	882,700	Poor	883,600
	7 Intensity (t-CO ₂ /million yen) at NOK group companies in Japan and abroad	1.03	1.17	Poor	1.07
	8 VOC emissions to the environment (t) from NOK group companies in Japan and abroad	4,753	4,364	Good	3,877
Create and expand use of efficient environmental hazardous substances survey system	Promptly respond to requests for investigation of environmental hazardous substances contained in products	Zero environmental quality nonconformities	Zero environmental quality nonconformities	Good	Creation of a database to manage products containing environmental hazardous substances
	Plan for information sharing systems	Zero environmental quality nonconformities	Zero environmental quality nonconformities	Good	Upgrading of environmental quality voluntary audits

*6 The CO₂ emission factor of electricity usage in FY2016 and FY2017 used for Japanese sites is 0.571 t-CO₂/MWh (actual CO₂ emissions factor of electricity usage at the generating end after reflecting Kyoto mechanism credits during FY2012). For overseas sites, 0.642 t-CO₂/MWh (calculated from the weighted average of the group's global power usage for FY2012) is used.

*7

Rating	Plans for improvement	Sustainment plans	Plans for worsening
Good	Progress/(Last year's result - Target) ≥ 90%	Target achieved	110% > (Last year's result - This year's result)/(Last year's result - Target)
Fair	90% > Progress/(Last year's result - Target) ≥ 70%	Not achieved, delayed less than three months	130% > (Last year's result - This year's result)/(Last year's result - Target) ≥ 110%
Poor	70% > Progress/(Last year's result - Target)	Not achieved, delayed three months or more	(Last year's result - This year's result)/(Last year's result - Target) ≥ 130%

NOK Group Companies Promoting Environmental Management

● NOK CORPORATION

Group Companies in Japan

NOK Elastomers Processing Co., Ltd.
NOK METAL Co., Ltd.
and other 22 companies

Group Companies Abroad

Thai NOK Co., Ltd.
Wuxi NOK-Freudenberg Oil Seal Co., Ltd.
Vietnam NOK Co., Ltd.
and other 6 companies

● NIPPON MEKTRON, LTD.

Group Companies in Japan

Mektec Jisso Co., Ltd.

Group Companies Abroad

Mektec Manufacturing Corporation (Zhuhai) Ltd.
Mektec Manufacturing Corporation (Thailand) Ltd.
and other 4 companies

● NOK KLUEBER CO., LTD.

● EAGLE INDUSTRY CO., LTD.

Group Companies in Japan

Shimane Eagle Co., Ltd.
EagleBurgmann Japan Co., Ltd.
Eagle Highcast Co., Ltd.
and other 5 companies

Group Companies Abroad

Eagle Industry Taiwan Corporation
NEK Co., Ltd. (South Korea)
and other 6 companies

● SYNZTEC CO., LTD.

Group Companies in Japan

Tokiwa Kogyo Co., Ltd.
Kuki Roll Industry Co., Ltd.

Group Companies Abroad

SYNZTEC PRECISION PARTS (Shenzhen) CO., LTD.
SYNZTEC VIETNAM CO., LTD.
and other 3 companies

● UNIMATEC CO., LTD.

Group Companies Abroad

Unimatec Singapore Pte. Ltd.

As of March, 2017



Global Warming Countermeasures

Activities of Small Committee for Reduction of Energy Consumption

NOK engages in continuous and strategic energy conservation activities with the goal of reducing energy consumption by at least 1% of the previous year's usage. This goal was set in line with JAPIA's target as defined in its Voluntary Action Plan: "a 20% reduction of CO₂ emission intensity from the FY2007 level in FY2030."

Our major energy saving activities include reducing energy consumption by eliminating wasteful lighting, heating and operations, replacing equipment with more energy efficient models, and

developing and installing energy saving equipment that also improves productivity.

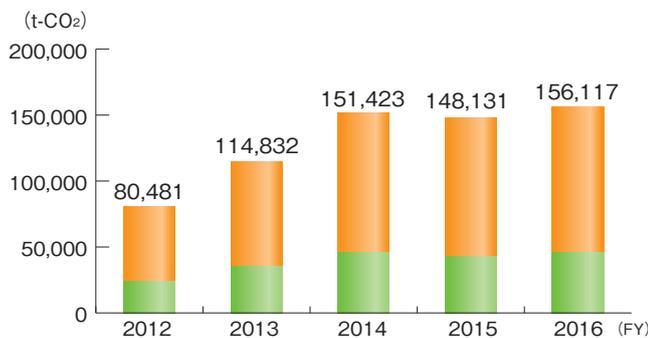
Since FY2015, we have expanded the scope of energy saving activities from seven divisions in Japan to 24 divisions that include satellite companies.

We seek to extend our energy conservation efforts beyond equipment to address appropriate air conditioning design and air flow analysis, and continue to search for ways to save energy while improving the work environment.



Deputy General Manager of
Production Engineering Technology Office
Chair of the Small Committee for Reduction of Energy Consumption
Mitsuhiro Ishida

CO₂ Emissions



■ NOK's seven divisions ■ 17 satellite companies in Japan
Note: See ★ on page 13 for details on NOK's seven divisions and 17 satellite companies in Japan.

Although CO₂ emissions from NOK's divisions and satellite companies in Japan in FY2016 were above the level of the previous year and the annual target, as shown on the previous page, this is attributable to the increased production of seal products. Our emission intensity remained below the target.

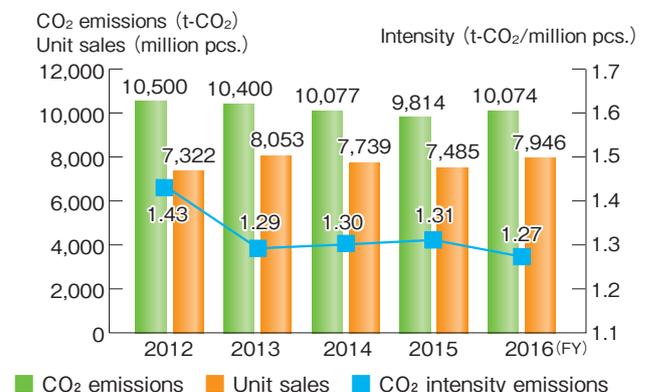
Meanwhile, among NOK global group companies, both absolute emissions and the emission intensity of CO₂ exceeded their targets. This was due to the reduced production of electronic components with better emission intensity.

The NOK group has set medium- to long-term reduction targets, and the Small Committee for Reduction of Energy Consumption leads our energy saving activities to achieve the targets by focusing on the development of energy efficient production equipment and streamlining production processes.

Environmental Action in Transportation

As our production is increasing overseas and at satellite companies in Japan, saving energy in transportation is becoming an important issue. The Committee is striving to reduce the amount of diesel oil used by trucks. In FY2016, we reduced the use of diesel oil by the equivalent of 29,200 liters per year by improving transport efficiency, reviewing transport routes, introducing new vehicles and enforcing eco-driving.

Trend of CO₂ Absolute and Intensity Emissions from Transportation



Development of Energy-Saving Equipment

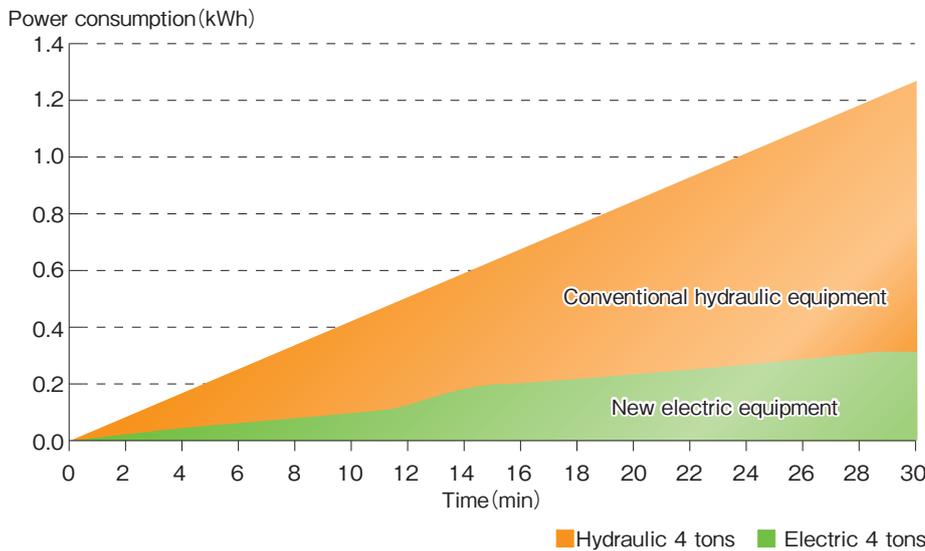
The development of energy saving equipment helps reduce emission intensity while improving productivity and yield.

In one of our development projects, we have successfully electrified the drive mechanism of a ten-ton powder compacting press. We replaced the conventional hydraulic motor with an electric servomotor, which reduces power consumption and eliminates oil leakage.

This powder compacting press has a built-in molding die that consists of four components, three of which move when molding. The machine is conventionally driven by a hydraulic cylinder,

which is not energy efficient because a hydraulic motor constantly rotates at a fixed speed. In our energy saving project, we designed the equipment in-house, combining the servomotor, ball screws, reduction gear and timing belt to electrify operation. This has enabled us to run the servomotor at the desired torque and rpm and to operate the equipment with the lowest amount of required energy. We achieved a 60% reduction in power consumption.

Comparison of Power Consumption



Energy efficient compacting press

	Site	Output	Annual Output
Solar Power	Fukushima Plant 1	50kw	45MWh/year
	Kitaibaraki Plant	20kw	22MWh/year
Skylight Tube	Kumamoto Plant Office Building	Equivalent to 0.2kw	Equivalent to 1MWh/year
	Vulcanization area of oil seal plant, Vietnam NOK	200Lux → 320Lux	Equivalent to 14MWh/year



Kumamoto Plant



Kitaibaraki Plant



Fukushima Plant



Activities of Small Committee for Reduction of VOC

NOK continues to promote reduction of VOC emissions released in the atmosphere. In FY2016, we almost reached the targets, achieving 7% less reduction than planned at NOK's divisions and 8% less reduction globally.

To reduce dichloromethane, which has a high environmental impact, we completely eliminated its use at an overseas site in FY2016. As of the end of FY2016, dichloromethane was totally eliminated at 11 sites in Japan (including subsidiaries, completed in FY2015) and was replaced at five out of six sites outside Japan. At one remaining overseas site, we expect to achieve complete elimination by the end of the first half of FY2017, and partial replacement

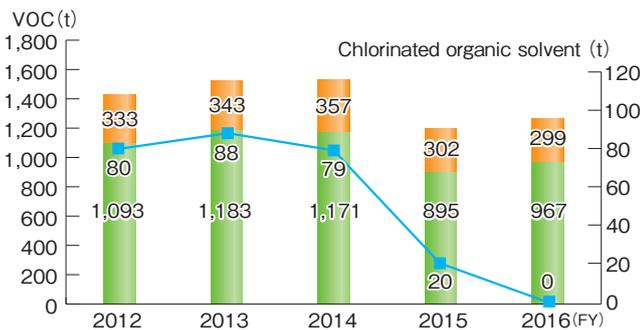
with alternative technologies is being initiated. The full conversion to substitutes at this site will mark the completion of the NOK group's global elimination of dichloromethane.

Now that we have finished technical deliberations on the total elimination of dichloromethane, a new initiative has begun by identifying the next target substance to reduce VOC emissions. We have decided to reduce the atmospheric release of organic solvents used in rubber cement and adhesives. The plan is to study basic technologies in FY2017 and verify them in mass production equipment in FY2018 and beyond.



Manager of Material Engineering Dept.,
Corporate Technology Office
Chair of the Small Committee for Reduction of VOC
Masashi Kudo

Amount of VOC Emissions



■ VOC from NOK ■ VOC from satellite companies in Japan
■ Chlorinated organic solvent (included in VOC)

Scope of coverage: NOK's seven divisions and 17 satellite companies in Japan
Note: See ★ on page 13 for the details of NOK's seven divisions and 17 satellite companies in Japan.

Compliance with PRTR Law

In FY2016, we reported seven regulated substances under the PRTR law, which mandates that companies submit information on environmental release and transfer of specified toxic chemicals.

● Results for FY2016

Substance Name	Cabinet Order No.	Emissions (kg)				Transfer (kg)	
		Atmosphere	Public Water	Landfill	Soil	Drainage	Off-site
Zinc Compounds (Water-Soluble)	1	0	26	0	0	0	1,519
Ferric Chloride	71	0	0	0	0	0	296
Xylene	80	235	0	0	0	0	28
N,N-Dimethylformamide	232	120	0	0	0	0	12,000
Toluene	300	245,506	0	0	0	0	40,837
Methylnaphthalene	438	6	0	0	0	0	0
Methylenebis (4,1-Phenylene) Diisocyanate	448	2	0	0	0	0	1,200
Total		245,869	26	0	0	0	55,880

Scope of coverage: NOK's seven divisions
See ★ on page 13 for the details of NOK's seven divisions.

Activities to Control Environmental Hazardous Substances

Regulations concerning chemical substances are becoming stricter year after year, with different countries establishing different kinds of laws and regulations, such as the European Union's ELV Directive, RoHS Directive and REACH Regulation. The NOK group keeps up with these changes in regulatory requirements and trends to manage chemical substances properly.

We have also obtained ISO14001 certification through external audits and have built our own environmental management system. The control criteria for environmental hazardous substances are incorporated into this system to prevent prohibited substances from adhering to, being mixed into or leaking into products or packaging materials in any process from the acceptance of raw materials and manufacturing at production lines to delivery to the customer.

We ensure that the same level of chemical substance control (environmental quality control) as our Japanese sites is implemented for products delivered to customers from any of our production sites. Relevant plants in Japan and abroad are subject to self-auditing their management of raw material procurement, production processes and other activities. This allows us to prevent nonconformity of environmental quality (e.g., unintended entry of prohibited substances) and other problems from occurring. The results of self-audits and follow-up activities are shared through an internal database, which has been made accessible to an increasing number of parties. To prepare for customers' requests for investigation of environmental hazardous substances contained in delivered products, we have deployed a system to respond to such requests quickly and accurately as part of our efforts to build an efficient, effective investigation framework.



Commitment to Recycling-Oriented Society

Activities of Small Committee for Waste Management

Through the NOK group's zero emission activities, the recycling rate at NOK's divisions and satellite companies in Japan reached near the ceiling and stands at 99.8% or above since FY2013. We now focus on maintaining this level. Under the Three-year Plan that started in FY2014, the committee has been renamed the Small Committee for Waste Management and has launched a new initiative to reduce waste associated with production. However, since we have conducted various reduction activities in each division, there is limited room for further improvement. In addition to reducing materials used for production and waste being discharged, our plan for FY2016 sought to turn

waste into valuables, reflecting ideas collected from divisions in Japan. By evaluating the year's performance, we have found that we reached around 91% of the target. In the next Three-year Plan starting FY2017, we will spread this initiative to satellite companies with the goal of reducing disposal. The method of evaluating results will also be improved through pilot evaluations based on intensity indicators linked to production. The Committee will continue to promote efforts to enhance our compliance, aiming for more advanced waste management.



Manager of Environmental Control Dept.,
Corporate Quality Control Office
Chair of the Small Committee for Waste Management
Jun Takashio

Trend of Industrial Wastes and Landfill Wastes

● NOK's seven divisions



● 17 satellite companies in Japan



Breakdown of Industrial Waste

● Total for NOK's seven divisions and 17 satellite companies in Japan



- Landfill waste
- Recycling of plastic waste, such as rubber waste
- Reduction and recycling of sludge, waste oil, etc.
- Recycling of metal waste

Note: See ★ on page 13 for the details of NOK's seven divisions and 17 satellite companies in Japan.

NOK Environment Mark

To raise employee awareness of environmental conservation, we asked them to submit proposals for the company's environment mark. The mark chosen as the best design has been used as the symbol of NOK's environmental conservation activities.

The mark combines three letters that read NOK, where N

represents *Nature*, K indicates *Keep*, and the O in the center is designed in the shape of a globe. This design effectively conveys the message *Protecting Nature on Earth*.





Environmentally Conscious in All Business Activities

Environmental Impact Assessment for Design

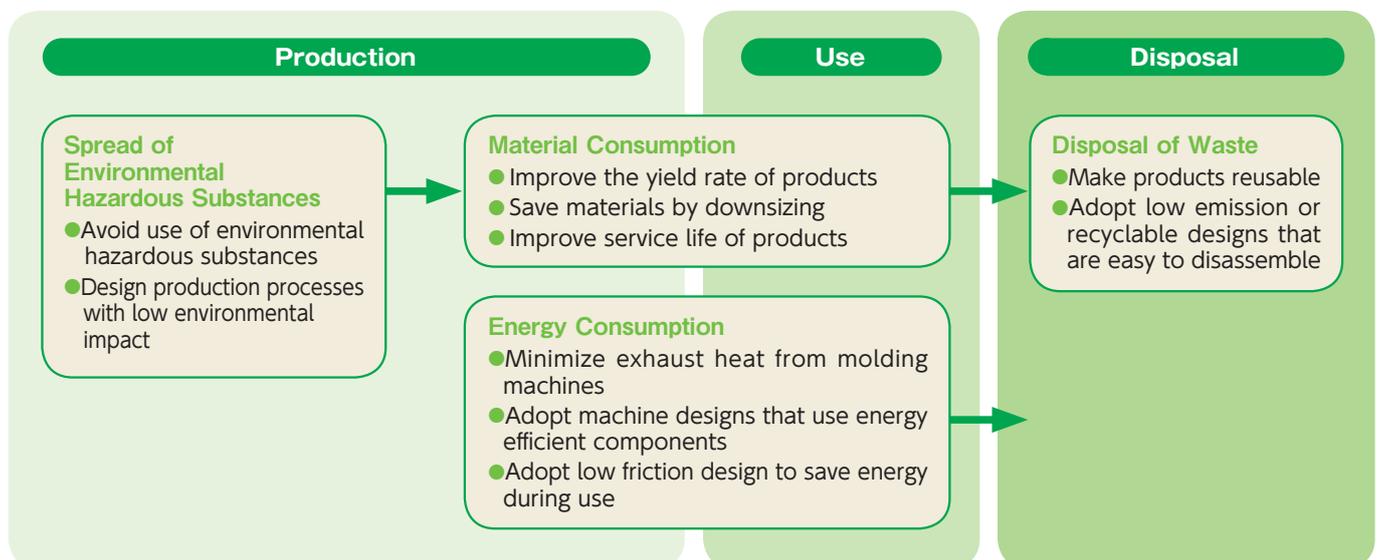
We assess the environmental impact of designs of new products, new materials and new production machines in accordance with NOK's Standard of Environmental Impact Assessment for Design.

During the design phase, we plan for the disuse of environmental hazardous substances, low energy consumption, high product yields, downsizing, long service life, low friction and low wear performance, as well as reuse, low waste and recycling of end-of-life products.

Application of the Standard of Environmental Impact Assessment for Design in FY2016

Division	Applicable Cases	Performance Improved
Fukushima	704	74
Kitaibaraki	1,442	155
Shonan R&D Center	136	114
Shizuoka	741	16
Tokai R&D Center	12	0
Tottori	25	1
Kumamoto	29	23
Total	3,089	383

Standard of Environmental Impact Assessment for Design



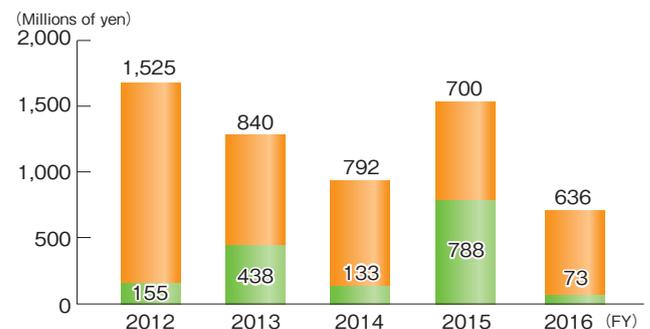
Environmental Protection Cost

NOK calculates its environmental investments and expenses in its business activities annually to fulfill its environmental social responsibility and promote environment conservation activities efficiently and effectively.

Our environmental investments in FY2016 include conserving energy by installing high efficiency air conditioning systems and replacing conventional lights with LED lights, improving wastewater treatment facilities and the waste storage area, and reducing CFC facilities by renewing the thermostatic bath.

Trend of Environmental Investments and Costs

● NOK's seven divisions



■ Environmental investments ■ Environmental costs

Note: See ★ on page 13 for the details of NOK's seven divisions and 17 satellite companies in Japan.

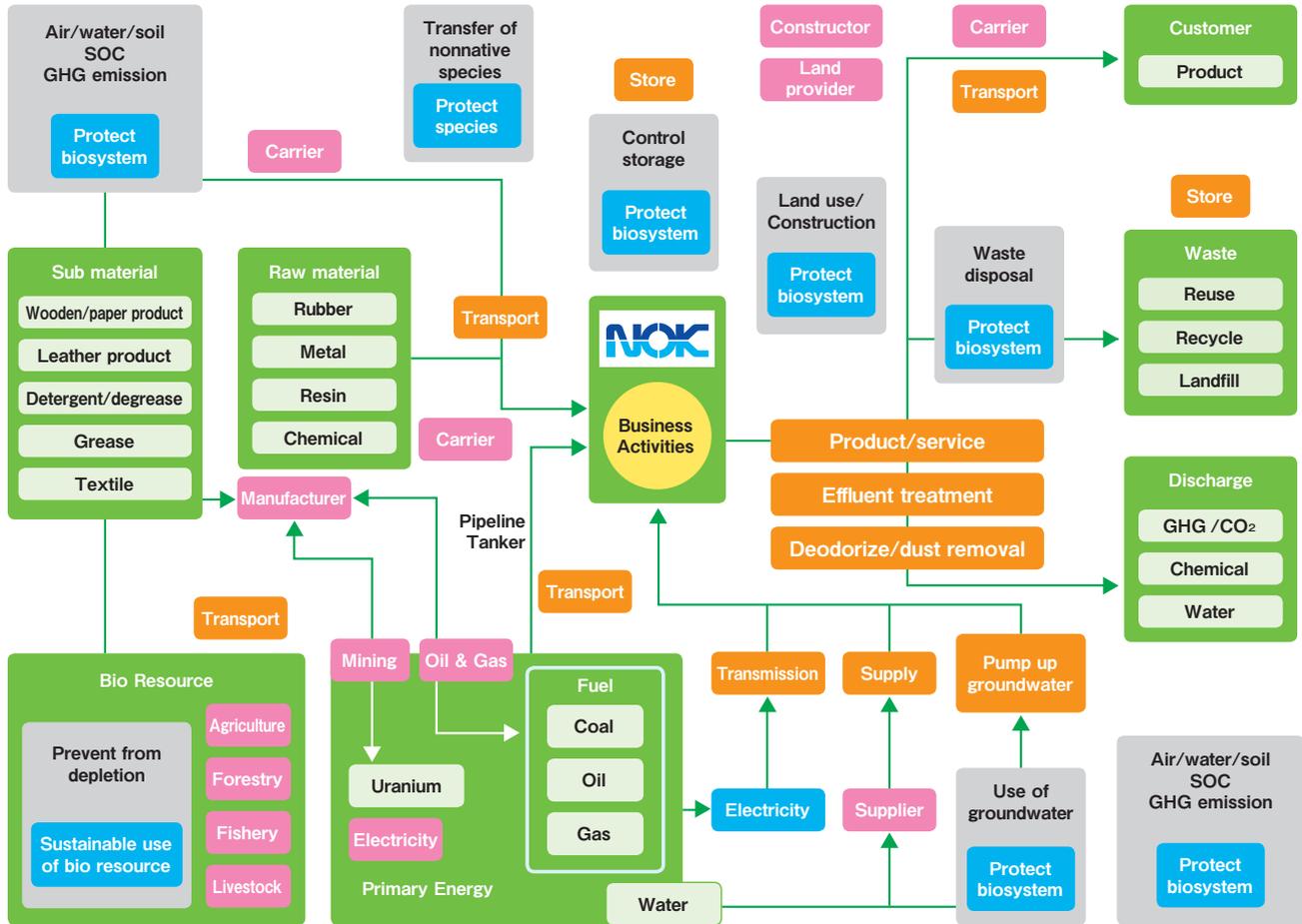
Biodiversity

We assessed our impact and dependence on biodiversity and ecosystem services. Based on the results, we have confirmed the direction that NOK should take to conserve biodiversity and established a common internal regulation in FY2011, the Standard

for NOK Biodiversity Conservation.

This standard defines the biodiversity-related actions we should take in our business activities and promotes biodiversity conservation.

Head View of Relationship between NOK Business Activities and Biodiversity



NOK Business and Biodiversity

Activities	Related Ecosystem Services and Impact
1 Efforts to reduce CO ₂ emissions and emission intensity	Impact on climate change
2 Promotion of water use reduction and water reuse	Impact on fresh water use and water purification ability
3 Reduction of nonconforming products, improvement of yields, reduction of industrial waste and improvement of the recycling rate	Use of wood, paper, textile, fuel, oils and fats, raw materials, genetic resources, biochemical substances, natural medicines, etc., and collection of biological resources
4 Prevention of entry of specified chemical substances into exhaust, and restriction of volatile chemical substances, dust, etc.	Atmospheric quality and climate
5 Prevention of entry of hazardous substances, oil, etc., into drainage	Impact due to discharge of contaminants into waters
6 Management of nighttime outdoor lighting to limit leaked light and lighting hours	Impact of nighttime lighting and noise
7 Compliance with applicable laws and regulations, including the Noise Regulation Act, Vibration Regulation Act, Soil Contamination Countermeasures Act, Air Pollution Control Act, and Water Pollution Control Act	Protection from natural disasters associated with water retention and soil erosion, recreation and spiritual wellness, and changes in habitats due to land use
8 Proper disposal of industrial waste	Protection from natural disasters associated with water retention and soil erosion, recreation and spiritual wellness, and changes in habitats due to land use
9 Implementation of internal environmental education, participation in social environmental activities, etc.	General



Reports from NOK Group Sites

NOK Divisions

1 Strategy & Management

2 Environment

3 Society

Fukushima and Nihonmatsu Plants

The Fukushima and Nihonmatsu Plants are close to each other and therefore jointly implement energy conservation activities. In FY2016, old exterior lights (mercury lamps) due to be renewed were replaced with LED lamps to contribute to reducing CO₂ emissions.

The Nihonmatsu Plant, which expects to ramp up production, developed plans to extend the plant building while ensuring compliance with the Building Standards Act and other applicable laws.

Kitaibaraki Plant

The Kitaibaraki Plant replaced its air conditioning system and compressors with energy efficient models in FY2016. Employees eagerly participated in the local community's cleanup activities.

The plan for FY2017 is engagement of all employees, including those of related satellite companies, in activities in three areas—the environmental management system, quality management system and total cost reduction—to improve yields, reduce waste and cut back on power consumption.

Shonan R&D Center

We are developing basic technologies and materials that help us invent environmentally friendly products and enhancing production technologies that contribute to energy and resource conservation, such as a technology to increase the efficiency of production equipment. The Center also emphasizes technical support for NOK plants. One of our recent energy saving actions is the replacement of walkway lighting with LED lamps and conversion to energy efficient compressors.

Tokai R&D Center for Membrane Technology

As the leader of NOK's contribution to environmental conservation through seal technology, the Tokai R&D Center for Membrane Technology has been producing hollow fiber membrane products for water purification and developing/commercializing fuel cell gaskets for years. We remain highly motivated to protect the environment by offering products that are conducive to efficient water use and the commercialization of fuel cell vehicles.

Shizuoka Plant

In FY2016, the second plant of MYK Corporation was consolidated into the headquarters factory on the premises of the Shizuoka Plant. This marked the completion of a major facility relocation for the Shizuoka site. The next step will be enhancing our energy and resource conservation throughout the site, including MYK and Kikugawa Seal Industry Co., Ltd, which are satellite companies operating at the site.

Tottori Plant

The Tottori Plant has completely eliminated the use of dichloromethane. Our next step is already underway to reduce VOC emissions from coatings and adhesives. We have established a Tottori Region Small Committee for Reduction of VOC, through which we cooperate with satellite companies in the Tottori region to improve yields and step up efforts to restrict diffusion of organic solvents.

Group Companies

NIPPON MEKTRON, LTD. (MEK)

The MEKTEC group has been committed to minimizing its environmental impact by saving energy and reducing waste, and also to conducting audits to ensure regulatory compliance. In FY2016, a new wastewater treatment facility opened at the Ushiku Plant, allowing us to recover resources from wastewater that would otherwise be discharged.

Three sites underwent regulatory compliance audits and passed.

EAGLE INDUSTRY CO., LTD. (EKK)

The EKK group strives to save energy and resources at its sites in Japan and abroad.

Matters requiring group-wide efforts were identified in FY2016 in relation to ISO14001:2015 requirements and recent global environmental issues, and the group decided to launch projects to manage water resources and onsite greenery in FY2017. The EKK group will continue to carry out environmental conservation activities.

SYNZTEC CO., LTD.(SZT)

The SZT group engages in production at its group companies in Japan and abroad. Independent efforts by SZT are focused mainly on support for internal sections in technology and quality control by initiating activities to reduce nonconforming products and save more energy. At the Yokosuka Plant, SZT has been planning since FY2016 to install additional activated carbon tanks to reduce the amount of discharge water that is treated as waste. Once installed, these facilities are expected to help SZT achieve a marked reduction in the amount of waste.

UNIMATEC CO., LTD. (UMT)

With the goal of mitigating global warming and building a recycling-oriented society, UMT focuses on continuous improvement of their environmental activities. These include eliminating the use of CFC-containing equipment, preventing the leakage and release of alternative CFCs, replacing mercury lamps with LED lights and recycling waste liquid.

UMT plans to phase out air conditioning and refrigeration systems that use CFCs by the end of FY2019. UMT is also working to conserve water resources and reduce water usage through efforts such as recycling cooling water.

NOK Vibration Control China Co., Ltd. (NVCC)

As part of its VOC reduction program, NVCC completely eliminated dichloromethane used in the cleaning process in March 2017 by introducing cleaning with water soluble cleaners into the assembly process. We also stopped applying rustproofing oils on machined parts by replacing them with the rust-inhibiting properties of the cutting fluid used in the machining process. The disuse of dichloromethane and rustproofing oils has also reduced offensive odors inside the plant, improving occupational health.

Thai NOK Co., Ltd. (TNC)

In FY2016, TNC continuously improved its environmental management system and contributed to energy conservation by converting to LED plant lighting and carrying out other activities. The Bangpakong plant values the 3Rs (Reduce, Reuse and Recycle) to lower the amount of hazardous waste disposed in landfills.

TNC aims to raise environmental awareness among employees and communities to create a sustainable society.

Vietnam NOK Co., Ltd. (VNN)

Located in a monsoon climate zone, southern Vietnam experiences high temperatures and strong sunlight throughout the year. The indoor temperature at VNN's O-ring plant has gone up year after year because heat from sunlight and the increased number of heat-emitting machines installed to ramp up production. In FY2016, thermal barrier coating was applied on the roof of the O-ring plant, which resulted in drop in the temperature of the plant environment.

P.T. NOK Indonesia (NIN)

NIN was early to start preparations for transition to ISO14001:2015, and obtained certification in August 2016. To improve safety and the environment, NIN focuses not only on ensuring compliance with laws and regulations, but also on making its plant buildings and equipment asbestos-free. Through energy saving activities, such as switching to LED lights, NIN has reduced its annual CO₂ emissions by 2,078 tons.

Kumamoto Plant

Reconstruction after the Kumamoto Earthquake

On April 14 and 16, 2016, Kumamoto was hit by a series of major earthquakes, with the strongest registering an intensity of seven on the Japanese scale. NOK's Kumamoto Plant and some group companies in the prefecture suffered damage. Although these sites were forced to suspend operations temporarily due to the interruption of electricity and other utilities, as well as road closures in the region, we restored production lines by the end of the month with the help of suppliers, contractors and other group companies.

Environmental Conservation

The Kumamoto Plant periodically performs environmental measurements of drainage from the plant and groundwater on the premises to protect the Aso region's water resources, which have been conserved by local residents. Such activities to contribute to local environmental protection are conducted continuously. The plant also endeavors to increase product yields and is researching the introduction of solar power generation and solar lights based on lessons learned from the 2016 earthquake.



Relief supplies delivered from all around the country after the Kumamoto Earthquake. Some of these goods were donated to nearby shelters.

Wuxi NOK-Freudenberg Oil Seal Co., Ltd. (WNF)

WNF continues to improve its environmental activities under the ISO14001 system.

Reduction of Power Consumption

To reduce power consumption, direct exhaust covers were installed in the vulcanization process, which helped lower the shop floor temperature by 3 to 4°C. As a result, power consumption for air conditioning was reduced by 350,000 kWh per year. WNF also modified the control device for the two ventilation machines installed in the mold cleaning room so that ventilation can automatically start and stop, and successfully cut back on power consumption by 32,000 kWh per year.

To raise environmental awareness among employees, WNF provides new employees with basic environmental training every year. Persons in charge of environmental management gather from all departments every month for mutual exchanges.



Emergency Preparedness

To be prepared to deal with emergencies related to environmental preservation, NOK has established emergency response standards. We seek to confine impact on the environment to a small area by smoothly responding to emergencies in accordance with the established standards. In addition, every division has documented procedures for emergency response drills for the facilities it owns. Drills are conducted periodically to prepare for potential fuel oil leakage from gas stations or sludge drainage from wastewater treatment facilities, making the staff ready to prevent detrimental release into public waters.





Procurement Policy

The NOK group's procurement from suppliers complies with its Procurement Policy

Procurement Policy

- 1 We comply with laws, regulations and social norms.
- 2 Based on the idea of free competition, we select suppliers in a stringent manner by providing fair and equal opportunities.
- 3 We share mutual interests and benefits with suppliers based on the idea of mutual prosperity.
- 4 We engage in open communication and build a relationship of trust with suppliers.
- 5 We conduct improvement activities proactively in collaboration with suppliers.

We believe that if we are to fulfill our corporate social responsibility, it is essential that our awareness is shared across the procurement supply chain. We are asking our suppliers to understand the Procurement Policy shown on the left and respect the NOK Charter of Corporate Behavior and CSR Procurement Guidelines in business transactions with us.

CSR Procurement Guidelines

To fulfill our corporate social responsibility, we carry out procurement activities in accordance with the following policies:

1. Compliance with laws and regulations	We comply with laws and regulations, including the competition laws, trade laws, environmental laws and social norms of relevant countries.
2. Respect for human rights	We do not deal with business entities that would use forced or child labor, that would engage in unlawful employment of foreign nationals or any other illegal employment and that would not satisfy industrial safety and health requirements.
3. Safety	We prioritize the safety of customers and consumers and purchase products that satisfy safety requirements.
4. Green procurement	We carry out procurement activities based on the NOK Group Green Procurement Guideline with consideration for preserving the global environment .
5. Confidentiality	We deal with suppliers that can appropriately manage and control the confidentiality of information on customers, individuals and technologies, etc. obtained through business transactions.
6. Elimination of anti-social forces	We do not deal with any organized crime groups, any of their members and related individuals nor any other antisocial forces as well as any business entities associated with them.
7. Activities regarding conflict minerals	We strive to avoid purchasing minerals and products that use minerals from countries where inhumane armed forces are active and mining minerals for their financial resources.
8. Contribution to local communities	We contribute to the development of local communities by promoting business transactions with local suppliers.
9. Sharing awareness with suppliers	We strive to ensure that the NOK Charter of Corporate Behavior and the CSR Procurement Guidelines are respected throughout the supply chain.

Our production activities are centered on industrial components made from high molecular materials, such as synthetic rubber and resin. We are committed to environmental conservation activities such as managing environmental hazardous substances used in production processes, saving energy and resources, and reducing waste. To extend these controls beyond production processes

to procurement activities, we have established the NOK Group Green Procurement Guideline. Controlling environmental hazardous substances and building a system to guarantee the non-inclusion of these substances throughout the supply chain are our priorities.



Customer First

The NOK group continues its efforts to provide high quality products and services for customers.

Quality Management System

To continually produce products that meet customer requirements, we have been implementing and improving our quality management system, which complies with international standards such as ISO9001.

Our internal control rules for subsidiaries are revised to enhance the quality assurance activities at the NOK group.

We have expanded the scope of onsite audits by quality control officers since FY2013. We strive to achieve a uniform quality level globally for NOK products through close exchange of information on the quality management system both in Japan and abroad.



Global Use of the Quality Dojo

The Quality Dojo is NOK's school, and it aims to develop human resources who can communicate, practice and promote the culture of "Quality First" in day-to-day work. Quality Leaders^{*1} guide their subordinates and colleagues while engaging in their own quality improvement activities as part of their work. We also develop Quality Dojo Masters, who serve as trainers by opening their own Quality Dojo to teach others.

As it reaches its eighth anniversary, our Quality Dojo program has trained more than 780 Quality Leaders in Japan. Quality Leaders have communicated what they have learned at the Quality Dojo to others in their workplace to build a Quality First Line^{*2}. The program was converted into Asunaro activities^{*3} in FY2015, and continues in a different framework. Under the slogan of *There is no end to improvement activities*, we relentlessly pursue improvement in an attempt to build Quality First Lines.

To further enhance improvement activities, NOK organizes gatherings called N-Act, where Quality Leaders present the results of their initiatives.

We have also opened Quality Dojos at our sites in China and Southeast Asia. In China, eight Quality Dojo Masters were certified during FY2015 and FY2016, which has allowed our Chinese site to independently operate its own Quality Dojo. The certified Quality Dojo Masters in China have trained 85 Quality Leaders to date.

*1 Quality Leader: The title granted to a person who has graduated from the Quality Dojo.

*2 Quality First Line: A production line that does not produce or release nonconforming products.

*3 Asunaro activities: *Asunaro* is a Japanese word that literally means "it will happen tomorrow," and here it conveys the message, "We will build a Quality First Line tomorrow." This initiative encourages employees to continue improvement activities with the goal of developing their production lines to a level equivalent to that of Quality First Lines that were built previously.

NOK Group QC Circle Meeting

The NOK group encourages employees to form QC circles: autonomous small groups that engage in quality improvement activities.

Under the theme of *Voluntarily pursuing down-to-earth improvements by going back to the starting point of QC circles*, presentation meetings are held at NOK divisions in Japan and global group companies every year. In FY2016, 1,213 QC circles took part globally. Eight circles, each selected at a regional presentation meeting, gathered and reported their activities at the NOK Group QC Circle Meeting, where the best QC circle in the NOK group was decided.

With more QC circles being formed throughout the NOK group, we can see wide-ranging QC circle activities at many of our sites, group companies and affiliated companies in Japan and abroad.



Nonconformity Reduction Activities

NOK strives to reduce nonconforming products to improve quality and cut back on waste. We have also been committed to developing human resources through these activities.

In FY2011, the Zero Nonconformity Project was launched. The project was extended to satellite companies in FY2013 in an effort to make project activities “self-propelling,” or autonomous, at each site. As a result, more than 200 initiatives were carried out throughout the NOK group during the three-year period from FY2011 to FY2013, leading to the decline in the nonconformity rate by 30%. Through these activities, production teams have enhanced their problem-solving capabilities as they repeated checks based on observation and the principles of *gemba* (actual place) and *gembutsu* (actual thing). This has also helped develop leaders who can take the initiative in the activities. Our sites in China and Thailand adopted this project in later FY2012 and became the first overseas group companies to join the annual reporting session held at the end of FY2014. Nonconformity reduction activities are steadily taking root even at overseas sites.

Over 240 projects were implemented during the FY2014 to FY2016 period. Our goal in FY2017 is to spread the activities further and make them more autonomous and fully established at our group companies around the world.

In-house Quality Award System

Our quality award system was introduced in FY2008 to boost quality improvement activities. All employees of the NOK group in Japan are eligible. Following a nomination and selection process that takes place every six months, organizations that have accomplished excellent results through effective quality improvement activities are honored. Articles on the outstanding improvements they have achieved appear in company newsletters.

Nomination guidelines were revised in FY2012 so that the award system can promote quality improvement activities more effectively. The revised system encourages nominations of projects that are feasible and implementation by teams to increase quality awareness among employees.

Nine teams were nominated in the first half of FY2016, and Production Sect.1 of Production Dept., Kitaibaraki Plant, won the award. In the second half of the year, seven teams were nominated and two of them—Production 4 Sec. of Production 2 Dept., TVC Co., Ltd., and MEKTEC Manufacturing Corporation (Suzhou) Ltd.—received the highest awards. The quality award system helps us to create a workplace culture that encourages quality enhancements and improvements.

Quick Response Based on the 3G*

When a product nonconformity is detected, the sales department and the divisions in charge of related products cooperate to respond quickly while being aware of the importance of initial action. They make a concerted effort to resolve the problem as quickly as possible by following the 3G principle.

*3G: *Gemba* (actual place), *gembutsu* (actual thing) and *genjitsu* (actuality). Respectively, these three Japanese words express important actions to take: going to the *gemba* and seeing where the problem happened, seeing the *gembutsu* first-hand and checking things, and seeing *genjitsu* first-hand and learning the facts.

Promotion of Products at Exhibitions

NOK exhibits at many trade shows in Japan and elsewhere every year. Through exhibitions, we seek to make our technologies and products known to a broader range of prospective and existing customers, and to improve our understanding of market needs.

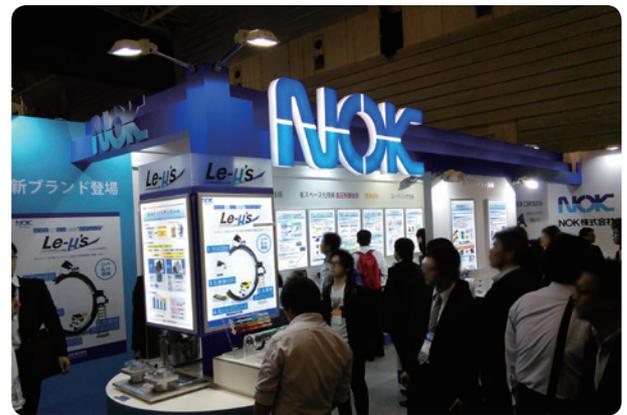
We also organize in-office exhibitions in which our products are displayed in a spare space at customers' sites. This provides us an opportunity to better understand the customer needs and encourage communication with them.

Participation in Automotive Engineering Exposition 2016 Yokohama

The NOK group joined many exhibitions in FY2016 as in previous years.

Automotive Engineering Exposition 2016 Yokohama took place in May 2016, and we showcased the Le- μ 's* series of products to impress visitors with our new brand. Also on display were low-friction technologies and products, such as water pump mechanical seals with textured seal faces and low-torque rotational seal rings.

* Le- μ 's: NOK's low-friction technology brand. See page 10.



Establishment of Customer Support Center

The Customer Support Center responds to various inquiries about NOK's technologies and products. Questions and requests received by the Customer Support Center are reported to relevant departments and receive a follow up. This input provides information used in resolving challenges that customers face and in proposing new projects.



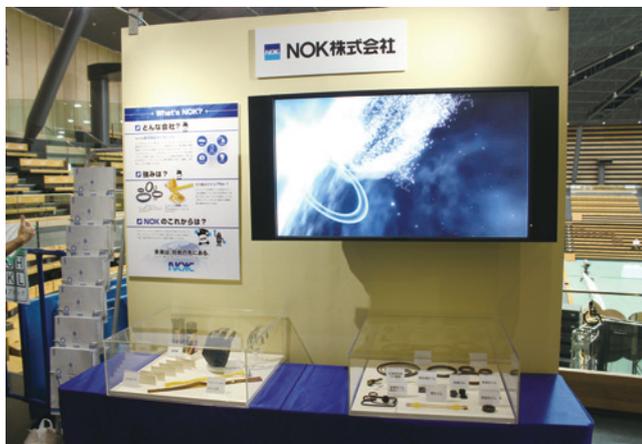
Social / Local Area Activities

Sponsor for NHK Gakusei Robocon 2016, Japan's preliminary for the ABU Asia-Pacific Robot Contest

NHK Gakusei Robocon 2016 took place on July 10, 2016, at Ota Ward Gymnasium in Tokyo. NOK has been sponsoring NHK Robocon since 2015. *Energy* was the theme for the 2016 contest. Participating teams competed to install a propeller as quickly as possible on a pole at the finish point by using two robots—an eco-robot with no actuator and a hybrid robot that moved the eco-robot by wind power and magnetic force.



Public relations booths were set up by sponsor companies at the entrance of the venue. Our booth displayed NOK group products with potential for robotics applications, such as pressure sensitive rubber, thermal conductive rubber and high density multilayer FPCs.



First sponsorship for Kids Engineer 2016

NOK was an official sponsor of Kids Engineer 2016, which was held from August 5–6, 2016, at PACIFICO Yokohama. It marked the first time NOK was involved in the event. Organized by the Society of Automotive Engineers of Japan, Kids Engineer provides a hands-on learning opportunity for schoolchildren and is aimed at encouraging their interest in science, technology and *monozukuri* (manufacturing skills) through automobiles.

Sponsor for 14th Student Formula Japan

From September 6–10, 2016, Student Formula Japan took place at Ogasayama Sports Park ECOPA, Shizuoka Prefecture. Student Formula is a competition organized by the Society of Automotive Engineers of Japan, and NOK has been a sponsor since 2008. The NOK group's products are supplied to some participating universities, and there are NOK logo stickers on their vehicles.

NOK is proud to support young engineers who are enthusiastic about building cars.



Support for Confectionery Palette, a non-profit organization

We invited Confectionery Palette to sell their baked goods and other items at our Head Office.

Confectionery Palette is a certified non-profit organization aimed at helping to create a society where people with disabilities can live how they want to and provides jobs and life-related assistance for the mentally challenged.

NOK has been supporting the activities of Confectionery Palette and organizes their sales events regularly, offering a space in our Head Office building.



Internships

The NOK group offers internship opportunities for students interested in the automobile parts industry. Interns join our R&D department to work on specific projects for a few weeks.

Examples of projects for interns include structural analysis, product assessment, and material analysis, as well as equipment design, image processing and metalworking. Some 50 students apply for internship every year.

Activities of NVCC in the NOK Group

Founded in 2002 in Wuxi, Jiangsu Province, China, NOK Vibration Control China Co., Ltd. (NVCC) is a manufacturer of rubber vibration isolators. Following the ideas expressed in NOK's corporate mission of *becoming a highly profitable corporate group in which all stakeholders can take pride* and its business principle of *management spirit that respects human dignity*, NVCC declares that "corporate value lies not only in the pursuit of interests, but also in employees' happiness, the delight of customers and our contributions to society," and emphasizes efforts for employee benefits and welfare, environmental protection and social contributions.

■ Supporting the Wuxi Child Welfare Center

One of NVCC's social contribution programs is called Sunflower Volunteer, which involves volunteer activities by its employees. In spring this year, about 20 employees visited the Wuxi Child Welfare Center and took children with learning disabilities living there to a park near NVCC. The 30 children enjoyed recreations such as drawing pictures and singing together. The children were greatly pleased because they rarely have chance to go out. "Other companies operating in Wuxi often offer recreation and educational programs within our facility, but this is the first off-site activity we joined," said a member of the facility's staff. "The event provided a good experience for children. We really hope that this program will continue." Positive feedback was also received from NVCC employees who participated in the event. One said, "I was glad to see children enjoying themselves. I will definitely join again next time." Another said, "It was a great, refreshing experience for us, too." NVCC employees periodically visit the facility to spend time with children and organize large events, like the one described above, once every three months.



Message from Yoshiaki Takahashi, Director/General Manager of NVCC

Compliance with laws and regulations, and other "defensive" CSR activities are the norm for us. NVCC strategically pursues "aggressive" CSR activities by incorporating CSR action plans into our business plan and forming project teams and task forces. NVCC's social responsibilities consist of responsibility to employees, responsibility to the environment, responsibility to the market and responsibility to public interest. We define these four responsibilities, plan and implement actions, assess the results to identify problems and address them to improve future activities. By steadily applying the Plan Do Check Act (PDCA) cycle, we are enhancing our CSR activities. We will continue a concerted effort to ensure that NVCC remains a company that can bring both benefits and pride to all of its stakeholders.



■ Community involvement and support

NVCC also gets involved with people in the community. For example, we organize a bazaar in the local area, where approximately 10,000 people live. The community is home for 2,500 Wuxi citizens, who are native residents, and about 7,500 migrant workers from outside the city. Many NVCC employees also live there. NVCC provides life-related services, such as delivering meals and providing haircuts, to people in need who live in the community. Future plans include safety education for the residents and educational assistance for the children of migrant workers. Those residents who have received support appreciate the help of NVCC employees, with comments such as, "They treat us so warmly that they are like family members to us." An NVCC employee responded: "We want to continue our community-based contribution activities and explore the residents' needs."



■ Local cleanup activities

As part of our environmental protection activities, some employees volunteer to plant trees along the roads in Wuxi and clean up the rivers and streets in the neighborhood.



Feedback from Employees Having Participated in Sunflower Volunteer

- "I joined a volunteer program at a nursing care facility for the elderly and helped serve meals and offer recreation. I felt joy in helping people, and since then I have become conscious of doing one good deed every day."
- "We were not enthusiastic at first, but now we like to get involved. I am grateful to the company for giving me the opportunity to participate in social contribution activities."
- "I took part in the program to support the Child Welfare Center. Since then, I have realized that I want to value my relationship with my family, friends, colleagues and others around me."
- "I am proud of being an employee of NVCC, which engages in activities to extend a helping hand to those in need."



Activities of NOK Group Companies

■ Assistance for education at elementary and junior high schools

To help nurture children as the foundation of the next generation, Wuxi NOK-Freudenberg Oil Seal Co., Ltd. (WNF), located in Wuxi, Jiangsu Province, China, sends staff to local elementary and junior high schools to give special lessons to students. From April 25–27, 2016, WNF's instructors visited Sichuan Vocational Middle School to offer education in safety and quality, as well as career education by teaching business manners and explaining WNF's jobs and products. From July 3–5 of the same year, WNF sent instructors to Sichuan Haijincun Elementary School to help teach English, Chinese, art, physical education and more.



■ Support for an orphanage

P.T. NOK Asia Batam (NAB), located in Batam Island, Indonesia, makes donations to a local Muslim orphanage. People from NAB visited the facility on June 16, 2016, which was during Ramadan, and spent time with the children. NAB also conducts volunteer activities at senior's homes.



■ Mangrove tree planting

On September 10, 2016, employees of Thai NOK Co., Ltd., planted mangrove trees at Sattahip Naval Base in Sattahip District, Chonburi Province, Thailand. The aim is to reduce CO₂ emissions and prevent coastal erosion. Although the event took place on a holiday, 120 employees participated and planted 1,000 mangrove trees. In 10 years, these trees will have the effect of reducing about 10 tons of CO₂.



■ Boys and girls soccer competition

On October 22 and 29, 2016, the 2nd MEKTRON Cup Boys and Girls Soccer Competition took place at the MEKTRON Ground, the soccer field at the Ushiku Plant, NIPPON MEKTRON, Ltd. There were 24 teams consisting of schoolchildren from the cities of Ushiku and Ryugasaki, Ibaraki Prefecture. The MEKTRON Ground has been provided as a practice field for local soccer teams, partly because children of some MEKTRON employees play on the teams. In addition to making the soccer ground available, MEKTRON began organizing an annual boys and girls soccer competition in 2015 to contribute to the local society, enhance employee welfare and provide employees with an opportunity to communicate with one another.

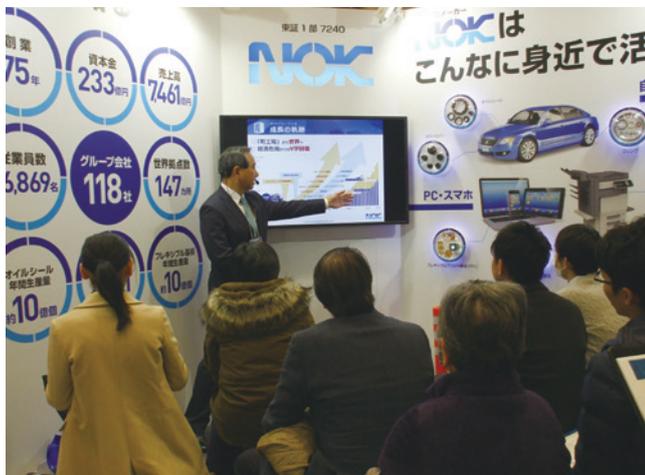




Exhibition at Tokyo Stock Exchange IR Festa 2017

NOK exhibited at Tokyo Stock Exchange IR Festa 2017, which took place from February 24–25, 2017, at Tokyo International Forum. This event aims to offer an opportunity for individual investors to communicate with listed companies. NOK held a 10-minute company briefing session about twice an hour at our booth. We explained our business activities, performance and growth strategy. Some of our products were displayed on the walls of the booth, along with information on application examples.

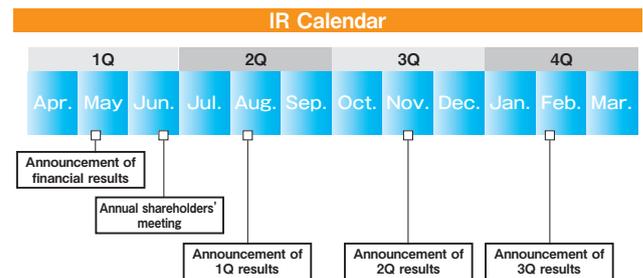
We distributed questionnaires to visitors after every briefing session and received responses from more than 500 of them. The event allowed us to obtain valuable feedback from individual investors.



Financial Results Briefings

The NOK group holds two financial results briefings every year, one in May for annual results and another in November for interim results. Securities analysts, institutional investors, research institutions, journalists and financial institutions are invited to these sessions, where we explain financial results and forecasts, and also respond to questions.

Presentation materials used for financial results briefings are available at NOK's website.



Relations with External Organizations

The NOK group is a member of economic organizations and industry associations and participates in their activities. We cooperate with these external organizations by acting as a general affairs committee member of the Japan Auto Parts Industries Association (JAPIA) and the chair of the Japan Electronics Packaging and Circuits Association (JPCA).

At JAPIA, we seek to contribute to the development of the automobile and automobile parts industries. NOK is a member of subcommittees on the environment and on conflict minerals, and exchanges views with other JAPIA members.



Relations with Employees

1 Strategy & Management

2 Environment

3 Society

Respect for Basic Human Rights

One of NOK's Principles of Corporate Behavior is *Respect for Human Rights and Provision of a Safe and Comfortable Working Environment*. Our Behavioral Guidelines Concerning Employee Compliance, work rules and other internal regulations explicitly prohibit discrimination and harassment. To address harassment, an employee hotline is available at each division.

Supporting Diverse Work Styles

NOK provides childcare leave and other systems that help employees work in ways that suits their lifestyles.

Recognizing that having systems in place is not enough, we seek to appropriately implement these systems so that employees can make use of them more easily. The number of employees who took leave under the special leave systems during FY2016 is shown below.

Employees Who Took Special Leave in FY2016

System	Number of Employees
Childcare leave	47
Nursing care leave	0

Work-Life Balance

Our efforts to reduce the total hours worked by employees focus mainly on cutting back overtime work through enhanced productivity and increasing the rate of annual paid holidays taken. To promote leisure activities, NOK's corporate pension fund provides subsidies for employees who spend their vacations at designated resort facilities.

Mental and Physical Health

Employee Health Consultation

NOK provides a telephone health consultation service that is available around the clock free of charge to help employees maintain and enhance their mental and physical health. We also cooperate with industrial physicians and nurses to promote employees' mental health at work.

Supporting People with Disabilities

NOK is eager to employ people with disabilities. As of April 2017, there are 67 employees with disabilities working at NOK.

Re-employment System

A system to rehire employees who have reached retirement age was introduced in 2006. We seek to improve the system so that healthy retired people who still wish to work can make full use of their rich work experience and advanced skills gained through their career at NOK. For example, retired employees can pass their work-related knowledge and techniques on to younger generations while improving their livelihood through re-employment under the system.

Employee Welfare

NOK provides working conditions that are suitable for different stages of working life, covering a long period from entry into the company to post-retirement years. Major employee welfare benefit plans are as follows:

- (1) Housing benefits, such as company dormitories for singles, company housing for families, housing allowances, and the promotion of home ownership through a housing loan system
- (2) Asset accumulation support, such as an employee stock ownership plan, ESOP trust, employee savings plan and employee loan program
- (3) Retirement income support, such as a company pension plan, defined-benefit retirement allowance and pension plan, subsidies to support retired employees until they become eligible for public pensions, and re-employment system

Personnel Exchange with Overseas Group Companies

To ensure that the management spirit that respects human dignity is in place at overseas group companies, meetings are held with personnel departments of major overseas group companies periodically to discuss personnel systems and exchange information.

Technical trainees from overseas group companies are also accepted at our Japan sites.

Human Resources Development Program

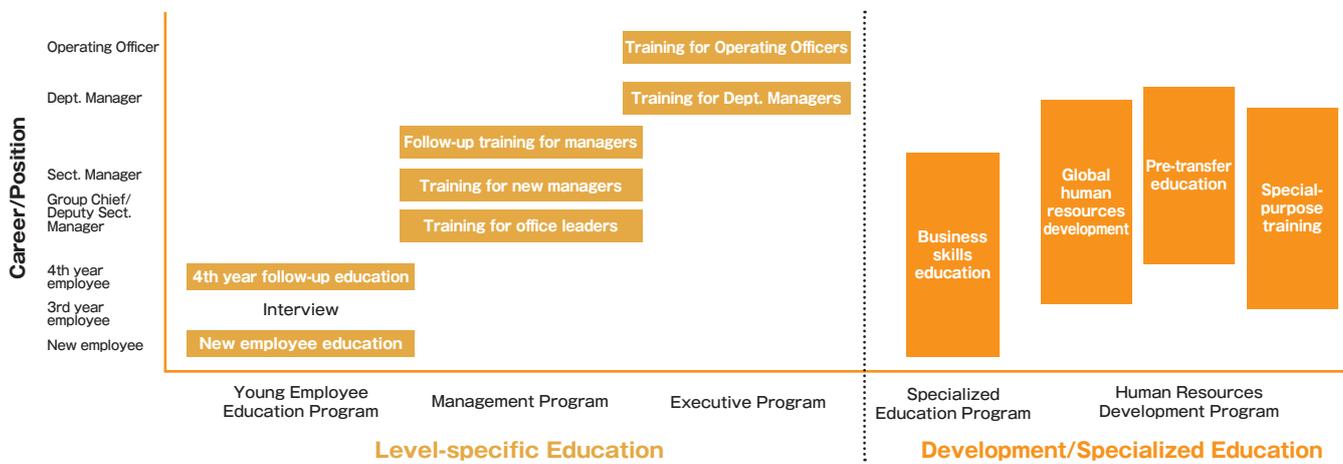
NOK's human resources development program consists of level-specific education and development/specialized education. Level-specific education is mandatory for employees after specified years of service and for those in specified positions. Development/specialized education is designed to train employees in skills that are considered necessary for their duties by their supervisors. Training records are kept and updated in the corporate training management system. In FY2016, 850 employees received training through the program.

■ Special-purpose training

Training programs meeting various needs are available, such as those aimed at providing support for female employees and for employees rehired after retirement age, as well as those for improving workplace productivity.

■ Development of global human resources

This program seeks to develop employees who can actively apply English at work rather than people who can simply speak English well. Employees who pass preliminary interviews are assigned duties individually, and receive on-the-job and off-the-job training for a year.



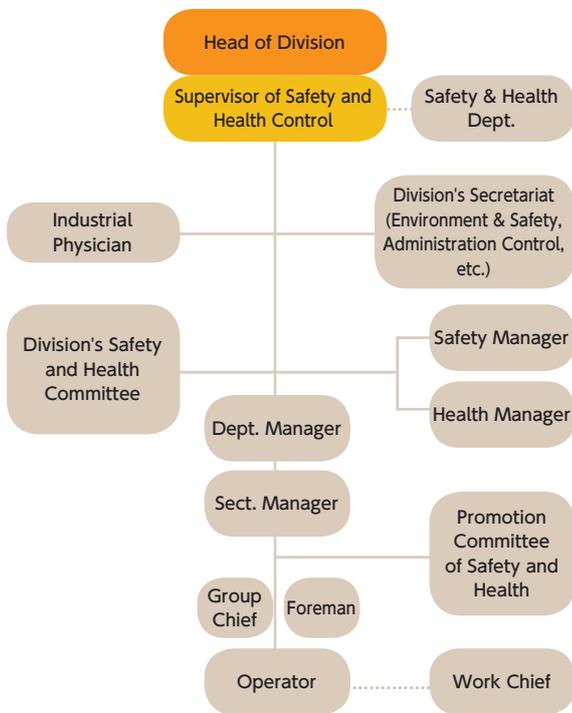
Sports Festival

To enhance employee friendship and solidarity, the NOK Group Sports Festival was held in September 2016. It was a huge event held under the slogan of *Bringing Together the Group through Sports*, bringing together more than 3,000 employees from NOK divisions and group companies in Japan.

Occupational Health and Safety Management System

We promote safety and health activities by forming a division-level organization for safety and health management supervised by the head of the division, who serves as the Supervisor of Safety and Health Control. Company-wide activities are also conducted through coordination between the secretariat in each division and the Safety & Health Dept. at the Head Office.

To prevent the recurrence of workplace accidents, we have compiled annual statistics on these accidents every year since FY1973 and distributed the information to all managers in every division, boosting safety awareness and information sharing among employees.



Activities during FY2016

Activities for safety and health

Our safety and health policy for FY2016 was *Prevention of Workplace Accidents by Eliminating Unsafe Behavior*. We thoroughly looked for unsafe practices at our sites, gave remedial instructions and provided training to ensure safe work.

To better address employees' mental health, we have added a new program to our existing effort, which consists of self-care, care by managers and care by internal experts. A toll-free telephone consultation service provided by an external specialized organization is now available 24 hours a day, every day of the year. We are enhancing our capacity to respond quickly to mental health problems and to help employees smoothly return to work after a long absence.



Yoshihiro Takagi
Deputy Manager of the Safety & Health Dept.

Activities to improve the workplace environment

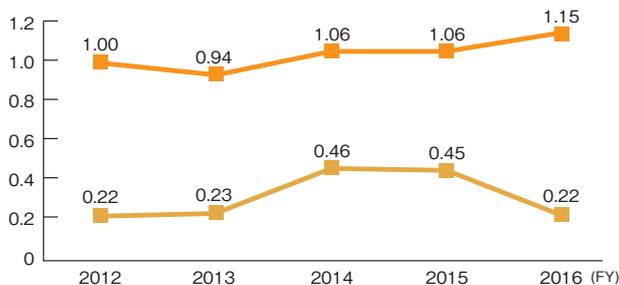
We started activities to improve the workplace environment in FY1993 and implemented measures in two phases. The first phase focused on the working environment (noise, heat and cold), and the second on work management (working posture and handling heavy objects).

The third phase of the plan for workplace improvement was launched in 2005 to address management of support systems, which refer to providing facilities for employee relaxation and facilities essential to workplace comfort. We have set up rest areas for employees.

Traffic Safety Education

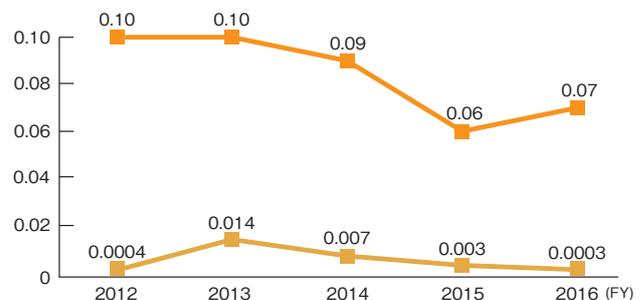
As an enterprise related to the automobile industry, the NOK group sets a traffic safety management policy every year and carries out programs accordingly to educate employees to follow the traffic rules and eliminate traffic accidents and violations.

Lost Time Injury Frequency Rate*1



■ National average among manufacturers ■ NOK group

Lost Time Injury Severity Rate*2



■ National average among manufacturers ■ NOK group

*1 Lost time injury frequency rate: The number of deaths and injuries from workplace accidents per million hours worked. It represents the frequency of accidents.

*2 Lost time injury severity rate: The number of lost work days per thousand hours worked. It represents the gravity of accidents.

Scope of coverage: The figures for the NOK group refer to four companies: NOK, NIPPON MEKTRON, NOK KLUEBER and UNIMATEC.

Third-Party Opinion on CSR Report 2017

Mr. Masatoshi Ikari

Manager, Senior Consultant
CSR & Environmental Sec., Risk Management Dept. 3rd
InterRisk Research Institute & Consulting, Inc.
MS&AD Insurance Group
Part-time Teacher, Seikei University



NOK published its first *Environmental Report* in 2004 and has issued it since then, although the title was changed to *Environmental & Social Report* in 2006. The contents were

revised prior to the 2017 issue, and it became a *CSR Report*. I have thoroughly reviewed the report and herein provide my opinions as a third party.

Commendable Points

- First, NOK's report has evolved. It started as an environmental report, expanded into an environmental and social report, and is now a CSR report that encompasses governance and other wide spectrums of non-financial information. As in many developed countries, investors in Japan are increasingly inclined to assess the corporate value in ESG* aspects, and I hope that future reports will integrate business activities with corporate social responsibility even further.
- In view of the core subjects specified by the international CSR standard ISO26000, this report consists of three parts: Strategy & Management, Environment and Society. Many photographs and charts are contained to make the report easier to read and understand.
- The message from the president declares renewed commitment to the first item in the Principles of Corporate Behavior, *Provide Socially Beneficial Products*, while mentioning social problems faced by the world

(poverty, immigrants), latest trends in Japan and abroad (ADAS, AI) and environmental issues (climate change). This declaration can be interpreted as the company's intention of resolving social and environmental problems through its core business. This is an expression of the NOK group's stance on CSR, which was evident even before the *CSR Report 2017* was published.

- In the Environment part of the report, I'd like to highlight the inclusion of satellite companies (production subsidiaries) in the scope of environmental management, and the implementation of the PDCA cycle to reduce the impact on the environment. I recommend that future issues of the report describe activities in the procurement supply chain in accordance with item 9 of the CSR Procurement Guidelines, *Sharing awareness with suppliers*.

*ESG: Environmental, Social and Governance

Opportunities for Improvement

- Naming examples of the *development of products with environmental considerations* as set forth in the Basic Policies on Environmental Conservation, the report mentions fuel cell components to support a hydrogen society and technologies that contribute to fuel efficiency. These can be regarded an embodiment of the first Principle of Corporate Behavior, *Provide Socially Beneficial Products*, and as an action taken to fulfill "aggressive" CSR that contributes to enhancing corporate value while helping to resolve environmental problems. However, the report (except for the message from the president) fails to convey this important information to readers effectively. I expect there should be easier explanations and effective communication of the concept of aggressive CSR.
- The report repeatedly shows how NOK values communication with stakeholders, even including the voices of stakeholders, such as

employees of NVCC in China. However, I recommend that future issues focus more on customers as important stakeholders. For example, it should describe their opinions on the environmental and quality aspects of NOK products, or show how customers interact with NOK representatives.

- Another concept emphasized in the report is *implementing the management spirit that respects human dignity*. Specifically, the page titled "Relations with Employees" lists various efforts in this regard. However, I recommend that the ways in which the company is *implementing the management spirit that respects human dignity* in its operations should be conveyed to readers more objectively. For example, this may be done by providing figures (data) on the average years of service (or turnover rate), the rate of annual paid holidays taken, or the health checkup rate for employees.

Response to Third-Party Opinion

Noriyuki Takahashi

Senior Operating Officer and
Manager of Corporate Administration Office
Chair of the CSR Committee



We highly appreciate the valuable opinions we have received. The NOK group's annual environmental report, which was titled the *Environmental & Social Report* until 2016, has been renamed the *CSR Report* this year to make it more worthwhile to read. After reviewing the opinions provided by Mr. Ikari, I read the report again. It renewed my awareness that CSR has always been incorporated into our business operations and particularly meaningful to us because the NOK

group seeks to respect human dignity under its Management Principles and to make all of our stakeholders proud to associate with us. We are planning to apply the recommendations in the Opportunities for Improvement section to our future reports. We will continue CSR activities in a manner that will make our stakeholders proud.



Company Profile

Company Name : NOK CORPORATION

Head Office : 1-12-15 Shiba Daimon, Minato-ku, Tokyo 105-8585, Japan

Established : December 2, 1939

Capital : 23,225 million yen

Business Details : Manufacture, purchase, import and sale of seals, industrial functional parts, hydraulic and pneumatic equipment, plant machinery, synthetic chemical products, electronic products and various other products; and the provision of associated services such as installation of machinery and devices

Contact

● **About the CSR report in general :**

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