



Artist: Momotaro Title: Chikyū Tengoku (Heaven on Earth)

We work inside
what keeps the
world moving

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.

Company Profile

Company Name	NOK CORPORATION
Head Office	1-12-15 Shiba Daimon, Minato-ku, Tokyo 105-8585, Japan
Established	December 2, 1939
Capital	23,335 million yen (as of March 31, 2020)
Employees	40,492 (Consolidated, as of March 31, 2020) / 3,529 (Non-consolidated, as of March 31, 2020)
Sales	626,800 million yen (Consolidated, FY2019) / 239,100 million yen (Non-consolidated, FY2019)
Security Code	7240
Business Lines	Manufacture, purchase, import and sale of seal products, industrial functional parts, hydraulic and pneumatic equipment, plant machinery, nuclear power equipment, synthetic chemical products, electronic products, and various other products; and the provision of associated services such as the installation of machinery and devices

Contact

About the CSR report in general

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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 FY2019 (April 1, 2019, to March 31, 2020), but some took place in FY2020.

● Organizations Covered

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

● Date of Issue of Japanese Version: October 2020

● Date of Issue of English Version: November 2020

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Paralympic Art
We support the art of people with disabilities.

NOK sponsors Paralympic Art, organized by Shougaiha Jiritsu Shien Kikou Association.

Paralympic Art is a program that aims to help "disabled artists leverage their own talent to strive for economic independence." Starting in 2020, NOK presents a work of Paralympic Art on the cover page of its CSR report. We interviewed Momotaro, who painted "Chikyu Tengoku" (Heaven on Earth) for this issue.

"For the last few years, I can't help feeling that a lot of people are losing their way, having a strong feeling that they are expected to change but unable to find out how to change themselves. We can coexist on this planet by 'striving for harmony' with all living creatures, and we can take action on everything based on this theme. By doing this, we can enjoy our lives safely and trust each other, thinking, 'The earth is a paradise like heaven!' I painted this piece with this image in my mind."

NOK Group's History

NOK is a comprehensive parts manufacturer which will soon celebrate its 80th anniversary. Since we started as a small-town factory in Kobe City in 1941, we have cherished our corporate culture of being ambitious, kept taking on challenges based on our proven technology, and created a variety of products. Over the years, we have grown into a highly unique enterprise. The corporate culture

of that original factory has been passed down through the generations. The products we create are used in a variety of fields, including automobiles and motorcycles, to support people's lives. Taking pride in our reputation as a "small-town factory born to be a great parts manufacturer," we will continue to manage the NOK Group in an even more ambitious manner.



From a small-town factory to a global enterprise



1941~1950

1941 The company was founded in Kobe City as the first domestic manufacturer of oil seals in Japan.

1951~1960

1954 Head Office and Tokyo Factory were built, and the company was relocated to Ota-ku, Tokyo.
1960 A capital alliance agreement was concluded with Carl Freudenberg KG in West Germany.

1961~1970

1961 The company became listed on the Tokyo Stock Exchange.
1966 The Head Office building was completed in Shiba-Miyamoto-cho, Minato-ku (currently Shiba Daimon), and Head Office was relocated there.
1968 Fukushima Plant started operation. A sales company for oil seals was established in California, U.S.A.
1969 NIPPON MEKTRON, LTD. was established as a company responsible for the electronic components business.
1970 Kumamoto Plant started operations.

1971~1980

1971 Kitaibaraki Plant started operations.
1973 The first international manufacturing Site was established in Singapore.
1976 NOK KLUEBER CO., LTD. was established as a company to manufacture and sell special lubricants.
1980 A plant for oil seals and mechanical seals started its operations in Georgia, U.S.A.

1981~1990

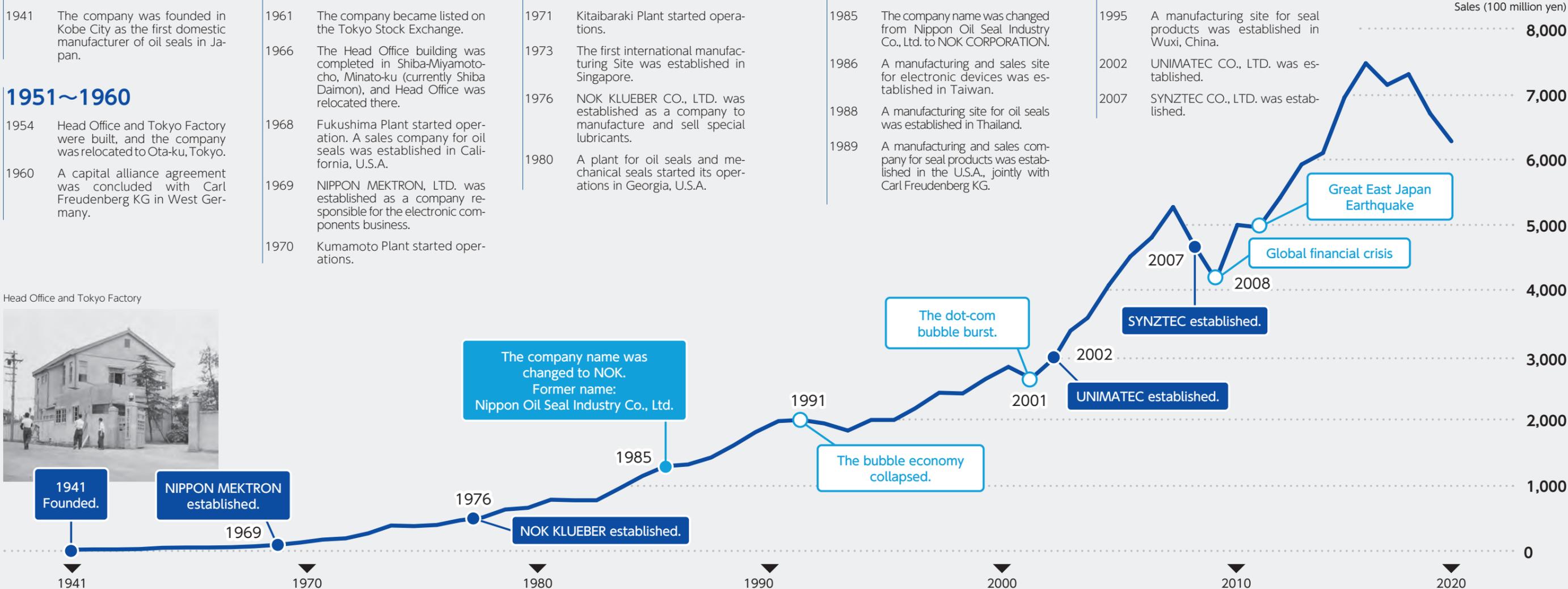
1985 The company name was changed from Nippon Oil Seal Industry Co., Ltd. to NOK CORPORATION.
1986 A manufacturing and sales site for electronic devices was established in Taiwan.
1988 A manufacturing site for oil seals was established in Thailand.
1989 A manufacturing and sales company for seal products was established in the U.S.A., jointly with Carl Freudenberg KG.

1991~

1995 A manufacturing site for seal products was established in Wuxi, China.
2002 UNIMATEC CO., LTD. was established.
2007 SYNZTEC CO., LTD. was established.



Head Office and Tokyo Factory



Message from the President



President of NOK CORPORATION
Kiyoshi Doi

NOK Three-year Plan (FY2020 to FY2022)

Slogan

“Flexible response to changes and Re-challenge to be a Sustainable Company”

Chairman's Initiatives

- 1 . Moving away from dependence on specific customers
-Expansion of sales across businesses and creation of new businesses for a well-balanced mix of customers
- 2 . Repositioning quality management to origin
- 3 . Operating practical and effective BCM
- 4 . Advancing digitalization that will lead to higher competitiveness and profitability
- 5 . Implementing management spirit that respects human dignity
-Fostering vibrant people and supporting flexible and diverse work styles

A three-year plan:Flexible response to changes and Re-challenge to be a Sustainable Company

Today, the global political climate and the outlook for the global economy are becoming increasingly uncertain. The evolution of knowledge and technology and the on-going economic globalization have benefited countless people, while at the same time problems of poverty, inequality of educational opportunities, religious conflicts and immigration issues have been widespread, with conflicts constantly occurring in many regions around the world. The economy is rapidly deteriorating under the influence of sluggish exports associated with the downturn in overseas economies, natural disasters such as large typhoons, and the spread of new coronavirus infection. Although the timing of recovery in the economy largely depends on when the spread of the new coronavirus infection will abate, it is extremely difficult to accurately predict when it will return to normal, thereby heightening the unclear outlook for the future.

In such a difficult business environment, we will thoroughly implement measures to prevent the spread of new coronavirus infection and make efforts to develop and implement a three-year plan for FY2020 through FY2022 (Medium-term Management Plan) so that the NOK Group can ensure its sustainable growth and development from a far-sighted perspective.

The basic policy for us is “Flexible response to changes and Re-challenge to be a Sustainable Company”. In pursuit of bringing profits and pride to all stakeholders, 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 make strong efforts to boost development and sales of new products and existing products and optimize our customer mix by making effective

use of the resources available within and outside the company.

In addition, we return to fundamentals in order to aim for outstanding quality, take all possible measures to prevent the occurrence and leakage of defective products, establish reliable quality that is trusted by customers and work on further improvement and stability of quality. At the same time, as a responsibility of a company with a high market share for many products, we maintain and operate a BCM (Business Continuity Management) system at a high level in order to ensure a stable supply of products.

In order to improve our competitiveness and profitability, we are urgently promoting the digitization of operations in both manufacturing and indirect departments.

Another priority for us is to fully implement a management philosophy 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 meaningful and directly or indirectly linked to the improved performance of their organization or company. To that end, we are reviewing and improving measures of organizational and personnel systems, education, etc., and are also focusing on practicing diverse work styles in which each employee can work with gusto in a safe and secure workplace.

Continuation of environmental management and moving forward to ESG

1. Environmental Initiatives

The NOK Group is a developer, manufacturer and seller of products used in automobiles, machinery and electronic devices, etc., and is committed to environmental conservation activities for energy related to our products. Safety, Environment and Quality are essential that we

focus on to remain a key supplier for customers. This has become particularly true in the past several years and is now a precondition for sustainable business activities. We are promoting sustainable environment management, by way of listening to external opinion such as compliance with government regulatory standards for environmental issues, suggestions from consumers, and high demands from customers, and positioning response to environmental issues as one of the most important management issues. We also intend to make sustained contributions to building a recycling-oriented society by cutting back on the use of substances of concern, reducing waste and developing environmentally friendly products at the global level. We will also continue to focus on the development of environmentally-friendly products such as products for fuel cells and water-purifier membrane modules.

2. Initiatives within Local Communities

Local communities are important stakeholders of the NOK Group. In order to continue business activities, we believe that it is essential to work together with the local communities in which we operate for mutual harmony and benefit while maintaining good communication with them, as a good corporate citizen. Traditionally, we have been engaged in various CSR activities, including local community contribution activities around the NOK Group's business establishments and group companies, support for initiatives related to next-generation education, and social welfare activities. 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 a management philosophy that respects human dignity.

3. Governance Initiatives

The NOK Group does not only contribute to the development of the economy and society by creating added value through fair competition,

but also aims to be an entity that values to society. We also execute a management plan to secure stable growth with in revenue and profit over the medium to long term.

The NOK Group considers continuously strengthening its corporate governance system as one of its business.

To be a company which its stakeholders can be proud of

It is important for the NOK Group to create a strong corporate group with high profitability by making technologically-backed unique and socially useful products at low cost and selling such products at reasonable prices. We have been developing our business around this philosophy. In fact, NOK Group's products are in use around the world, which is a source of pride and strength for the NOK Group. Our products are used in automobiles, construction machinery, agricultural machinery, electronic equipment, office equipment and housing equipment, etc., thereby supporting society and people's daily lives behind the scenes.

In addition, the NOK Group supports the ideals of the SDGs as a good corporate citizen. We aim to be a company which all of our stakeholders are proud of as an entity which plays a leading role in creating socially useful value added, employment for local communities and realizing a sustainable society. In order to achieve these goals, we will respect human rights, comply with related laws, regulations, and international rules as well as the spirit behind them, and commit to our social responsibility with a strong sense of ethical values, in both domestic and overseas operations.

Social Contribution through Products

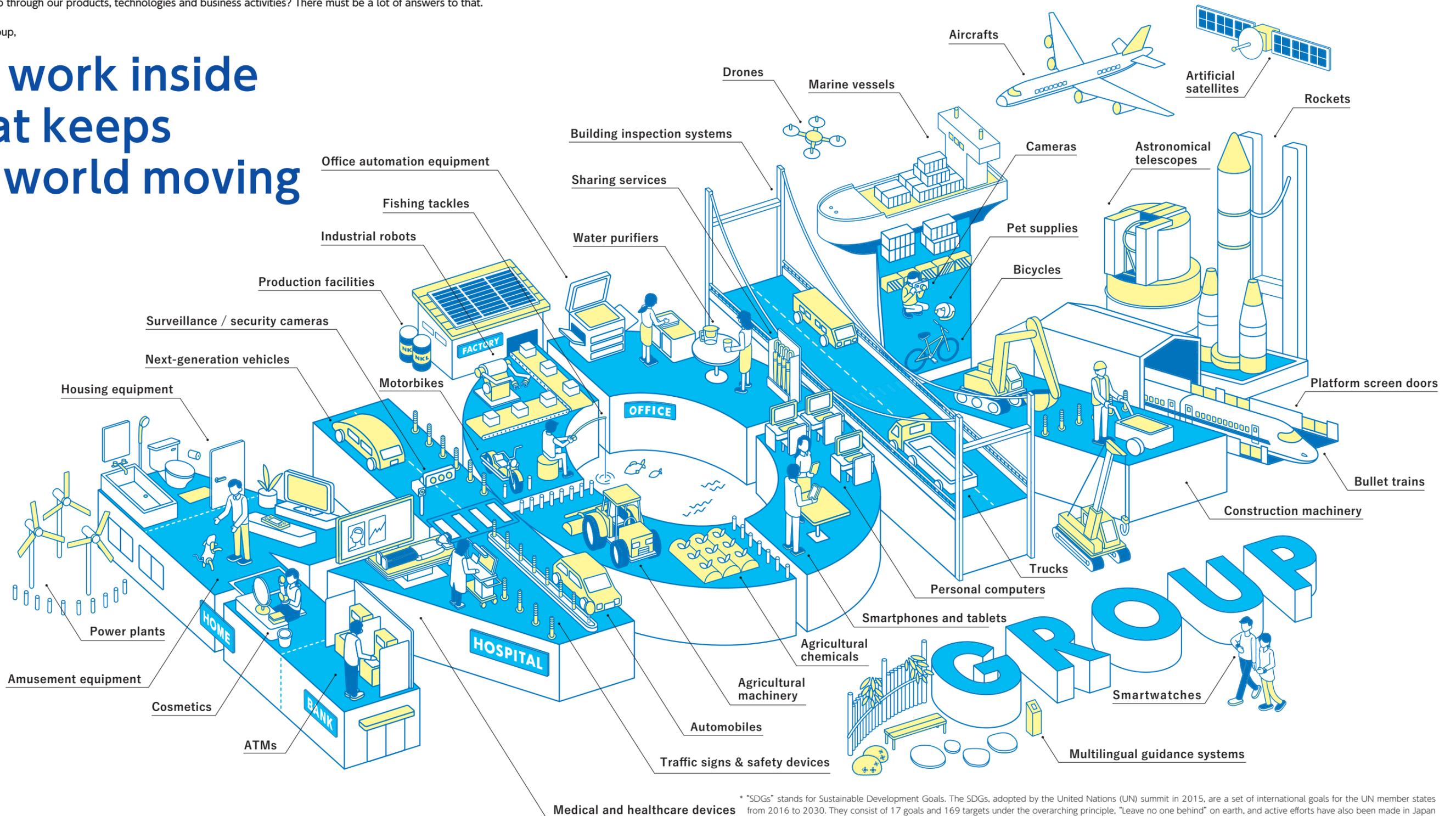
Humanity is currently facing a wide range of problems. Some are environmental, such as global warming, worsening water-related problems, an increase in natural disasters and the loss of biodiversity. Others are social, including poverty, unequal educational opportunities, pandemics, various forms of discrimination and conflicts. There are also economic problems such as increasing economic disparities, economic crises and a lack of funding for social welfare. The SDGs* were adopted across the world in order to address these problems and challenges.

What can we do to help achieve these goals? The NOK Group is a comprehensive parts manufacturer that supports the provision of goods and services used in our communities and our lives. Some examples include the ever-evolving automobile, as well as the now-indispensable smartphone. What can we do through our products, technologies and business activities? There must be a lot of answers to that.

As the NOK Group,

We work inside what keeps the world moving

Potential Contributions to the SDGs through NOK Group's Products and Technologies



* "SDGs" stands for Sustainable Development Goals. The SDGs, adopted by the United Nations (UN) summit in 2015, are a set of international goals for the UN member states from 2016 to 2030. They consist of 17 goals and 169 targets under the overarching principle, "Leave no one behind" on earth, and active efforts have also been made in Japan to achieve these goals.

NOK Group's Products

Seal Business



Net sales: **317.0 billion yen** Operating income: **24.3 billion yen**
Major operating companies: NOK CORPORATION, UNIMATEC CO., LTD.

Oil seals



Oil seals are functional parts used to seal oil. Composed of synthetic rubber, metal rings, and springs, they prevent oil from leaking from gaps in machine shafts. They also prevent the entry of dust from the outside.

Main usage

Automobiles, construction machinery, agricultural machinery, railroad vehicles, steel mills, industrial robots, aircraft, marine vessels, office machinery, home electronic appliances, etc.

O-rings



O-rings are O-shaped rubber ring gaskets. They are moderately compressed by fitting into grooves of machinery, and prevent leakage of various fluids, including oil, water, air, and gas.

Main usage

Automobiles, construction machinery, agricultural machinery, piping joints, water-proof cell phones, etc.

Industrial rubber products



These are functional parts for industrial use made of synthetic rubber, such as dust covers, boots, and diaphragms. We provide a wide range of products including rubber products as well as rubber-lined metal and resin products.

Main usage

Automobile suspension and steering, housing equipment, etc.

Rubber vibration / sound isolators



A wide variety of vibration and sound isolators are available, including torsional vibration dampers to reduce crankshaft vibration in car engines, and a center bearing support to absorb and isolate vibration by supporting the propeller shafts of rear-wheel and four-wheel drive vehicles such as passenger cars and trucks.

Main usage

Crankshafts of car engines, propeller shafts of rear-wheel and four-wheel drive cars, etc.

Iron Rubber products



Iron Rubber, an intermediate product between rubber and plastic, demonstrates excellent performance in resisting abrasion and absorbing shock/vibration. We provide a wide range of products, including gaskets for machinery pistons and traffic safety-related products that require superior durability.

Main usage

Construction machinery, automobiles, semiconductor manufacturing equipment, food manufacturing machinery, traffic safety-related products, etc.

NOXTITE



The NOXTITE acrylic elastomer has a number of well-balanced functions, including oil resistance, heat resistance, high strength, and resistance to permanent compression set. In addition to use as a material for oil seals and O-rings, it is used in devices that require heat resistance and oil resistance such as the surrounding surface of car engines.

Main usage

Special rubber materials

Electronic Products Business



Net sales: **283.1 billion yen** Operating income: **△12.6 billion yen**
Major operating company: NIPPON MEKTRON, LTD.

Single-sided FPCs



They have circuits on one side only. They are structured to best exhibit the thin and flexible characteristics of FPCs. They are durable against repetitive bending and can be mounted on the operating part using less space. They are also suitable for multi-dimensional wiring in narrow gaps.

Main usage

HDDs, digital cameras, media players, game machines, etc.

Double-sided FPCs

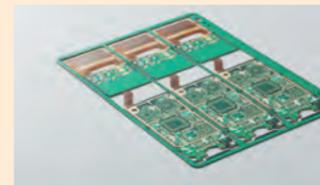


These have circuits on both sides. Compared to the single-sided version, they allow for more complex wiring, and contribute to downsizing and weight reduction through the mounting of parts on both sides. They can also be used for a variety of designs because they are freely bendable.

Main usage

Digital cameras, smartphones, automobiles, medical devices, etc.

Multi-layer FPCs



These FPCs have realized higher functionality, smaller size, and lighter weight through multi-layered circuits. Integrated boards and cables contribute to downsizing, as they require no connectors.

Main usage

Digital cameras, video cameras, smartphones, etc.

Component assembly FPCs



FPCs are very thin films and therefore require a special mounting process. NIPPON MEKTRON not only manufactures FPCs alone, but also responds to requests for FPC module units by mounting semiconductors, microchip components, and connectors.

Main usage

HDD, digital cameras, smartphones, automobiles, etc.

Precision rubber and plastic components



These products are sealing parts to prevent the entry of water and dust by fitting inside of HDDs and smartphones or assembling on the exterior. Utilizing the technologies fostered in development and manufacturing processes, MEK also offers products with additional waterproofing functionality and anti-shock mechanism (protection) by molding rubber or resin to FPCs.

Main usage

HDDs, smartphones, etc.

CHEMINOX



This is a fluorine chemistry-based compound with rubber additive, available in various forms such as powder, liquid, and gas. It is used as a material and a modifier for rubbers and resins, and provides new possibilities for materials.

Main usage

Surface treatment agents, synthetic chemical products

Roll Business



Net sales: **17.9 billion yen** Operating income: **△0.8 billion yen**
Major operating company: SYNZTEC CO., LTD.

Development rollers and charge rollers



Development rollers are used to send a certain amount of toner to the photoreceptor, and charge rollers are used to apply a certain amount of electric charge to the photoreceptor. The electric conductivity of these products is controlled with high precision.

Main usage

Surrounding area of the office machinery photoreceptors

Fixing belts and pressure rollers



Fixing belts are made by combining metal and rubber, with high heat conductivity and pyrogenicity. Pressure rollers are used to provide evenly distributed pressure when fixing toner. Stable fixing outcomes last a long time.

Main usage

Fixing parts of office machinery

Products for financial terminals



These products are used for financial terminal devices such as ATMs and therefore require high reliability. Products include bill-conveying belts that combine high performance urethane rubber with threads and textiles, and bill beater rubber with excellent durability.

Main usage

ATMs, cash dispensers, etc.

Other Business

Net Sales: **9 billion yen** Operating income: **1 billion yen**

Major operating company: NOK KLUEBER CO., LTD.

Oil



Our high-performance oil excels in lubricating performance, heat-resistance, and oxidation resistance, leading to longer machine operating life and improved efficiency. NKL provides products suitable for various fields, including for large plants, precision machines, food processing machinery, and semiconductor manufacturing equipment.

Coating



Our coating products offer beneficial effects such as excellent lubrication performance, resistance to wear, non-adhesiveness, and insulation performance, through their application on the surface of metal parts, including in environments where grease and oil cannot be used. They are employed in various fields such as automobiles, electric appliances, and office machinery.

Grease



Our grease features high-reliability and long-operating life even in severe environments such as extremes in temperature, high-speed, and high-load. It is used in various fields such as automobiles, industrial machinery, electric appliances, office machinery, food machinery, and semiconductor manufacturing equipment.

Global Deployment of NOK Group



- **SYNZTEC CO., LTD.**
Synztec (Malaysia) Sdn. Bhd. / Malaysia
Synztec Vietnam Co., Ltd. / Vietnam
Synztec Precision Parts (Shenzhen) Co., Ltd. / China
Synztec Precision Parts (Shanghai) Co., Ltd. / China
- **UNIMATEC CO., LTD.**
Unimatec Singapore Pte. Ltd. / Singapore

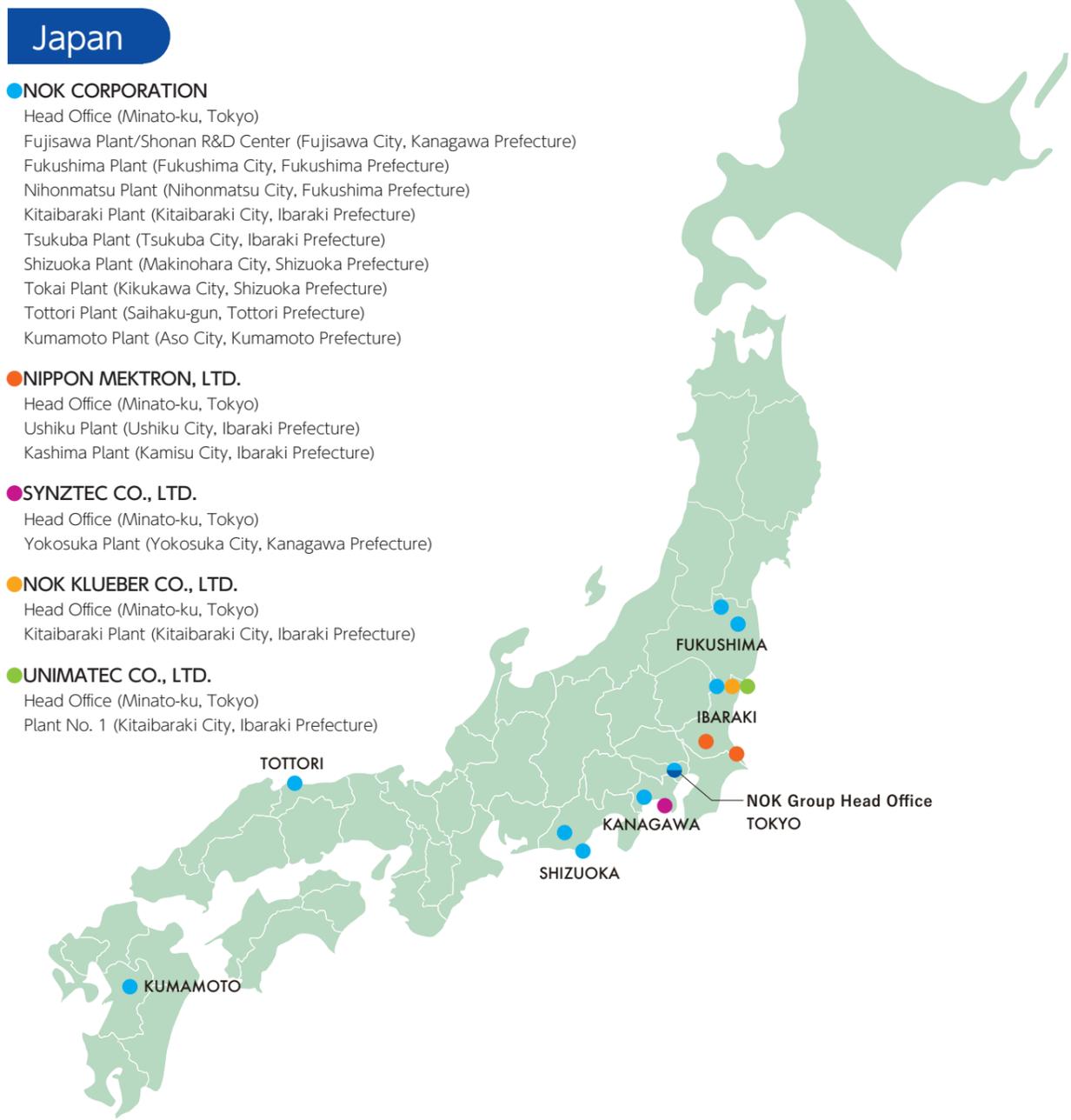
- **NOK CORPORATION**
Freudenberg NOK Pvt., Ltd. / India
Thai NOK Co., Ltd. / Thailand
NOK Asia Company Pte. Ltd. / Singapore
PT. NOK Indonesia / Indonesia
Vietnam NOK Co., Ltd. / Vietnam
Wuxi NOK-Freudenberg Oil Seal Co., Ltd. / China
NOK(Wuxi) Vibration Control China Co., Ltd. / China
Changchun NOK-Freudenberg Oil Seal Co., Ltd. / China
NOK-Freundenberg Group Sales (China) Co., Ltd. / China
NOK-Freundenberg Hong Kong Ltd. / China
Taicang NOK-Freudenberg Sealing Products Co., Ltd. / China
NOK Wuxi Vibracoustic China Co., Ltd. / China
NOK (Wuxi) Water Treatment Technology Co., Ltd. / China
Pyung Hwa Oil Seal Industry Co., Ltd. / South Korea
- **NIPPON MEKTRON, LTD.**
Mektec Manufacturing Corporation (Thailand) Ltd. / Thailand
Mektec Precision Component (Thailand) Ltd. / Thailand
NOK Precision Component Singapore Pte. Ltd. / Singapore
Mektec Manufacturing Corporation (Zhuhai) Ltd. / China
Mektec Manufacturing Corporation (Suzhou) Ltd. / China
Mektec Corporation / Taiwan
Mektec Manufacturing Corporation (Vietnam) Ltd. / Vietnam



- **NOK CORPORATION**
Freudenberg-NOK General Partnership / U.S.A.



- **NOK CORPORATION**
NOK Europa GmbH / Germany
Unimatec Chemicals Europe GmbH / Germany
- **NIPPON MEKTRON, LTD.**
Mektec Manufacturing Corporation Europe DE GmbH / Germany



- **NOK CORPORATION**
Head Office (Minato-ku, Tokyo)
Fujisawa Plant/Shonan R&D Center (Fujisawa City, Kanagawa Prefecture)
Fukushima Plant (Fukushima City, Fukushima Prefecture)
Nihonmatsu Plant (Nihonmatsu City, Fukushima Prefecture)
Kitaibaraki Plant (Kitaibaraki City, Ibaraki Prefecture)
Tsukuba Plant (Tsukuba City, Ibaraki Prefecture)
Shizuoka Plant (Makinohara City, Shizuoka Prefecture)
Tokai Plant (Kikukawa City, Shizuoka Prefecture)
Tottori Plant (Saihaku-gun, Tottori Prefecture)
Kumamoto Plant (Aso City, Kumamoto Prefecture)
- **NIPPON MEKTRON, LTD.**
Head Office (Minato-ku, Tokyo)
Ushiku Plant (Ushiku City, Ibaraki Prefecture)
Kashima Plant (Kamisu City, Ibaraki Prefecture)
- **SYNZTEC CO., LTD.**
Head Office (Minato-ku, Tokyo)
Yokosuka Plant (Yokosuka City, Kanagawa Prefecture)
- **NOK KLUEBER CO., LTD.**
Head Office (Minato-ku, Tokyo)
Kitaibaraki Plant (Kitaibaraki City, Ibaraki Prefecture)
- **UNIMATEC CO., LTD.**
Head Office (Minato-ku, Tokyo)
Plant No. 1 (Kitaibaraki City, Ibaraki Prefecture)

Group Company

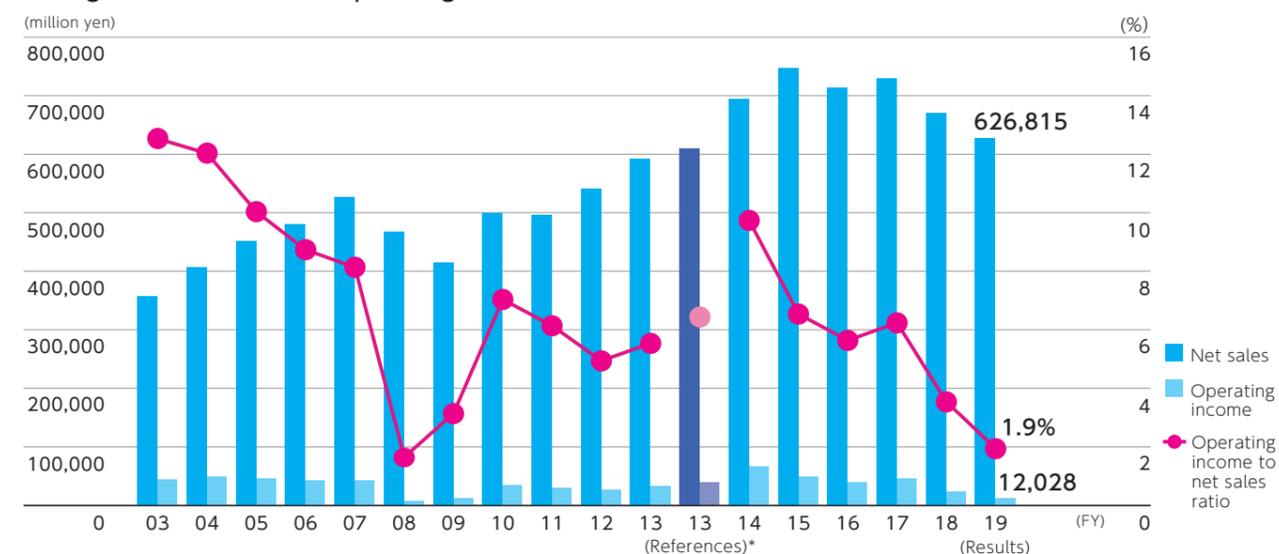
- Japan**
Miyagi NOK Corporation (Kami-gun, Miyagi Prefecture)
NOK Metal Co., Ltd. (Toda-gun, Miyagi Prefecture)
Tenei Seal Industry Corporation (Iwase-gun, Fukushima Prefecture)
Miharu Industry Corporation (Tamura-gun, Fukushima Prefecture)
Tohoku Seal Industry Corporation (Yama-gun, Fukushima Prefecture)
Nihonmatsu Seal Industry Corporation (Nihonmatsu City, Fukushima Prefecture)
Isohara Polyurethane Industry Corporation (Kitaibaraki City, Ibaraki Prefecture)
Isshin Industries Corporation (Saku-gun, Nagano Prefecture)
- Kanasei Corporation (Fujisawa City, Kanagawa Prefecture)
MYK Corporation (Makinohara City, Shizuoka Prefecture)
Kikugawa Seal Industry Co., Ltd. (Kikugawa City, Shizuoka Prefecture)
TVC Co., Ltd. (Saihaku-gun, Tottori Prefecture)
Saga NOK Corporation (Ureshino City, Saga Prefecture)
Tos NOK Corporation (Miyaki-gun, Saga Prefecture)
Kusu NOK Corporation (Kusu-gun, Oita Prefecture)
Kumamoto NOK Corporation (Aso City, Kumamoto Prefecture)
Aso NOK Corporation (Aso City, Kumamoto Prefecture)
Nichinan NOK Corporation (Nichinan City, Miyazaki Prefecture)

2019 Financial Highlights

Financial Highlights (Consolidated) over the Last 6 Years

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Net sales (million yen)	693,689	746,147	713,138	729,341	669,482	626,815
Operating income (million yen)	67,085	48,258	39,776	44,934	23,140	12,028
Operating income to net sales ratio (%)	9.7	6.5	5.6	6.2	3.5	1.9
Ordinary income (million yen)	80,766	53,727	45,709	56,291	31,135	17,373
Ordinary income to net sales ratio (%)	11.6	7.2	6.4	7.7	4.7	2.8
Profit attributable to owners of parent (million yen)	46,813	30,053	27,328	35,281	3,419	△ 2,218
Net income to net sales ratio (%)	6.7	4.0	3.8	4.8	0.5	-
Profitability						
ROE (Return On Equity) (%)	12.4	7.4	6.7	8.0	0.8	△ 0.5
ROA (Return On Asset) (%)	6.6	4.1	3.8	4.6	0.4	△ 0.3
EPS (Earnings Per Share) (yen)	271.2	174.0	158.4	204.2	19.8	△ 12.8
PER (Price Earnings Ratio) (times)	13.4	11.1	16.3	10.1	87.2	△ 93.0
Financial position						
Total assets (million yen)	755,084	696,989	751,797	793,314	785,133	728,695
Owner's equity (million yen)	421,894	395,444	418,666	459,655	444,177	407,092
Equity ratio (%)	55.9	56.7	55.7	57.9	56.6	55.9
Capital expenditure (million yen)	41,470	61,399	65,135	58,388	70,118	47,669
Depreciation (million yen)	32,963	40,156	40,391	43,991	46,848	43,300
Net R&D expenditure (million yen)	8,096	7,632	8,274	9,443	10,459	11,298
Shareholder return						
Dividend (yen)	50	50	50	50	50	37.5
Payout ratio (%)	18.4	28.7	31.6	24.5	252.9	-
Cash flows						
Operating activities (million yen)	80,613	88,503	68,038	69,526	63,854	71,370
Investing activities (million yen)	△ 43,196	△ 65,682	△ 62,035	△ 58,681	△ 79,259	△ 50,425
Financing activities (million yen)	△ 18,061	△ 24,008	△ 7,327	△ 13,010	6,633	△ 17,497
Cash and cash equivalents, end of period (million yen)	102,339	94,032	90,629	89,420	80,761	82,366

Changes in net sales and operating income



* Since FY 2014, NOK has unified the accounting period of the overseas business and changed its depreciation method. Therefore, the values are for reference purposes only.

Analysis of Operating Results

Fiscal 2019 operating results

Regarding the business environment surrounding the NOK Group in fiscal 2019, the Japanese economy faced a rapid downturn due to sluggish exports owing to a slowdown of overseas economies, the effects of large typhoons, as well as the impact of the novel coronavirus outbreak. Other countries also faced a rapid economic slowdown as companies around the world shut down their production activities due to the impact of the novel coronavirus. The coronavirus pandemic has been raising uncertainty in the global economy as a whole.

In the automobile industry, demand remained robust in Japan due to the limited impact of the consumption tax hike. Meanwhile, demand remained weak in the Chinese and North American markets.

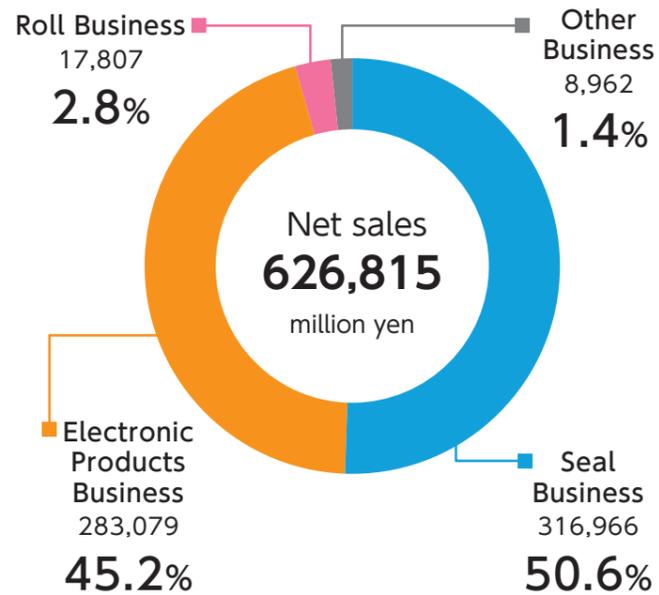
In the electronic equipment industry, the production volume of smartphones, HDDs, and digital cameras declined.

In the office machinery industry, production volume was almost flat despite a growth in demand for color printers and copiers.

Under these circumstances, the Group posted the following results: Net sales totaled 626,815 million yen (down 6.4% year on year); operating income was 12,028 million yen (down 48.0% year on year); and ordinary income amounted to 17,373 million yen (down 44.2% year on year), resulting in 2,218 million yen in loss attributable to owners of parent (compared to a profit attributable to owners of parent of 3,419 million yen in the previous fiscal year).

2019 Business Highlights

Fiscal 2019 overview by business segment



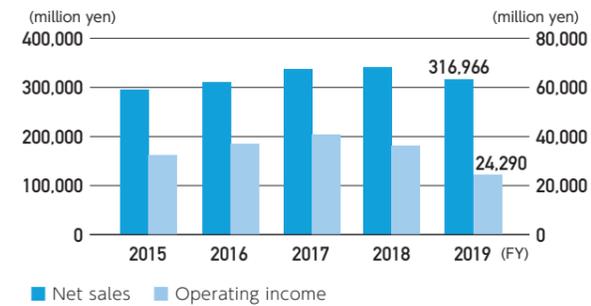
Electronic Products Business

Sales decreased due to a decline in demand from manufacturers of smartphones and digital cameras. As a result, net sales ended at 283,079 million yen (down 4.8% year on year). Operating loss totaled 12,600 million yen (compared to an operating loss of 14,151 million yen in the previous fiscal year) due to decreases in personnel expenses and depreciation and amortization costs.



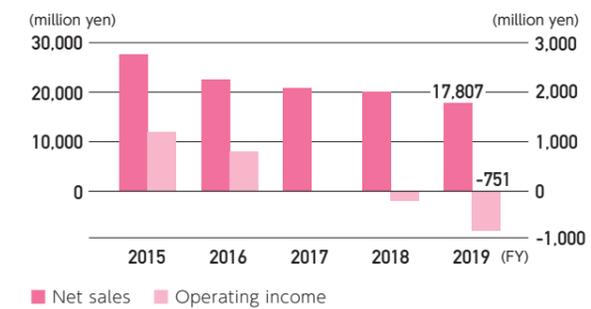
Seal Business

Sales decreased due to a decline in demand from manufacturers of automobiles and general industrial machinery. As a result, net sales ended at 316,966 million yen (down 7.2% year on year). Operating income amounted to 24,290 million yen (down 32.9% year on year) primarily due to a decline in net sales.



Roll Business

Sales declined due to the impact of the novel coronavirus outbreak as well as a drop in demand for printer components and unfavorable exchange rate movements. As a result, net sales stood at 17,807 million yen (down 11.3% year on year). Operating loss came to 751 million yen (compared to an operating loss of 129 million yen in the previous fiscal year) due to the effect of the decline in sales.



New Product Introduction

Biological rubber electrode



Electrodes made of conductive rubber that can measure and monitor biological signals such as brain waves, electrocardiogram, electromyogram, and bioaccumulating electric charge. As its naming shows, the point that we want to make is that the product softly snuggles up to you.

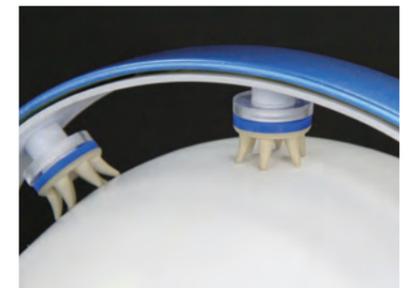
Sotto Series product lineup



Sotto Connect that is easy to connect and disconnect



Sotto Fabric with the softness of fabric



Sotto Brain neither needs topical application nor involves pain.

Characteristics of Sotto Series products

Operable in arid conditions	Enable to monitor biological signals without the use of conductive adhesive or gel.
Repeatable use	NOK's material technology provides ethanol resistance and physical strength to reduce vulnerability to degradation due to moisture and/or drying.
Excellent flexibility	The rubber product fits snugly onto the body surface, and hence, is less likely to cause a feeling of discomfort when you wear it.

Pipette packing

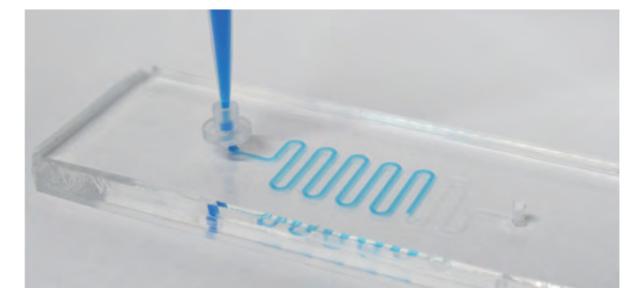
Pipette Packing

Pipette Packing is a pipette tip packing designed to be placed at the leading end of a pipette tip so that you can inject reagent directly into small-sized devices such as micro-flow passages.

Characteristics of Pipette Packing

Enable direct injection into micro-flow passages, hence leading to:	<ul style="list-style-type: none"> Reduction of the required amount of reagent Providing enough ground for the automation of reagent injection
Made of low-dissolution materials, hence leading to:	<ul style="list-style-type: none"> Less impact on experimental results High resistance to acids and alkalis
Autoclave-compatibility which leads to:	<ul style="list-style-type: none"> Facilitating cell culture in a secure manner

Easy, safe and economical to use



The product prevents liquid spill during injection, thereby attaining easy and secure injection of reagent.

Recycled plastic products

[Recyclable median strip block]

NOK Kitaibaraki Plant manufactures traffic signs & safety devices (TSSD) as typified by safety cones.

Our TSSD products are based on Iron Rubber (special polyurethane rubber) from NOK that has a high reliability and a proven track record of use as material for a wide variety of mechanical parts. Our TSSD products offer superior durability as shown by the fact that they maintain high quality and superb functionality in an outdoor environment for an extended period of time. Among others, for the production of median strip blocks whose main purpose of use is to separate the vehicle lane of a road into two tracks, we have established a recycling system, and with the endorsement thereof from purchasers, we have successfully increased the ratio of recycling of used products as recovered to 98% or more. We have the product JIS (JIS A 9401: 2007)-approved as a recycled-material-based product.

In addition, it is important to note that the product falls into Specified Procurement Items under the Act on Promoting Green Purchasing and is qualified under the Ibaraki Prefectural Certification System of Recycled Products, thereby contributing to the promotion of adequate cyclic use of recycled resources and waste reduction.



FPC board for voltage monitoring

[FPC from NIPPON MEKTRON that contributes to automobile electrification]

As automobile electrification advances, automotive vehicles equipped with lithium-ion batteries are increasing at an accelerated pace. Such a lithium-ion battery undergoes constant monitoring of its voltage and temperature to prevent its runaway, heat generation, and abrupt deterioration. Heretofore, this monitoring has been performed in a way that a large amount of current the battery cell is connected to the wire harness through a busbar.

NIPPON MEKTRON suggests that the size, thickness, weight, and cost of the battery can be reduced by using an FPC board as an alternative to the wire harness. This idea has become technologically feasible by ensuring the long-term reliability of the connection between the FPC board and the busbar and by taking advantage of the features of FPC board such as thinness, light weight, flexibility, and ease of mounting components.



Example of FPC-based voltage monitoring circuit for lithium-ion battery



Activities through sports

NOK CORPORATION hires its first athlete employee.

With a strong desire to contribute to society through sports and as part of our social contribution activities, the company hired swimmer Rintaro Okubo in April 2019, taking advantage of the Athlete Navigation System (Athnavi), a program run by the Japanese Olympic Committee (JOC) to offer job search support for top athletes. In October, we also hired swimmer Yukina Hirayama. Both athletes, while pursuing their athletic career, are also involved in public relations work as NOK employees, as well as in conducting workshops to promote employees' health. Going forward, we will develop a work environment in which we can apply social contribution activities through sport events and the experience that we have gained from athletic activities to improve the quality of the NOK products and our service.



Hirayama won the 100m butterfly at the 2nd Japanese Adult Swimming Championships in November.



Was on the community FM radio station "Radio Tsukuba" in Tsukuba City, Ibaraki Prefecture.



A workshop for NOK employees conducted with the theme of "Five Minutes Health Management Method a Day".

Held Sports Festival

The "NOK Group Sports Festival 2019" was held in June 2019 for the purpose of fostering friendship and harmony among employees. Under the slogan of "Building Group Bonds through Sports," it was a large event attended by more than 3,000 employees from the NOK Group's domestic business establishments and group companies.



Entering a member of the selected relay team.



Taking an oath of the sports festival



Ball-rolling race

Cosponsored the "Iki-Iki Ibaraki Yume Kokutai 2019" (National Athletic Meet)

The NOK Group, which has several sites in Ibaraki Prefecture, co-sponsored the "Iki-Iki Ibaraki Yume Kokutai 2019" (National Athletic Meet) to contribute to the local community. We set up a public relations booth at Kasamatsu Sports Park (Hitachinaka City), one of the venues, and our volunteer employees participated and danced in a pre-ceremony performance, which enlivened the event.



Set up a public relations booth

CSR and Organization

Concept of CSR

As stated in the Charter of Corporate Behavior, the NOK Group aspires to drive the realization of a sustainable society while operating its business in a way that makes our stakeholders proud to pursue their dreams with us.

All of our business activities are founded upon the NOK Charter of Corporate Behavior (Management Principles, Management Policies, and Principles of Corporate Behavior). We believe that fulfilling the

environmental, social and 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.

CSR Promotion System

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

The CSR Committee collects reports from related internal committees and divisions and oversees companywide CSR activities. It also disseminates information externally including the issuance of the CSR Report.



	Seven Core Subjects	NOK's Efforts	Mainly related SDGs
Governance	Corporate Governance	Corporate Governance	
		Compliance	
		Risk Management	
Society	Human Rights	Respect for Human Rights	
		Respect for Fundamental Rights and Dialogue Development of Human Resources	
	Labor Practices	Diversity	
		Human Resources and Welfare Systems	
		Employees' Safety and Health	
	Fair Operating Practices	Compliance with Fair Operating Practices	
Supply Chain Management			
Quality Assurance	Product Quality and Safety		
Participation in Communities and Community Development	Fundamental Concept		
Environment	Environment	Fundamental Concept	
		Environmental Management System	
		Measures against Climate Change	
		Waste and Recycling	
		Conservation of Water Resources	
		Measures on Substances of Concern	
		Environmentally Friendly Products	
		Conservation of Biodiversity	



NOK Group's Activities and SDGs

The NOK Group's activities to date have contributed to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations. The results of linking the NOK Group's activities to SDG targets are listed here. We will continue contributing to solving the social issues surrounding us.

		1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	13 CLIMATE ACTION	14 LIFE BELOW WATER	15 LIFE ON LAND	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	17 PARTNERSHIPS FOR THE GOALS							
Governance	Corporate Governance																16.5 16.7 16.b	17.16 17.17							
Society	Human Rights					5.1 5.5				8.5 8.8			10.2 10.3												
	Labor Practices			3.4 3.6	4.4	5.1 5.4 5.5				8.5 8.8															
	Fair Operating Practices											10.2			12.2 12.5			16.2 16.4 16.5	17.17						
	Quality Assurance									9.5			12.4 12.5					17.16							
	Participation in Communities and Community Development			2.1	3.4	4.4				9.5			11.4			14.1			17.17						
Environment	Environment						6.3 6.4			7.2 7.3			9.4			11.6			12.2 12.4 12.5 12.6	13.1	14.1	15.4			17.17

Details of Our Efforts

Corporate Governance	Goal 16: Efforts of building up a compliance/governance system and pursuing initiatives against corruption Goal 17: Corporate management commitment and initiatives that takes into account the benefits of all stakeholders	Participation in Communities and Community Development	Goal 2: Activities such as food distribution to needy families Goal 3: Supporting sporting events and school-sponsored sporting events Goal 4: Educational support for elementary schools and acceptance of interns from universities and technical colleges Goal 9: Pursuit of activities to cultivate an environment that can form the foundation of innovation such as NHK College Student Robocon, Kids Engineer, and Student Formula Japan Tournament Goal 11: Becoming involved in the preservation of traditional culture and temples Goal 14: Cleaning activities at the seaside Goal 17: Cooperation with various organizations
Human Rights	Goal 5: Advancement of female employees Goals 8 and 10: Respect and commitment to basic human rights related to employees		Goal 6: Prevention of water pollution and implementation of necessary measures in water-stressed areas Goal 7: Enhancement of energy efficiency and introduction of renewable forms of energy Goal 9: Improvement of resource efficiency, introduction of anti-pollution technology and development of environmentally friendly products Goal 11: Management of hazardous substances and waste Goal 12: Reduction of input energy (natural resources), management of input resources and emissions in the course of business operations, and disclosure thereof in the relevant CSR report at regular intervals Goal 13: Response to climate change Goal 14: Management of water discharge effluent and cleaning activities at the seaside Goal 15: Formulating the NOK biodiversity conservation policy and carrying out such activities as tree planting Goal 17: Implementing environmental programs in coordination with significant participants in the supply chain, including Kyoeikai and Kyoryokukai
Labor Practices	Goal 3: Promoting welfare benefits and the health of employees Goal 4: Providing education and training programs and implementing human resource development Goal 5: Promoting active social participation by women and maintenance of work-life balance Goal 8: Undertaking the task of providing a safe and comfortable working environment for employees		
Fair Operating Practices	Goal 10: Formulation and implementation of a fair procurement policy Goal 12: Implementation of Green Procurement Goal 16: Implementation of CSR-based procurement Goal 17: Creating a new partnership with external organizations, companies, etc. in the supply chain		
Quality Assurance	Goal 9: Promotion of innovation by setting forth the improvement of our unique technologies in our basic policy centered around "product quality and safety" Goal 12: Promotion of reduction of waste loss by declaring to that effect in the Group Quality Assurance Policy Goal 17: Creating a new partnership with external organizations, companies, etc. in the supply chain and delivery destinations		

Governance Report

Corporate Governance

Basic policy

The NOK Group aims not only to contribute to the development of economic society by creating added value through fair competition, but also to become a company useful for society at large by promoting management that can make all stakeholders proud of the company and continue pursuing their dreams together. In addition, we are promoting our management plan to ensure stable growth and stable earnings in the medium- to long-term.

For this reason, the NOK Group considers continuously strengthening the corporate governance system as one of our business management priorities, and we are committed to this goal.

Corporate Governance System

NOK has adopted the format of a company with a board of corporate auditors. In order to develop and provide products and services from the customer's perspective in a business environment where technological innovation and the needs of end users are rapidly changing, we believe it is important that directors who are well-versed in business operations be involved in making key management decisions. From this point of view, the directors of the

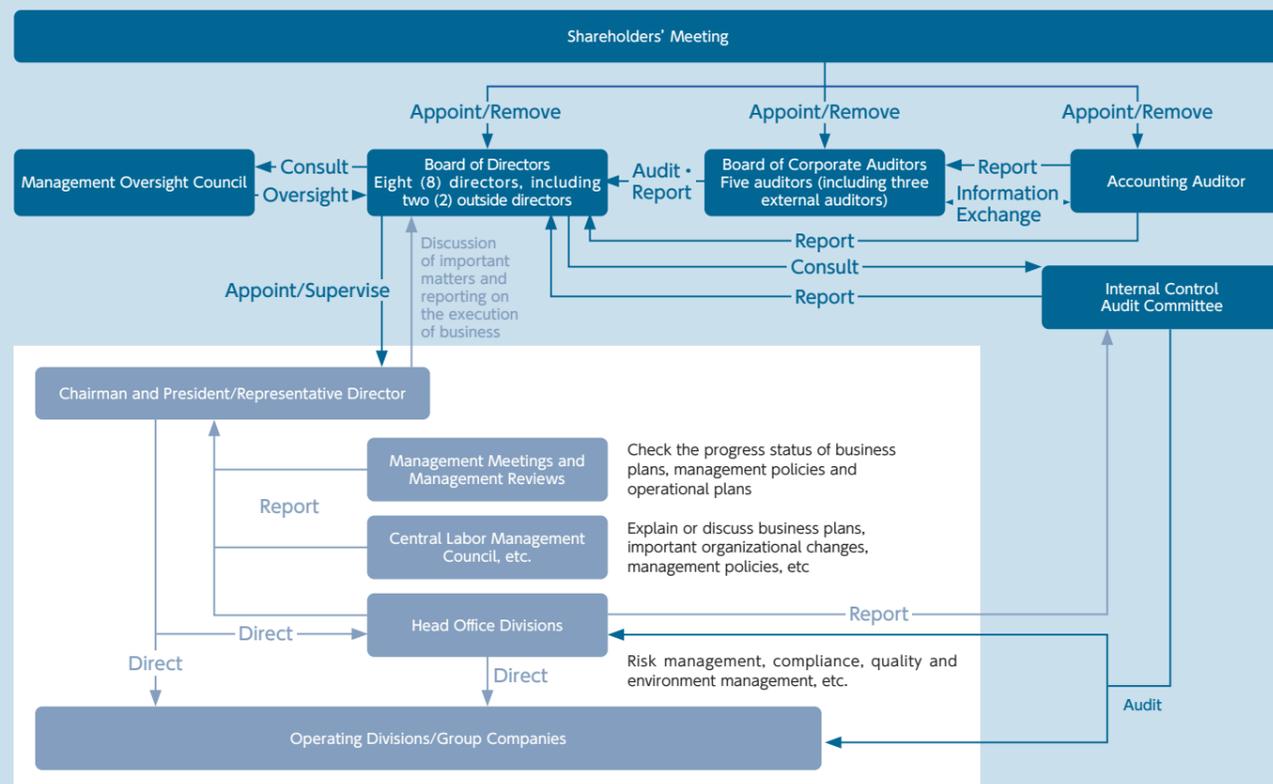
board who concurrently serve as executive officers cooperate with each other in the execution of their duties, while directors of the board, including external directors, mutually monitor each other and the corporate auditors, including external auditors, audit management. The Board of Directors and the Board of Corporate Auditors, which include personnel from outside the company, are the key to strengthening the checking function.

In order to improve objectivity and transparency regarding nomination and remuneration, the Board of Directors has established the Management Oversight Council with key members from outside the company as an advisory body to the Board of Directors, which regularly confirms important matters such as nomination and remuneration and provides appropriate advice to the Board of Directors.

In addition, significant management risks are checked and assessed at the Management Oversight Council periodically.

The Internal Control Audit Committee, an advisory body to the Board of Directors, periodically audits systems that ensure the appropriateness of NOK's and its subsidiaries' operations in accordance with the Internal Control Regulations, and reports the results to the Board of Directors and the Board of Corporate Auditors.

Corporate Governance System



Corporate Governance



NOK Charter of Corporate Behavior

We, NOK Corporation, are committed to being an entity that fulfills the role of driving efforts toward the realization of a sustainable society according to the Management Principles under the NOK spirit. We will pursue this through developing the Management Policies in such a way that all its stakeholders are proud of us and chase their dream with us; and, while upholding the principle of fair and free competition, through creating added value that is socially useful, generating employment, and autonomously acting responsibly. In order to achieve this realization, we will behave according to the eleven principles set forth below in the Principles of Corporate Behavior in both domestic and overseas operations, so as to respect human rights, comply with related laws, regulations, and international rules as well as the spirit behind those, and discharge our social responsibility with a strong sense of ethical values.

Enacted on May 1, 2006, revised on July 1, 2019

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 useful, on a global scale.

Principles of Corporate Behavior

- | | |
|--|---|
| 1. Provision of Socially Useful Products | We will develop and provide socially useful and safe products through the creation of new value, and provide pertinent information regarding products and have sincere dialogues with end users and customers while also working to achieve sustainable economic growth and solve social issues, thereby gaining their satisfaction and deeper trust. |
| 2. Fair and Appropriate Trade | We will ensure that we engage in fair, transparent, and free competition, that transactions are appropriate, and that responsible procurement is carried out, when selling products and purchasing materials. Also, we will 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, and have constructive dialogues with the various stakeholders who surround our business in order to increase the corporate value. Also, we will protect and properly manage personal and customer data and other types of information as well as intellectual property rights. |
| 4. Thorough Risk Management and Severance of all relations with Antisocial Forces and Groups | We will resolutely provide systematic risk management to prepare against activities of antisocial forces, terrorists, cyber attacks, natural disasters, and other elements that threaten the lives of the public and business activities. Especially we will resolutely confront any antisocial forces or groups 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 participate in communities and contribute to their development. |
| 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 (ex. prohibition of child labour and forced labour). 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 | We will carry out management that respects the human rights of all people. |
| 9. Provision of a Safe and Comfortable Working Environment | We will realize a work style that enhances the abilities of employees while respecting their diversity, character and personality, and by drawing a line between public and private matters, and maintaining order in the workplace, we will realize a comfortable working environment that takes cleanliness, health, and safety into consideration. |
| 10. Responsibilities of Our Officers | Our officers, while carrying out management with the recognition that it is their role to realize the spirit of this Charter, will establish effective internal control systems, and will take the lead in an exemplary manner to implement the Charter within the entire NOK Group, while encouraging our business counterparts to act in a manner consistent with this Charter. In addition, our officers will constantly listen to opinions from both within and outside the Company to ensure compliance with business ethics. |
| 11. Response to Problems | In the event that a matter in noncompliance with this Charter arises, which causes society to lose trust in us, our officers will take steps such as taking the lead in solving the problem, identifying the cause, and taking measures to prevent the recurrence of similar problems, thus fulfilling their responsibilities. 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 themselves. |

External Directors and External Auditors

We have appointed external directors and external auditors with a wealth of experience and insight in industrial policy and diplomacy, as well as with a proven track record in corporate management based on such expertise, and have them advise us on our business activities from an objective, wide-ranging and high-level perspective.

In addition, we appointed external auditors, including a licensed tax accountant, a certified public accountant, and an attorney, who provide us with opinions based on their extensive experience and knowledge.

The secretariat of the Board of Directors provides support for external directors and external auditors. In addition, NOK has staff members who assist auditors in their audit work such as through research on laws and regulations. The secretariat of the Board of Directors sends and explains to the external directors and external auditor materials on agendas for the Board of Directors meetings prior to the Board of Directors meetings.

Nomination of Directors and Auditors

NOK decides candidates for directors and auditors at meetings of the Board of Directors taking into account their abilities, insight, character, etc., in a comprehensive manner. Specifically, the company nominates directors and auditors based on their qualifications and aptitude for the position in accordance with the following nomination policy.

The company believes that it is important that directors who execute business operations are well-versed in the NOK Group's operations and involved in making key management decisions.

In addition to complying with the external requirements set forth in the Companies Act and the independence criteria of the Tokyo Stock Exchange in nominating external directors, the company expects external directors to be able to advise on the company's corporate activities from an objective, wide-ranging and high-level perspective based on their wealth of experience and high level insight. In this way, the company nominates external directors on the basis that

there is no conflict of interest with general shareholders.

Corporate auditors are expected to perform functions and roles such as conducting objective and appropriate audits based on their expertise. The Company nominates them on the basis that there is no risk of conflict of interest with general shareholders.

In addition to the above approach, candidates for external auditors are nominated in accordance with the external requirements set forth in the Companies Act and the independence criteria of the Tokyo Stock Exchange.

Remuneration of Directors and Auditors

With respect to the remuneration of directors and auditors, the company establishes the following policy for determining the details of remuneration for directors and auditors. Based on this policy, the amount of remuneration for directors is decided by discussions at the meetings of the Board of Directors and the amount for auditors by discussions of auditors respectively, within the limits of the total amount determined at the general meeting of shareholders.

Basic policy

The remuneration, etc., for directors and auditors are based on a compensation system designed to maintain the level of securing and retaining excellent human resources and increase their motivation to improve the NOK Group's performance and corporate value.

Policy on Remuneration for Directors

Taking into account that directors are responsible for improving business performance in each fiscal year and increasing corporate value over the medium to long term, their remuneration is divided into two categories: basic remuneration, which consists of a fixed portion and a long-term performance expectation portion; and performance-linked remuneration. The long-term performance expectation portion is obtained by purchasing a certain amount of the company's stock through the shareholders' association made up of officers, which will be held for the duration of his or her tenure. The level of payment is determined by comprehensively taking into account such factors as the Company's performance, the level of

dividends to shareholders, the treatment of employees, the status of concurrently serving in consolidated subsidiaries, as well as the general level of payment of listed companies for each position.

Policy on Remuneration for Auditors

As auditors are responsible for auditing the execution of duties of the entire NOK Group, their remuneration is divided into the basic remuneration according to their rank and performance-linked remuneration for full-time corporate auditors for their contribution to the improvement of performance from a perspective different from that of directors.

Advisory body on nomination and remuneration (Management Oversight Council)

In order to improve objectivity and transparency regarding nomination and remuneration, the Management Oversight Council was established as an advisory body to the Board of Directors, which regularly checks important matters such as nomination and remuneration and provides appropriate advice to the Board of Directors. The Management Oversight Council is primarily composed of external officers with members including the Chairman of the Board, the President and Representative Director, two external directors and one external auditor. The council checks and advises on key management issues, such as nomination and remuneration.

Assessing the Effectiveness of the Board of Directors

In May of each year, NOK administers a self-evaluation questionnaire to all directors and auditors, including those from outside the company, asking them questions about the composition, operation, and agendas of the Board of Directors, as well as questions about the structure that supports the Board of Directors. The aggregate results of responses are shared with the Board of Directors. In fiscal 2019, the analysis and assessment indicated that the Board of Directors as a whole was effective.

Internal Control

The NOK Group appropriately implements the "System for Ensuring the Propriety of Operations (Basic Policy for Internal Control System)" established in accordance with the provisions of the Companies Act, and is committed to establishing its system under the basic policy of continuing to strengthen corporate governance in accordance with the Corporate Governance Code stipulated by the Tokyo Stock Exchange.

Specifically, the company establishes the Internal Control Regulations based on the Basic Policy for Internal Control System. NOK's Head Office Divisions provide rules for the internal control system and 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. During FY2019, there were no legal violations or lawsuits that could have seriously affected the company's performance.

Compliance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and the Unfair Competition Prevention Act

Based on the Principle of Corporate Behavior, the NOK Group stipulates in the "Behavioral Guidelines Concerning Employee Compliance" its stance and relationship with agencies, distributors, competitors and suppliers, and complies with the Act on Prohibition of

Private Monopolization and Maintenance of Fair Trade, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and the Unfair Competition Prevention Act, etc. The NOK Group continuously raise employees' awareness of the principle by distributing an introductory compliance booklet and through education, etc. by the department in charge.

In addition, to ensure fair trade, the company establishes the "Fair Trade Regulations" that stipulate prohibitions and management methods to ensure fair transactions.

In the event of a violation of the Group's anti-corruption policy, the Risk Management Committee is primarily responsible for taking action. Information on violations of the anti-corruption rules can be shared via the Whistle-Blowing Hotline.

The Internal Control Audit Committee conducts an annual audit on the status of compliance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and the Unfair Competition Prevention Act and reports its results to the Board of Directors. During FY2019, there were no violations in the NOK Group.

Anti-Corruption Initiatives (Anti-Bribery)

The NOK Group works to fight against bribery and corruption by stipulating the following in its Principles of Corporate Behavior: "We will engage in fair, transparent, and free competition and ensure appropriate transactions and responsible procurement. We also maintain a sound and proper relationship with political bodies and government agencies." We also maintain a sound and proper relationship with political bodies and government agencies."

Pursuant to the Principles, the Behavioral Guidelines Concerning Employee Compliance prohibit collusive relationships and corrupting behaviors involving business partners and public officials, including excessive entertainment and bribery. The guidelines also forbid embezzlement and misappropriation and other acts that may affect company profits. These rules are communicated to employees through providing education and distributing compliance handbooks to help them maintain a high level of awareness.

In the event of a violation of the Group's anti-corruption policy, the Risk Management Committee is primarily responsible for taking action. Information on violations of the anti-corruption rules can also be shared via the Whistle-Blowing Hotline.

The Internal Control Audit Committee conducts annual anticorruption audits and reports the results to the Board of Directors. During FY2019, there were no violations in the NOK Group.

Communication with Shareholders and Investors

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 the financial results and forecasts, and also respond to questions.

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

In addition, from the standpoint of fair disclosure, NOK participates in events for individual investors every year.

Efforts to Enhance Corporate Governance

▶ Please refer to page 69 for details.

Year	Month	Policy	Purpose
2004	Apr.	Established the Corporate Risk Management Office	Preventing and minimizing negative impacts on business continuity.
2006	May.	Enacted the NOK Charter of Corporate Behavior.	Enacted and declared Management Principles, Management Policies, and Principles of Corporate Behavior.
	Aug.	Enacted the Behavioral Guidelines Concerning Employee Compliance.	Enacted and disseminated guidelines on matters to be complied with by employees.
2008	Jan.	Established the Internal Control Audit Committee	Development of an internal control system, audit of its operational status and proper maintenance.
2009	Jun.	Introduced the Executive Officer System.	Separation of management oversight and executive functions, and the establishment of an agile management system.
		Changed the term of office of directors to one year.	Separation of management oversight and executive functions, and the establishment of an agile management system.
		Revised the executive compensation system.	Introduction of long-term performance-based and performance-linked compensation system.
2015	Jun.	Established the Risk Management Committee.	Minimizing risk probability and losses through cross-organizational verification and evaluation.
		One external director took office.	Strengthening the management oversight function.
2016	May.	Started assessing the effectiveness of the Board of Directors.	Improving the effectiveness of the Board of Directors.
	Jun.	Increased the number of external directors to two.	Strengthening the management oversight function.
	Oct.	Established the CSR Committee.	Raising the awareness of CSR throughout the company and promoting effective CSR activities.
		Established the Central BCM Committee.	Increasing the effectiveness of the business continuity plan and contributing to the improvement of corporate value.
2019	Jul.	The Management Oversight Council (composed of the President and Representative Director, external directors and an auditor).	Check, assessment and advice on key management issues and serious risks.

Compliance

The NOK Group established the "Compliance Rules" in 2006, based on the "NOK Charter of Corporate Behavior," which stipulates compliance with laws and regulations as well as the company's various rules and regulations. The company established the "Behavioral Guidelines Concerning Employee Compliance" as a guideline for specific details of the regulations, which specifies the items that employees must comply with in their business activities and ensures that all Group employees familiarize themselves with the guidelines.

Behavioral Guidelines Concerning Employee Compliance (Plan)

1. Respect for Human Rights, Prohibition against Discrimination and Harassment
2. Fair and Appropriate Trade
3. Regulations against Insider Trading
4. Export/Import Procedures (Security Trade Control)
5. Laws Related to Intellectual Property Rights
6. Severance of all relations with Antisocial Forces
7. Environmental Conservation
8. Safety and Health
9. Provision of Useful and Safe Products
10. Appropriate Management of Information
11. Prohibition against Acts that may Damage the Company's Interests
12. Giving Report of Violations of Ordinances etc.

Enacted on August 1, 2006, revised on January 1, 2020

*Refer to the CSR information (Governance - Risk Management/Compliance) on the NOK website for details of each provision.

Compliance Promotion System and Initiatives

In its "Compliance Rules" the NOK Group designates divisions in charge of individual laws and regulations to promote compliance activities in their respective operations, which act as a point of contact for reports and consultations on related laws, internal regulations and rules.

The NOK Group has designated October of every year as a compliance promotion month in order to regularly inform employees of NOK's compliance initiatives and to help raise their awareness of compliance, such as through conducting a survey of all employees on their compliance awareness. The company also provides compliance education at training for new employees and newly appointed managers, as well as distributes compliance handbooks to all employees and publishes a series of articles titled "An introduction to compliance" in the company's newsletter; thereby, continuously promoting awareness.

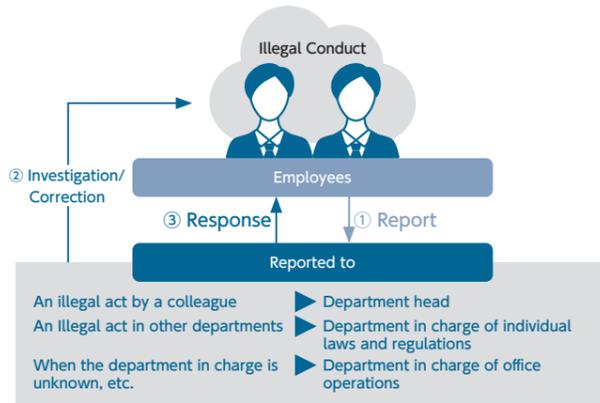
Reporting and Whistle-Blowing System

The NOK Group establishes the NOK Group Reporting Desk and Whistle-Blowing Hotline to detect and correct illegal conduct that violates the Compliance Rules at an early stage.

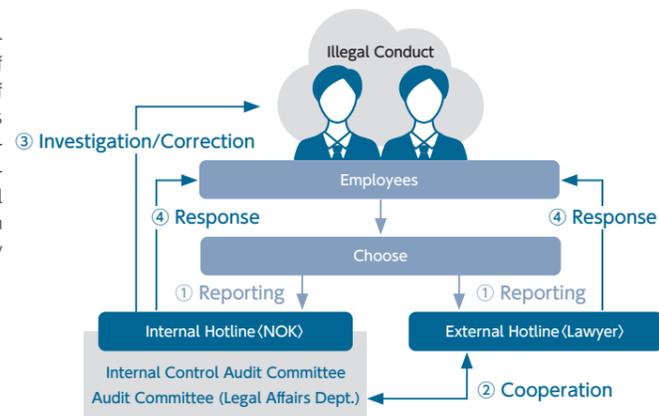
An employee who becomes aware of illegal conduct can contact the Reporting Hotline. If the illegal conduct is not rectified despite having reported it as described above, or if it is difficult to report such conduct to the Reporting Desk designated to receive such reports, he or she can report the matter to the Whistle-Blowing Hotline.

The Whistle-Blowing Hotline consists of the Internal Control Audit Committee and independent lawyers. Reports can be made anonymously, provided they are objective and specific. Moreover, the whistle-blower is protected against disadvantageous treatment under the Compliance Rules. Whenever a report or consultation is received, the Company takes appropriate action, such as investigating and correcting the situation in question.

Reporting Desk



Whistle-Blowing Hotline

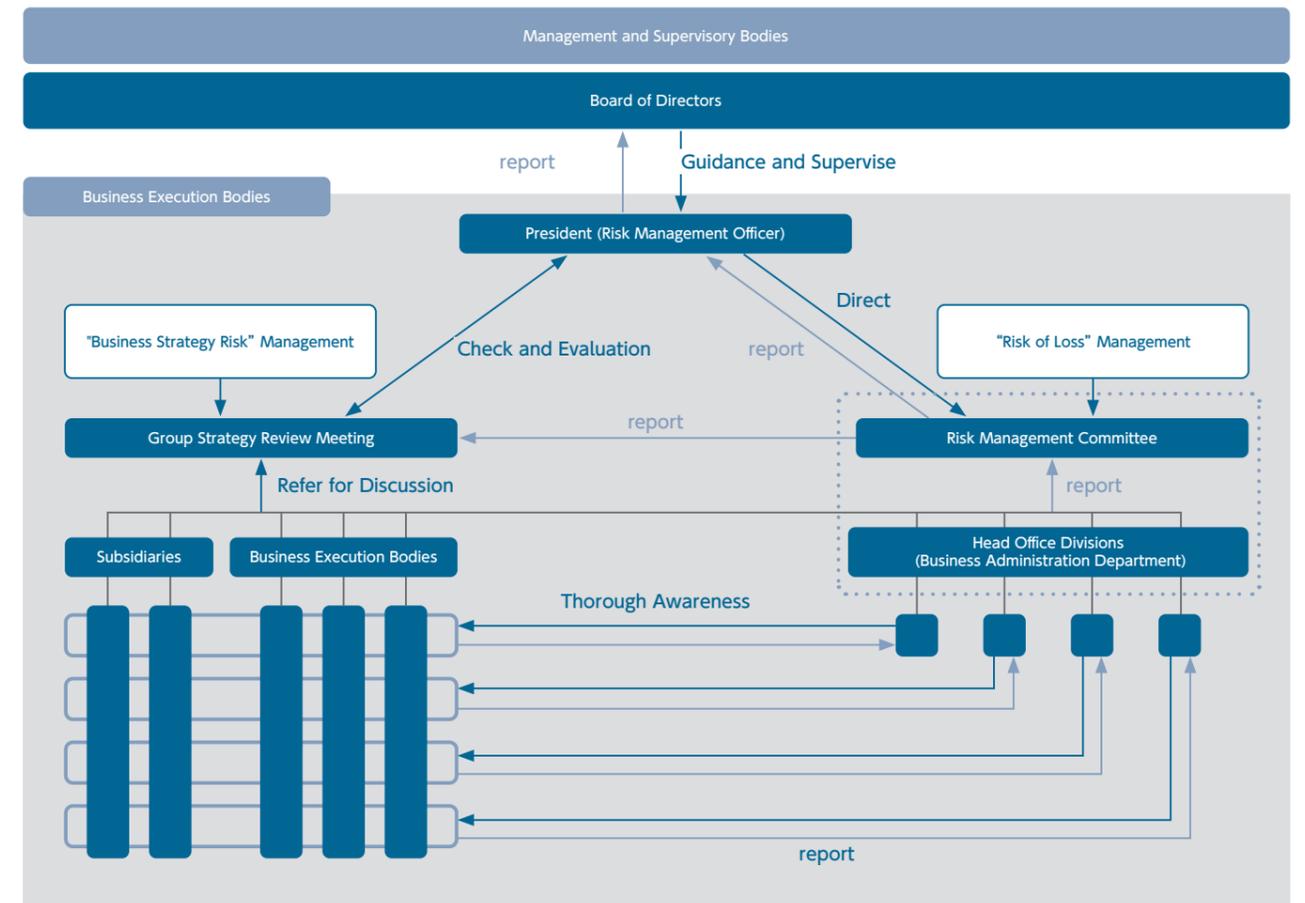


Risk Management

NOK's "Risk Management Rules" stipulate the basic policy and management system for risk management for the entire Group. Based on these rules, the company establishes a management system in which the president is responsible for risk management and promotes risk management for the Group. There are two types of business risks that may affect the management of the company: "Business strategy risk" in which we seek to maximize returns while maintaining balance with risks of increasing corporate value; and "risk of loss" in which we seek to prevent or minimize the probability of occurrence and losses in order to maintain corporate value.

"Business strategy risk" is assessed at meetings for examining

the Group's management strategy where risks associated with the promotion of business and new projects at Group companies are identified and discussed to maximize returns in a timely and appropriate manner. As for "risk of loss," the Risk Management Committee is established to assist the chief risk management officer, which periodically identifies and analyzes risks, as well as quantifies them through risk-level assessments that take into account the frequency (timing) of occurrence and the scale of loss (amount of damage); thus, examines issues and response measures by prioritizing their importance and urgency.



Response to Disaster Risks

1. Business Continuity Management (BCM) System

Of business risks and emergencies, NOK defines natural disaster, fire and explosion, serious accident and epidemic of infectious disease as "events that interfere with business continuity." The company established the "Business Continuity Management System" to ensure business continuity and to promote business continuity activities continuously and effectively in the event of such an event.

Specifically, the NOK Group BCM Committee was established as a standing committee to promote business continuity management activities. The management system composed of the BCM Committee is used to formulate, maintain, and update the business continuity plan (BCP), secure budgets and resources to implement them, implement preventative measures, conduct education and training, conduct inspections, and engage in continuous activities.

In the event of an emergency, the company shall immediately set up an emergency response headquarters at the head office and on-site response headquarters at local business establishments. Depending on a given situation, relevant departments and divisions will work together to deal with the situation promptly and appropriately.

2. Planning and promoting business continuity plan (BCP)

NOK will proceed with business continuity measures based on the following basic policy:

1. Give first priority to ensuring safety, protecting people and saving people's lives.
2. As a member of the local community, actively cooperate with the recovery of the whole region.
3. Minimize the impact on customers and stakeholders and fulfill responsibilities as a business operator.

Each business site, including domestic and overseas group companies, has a plan that outlines policies, systems, and procedures to ensure that important business operations are not interrupted or restored as quickly as possible in the event of an unforeseen event. At the same time, the company is verifying the effectiveness of the plan through training, etc., and responding to identified issues, as well as is continuing to implement measures to minimize damage, improve emergency communication methods and reporting systems, and reinforce the earthquake resistance of our IT infrastructure.

NOK Group Business Continuity Management System



*Subcommittee is established in each segment's BCM Committee.

Information Security

To appropriately manage information provided by customers and internal assets such as the company's unique technology, the NOK Group establishes the "NOK Group Information Security Basic Policy." The company also establishes a company-wide "Information Security Committee" to systematically promote activities.

In FY2019, based on the results of risk assessment, the company focused on measures against the risk of information leakage due to internal fraud. In addition, the company has established a system that allows us to conduct emergency inspections and ensure that the entire group can take action against increasingly sophisticated cyber attacks.

We will continue to implement a P-DC- A cycle to maintain and improve our information security measures.

Protection of Intellectual Property

The NOK Group has put together important points regarding intellectual property-related laws in the "Behavioral Guidelines Concerning Employee Compliance" ensuring that all employees are aware of these points. In this way, the group promotes the application and acquisition of intellectual property rights for the company's own inventions, as well as respects the intellectual property rights of others and strives to prevent infringements of others' rights by researching and identifying patents, etc., of other companies.

To protect NOK's brands, we combat counterfeiting, even outside Japan, through our Anti-Counterfeit Committee. During FY 2019, the company uncovered 4 cases of counterfeit factories in China and removed web pages selling counterfeit products from online sales sites in 830 cases.

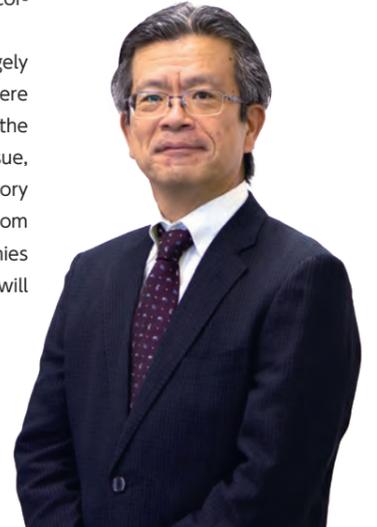
Social Report

Message

"A company is property that is shared by three parties: shareholders, employees and society." "Managers have three types of responsibilities. The first is to ensure the stability and development of their company, the second is enrichment of the lives of all employees, and the third is fulfilling their corporate social responsibility."

These are words, around 1970, of the president at that time. They tell us that NOK has focused on "corporate social responsibility" in its business activities since the early days of the concept.

Looking back at the history of the company, I can say that coexistence with local communities has largely contributed to its development. In the early 1970s, many migrant workers from distant parts of Japan were working at the factories in Haneda and Fujisawa. The workers were bearing heavy burdens due to the regional imbalance between employment opportunities and available labor. In order to resolve this issue, the idea of establishing factories in the home areas of the migrant workers was proposed. The first factory was established in Kami-gun, Miyagi Prefecture in 1973. Since then, factories have been built in areas from the Tohoku region to the Kyushu region, and now 7,000 people are working at about 20 group companies across the country, contributing to the development of both local communities and the company. We will strive to continue to be a company that is loved and honored by local communities.



Senior Operating Officer, General Manager, Corporate Administration Office and Corporate Risk Management Office

Noriyuki Takahashi

Human Rights



Respect for Human Rights

Respect for Human Rights (Basic Concept of Human Rights)

Item 1 of NOK's Management Principles stipulates as follows: "Management has to run the Company based on feelings of love and trust in its employees." We value the life of each employee and respect their humanity, and at the same time, we maximize the potential of each employee. We thereby maintain and reinforce the company's competitive edge. That is to say, we firmly uphold the stance of respecting human dignity across all aspects of our operations.

A precondition for such management based on respect for the human dignity of employees is the idea of respect for basic human rights. Based on the idea, the NOK Charter of Corporate Behavior makes a declaration as follows: "We will carry out management that respects the human rights of all people." We develop our business in accordance with this declaration.

Respect for Basic Human Rights Related to Employees

NOK's Principles of Corporate Behavior set forth "Respect for Human Rights" and "Provision of a Safe and Comfortable Working Environment," and our Behavioral Guidelines Concerning Employee Compliance stipulate as follows:

1. Respect diversity, personality differences and individuality, and do not practice discrimination based on race, color, creed, religion, nationality, age, gender, sexual orientation, gender identity, national origin and physical and mental disabilities. Do not tolerate such discrimination.
2. Do not conduct any acts of harassment that have negative effects on the working environment, such as impairing the dignity of an individual and causing a disadvantage to or posing a threat to an individual. Do not tolerate such acts of harassment.

Major Initiatives Related to Human Rights (Implementation of Activities and Various Education Programs for Promotion of Human Rights)

In line with the enactment of legislation to prevent power harassment, the number of cases of which is said to be increasing rapidly especially recently, we revised our Behavioral Guidelines Concerning Employee Compliance and Rules of Employment. In terms of general harassment, we also enhanced training and other education programs for managers and reviewed responses given through employee hotlines, thereby establishing a system for preventing and promptly and appropriately responding to harassment occurring internally and against external business partners.



Respect for Fundamental Rights and Dialogue

Basic Concept

To practice the management principle of respecting human dignity is to respect and protect workers' rights. Moreover, "company with free-flowing communication," which is one of NOK's Management Principles, leads to active promotion of dialogue among employees and dialogue between the company and employees.

Under these Management Principles, NOK is making efforts to create a workplace where employees can work vigorously without anxiety.

Compliance with Labor-related Laws

Domestic group companies are instructed to ensure compliance with the Labor Standards Act, the Labor Union Act and any and all other labor-related laws. Overseas group companies are also instructed to ensure compliance with local labor-related laws that are equivalent to Japan's labor-related laws. Moreover, NOK periodically confirms that the group companies are abiding by basic rules concerning the prohibition of child labor and forced labor.

Establishment of a Healthy Labor-Management Relationship based on Dialogue

Dialogue between the management and employees is essential for the company to "run the Company based on feelings of love and trust in its employees" and promote its healthy development. Respecting the right to organize, the right to bargain collectively and other rights of workers, the NOK Group has established a healthy labor-management relationship.

At the regular labor-management meetings held with the participation of the top management, not only negotiation about working conditions is conducted, but also explanations on business conditions and management issues are given, and discussions on the company's important policies and measures are held so that the labor side and the management side can cooperate in realizing both business development and employee happiness.

Development of Human Resources

Basic Concept

To ensure that employees can feel that the management is running "the Company based on feelings of love and trust in its employees" as stipulated in the Management Principles in their respective workplaces. Under the basic principle of human resources development and the vision of human resources development, NOK aims to create workplaces where employees can find satisfaction in their jobs and feel that they are growing. To this end, we are making efforts to develop human resources through various relevant programs.

Basic Principle of Human Resources Development

"A workplace nurtures its people, and people nurture their workplace."

Vision of Human Resources Development

"Development of human resources who take pride in their jobs and respect each other"

NOK's Human Resources Development Program

NOK's human resources development program consists of level-specific education and development/specialized education.

The level-specific education is for enabling attendees to understand their roles and the expectations from society correctly, and to contribute to the creation of workplaces where attendees themselves and their colleagues can find satisfaction in their jobs and feel that they are growing.

For example, "4th year follow-up training," which is a junior training program collectively targeted at employees in their fourth year after joining the company as new graduates, provides not only knowledge and information, but mainly assigns group work to the trainees so that it will lead to the vitalization of the organization. In the group work, trainees share the contents of their daily work and their hard experiences, as well as invite seniors from various job types to hold panel discussions. By sharing experiences of and exchanging opinions with seniors who are working vigorously, trainees can receive a variety of advice on concerns that many junior employees currently have, such as how they should perform their jobs, how to interact with people in and outside of the company, and the necessity of improving their linguistic ability and other skills. It is a big help for junior employees to know that their seniors have faced and overcome the same hurdles facing them. This training provides trainees with opportunities to share a sense of unity and be in friendly rivalry with their peers, as well as to reconsider their roles and ways of performing their jobs at their respective workplaces.

Incidentally, since FY2019, domestic group companies were included in the management program (worksite leader training, new manager training, and manager follow-up training).

On the other hand, the development/specialized education is for enabling participants to acquire the necessary skills to perform their duties.

While specialized education used to be provided independently by each department to employees within the department, "business skills training," which is a special skills training program, allows all employees who wish to participate in it to do so in a cross-departmental manner. Information sharing through visualization of all information on courses provided by departments enables employees to apply for their preferred courses.

Moreover, "global human resources development" aims to develop human resources who can actively apply English at work rather

than those who can simply speak English well. Through off-the-job training in which employees receive language training, as well as mental and communication training necessary for working overseas, and on-the-job training aiming at broadening capability of each individual to cope with various duties, we are developing human resources who can actively exercise their abilities in global society. The program, which is implemented for a term of more than half a year, is intended to supplement the internationalized human resources development system, in which employees study language abroad under the in-house system.

"Special-purpose training" is targeted at employees who needs focused education or development from time to time. In FY2019, the program was implemented under themes of active participation of reemployed employees and vitalization of workplaces.

As seen from the above, NOK endeavors to develop and vitalize employees by increasing opportunities for them to receive various training. Such training is implemented to provide employees with not only opportunities for simple capacity building, but also opportunities to establish solid relationships with their seniors and peers, which will be very helpful for ensuring smooth communication at each workplace.

Training records of programs are managed and monitored in the in-house training management system. In FY2019, 1,103 employees received training through the above programs. The total training time was 13,992 hours (FY2019).



4th year follow-up training

Number of participants

FY	FY2017	FY2018	FY2019
Number of participants	863	736	1,103

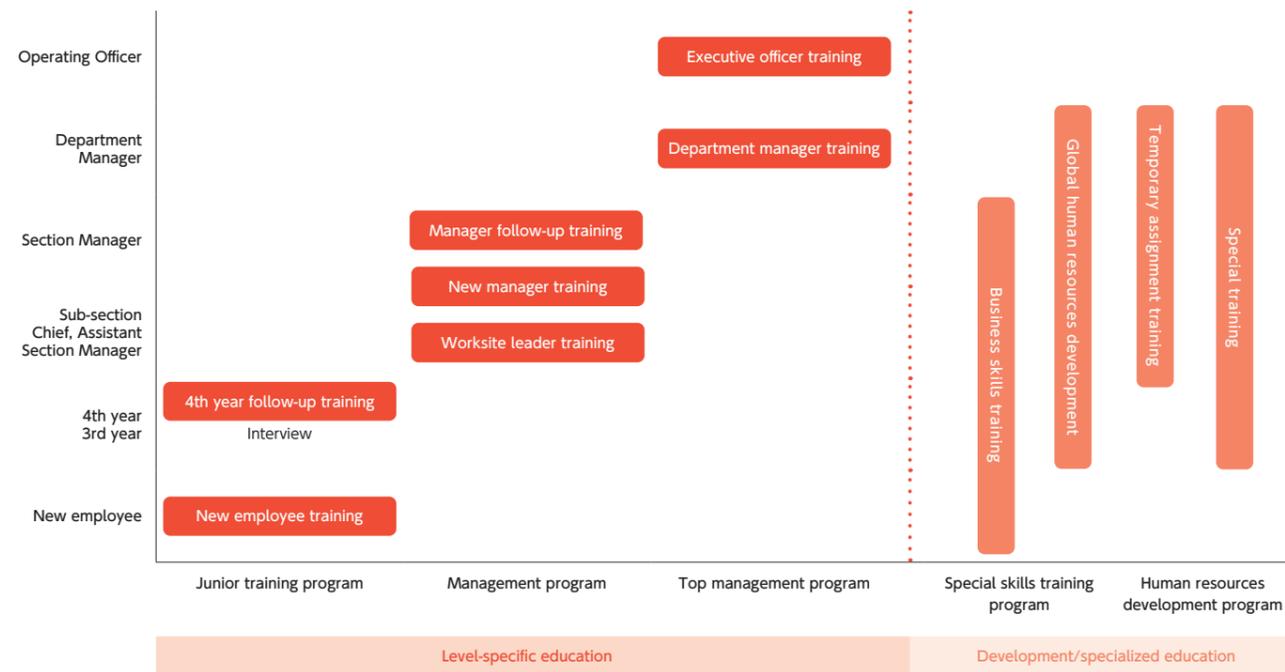
* Including group companies from FY2019

Training time results

FY	FY2017	FY2018	FY2019
Training time	13,351 hours	12,866 hours	13,992 hours

* Including group companies

System of NOK's human resources development program



Diversity

Basic Concept

The NOK Group upholds the stance of recruiting and appointing various and diverse human resources regardless of their gender, race or nationality.

On a global consolidated basis, more than 40,000 diverse employees of different nationalities, races, genders, and employment types are currently working in the NOK Group. We ensure that executives of both domestic and overseas bases understand management based on respect for human dignity, which is the basic principle of the NOK Group, and practice such management in accordance with the circumstances in each region.

Global Furtherance of Diversity

With the stance of localizing business execution by overseas bases, the NOK Group furthers development and appointment of human resources who acknowledge and understand local conditions regardless of their race or gender.

Interaction among executives, technology, manufacturing, sales, general affairs and other departments of both domestic and overseas bases is facilitated so that they can utilize the outcomes for development of human resources and improvement of operational quality and efficiency in each department.

Moreover, active appointment, development, and participation of employees of foreign nationalities are advanced through appointment of local officers of overseas subsidiaries to officers of domestic companies, and implementation of training for technical and manufacturing employees of overseas subsidiaries by technology and manufacturing departments and hire non-Japanese students in Japan.

Advancement of female employees

NOK takes various measures to increase the number of females recruited for management-track positions. It also provides training and guidance to enable existing female employees in non-management-track positions to be actively promoted to management-track positions and on to executive positions according to their willingness and abilities.

The medium-term plan for these initiatives is to increase the percentage of new female recruits for management track positions to 10% by the end of FY2022. The plan has also set the target of tripling the number of female employees in management positions compared to the number at the end of FY2019.

Rate of hiring of new female graduates for the managerial track

(As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Hiring ratio	2.9%	3.1%	4.4%	6.1%	5.2%

* On a parent basis

Enhancement of Employment and Supporting System for People with Disabilities

NOK furthers the employment of people with disabilities so that they can take jobs according to their abilities and competencies and live independent lives in their communities. Divisions around Japan promote the allocation of people with disabilities to jobs that satisfy them and the creation of workplaces that enable them to work comfortably in order to establish an environment where people with disabilities can work vigorously.

Employment of disabled persons (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Rate of employment	1.96%	1.98%	2.06%	2.06%	2.06%

Senior Employee System (Reemployment after Retirement)

In 2006, NOK introduced a system to rehire employees who have reached mandatory retirement age. We seek to improve the system so that 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 maintaining their livelihood through reemployment under the system.

In FY2016, flexible working patterns were permitted, and working conditions were revised. While revising working conditions from time to time thereafter, we established a job posting system and a human resources registration system for senior employees. Moreover, through providing seminars on life planning to support livelihood after retirement and training prior to retirement for maintaining the will to work, we continue to facilitate senior employees taking on more active roles and to enhance their job satisfaction after retirement.

Number of persons reemployed

(As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Male	166	202	210	223	209
Female	4	6	5	6	6

* On a parent basis

Human Resources and Welfare Systems

Basic Concept and Initiatives for Work Style Reform

As part of management based on respect for human dignity, NOK is making efforts to realize a working environment where employees can balance their job satisfaction and comfortable lives. In addition to past measures to help employees to achieve both professional and personal goals, we now consider and undertake various other measures from the viewpoint of work style reform.

To realize flexible work styles and diverse work styles, we also work on the implementation and improvement of a flextime system, teleworking, and childcare leave, nursing care leave and other employee benefit systems, the lowering of the upper limit of overtime work hours for shortening of working hours, and improvement of the rate of paid leave taken by employees.

Work-life Balance (Support for Balancing of Work and Family)

NOK provides childcare leave, nursing care leave and other employee benefit systems, some of which offer support that is more wide-ranging than the statutory support*, to help employees work in ways that suit their lifestyles. To ensure the systems are properly functioning and facilitate their use by employees, we provide information and advice on them.

Moreover, we are creating a comfortable workplace by adopting a flextime system (without core time), easing the restriction on taking paid leave for half a day, and allowing expiring days of paid leave to be reserved for up to 30 days. At the same time, we are considering teleworking and other work style arrangements, taking into account improving work efficiency and realizing the optimum work-life balance for employees.

* Some systems provide support that is more wide-ranging than the support stipulated in childcare and nursing care-related laws.

Item	NOK's system	Legal requirements
Application period for reduced working hours for childcare	Until the end of the third grade of elementary school	Until 4 years old
Nursing care leave	1 year	93 days

Enhanced Initiatives for Shortening Working Hours and Improving the Rate of Paid Leave Taken by Employees

NOK has endeavored to shorten the total number of actual working hours to help employees to pursue comfortable and affluent lifestyles. We develop a plan for new initiatives and review the performance of previous initiatives in the labor-management committee annually. Specifically, we check the record of overtime work hours and the data on paid leave actually taken, on both department and individual bases, and thereby identify problems and develop a plan of countermeasures. At the Labor-Management Council, we review the problems and the plan to establish medium- to long-term targets. The current targets are as follows:

1. In principle, the total of overtime work and work on a holiday to be within 45 hours in a month and 360 hours in a year
2. Paid leave is to be taken for 15 days or more in a year

To this end, as measures for improving operational efficiency, we are striving to streamline operations boldly, nurture multi-skilled workers, promote the digitalization of operations, and especially facilitate the smartification of back-office departments.

Self-evaluation and Reporting System

NOK annually provides employees with an opportunity to report on their workplace situation and the job they aspire to have in the future. Depending on the contents of the report, such as the desired career path, an interview with a supervisor is arranged as needed as an opportunity to communicate with one's supervisor.

The results of the self-reporting are used to develop and utilize human resources effectively in order to ensure that the right personnel are appointed to the right positions, thereby improving the workplace environment.

Other Welfare Systems

1. Workplace communication

NOK aspires to create an open workplace. Executives and managers take the lead in creating and maintaining a workplace where good communication is ensured between superiors and subordinates, among coworkers and between departments.

For example, for social gathering meetings composed of officers and employees, the company supports divisions and respective workplaces in planning and holding social gatherings.

2. Support for retiree associations

To help employees enhance their life after retirement, NOK established retiree associations around Japan (regional eight blocks). Each association regionally holds gatherings and other events for retirees to interact with each other.

Employees' Safety and Health

Basic Concept

Respect for human dignity is one of the NOK Group's management principles, and we believe that safety is a crucial precondition for respecting human dignity. Safety represents both a mission for management and a desire of all employees. We have well recognized safety as a top priority in all operations. To explicitly communicate a message on safety from top management to employees as well as improve and ensure safety awareness and eliminate industrial accidents, we formulated the NOK Group Safety Principles in FY2017 and are promoting our safety activities accordingly with unified efforts.

NOK Group Safety Principles

"Safety is the foundation for implementing management spirit that respects human dignity, my desire and my mission"



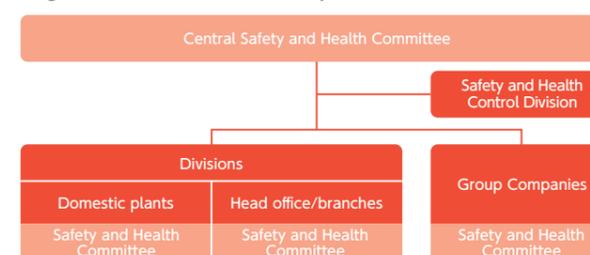
Signs in a factory

Occupational Health and Safety Promotion System and Initiatives (Creation of Safe and Comfortable Workplaces)

The NOK Group has established a safety and health management system headed by the president of NOK to promote safety and health activities.

The Central Safety and Health Committee, which serves as an activity organization, holds meetings twice each year to develop annual policies. These policies are then promulgated to divisions and group companies so that the policies will be incorporated in an annual safety and health plan and implemented by each division or group company. The Safety & Health Dept., which supervises safety and health affairs at a corporate level, actively supports the creation of

Organization to Promote Safety and Health Activities



systems by which the level of safety and health management can be maintained and improved in each division, in collaboration with safety secretariats at plants, the head office and group companies.

We improve our safety and health plan by implementing a PDCA cycle on a quarterly basis and conduct analysis to reinforce the weak points of each workplace by utilizing radar charts on a yearly basis. Moreover, divisions developing improvement plans are designated as specified divisions to be managed and receive support from the Safety & Health Dept. in implementing the plans.

Initiatives

1. Development of the medium-term occupational safety and health plan

The NOK Group established and has been implementing continuously the medium-term occupational safety and health plan (for FY2019 to FY2022), focusing on the following three items:

- (1) Improving the level of safety management to eliminate lost time injuries and reduce the total number of occupational accidents to half *
- (2) Equipment safety measures through risk assessment
- (3) Zero explosions and fires and thorough implementation of measures to prevent recurrence

* Number of cases in FY2022 compared to the number in FY2018

2. Safety and health activities

(1) Safety activities in which the top management and employees all participate

The heads of the head office and divisions make a safety declaration, as well as set and implement a "Safety Day" every month, in which all employees participate for the purpose of early identification of and response to risks in their department through awareness raising and mutual enlightenment of safety among employees.

(2) Measures for securing safety of facilities

Based on risk assessment for facilities and operations, we continue to take additional measures to reduce operational risks, such as introducing safety mechanisms into facilities and placing safety covers on equipment, thereby mitigating operational loads on employees and creating a work environment where employees can work more safely.

(3) Zero explosion/fire

For fire management, we focus on prevention of fire disasters/ small fires and therefore established and utilize a system which enables us to share company-wide information on near miss incidents and take preventive measures against their recurrence in a unified manner.

3. Safety and health education

Our Safety and Health Mottos were developed back in 1976 with the aim of maintaining and raising the safety awareness of employees and helping them to acquire safety knowledge. The Mottos are used as a teaching aid for all employees to share awareness of safety in operations.

Labor Practices

Line managers receive safety, hygiene and health training at the time of their appointment and again at the beginning of their third year to ensure a common awareness of safety and health issues.

We formulated the Safety and Health Standards to set standards for employee education and training as well as for facility safety. These standards are applied to the on-site operations of relevant departments. As practical education, virtual crisis simulation equipment produced by NOK is also used for safety and health education.

With the aim of raising the level of safety awareness and mutual enlightenment among safety secretariats, training workshops are held twice a year with the participation of the secretariats at domestic group companies and plants. In FY2019, an inspection trip to overseas NOK group companies implementing good safety measures was conducted in addition to the training workshops held in Japan.

To secure the safety of contractors conducting work on NOK premises, we implement the sharing of near miss incident information and risk prediction training before they start their work so that safety working procedures will be adhered to.



Risk prediction training at an overseas NOK group company



Education for management position



Virtual crisis simulation training

(Excerpts)

Safety and Health Mottos



Use of gloves may be dangerous in some work, for example, work conducted near a rotating object.



Hair may be caught up in the rotating part of equipment.



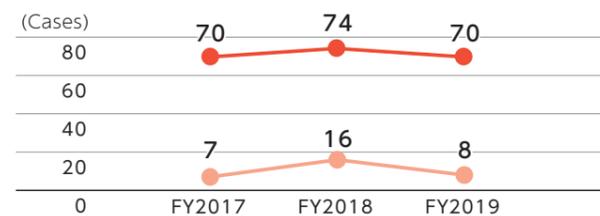
Major safety-related initiatives	FY2017	FY2018	FY2019
Safety, hygiene and health training for line managers	113	143	129
Facility safety training (simulation/safety standard training)	51	330	59
No. of units undergoing facility safety improvements	1,091	622	1,131
Investment in facilities and equipment for safety measures	390 million yen	370 million yen	320 million yen

[Lost Time Injury Frequency Rate*]

* Rate of occurrence of lost time injuries per 1 million hours

	FY2017	FY2018	FY2019
Average among manufacturers	1.02	1.20	1.20
NOK Group (domestic)	0.25	0.46	0.27

Number of Industrial Accidents (NOK Group)



● Injuries not accompanied by lost time ● Lost time injuries

[Lost Time Injury Severity Rate*]

* Severity of injuries represented by the number of workdays lost per 1,000 hours

	FY2017	FY2018	FY2019
Average among manufacturers	0.08	0.10	0.10
NOK Group (domestic)	0.01	0.07	0.04

Mental and Physical Health

In FY2019, NOK started activities to analyze the health data of employees to use the results for improvement. Meetings of occupational health nurses and public health nurses are held to share information. We also actively received, as a workplace for practical training, university students studying to become future industrial hygiene staff.

To meet the mental health needs of employees, we have developed a system that incorporates individual interviews by clinical psychologists and is thereby able to offer counseling, in addition to efforts realizing self-care, line care and care provided by in-house occupational health staff.

We have also established a free 24/7/365 telephone hotline staffed by an external professional institution to deal with mental health problems at an early stage and continue to provide support for smooth return to work.

To support health, we have promoted, in cooperation with industrial physicians, activities to encourage employees to engage in exercise in an enjoyable format, such as the provision of guidance concerning lifestyle diseases (at the head office), seminars to prevent back pain and stiff shoulders (at divisions) and walk events (at the head office and divisions). Our athlete employees, Okubo and Hirayama, held a training session as instructors and taught 89 participants how to perform easy stretching exercises and muscle training.

Major mental and physical health promotion activities	FY2017	FY2018	FY2019
Number of health consultation calls	1,040	867	850
Rate of receiving comprehensive health examination	99.8%	99.9%	99.9%
Rate of receiving secondary examination	84.0%	89.4%	89.9%



Stretching and muscle training program by athlete employees

Activities to improve the workplace environment

We first launched activities to improve workplace environments in FY1993. We have managed our working environments (noise, heat and cold), operations (work posture and the handling of heavy objects) and support systems (the provision of facilities for relaxation). The NOK Mid-Term Safety and Health Plan from FY2019 has strengthened efforts to improve our working environments with an emphasis on group companies.

Activities for traffic safety

As part of the responsibilities of companies associated with the traffic society through their products, the NOK Group focuses on creating a culture of traffic safety. From the viewpoint of respecting human dignity, we have, over a period of time, exercised necessary control and provided education and guidance in promoting safe driving, in the hope that we can reduce, even if only slightly, the number of people adversely affected by traffic accidents and eradicate traffic rule violations leading to accidents.

For example, we issue SD (safe driver) cards to good drivers and commend them according to the number of years without causing accidents and violations to maintain and improve employees' awareness of traffic safety. In addition, we have been working to ensure that all employees and fellow passengers wear seat belts since the 1970s, even before the Road Traffic Act made the fastening of seat belts mandatory.

NOK divisions actively perform traffic safety lookout duties and participate in traffic safety seminars and local traffic safety promotion events organized by JAPAN AUTOMOBILE FEDERATION (JAF) and local police departments.

Number of traffic accidents where NOK was responsible and NOK and the other party were both responsible (NOK Group) (Cases)



Traffic safety guard activity

	FY2017	FY2018	FY2019
Total number of employees commended for safe driving (Those commended for 30 years or longer)	856 (95)	856 (78)	910 (124)

Fair Operating Practices



Compliance with Fair Operating Practices

Basic Concept

We at the NOK Group believe that in order to fulfill our corporate social responsibility it is essential to share common awareness across the procurement supply chain while building up trustful relations therein, thereby achieving interactive evolution.

In addition, today's society has many issues such as environmental issues and human rights issues, and companies are expected to solve the issues for building a sustainable society.

To realize this initiative, the NOK Group has established the "NOK Group Procurement Policy" and is conducting procurement activities

with our suppliers.

At the same time, we ask them to respect our "Corporate Behavior Charter," "CSR Procurement Guidelines," and "NOK Group Green Procurement Guidelines," to ensure fair and impartial procurement activities that consider possible impacts on society and the environment, thereby realizing a Sustainable Society. We will make our overall efforts throughout the supply chain toward the realization of this initiative.

Supply Chain Management

NOK Group 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.

CSR Procurement Guidelines

In order to fulfill our corporate social responsibility, we request our suppliers to refer to these guidelines and actively promote CSR activities, including within their supply chain, while complying with the guidelines within NOK Group.

- 1 **Compliance with laws and regulations**
We shall comply with laws and social norms in each country, including competition laws, trade-related laws, and environment-related laws.
- 2 **Respect for human rights**
 - We shall 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 regulations.
 - We shall not discriminate on the grounds of race, ethnicity, creed, gender, age, marriage, physical characteristics, disability, etc. in any employment or treatment (application, recruitment, promotion, remuneration, right to receive education, work grants, wages, welfare, punishment, dismissal, retirement, etc.).
 - We shall comply with the laws and regulations of each country and region where employees are entitled to minimum wages, overtime, wage deductions, piece-work payment, other benefits, working hours (including overtime), holidays, and annual paid holidays.
 - We shall communicate and discuss with employees directly or with their representatives faithfully. We also recognize the right of employees to freely associate or not to associate in accordance with the laws and regulations of each country or region.
- 3 **Safety**
We shall prioritize the safety of customers and consumers and purchase products that satisfy safety regulations.
- 4 **Green procurement**
We shall carry out procurement activities based on the NOK Group Green Procurement Guideline with consideration for preserving the global environment .
- 5 **Confidentiality**
We shall 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 shall 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 shall 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 shall contribute to the development of local communities by promoting business transactions with local suppliers.
- 9 **Information disclosure**
We shall disclose business information related to management and finance, product handling and safety, quality, environment information, etc. to all stakeholders in a timely and appropriate manner, and through open and fair communication, we shall maintain and develop mutual understanding and trust.
- 10 **Deployment of suppliers' CSR**
In order to advance initiatives throughout the supply chain, we request suppliers to implement initiatives equivalent to those described in the NOK Charter of Corporate Behavior and CSR Procurement Guidelines.

Building Relationships of Trust with Suppliers (Coexistence and Co-prosperity with Suppliers)

In consideration of the importance of co-prosperity with suppliers, we at the NOK Group are making efforts to build a strong relationship of trust and a long-term cooperative relationship with suppliers.

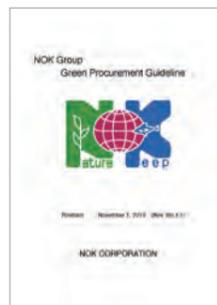
For the purpose of fair trading, in September 2016, the Minister of Economy, Trade and Industry announced "Towards future-oriented trading practices," an initiative aimed at ensuring "fair trading" and "enhanced added value" for both the original contractor and subcontractors, thereby improving the trading environment throughout the supply chain. And in December of the same year, the "Operational Standards" of the Subcontract Act and the "Promotion Standards" based on the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises were revised, followed by the issuance of a notification titled "Payment means for subcontracting."

In addition, the Japan Automobile Manufacturers Association and the Japan Auto Parts Industries Association have formulated and announced the "Initiative for Promotion of Fair Trading and Enhancement of Productivity-Added Value."

In response to these initiatives of the government and industry, we at the NOK Group hold a seminar which covers key considerations for persons involved in procurement and patterns of act that could be considered problematic as well as guidelines on how to deal therewith. We also make these matters universally known to practice fair trading.

Promotion of Green Procurement

NOK globally publishes the "NOK Group Green Procurement Guidelines," which describe NOK's environmental policy and green procurement policy. NOK is working to reduce the environmental impact in the entire supply chain in cooperation with its suppliers by asking them to submit cooperation agreements to the "NOK Group Green Procurement Guidelines" to ensure that suppliers are aware of NOK's environmental philosophy and policies and that they can procure raw materials and parts in an environmentally conscious manner.



Efforts in Dealing with Conflict Minerals

We at the NOK Group conduct procurement activities throughout the supply chain lest illegal profits be offered to antisocial armed insurgents who violate human rights.

In addition, we, as a member of the Conflict Minerals Regulation Response Working Group in the Procurement and Production Subcommittee of the Japan Auto Parts Industries Association, collect information through the Working Group's activities and implement conflict minerals initiatives in the supply chain.

Strengthening supply chain BCP / BCM

In recent years, we have had a high incidence of natural disasters and fires that affect steady production and procurement. We are working to build a system in which we can gain an understanding of the big picture of the damage situation upon occurrence of the disaster and adequately take necessary measures in cooperation with our suppliers.

In fiscal 2019, we sent a "BCM check sheet" to our suppliers and clarified problems through self-checking. In fiscal 2020, we will strive to build a resilient supply chain while providing guidance on effective measures.

Product Quality and Safety

Basic Concept

Basic policy

"With quality first, we provide services and products with consumer confidence at all stages of research and development, design, production, sales, service, etc."

Behavioral guidelines

1. All employees work together to make constant efforts to improve quality
2. Improve our unique technology
3. Continuously improve quality control technology
4. Thorough compliance with laws and regulations
5. Continuous policy management

NOK Group Three-Year Quality Assurance Policy (2020-2022)

"Return to the Basics of Quality"

Priority Action Items

Under the chairman-advocated policy "Return to the basics of quality," we will be returning to the basics, with the following four points in place for the three years of fresh start toward ensuring customer-trusted NOK quality.

1. Thorough adherence to basics

In order to earn more customers' trust, the top priority of ours is to stick to the basics. More specifically, we will aim at educating our employees in quality assurance against correct standards and having them comply with the same, thereby continuously improving their skill in quality assurance.

We will ensure that our products we deliver to our customers do not cause any inconvenience due to inadequate work instructions or non-compliance with the same.

2. Prevention of serious quality problems

As demands for product safety and quality increase, public attitudes toward, for example, compliance and responses to product defects identified in the market, are becoming more stringent.

In addition, the increasingly sophisticated demands of customers require a challenging way of process development, and hence, we will enhance our "workmanship" in manufacturing process ranging from development to production sites to prevent such problem from occurring.

3. Reduction of waste loss

From the perspectives of environment conservation and contribution to the bottom line of an organization, it is necessary to reduce waste loss arising at production sites.

We will give top priority to products with high waste loss, and respective corporate functions will provide necessary support to pursue activities related to waste loss reduction.

4. Improving quality control level by utilizing IT

By promoting the digitization of operations, we will streamline operations and strive not to rely too much on knacks, tips, and experience.

In addition, we will improve the speed and accuracy of traceability by further enhancing the digitization of quality records.

Quality Management System

Quality Management System

In order to continue to supply products that meet the needs of our customers, we at NOK have established a quality management system based on international standards such as ISO9001, and we are operating in compliance with the same and working on continuous improvement thereof.

▶ Please refer to P. 71 for the list of quality management system certified companies.

Quality Assurance System

At NOK, the Quality Officer also acts as a control center for the functions involved in quality assurance, such as planning, coordination and promotion for group companies' products. Each division develops a quality assurance activity plan in line with the NOK quality policy, and the Quality Officer conducts quality assurance review (QA review) on site in a systematic manner.

In addition, the domestic mother factory takes the lead in supporting the launch of overseas production transfers, promoting quality priority implementation items, and resolving quality problems, and the Quality Control Office is also involved in important matters associated with the above operations and strives to ensure smooth implementation of such operations.

Quality Assurance Activity Plan (QA Activity Plan) that works on quality activities in all departments

We have expanded the NOK quality policy and quality targets to all business divisions, and each business division has formulated a quality assurance activity plan (QA activity plan). In the quality assurance activity plan, priority action items and target values for achieving the quality goals are set, and these are concretely reflected in the work implementation plan of each department, with all departments engaged in quality activities. Its performance is evaluated through quality assurance review (QA review) and management reviews of business divisions, which leads to effective and continuous improve-

ment.

Quality assurance review (QA review) for the validation of the quality assurance system

The Quality Officers conducts on-site reviews for quality assurance (QA review). Specifically, we validate whether an implementation plan has been formulated based on an understanding of the intention of the policy and whether quality improvement activities are effectively implemented. However, in recent years, we are working on weaknesses by conducting production-site-driven reviews.

Quality Control Department Managers' Meeting that has horizontal ties within the NOK Group to ensure mobility

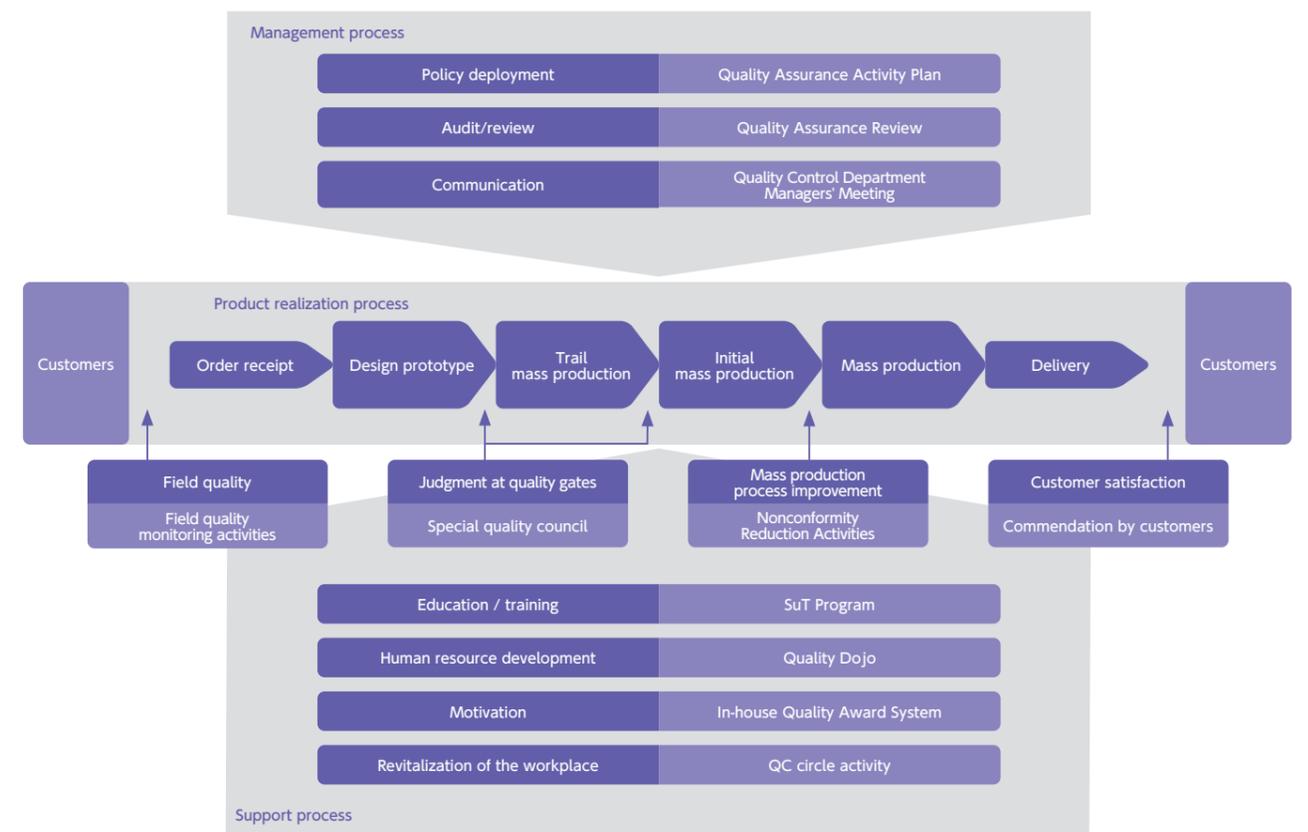
Quality managers from domestic and overseas group companies gather regularly to exchange information on the year-by-year development of priority implementation items and the activities status at each site. This occasion provides gathered managers of operation bases with an opportunity of not only deploying best practices presented by other operation bases but also "sharing of lessons learned from their activities."

In this way, group companies in and outside Japan closely exchange information on the quality management system in an effort to ensure that NOK's products have a uniform level of quality on a global basis, thereby enhancing customer satisfaction.

Quality improvement activities

NOK is making unique efforts to improve quality in each of processes from order receipt up to delivery.

Overview of quality improvement activities

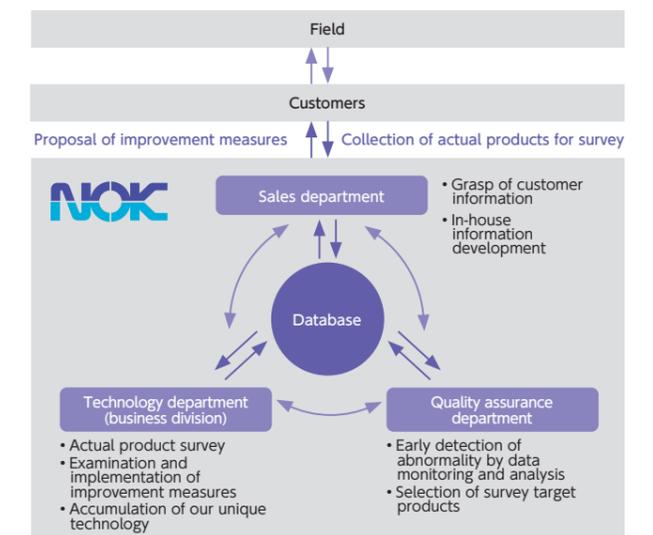


Taking advantage of field quality data Field quality monitoring activities

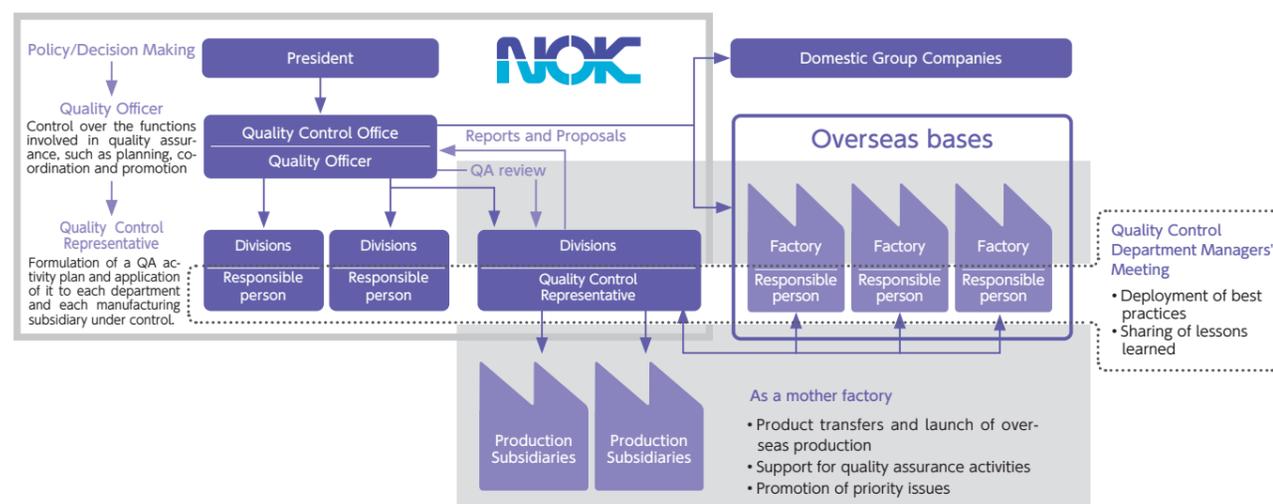
We at NOK use quality data of our products in the field to regularly monitor for anything that could lead to market complaints. This activity is called MFQ* activity and managed in a database and enables the analysis of field quality data. This activity also leads to improved product quality. If we are successful in finding improvement measures based on past performance and/or the results of surveys and analysis of our products in the field, we propose improvement measures to our customers and work in collaboration with them.

* MFQ: Abbreviation for Monitoring Field products Quality

Overview of field quality monitoring activities



Quality Assurance System Overview



The Quality Officer decides the adequacy of putting a newly developed product into mass production. Special quality evaluation meeting

In ensuring the delivery of stable-quality products to customers, we at NOK engage in problem prevention activities, in which we divide the development of a new product from design to production into three stages of (1) Design prototype, (2) Trial mass production and (3) Initial mass production and have in place criteria that warrant us to move on to the subsequent stage so that we can solve any problem at an early point.

In particular, for products that involve new development, a "special quality evaluation meeting" is held at each stage for members from the responsible business division and relevant offices to conduct design review, and the Quality Officer makes the decision to move to the next stage.

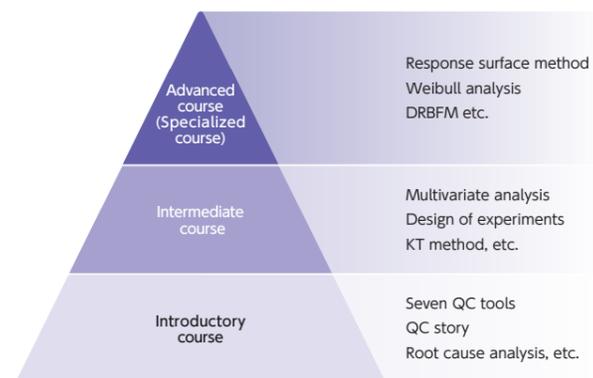
**Activities Not to Make Nonconforming Products
Activities to reduce nonconforming products in conjunction with an understanding of the mechanism that causes such nonconformance**

NOK strives to reduce nonconforming products to improve quality and reduce on waste. In order to avoid causing troubles to customers, we are requested not to make nonconforming products in manufacturing processes. To that end, we undertake a series of actions under which we, at the outset, take measures against one specific nonconformity until the product has zero such nonconformity, and then, we take measures against another nonconformity until the product has zero such nonconformity. In this way, we conduct one-by-one check up until nonconformity is precluded at all stages. The "Zero Nonconformity Initiative," as it is called, is devoted to a multitude of technical subjects at operation sites on a yearly basis, gaining a foothold and becoming independent at group companies in Japan and abroad.

Basically, this project requires the repeated observation of gemba (actual place) gembutsu (actual thing) and genjitsu (actuality) and verification based on a certain mechanism. It has helped employees to develop their abilities to solve problems on site. Results of the verification based on mechanisms are represented in an FTA* to be managed as a unique technique for use in the future.

* FTA: Abbreviation for Fault Tree Analysis, which is a method of analyzing failure and accidents.

Overview of SuT Program



**Let's say something with data.
Improvement activities through quality control education and practical operations based on Quality Control-oriented thinking**

NOK provides quality control education for each level of the organization. Among others, in the field of problem-solving, we have been advocating the importance of logical analysis and improvement based on facts and data with the motto "Let's say something with data" which is one of the hallmarks QC-oriented thinking.

Nowadays, in the field of problem solving, speedy response is required. To meet such needs of the times, we hold the "SuT Program" with a focus on diffusing the use of "tools that will help speed up problem solving."

In early days of its launch in 2001, we had only eight courses for the technology department. Since then, the program coverage has expanded to include people from the manufacturing department and group companies. In the time between, we have come to learn peoples' education needs for more fundamental knowledge as well as advanced techniques. At present, we have more than 20 courses from basic "QC seven tools" to "multivariate analysis" and "design of experiments," and we have organized a curriculum so that advanced methods can be learned through practical exercises.

SuT* is called "Satto," and many employees have participated in the course and have applied the methodology they learned in it to various improvement activities such as QC circle activities and non-conformity reduction activities.

* SuT is an abbreviation for Speed-up Tools that is useful for speeding up the problem-solving process.

SuT classroom scenery



Quality Dojo Initiatives to pass down "Quality First thinking"

At NOK, we are working on the "Quality Dojo" as a place to develop human resources who can convey, practice and instill the "quality first mind" in their daily work.

Each division has quality trainers (Quality Dojo Masters) who run the Quality Dojo training center and provide disciples with training and education.

Disciples who have graduated from the Dojo are responsible for providing guidance and training to their subordinates as their daily routine in addition to their own quality improvement activities as primary duty.

Now that ten years have passed since the Quality Dojo was established, the training curriculum has been improved to meet the needs of each business division and group company, embarking on a new stage.

QC circle activities perking up even abroad

The NOK Group encourages employees to form quality control (QC) circles: autonomous small groups that engage in quality improvement activities.

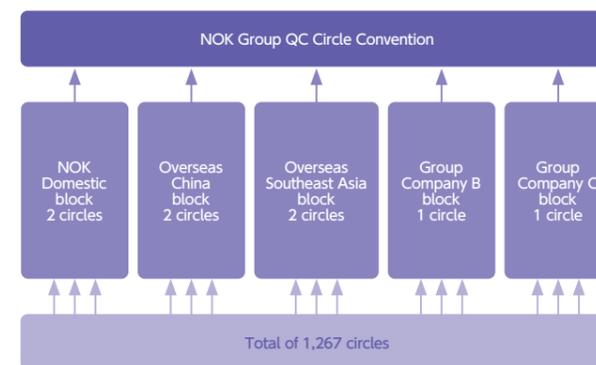


These QC circles also provide a place for their members' growth and personality formation through activities in which all the members of each circle endeavor to solve their familiar matters in the workplace, which leads to revitalization of the workplace.

Every year, NOK Group companies hold activity presentations, and in fiscal 2019, a total of 1,267 circles from Japan and overseas participated in the event.

Three circles in Japan and five circles abroad, which had been selected through an activity presentation held at each company, took part in the NOK Group QC Circle Convention, at which the best QC circle is decided, and reported the results of their activities through

Road for Qualification for the Group Convention



Scene of the NOK Group QC Circle Convention



QC stories.

This occasion marked the 67th convention after the lapse of 51 years from the 1st convention in 1963.

In the NOK Group, QC circle activities are extensively conducted at many of our operation sites and group companies in Japan and abroad.

**What organization will be chosen as the company's representative this year?
In-house Quality Award System**

We at the NOK Group have a quality award system in place for the purpose of boosting quality improvement activities.

Under this system, we encourage all employees of the NOK Group companies in Japan to enter the system in units of their near action group or organization in order to raise their awareness of quality. Once every six months, we commend organizations that have actively promoted quality improvement activities and have achieved excellent results.

Articles on the outstanding improvements they have achieved appear in company newsletters.

The previous award-winners include the logistic departments arm as well as the production division, which indicates that the system is used to help create a work environment where all departments directly or indirectly make united efforts to promote quality improvement.

Articles of Quality Awards posted in company newsletter



Article published in the NOK Group newsletter "Tanetomato"

Commendation by customers

We at NOK have ourselves evaluated by customers in terms of actual quality achievement and improvement activities.

Every year, we are commended by about 20 customers mostly in the automobile industry in terms of quality.

However, the number of commendation cases decreased to 16 in FY 2019.

In this context, we will promote quality improvement activities in line with our quality policy and seek to gain our customers' trust by continuously delivering products that meet their requirements.

▶ Please refer to P. 71 for the status of acquisition of international quality standard certifications.



Basic Concept

As specified in the Principles of Corporate Behavior (Section 6) of the NOK Charter of Corporate Behavior, we will, as a good corporate citizen, actively participate in local communities and contribute to their development.

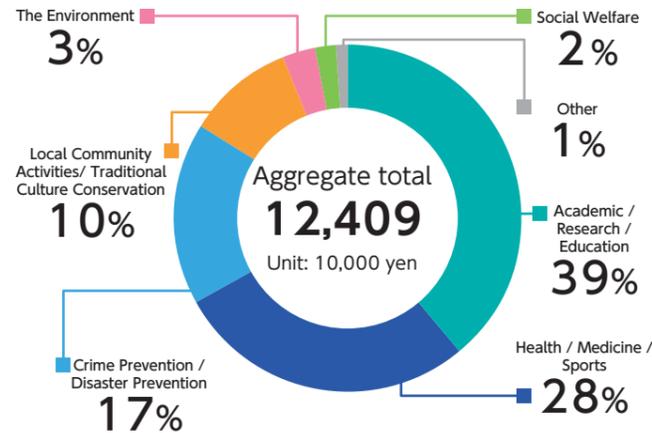
Local communities are important stakeholders of the NOK Group. We aim to be local companies loved and trusted by their local communities and to make these communities feel proud of us while growing together with them.

Fields Requiring Priority Initiatives

1. We will work on realizing coexistence and co-prosperity with local communities and engage in activities that can contribute to their sustainability.
2. We will work on developing next-generation personnel who can lead the future.

Social / Local Area Activities

Expenditure for Social Contribution Activities and Percentage by Field



Category	Content Example
Academic / Research / Education	Accepting internship participants, granting scholarships, and supporting events for next-generation development and school events
Health / Medicine / Sports	Participating in blood donation events, the Ecocap activities and medical assistance, sponsoring sports events, and supporting school sports events
Crime Prevention / Disaster Prevention	Participating in crime prevention activities, traffic safety activities, traffic safety patrols and disaster prevention activities, and making visits to disaster-stricken areas
Local Community Activities / Traditional Culture Conservation	Sponsoring local festivals, making donations to shrines, donating goods to the neighborhood, and inviting local residents to festive events at offices
The Environment	Participating in local cleanup activities, tree planting activities and activities for water purification by utilizing paddy fields, and recycling
Social Welfare	Making donations to the Red Cross and social welfare corporations

Activity Example

Academic / Research / Education

Sponsorship for "NHK Student Robocon," "ABU Asia-Pacific Robot Contest" and "Robocon for Elementary School Students"

Since 2015, NOK has sponsored "NHK Student Robocon" and "ABU Asia-Pacific Robot Contest" in supporting future engineers as a manufacturing company. Furthermore, we started sponsoring "Robocon for Elementary School Students" from FY2019. Robocons are events for young people to experience the fun of "thinking with their own heads and making robots with their own hands" without being bound by preconceived ideas and to thereby share the importance of thinking of ideas and the magnificence of manufacturing. NOK

agrees with this objective and supports a wide range of students, from elementary school students to university and technical college (in the 4th and 5th years) students, as future engineers.



Supportive Messages Posted In the Venue

Sponsorship for "Kids Engineer"

NOK has sponsored "Kids Engineer" since FY2016.

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 various fields of science, technology and monozukuri (manufacturing skills), particularly fields relating to automobiles. NOK ran a program based on the theme "the world of auto parts—small components that play big roles" at its booth. We prepared some experiments to enable participants to feel the "big roles" of "small parts" in cars by actually seeing, touching and enjoying exhibits.



Children listening to the staffs they gaze at the screen.

Sponsorship for the Student Formula Japan

NOK has sponsored the "Student Formula Japan" hosted by the Society of Automotive Engineers of Japan. This competition started in 2003 as a program for the development of human resources for practical manufacturing. Students form teams and compete in terms of comprehensive manufacturing abilities by conceiving an idea of and designing and producing an automobile. NOK has continuously sponsored this event since 2008 to support young engineers who are enthusiastic about building cars and manufacturing. In addition to providing our own products such as oil seals, O-rings and seal washers to participating schools, we also ran a booth to support students during the competition in FY2019.



NOK's booth. Students who are curious about the products and demo machines on display

Support for Rebuilding an Elementary School

The 2006 earthquake in Central Java, Indonesia, caused enormous damage. In 2008, PT.NOK Indonesia, our group company, in collaboration with PT.Eagle Industry Indonesia, helped rebuild an elementary school that had collapsed due to the earthquake. Later, we visited the elementary school in 2015 and 2020. Children welcomed us, waving small flags of Indonesia and Japan and giving welcoming music performance. This was a peaceful time from beginning to end. In addition to donating TV sets and computers, PT.NOK Indonesia made origami cranes and presented them to all the children in the hope that such present would help them know more about Japanese culture.



Photo taken with the employees at PT. NOK Indonesia and their children

Accepting Interns from Universities and Technical Colleges

NOK actively provided opportunities for students to undertake work experience at a variety of workplaces within the company, with the objective of human resource development through industry-academia cooperation.

(FY2019)

	Humanities students	Science students	Total
Participants in 2-week internship program (university students)	0	28	28
Participants in 1-week internship program (technical college students)	0	16	16
Participants in 1-day internship program	159	178	337
Participants in long-term (2-4 months) internship program	0	2	2

Health / Medicine / Sports

Sponsorship for a Local Professional Sports Club Team

We empathize with and sponsor professional sports teams that aim to coexist and co-prosper with the local communities in which our divisions are located, appreciating the roles that professional sports play for the communities. With Kumamoto Volters, which competes in the B.League and is one of the teams we sponsor, we co-organized a basketball school at the gymnasium of our Kumamoto Plant for the purposes of interacting with children and revitalizing the community through basketball. On the day of the event, 83 people, mainly junior high school students from Aso City and the municipalities in Aso District, participated.



Basketball class held at the gymnasium of NOK Kumamoto Plant

Participation in Communities and Community Development

■ Sponsorship for Minato City Half Marathon

Since FY2018, NOK has sponsored the Minato City Half Marathon, a marathon race held in Minato Ward, Tokyo. In FY2019, 19 people from the NOK Group participated in the marathon and ran through the city of Minato Ward together with nearly 5,000 runners. On the day of the event, our employees lined up along the roadside to cheer on the runners. In addition, as a local company, we livened up the event by setting up a booth in the venue and holding a lottery for the entertainment of runners, spectators and local people.



NOK Group employees supporting athletes waving a flag with the NOK logo

Local Community Activities/ Traditional Culture Conservation

■ Sponsorship for the Local Festival "Hinokuni-matsuri"

Since FY2018, NOK, which has a plant in Aso City, Kumamoto Prefecture, has sponsored "Hinokunimatsuri," which is a summer, traditional festival in Kumamoto Prefecture, for the purpose of regional revitalization. In FY2019, more than 119 employees and their families participated in the main event of the festival, "Otemoyan So-Odori," and livened up the local event together with the locals.



Photo wearing the NOK original happi coat

■ Fund-Raising Activities for the Restoration of Thai Temples

In Thailand, a Buddhist country, temples are sacred places and very much valued by its people. As a company rooted in this area, Thai NOK Co., Ltd., our group company, conducted fund-raising activities in FY2019 with the aim of repairing the roofs of Nongakka Temple and Santidham Temple.



Employee of Thai NOK Co., Ltd. taking a photo in front of a Thai temple

The Environment

■ Beach Cleanup Activities as an Enosui Eco Supporter

Since FY2019, NOK has sponsored the "Enosui eco" program promoted by Enoshima Aquarium (Enosui) for ecology under EcoAction 21*. NOK actively participates in beach cleanup activities, in addition to assisting in conservation efforts including investigation and research into the biological and ecological diversity of Sagami Bay, community cleanup, and waste reduction.

*The environmental management system formulated by the Ministry of the Environment



Cleaning activities on the coast of Enoshima in Shonan area, which can be seen from NOK SHONAN R&D CENTER

■ Kitaibaraki Zero Garbage Operation

In Kitaibaraki City, Ibaraki Prefecture, where NOK Kitaibaraki Plant is located, we call on neighboring companies every year to join the cleaning of the coastline which extends over 17 km. During FY2019, this event was held on May 19, and 53 people including our employees and their families participated in it.



Participated in Kitaibaraki City Cleanup Campaign

■ Tree Planting Activities

Thai NOK Co., Ltd., our group company, participates in tree planting activities organized by the Amata Industrial Estate Authority every year.



Participated in tree planting activities sponsored by the AMATA Corporation

Social Welfare

■ Support for People with Difficulty Living Independently due to the Novel Coronavirus

Due to restrictions on economic activities in combating the novel coronavirus, "rice ATMs" have been set up in various parts of Vietnam to provide rice for free of charge in supporting burgeoning unemployed people and people with difficulty living independently. Vietnam NOK Co., Ltd., our group company, supports this activity, having donated 1 ton of rice (for about 500 people).

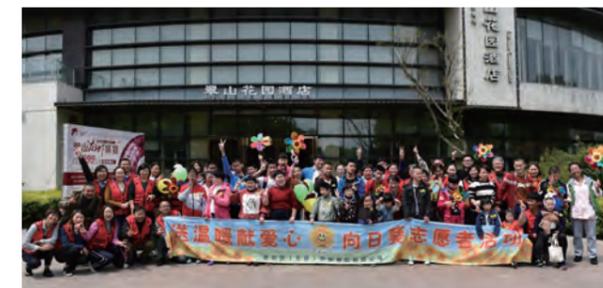


We received a letter of appreciation from the management organization of Amata Industrial Estate, Dong Nai Province, where Vietnam NOK Co., Ltd. is located.

■ Employees' Volunteer Activities

NOK (Wuxi) Vibration Control China Co., Ltd., our group company, puts its energy into volunteer activities as part of its social contribution. In FY2019, its employees went on a picnic to Jiulihe Wetland Park with the children of Wuxi Children's Welfare Institute*. The 25 employees who participated in the event enjoyed a recreational activity with children, singing and beating drums. The children were delighted, and one of the employees who participated in the event said, "I was glad that the children were happy," and "They made me happy."

*Homes for children with disabilities who do not have families or guardians.



Picnic with children of Wuxi Kindergarten

■ Donations to charities

Employees of five companies* of the Group located in Singapore jointly collected foodstuffs and donated them to charitable organizations. This activity aims to raise the employee awareness of the issues of hunger and food loss in the community.

*NOK Asia Company Pte. Ltd., CORTECO Asia Company Pte. Ltd., NOK-Freudenberg Singapore Pte. Ltd., NOK Precision Component Singapore Pte. Ltd., Synztec Singapore Pte. Ltd.



Employees worked together to collect groceries

■ Employees' Volunteer Activities

PT. NOK Freudenberg Sealing Technologies, one of the Group companies located in Indonesia, made a donation to a Muslim orphanage and a Christian orphanage respectively with the hope of building a brighter future for the children. They also spend meaningful time with children through various events. These kinds of social contribution activities have become an annual tradition.



With children living in an orphanage

Environmental Report



Basic Concept

Social Background

In recent years, a variety of environmental problems have emerged and are affecting our lives. To solve environmental problems and achieve a sustainable society, we must reduce the environmental burden in all aspects of our economic and social activities. In the Sustainable Development Goals (SDGs), environmental issues are re-

garded as one of the social issues that must be resolved, and many countries are tightening environmental regulations and working to protect the environment. Companies are required not only to comply with the regulations of each country, but also to contribute to the realization of a sustainable society by taking the environment into account in their overall corporate activities.

NOK's Policy

In the NOK Group, all employees are aware that our business activities, products, and services are widely involved in the environmental impact on a global scale. The company set its basic environmental policy to contribute to realizing a society where sustainable development is achieved. Under this policy, the company will promote environmental conservation activities such as "measures against climate change," "resource conservation and recycling," "conservation of water resources," and "development of environmentally friendly products," as well as fulfill its corporate social responsibility by complying with laws and regulations. In addition, the company will actively disclose environmental information and contribute to realizing a sustainable society by creating shared value with communities and society.

Basic Policies on Environmental Conservation

- 1 Based on the company's unique conventional technology, we promote the improvement of technology and development of products, as well as strive to reduce environmental burden.
- 2 We will promote energy conservation to prevent global warming, reuse and recycle resources, and reduce waste toward a recycling-oriented society.
- 3 We will set targets at the NOK Central Environmental Conservation Committee and work together with our suppliers and other related companies to make continuous improvements in reducing environmental burden. We will also strengthen our efforts to manage chemical substances, prevent global environmental pollution, and enhance our efforts to reduce water use.
- 4 We comply with related laws and regulations, local government ordinances, and regional agreements, etc., and promote activities for environmental conservation.
- 5 We comply with self-imposed restrictions by the industry and customers, and positively try to meet the expectations of 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, all employees recognize the importance of biodiversity and global environmental conservation and will strive to raise awareness of the global environment, as well as continuously improve our environmental management system.

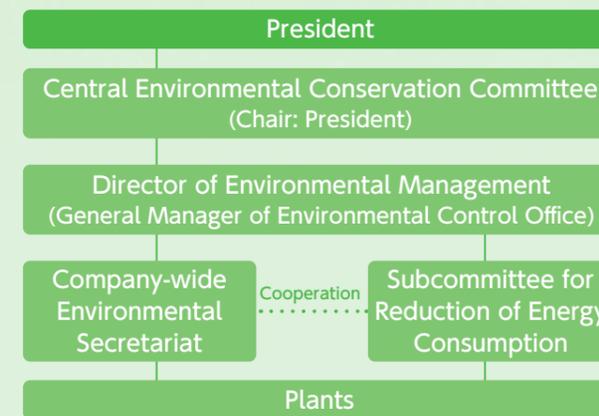
Enacted on September 17, 2001, revised on April 1, 2018

President of NOK CORPORATION
Chairman of Central Environmental Conservation Committee

Kiyoshi Doi

Environmental Management System

To promote our environmental management activities smoothly and steadily, company-wide efforts are made under the following system. The Central Environmental Conservation Committee, chaired by the President and Representative Director, meets twice a year to determine risks and opportunities in environmental management and company-wide business policies. The Board of Directors is also informed of important matters such as priority tasks of identified risks and opportunities and results. Under the supervision of the company-wide environmental conservation supervisor, the company-wide environmental secretariat and the Subcommittee for Reduction of Energy Consumption are leading actual environmental conservation activities, with each workplace carrying out environmental conservation activities in accordance with the environmental targets and policies.



Environmental Management of the NOK Group

With the Paris Agreement adopted in 2015 and the SDGs agreement towards 2030, society's perception of environmental issues is changing. As activities to realize a sustainable society become more active, companies are strongly urged to carry out "environmental management," which is a business activity that takes the environment into account. This includes "companies' disclosure of climate-related financial disclosure" recommended by the Task Force on Climate-related Financial Information Disclosure (TCFD) and the Science Based Targets (SBTs), which is scientific CO₂ emission reduction targets in conformity with the realization of the Paris Agreement.

The NOK Group established the "NOK Twin Green Plan 2030," a long-term environmental vision for the year 2030 as its environmental management, and has been engaged in environmental conservation activities such as "measures against climate change;" "resource conservation and recycling;" "conservation of water resources;" "development of environmentally friendly products;" "measures on substances of concern;" and "biodiversity." To realize a sustainable society, we will continue to fulfill our social responsibility by promoting environmentally friendly business activities and provide environmental value to society by providing products that contribute to the environment.

Formulation of Long-term Environmental Vision for 2030

Amid the worsening issues of climate change and energy caused by global warming, the NOK Group formulated the "NOK Twin Green Plan 2030" in 2018 in response to the SDGs adopted by the United Nations, and has since been promoting environmental conservation activities. However, with the emergence of global climate

change, which further requires measures against climate change, the NOK Group has decided to review its total CO₂ emissions targets and promote environmental conservation activities in light of international environmental conditions such as the Paris Agreement, TCFD, and SBT.

NOK Twin Green Plan 2030

Green Factory

Through measures for environmentally friendly production, we will reduce CO₂ emissions from factories by 30% from the FY2018 level.

Initiatives

- We will develop production facilities that will reduce energy consumption by 20% compared with the existing ones.
- We will actively promote the use of renewable energy.
- We will strive for waste reduction and a 100% recycling rate.
- We will work on reducing water use and ensure cleaner wastewater.
- We will thoroughly oversee and reduce the use of hazardous chemicals in processes.

Relevant SDGs



Green Product

We will promote the development of products that will contribute to next-generation environmentally friendly technologies.

Initiatives

- We will develop products that contribute to the spread of next-generation energy-saving technologies such as fuel cells.
- We will contribute to the reduction of environmental impact by developing low friction technologies that will make low fuel consumption possible.
- We will develop functional membranes that will contribute to water recycling (hygienic water supply and circulation).
- We will thoroughly control chemical substances in our products and improve their environmental quality.

Relevant SDGs



NOK's Mid-Term Goals

The 7th Corporate Environmental Conservation Targets (FY2017 to FY2019) Slogan: "Challenge to the Next Generation Environment"

Category	Initiatives and Goals				Re-sult	Evalu-ation
	Item	Scope of Coverage	Baseline Year	Target		
Environmental Management System	[Preventing environmental problems] Compliance with environmental laws and regulations [Maintenance and improvement of environmental management system] Elimination of operational problems				P.55	○
Measures against Climate Change	[Reduction of CO ₂ Emissions] Development of energy-saving equipment for production processes/Reduction of CO ₂ emissions in logistics processes/Introduction of renewable energy				P.57	×
	CO ₂ emission intensity	Japan	Previous year	Reduction by more than 1%		
Waste and Recycling	[Resource conservation] Promoting resource conservation through design and process changes, optimization of material input, etc. [Waste reduction] Promoting product non-conformity measures and recycling, reducing the amount of waste disposal in landfills by converting waste to recyclable materials, and improving the recycling rate				P.60	○
	Waste Recycling Rate	Japan	-	Maintaining at rate more than 98%		
Conservation of Water Resources	Monitoring the water withdrawals and wastewater volume in and outside Japan				P.61	○
Measures on Substances of Concern	[Reduction of environmental burden]Reduction of VOC emissions [Create and expand use of efficient environmental hazardous substances survey system]Continuing of voluntary audits on environmental quality/promotion of green procurement				P.63	○
	VOC emissions	Japan	FY 2000	Reduction by more than 50%		
Environmentally friendly products	Development of environmentally friendly products and continuous promotion of environmental conservation assessment of products				P.65	○



The 8th Corporate Environmental Conservation Targets (FY2020 to FY2022) Slogan: "Creating Corporate Value" by "Increasing Environmental Value," Step 1"

Category	Initiatives and Goals			
	Item	Scope of Coverage	Baseline Year	Target
Environment Management System	[Fostering and establishing an environmental climate] Promoting environmental contribution activities tailored to the characteristics of each region [Improving the management level of the environmental management system]Promoting and expanding education by rank and developing environmental human resources/Reducing environmental protection risks through a steady PDCA cycle [Strengthening the prevention of environmental nonconformity] Promoting environmental risk assessment of equipment and facilities			
Measures against Climate Change	[Reduction of CO ₂ emissions]Development of energy-saving equipment for production processes/Reduction of CO ₂ emissions in logistics processes/Introduction of renewable energy			
	Electricity Consumption	Japan	FY2018	Reduced by 10%
	CO ₂ emissions	Global	FY2018	Reduced by 10%
Measures against Climate Change	CO ₂ emission original unit	Japan	Previous year	An average reduction of more than 1% over the past five years
	Waste and Recycling	[Resource conservation] Promoting resource conservation through design and process changes, optimization of material inputs, etc. [Waste reduction] Promoting product non-conformity measures and recycling, reducing the amount of waste disposal in landfills by converting waste to recyclable materials, and improving the recycling rate		
Waste Recycling Rate		Japan	-	Maintaining at rate of more than 98%
Conservation of Water Resources	Checking the volume of Japan and international water withdrawals and wastewater/Controlling an increase in water withdrawals			
	Total water withdrawals	Global	Previous year	Controlling an increase
Measures against Environmentally Hazardous Substances	[Reduction of environmental burden] Reduction of VOC emissions [Strengthening chemical substance management system] Promoting green procurement (Thorough management of chemical substances by suppliers)			
	VOC emissions	Global	FY 2010	Less than FY 2010 results
Environmentally friendly products	Development of environmentally friendly products/Improving the level of environmental conservation assessment in products			

Input resources and industrial waste in business activities

INPUT		FY 2019 NOK Group (Japan)		OUTPUT	
Raw Materials				Gas emissions	
Total raw material input	91 (1,000 tons)			CO ₂ emissions (Scope 1 + 2) *1	178 (1,000 tons-CO ₂)
Rubber	13 (1,000 tons)			Scope 1 (Fuel)	8 (1,000 tons-CO ₂)
Additives & Adhesives	11 (1,000 tons)			Scope 2 (Power and Heat)	169 (1,000 tons-CO ₂)
Plastics	1 (1,000 tons)			Scope 3 (Indirect Emission)	1,218 (1,000 tons-CO ₂)
Metals	66 (1,000 tons)			NOx (Nitrogen Oxides) *2	0.0 kg
Energy				SOx (Sulfur Oxides) *2	145 kg
Total energy input	3,236 TJ			Volatile Organic Compounds (VOC)	1,884 t
Purchased power	3,103 TJ			Wastewater	
Gasoline	5 TJ			Total volume of wastewater	520 1,000m ³
Kerosene	3 TJ			Rivers	473 1,000m ³
Heavy Oil A	38 TJ			Sewage system	46 1,000m ³
Light Oil	2 TJ			BOD load*3	1.5 t
Liquefied Petroleum Gas (LPG)	68 TJ			Industrial waste, etc.	
City Gas	17 TJ			Total Discharge of Waste	45 (1,000 tons)
Water				Total industrial Waste	15 (1,000 tons)
Total water withdrawals	785 1,000m ³			Amount of waste recycled	14.4 (1,000 tons)
City Water	565 1,000m ³			Final disposal	0.3 (1,000 tons)
Industrial Water	37 1,000m ³			Valuable waste	28 (1,000 tons)
Ground Water	183 1,000m ³			Environmentally Hazardous Substances	
Substances of concern				Chemical substances subject to the Pollutant Release and Transfer Register (PRTR) system (discharge volume)	19 t
Chemical substances subject to the Pollutant Release and Transfer Register (PRTR) system	1,422 t			Chemical substances subjected to the Pollutant Release and Transfer Register (PRTR) system (amount of movement)	55 t

Design

- Environmental Conservation Assessment of Products, etc.
- Environmental Impact Assessment

Procurement

- Environmental Impact Assessment
- Green Procurement
- Environmental Conservation Inspection of Machinery and Equipment

Production

- Life Cycle Assessment (LCA)
- Pollution Prevention
- Chemical Substances Control
- Energy Conservation
- Waste Reduction
- Environmental Impact Assessment

Logistics

- Efficient Transportation
- Promotion of Modal Shift

Customers

*1. Total CO₂ emissions: Calculated based on the "greenhouse gas emissions accounting and reporting manual." The emission factor is based on the national emission factor by country published by the "International Energy Agency."
 *2. NOx (nitrogen oxides) and SOx (sulfur oxides): Total amount of NOx and SOx generated from specified facilities under the Air Pollution Control Act.
 *3. BOD load: Biochemical Oxygen Demand (BOD) is one of the indicators of water pollution and represents the amount of oxygen used by bacteria to decompose pollutant organic material in water. Here, the BOD load is calculated by multiplying the BOD measurement concentration by river discharge.

Environmental Management System

NOK establishes a system in accordance with the ISO 14001 standard, promotes environmental management, and strives to implement environmental management with the next generation in mind, thereby reducing environmental burden. The current percentage of the NOK Group establishments with ISO 14001 certification is 97.8%.

Environmental audit

At NOK, the Environmental Management Office is in charge of environmental audit and periodically checks and evaluates the operation of the management system, compliance with environmental laws and regulations, and the management of environmentally hazardous substances. The results of audit are reported to the president and heads of business units for prompt correction and improvement. The company strives to improve its environmental performance and reduce environmental risks by reflecting the results in our environmental protection management policy as necessary.



Environmental audit

External Inspection

NOK has a third-party organization inspect mainly the company's production sites involving in environmental burden and have them acquire and maintain the ISO 14001 certification. In fiscal 2019, there were no significant findings and the company received an evaluation that the management system is operating properly and undergoing continuous improvement.

In addition, the president attends the annual meeting where inspectors report on the results of their inspections, so that the valuable opinions of the third party on NOK's environmental management can be reflected in management.

Environmental Education

The NOK Group conducts a variety of education programs to foster a company-wide environmental climate. The NOK Group conducts education by rank for its employees and specialized education including ISO 14001 management, energy, waste, and chemical substance management, as well as education in preparation for emergency situations, thereby, raise the environmental awareness of every employee.

Environmental Communication

Environmental education for the group companies

To develop the company's environmental policy and promote future activities to reduce our environmental burden, NOK conducted environmental workshops for 53 employees of the Group companies during fiscal 2018 through fiscal 2019. It was a meaningful opportunity for the company to communicate NOK's environmental policy by explaining global environmental trends and newly enacted laws, as well as how NOK will respond to environmental matters in the future. We will continue to engage in environmental activities with our suppliers and related companies so that we can work together in the supply chain to contribute to reducing environmental burden.



Conducting courses on the environment

"Kyoeikai" mutual prosperity association

To communicate NOK's environmental policy and promote the reduction of environmental burden in cooperation with related companies, NOK established an award system for environmental initiatives starting in fiscal 2019. Under this system, a performance evaluation is conducted for efforts by NOK's 28 group companies in the Kyoeikai association on reduction of CO₂ emissions and waste, as well as their environmental impact, which is promoted by NOK, and awards are presented to companies that have contributed to the reduction of their environmental burden. Isshin Industries Corporation was awarded the prize for best performance in FY2019 for its excellent energy-saving activities. We will continue to work with our supply chain to promote activities to reduce our environmental burden.

Cooperative association with other companies

NOK exchanges information on environmental issues with other companies to contribute to realizing a sustainable society. In addition to learning about environmental approaches and measures taken by other companies, NOK also introduces case studies of its efforts and tries to reduce environmental burden through mutual cooperation among supply chains. In fiscal 2019, NOK participated in the cooperative association's CO₂ reduction management group and visited member companies (nine companies) to experience their actual conditions and seek hints for solutions to common issues. At an event held at the Shonan R&D Center, we introduced a case on the improvement of air leaks as a case study of NOK's energy efficiency.

NOK will continue to contribute to reducing environmental burden through exchanges with other companies.

Status of compliance with environmental laws and regulations

During FY 2019, the NOK Group was involved in no fines, penalties or lawsuits related to environmental incidents or complaints.

FY 2019 results

	Item	Contents	The number of attendees
Level-specific education	New employee training	Basic education on environmental conditions and corporate environmental protection activities	160
	General employee education	Environmental conditions and the status of NOK, environmental protection activities, etc.	1,100
	Education for management position	Environmental conditions and the status of NOK, environmental protection activities, etc.	509
Specialized education	Emergency-related education	Education for environmental accidents and emergency response	636
	Education for internal auditors	Education for ISO 14001 auditors	28
	Waste-related education	Proper waste disposal	3
	Energy-related course	Course for energy managers	4
	Chlorofluorocarbon-related course	Act on Rational Use and Appropriate Management of Fluorocarbons etc.	1
	Chemical substances-related education	Education on the management of toxic and hazardous materials	80
	Total		2,521

Measures against Climate Change

Social Background

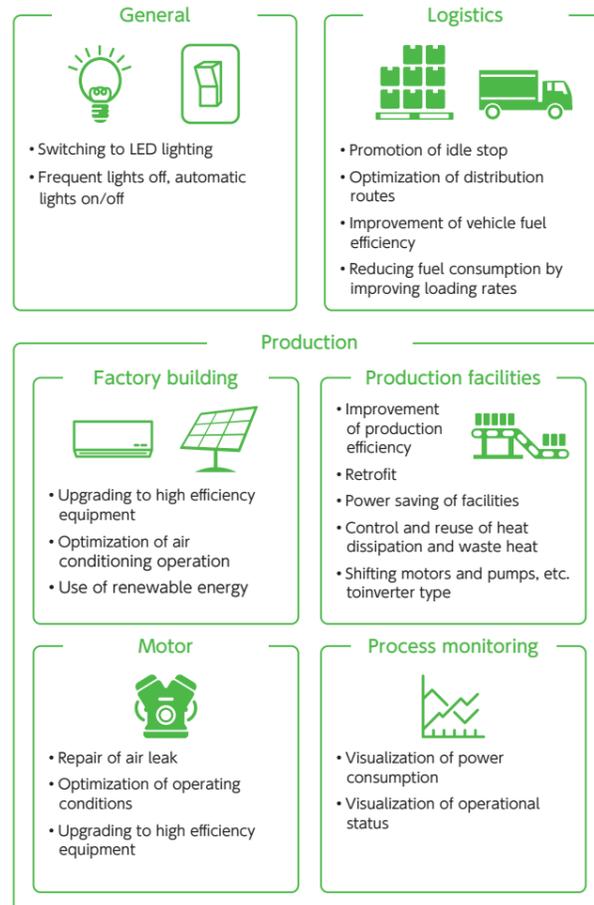
In recent years, climate change, such as rising temperatures, droughts, and sea level rise, have been progressing all over the world, threatening the survival of humanity in the future. With the Paris Agreement coming into force at the United Nations in 2016, activities for reducing CO₂ and other greenhouse gases, as well as energy conservation efforts, have increased with the goal of limiting global temperature rise to well below 2 degrees Celsius, and striving for 1.5 degrees Celsius compared to pre-industrial levels. Companies also need to take a proactive approach to energy conservation and the reduction of CO₂ emissions as part of their management strategies.

NOK's Policy

The NOK Group is working to reduce CO₂ emissions, a major greenhouse gas, and will contribute to the prevention of global warming. NOK is striving to reduce CO₂ emissions across the entire product lifecycle by developing energy-saving equipment to reduce energy consumption during production in the manufacturing sector, reducing fuel consumption of transportation equipment in the distribution sector, and introducing renewable energy throughout the company.

Targets and Results

To achieve the CO₂ emissions target of the "NOK Twin Green Plan 2030," which is to "reduce CO₂ emissions by 30% from the fiscal year 2018 level," we need to reduce CO₂ emissions by 2.5% or more per year. During FY 2019, NOK Group's CO₂ emissions reduced by 8.2%, achieving a reduction in CO₂ emissions by more than 2.5%. However, while the results for the current fiscal year include the effects of CO₂ emission reduction activities such as energy-saving measures for facilities and the introduction of renewable energy, a decrease in production due to economic slowdown might have significantly contributed to the reduction. For this reason, NOK was unable to meet its target for a 1% reduction in CO₂ emissions per intensity, which was an increase by 0.28%. NOK will continue to reduce CO₂ emissions on a global basis and strive to reduce our CO₂ emissions per intensity through improvement in production efficiency and other measures.



Concrete Activities

Energy Conservation through Heat Dissipation Measures

At NOK's plant in China (Wuxi NOK-Freudenberg Oilseal Co., Ltd.), we added a thermal cover to the outside of the firing furnace at the bonding site to reduce the amount of heat dissipation by 15kWh/day. In addition, the load on air conditioners has been reduced by about 20 kWh/day, resulting in an annual reduction of 46.4 tons-CO₂.

Shifting Compressors to Inverters (PT.NOK Indonesia)

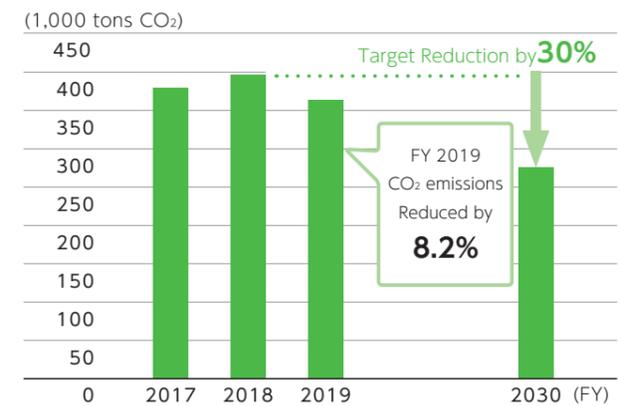
Equipment was introduced to improve the efficiency of compressor operation control. Real-time analysis of pressurized air demand and supply capacity allowed the compressors to run more efficiently, reducing energy consumption and CO₂ emissions.

FY 2019 Scope 3 Breakdown

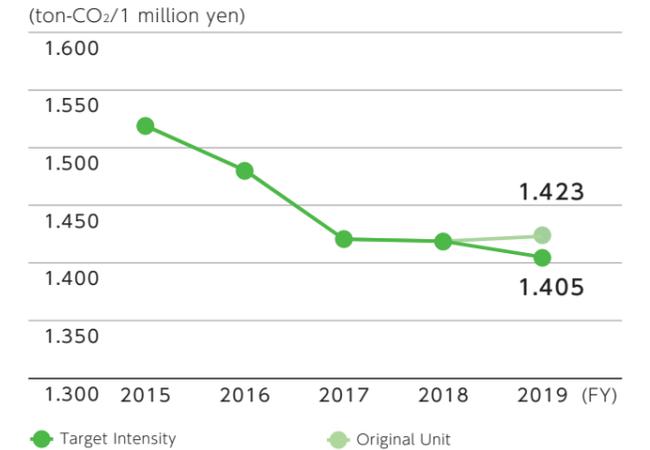
Category	CO ₂ emissions (1,000 tons CO ₂)
1. Purchased products and services	168
2. Capital goods	37
3. Fuel- and energy-related activities (Not included in Scope 1 and 2)	44
4. Transport and delivery (upstream)	10
5. Waste generated from operation	7
6. Business travel	1
7. Employee commuting	2
8. Leased assets (upstream)	0
9. Downstream transportation and distribution	-
10. Processing of sold products	-
11. Use of sold products	-
12. End-of-life treatment of sold products	-
13. Leased assets (downstream)	0
14. Franchise	0
15. Investment	412
Total	681

*Category 9, 10, 11, and 12 are not included in the total due to the difficulty in calculating them at present.

Total CO₂ emissions of the NOK Group



NOK's CO₂ Intensity in Japan



Target	Baseline Fiscal Year	Baseline Figure	Target Fiscal Year	Target Figure	This fiscal year's results	Evaluation
CO ₂ emissions Reduction Target (Global)	2018	395 [1,000 tons-CO ₂]	2030	Reduction by 30% CO ₂ emissions 277 [1,000 tons-CO ₂] or below	Reduced by 8.2% CO ₂ emissions 363 [1,000 tons-CO ₂]	○ CO ₂ emissions Achieved 2.5% or more/year
CO ₂ emissions Intensity Reduction Target (Domestic)	2018	1.419 [ton-CO ₂ /million yen]	2019	Reduction by 1% CO ₂ emission intensity 1.405[ton-CO ₂ /million yen]	Increased by 0.28% CO ₂ emission intensity 1.423 [ton-CO ₂ /million yen]	× CO ₂ emission intensity Reduction by 1% or more/ Annual target unachieved

*CO₂ conversion coefficients for electricity are based on "CO₂ Emissions from Fuel Combustion" of the International Energy Agency (IEA).
*CO₂ emissions per intensity: "CO₂ emissions per intensity = CO₂ emissions/production value."

Subcommittee for Reduction of Energy Consumption

Activities of Subcommittee for Reduction of Energy Consumption

Based on the NOK Twin Green Plan 2030, NOK engages in continuous and strategic energy conservation activities with the goal of reducing CO₂ emissions from plants by 30% compared with FY 2018 through environmentally friendly manufacturing initiatives.

In FY 2019, NOK continued to laterally expand effective measures that were validated in FY 2018 or before, such as the replacement and maintenance of LED lighting and top-runner motors, and the introduction of renewable energy, and introduced them to its plants. We also promoted the establishment of a system for more robust energy conservation management by adopt-

Development of Energy-Saving Equipment

The following is an example of introducing equipment that reduces the air conditioning load of the work area and the heater load of the equipment while maintaining a comfortable work environment by improving heat dissipation and waste heat of rubber vulcanizing equipment.

We examined measures for improvement, including optimally installing heat insulators and securing an adequate exhaust airflow passage to address heat released from the machine and exhaust heat, which degraded the working environment. A small model is used for preliminary testing to develop effective measures.

Figure 1 is a thermograph that verifies the effect of thermal barrier sheets on the surface temperature of vulcanization equipment. On the left is the surface temperature before improvement, and on the right is the surface temperature after the installation of thermal barrier sheets on the inside of the facility to control heat dissipation. The effect of the heat-dissipating sheet is evident and the surface temperature is lowered, which means that heat dissipation is suppressed.

As for waste heat, exhaust heat from the product loading/unloading section of the vulcanizer is efficiently collected, and heat exhaust hoods were installed for each piece of equipment to suppress heat dissipation into the workspace (Figure 2).

As shown in Figure 3, the temperature around the vulcanizer dropped by about 5°C after improvement, leading to energy savings by reducing the air conditioning load and heater load.

Visualization of power consumption

NOK provides IoT-based tools for visualizing energy consumption to promote a higher level of factory energy management activities.

The visualization tool is now in operation at all business units and is becoming an aid for energy management activities. NOK is also working to expand the visualization of power consumption laterally to satellite companies under its jurisdiction. At the same time, NOK will develop application software that enables advanced analysis and provide tools that facilitate more user-friendly and familiar energy management.

ing IoT technology to visualize power consumption at out plants.

On the other hand, NOK's manufacturing process for mainly rubber products is characterized by a high percentage of electricity used as thermal energy. For this reason, in the development of construction methods and equipment, NOK has improved the control and reuse of heat dissipation and waste heat from production facilities to achieve both comfort and energy conservation. We will continue improving our activities through the expansion and new development of energy conservation measures.

Deputy General Manager of Manufacturing Technology Office
Chair of the Subcommittee for Reduction of Energy Consumption
Yushi Nakahata

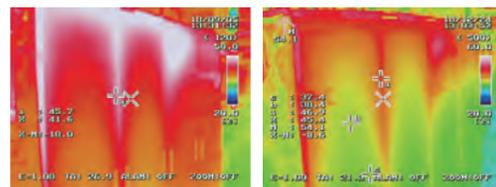


Figure 1: Effect of thermal barrier sheet (left: before improvement, right: after improvement)



Figure 2: Individual heat exhaust hood

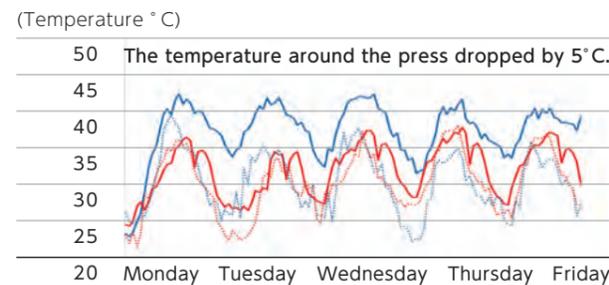


Figure 3: Temperature around the vulcanizer (blue: before improvement, red: after improvement)

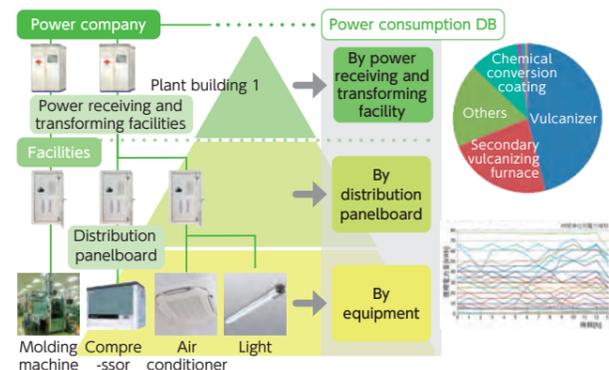


Figure 4: Example of power monitoring level and output

Waste and Recycling

Social Background

We have been living a convenient and prosperous life surrounded by many things in a social system of mass production, mass consumption and mass disposal. At the same time, we are consuming a large amount of the earth's finite resources and energy, as well as generating a large amount of waste, and we are facing various problems such as the depletion of natural resources and environmental destruction. Today, shifting from a mass-production, mass-consumption, mass-waste society to a recycling society is globally called for and businesses are required to promote the efficient use of resources taking into account the entire product lifecycle from the procurement of raw materials to disposal and 3Rs (Reuse, Reduce and Recycle).

NOK's Policy

The NOK Group has been promoting the 3R initiative (reuse, reduce, and recycle) to realize a recycling-oriented society. The Group strives to contribute to a sustainable society and to enhance our corporate value through a range of measures throughout the product life cycle, including the efficient use of raw materials, water, and energy as well as waste reduction and recycling of resources by improving each process.

Targets and Results

NOK's recycling rate for fiscal FY 2019 was 99.2%, achieving more than 98 percent of its goal. Due to the waste (landfill) from the foundry in Tottori Prefecture, which started operating in the second half of FY 2017, the amount of waste disposed of in landfill in FY 2018 was 1,241 tons, but in FY 2019, the amount of waste disposed of in landfill was reduced to 345 tons because we were able to recycle it, and the recycling rate improved to 99.2%. The NOK Group will continue to reduce the amount of waste by taking measures to conserve resources, such as reviewing the shape of molds and the appropriate weight of rubber fabric, as well as measures to prevent product non-conformity, promote recycling, and turn waste into valuable resources; thereby, we will promote the "NOK Twin Green Plan 2030" to achieve a 100% recycling rate.

Concrete Activities

Resource Conservation

At the Kumamoto Plant, we worked to reduce the amount of rubber fabric made of fluorine material, which is difficult to dispose

Target Items	Target Fiscal Year	Target Figure	This fiscal year's results	Evaluation
Continuous efforts to conserve resources	-	-	-	-
Industrial waste landfill disposal amount (Domestic)	2030	0 t	345t	○ Achieved a recycling rate of more than 98%
Industrial waste, etc. recycling rate (Domestic)	2019	More than 98%	99.2%	○ Achieved a recycling rate of more than 98%

Recycling rate = (1 - Amount of landfill disposal / (Amount of industrial waste + Amount of valuable materials)) x 100

of as waste, and achieved a cumulative reduction of 0.8 tons through improvements in the process.

Recycling of waste as valuable resources (Japan)

At the Kitaibaraki Plant, NOK has been able to sort out waste such as plastic products containing metallic components in industrial waste and recover metals from these products, thereby reducing the amount of industrial waste by 43.6 tons.

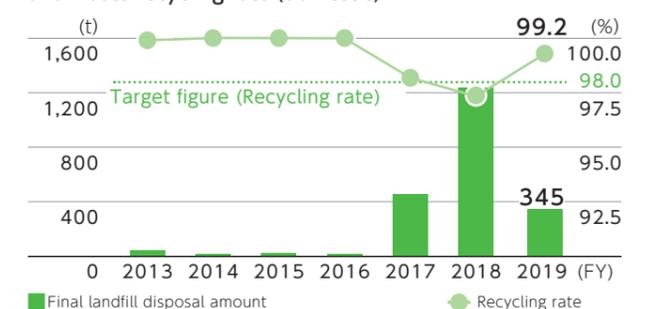
Reduction of sludge disposal (China)

At a plant in China (NOK (Wuxi) Vibration Control China Co., Ltd.), due to the aging of the facility, the treatment efficiency was low, and the water content of sludge after treatment by the filter press was about 80%, so the dehydration (volume reduction) efficiency was low. By introducing a new type of filter press, the water content of sludge has been reduced to about 60% and the plant was able to reduce the sludge disposal weight by 6 tons per year.

The NOK Group's waste output



NOK's final landfill disposal amount and waste recycling rate (domestic)



Conservation of Water Resources

Social Background

Currently, the global shortage of water resources is an issue due to the increase in water use because of population growth and the development of developing countries. Increasing climate change can also change the pattern, intensity and frequency of rainfall, leading to the instability of water resources, including the expansion of drought-prone areas and severe flood damage. To address these water risks and create a sustainable society, it is becoming more and more important for businesses to make effective use of water resources.

NOK's Policy

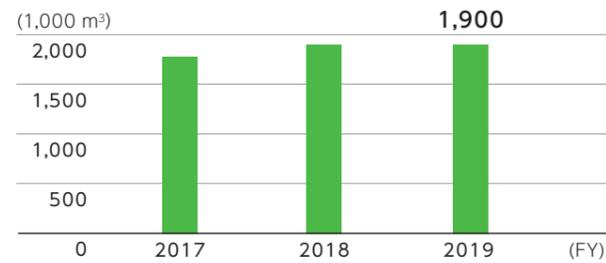
The NOK Group strives to conserve water resources by monitoring and reducing the amount of water used in the manufacturing process of its products and ensuring that wastewater is clean. In addition, the NOK Group assesses the water risks in each country and region to respond to different water risks depending on the country and region, and promote water resource conservation activities tailored to the characteristics of each country and region.

Targets and Results

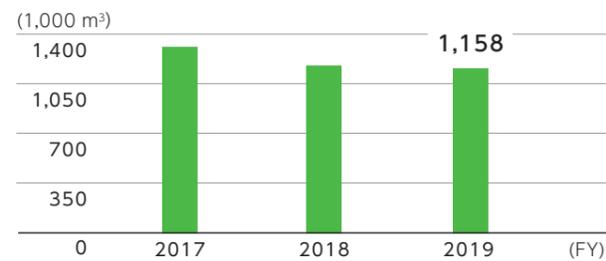
The NOK Group has been promoting the monitoring of water withdrawals and wastewater volume at each plant globally to reduce water withdrawals. The actual water withdrawals and wastewater volume during FY 2019 were 1,900,000 m³ and 1,158,000 m³, respectively. In the production process, the NOK Group reduced water withdrawals by changing the number of cooling towers used that use water by introducing water-saving and water circulation equipment and optimizing the use of cleaning water. However, due to a slight increase in actual water withdrawals in FY 2019 compared with FY 2018 and growing concerns about water risks globally, the NOK Group has set a clear three-year (FY2020-2022) goal of "controlling the increase of water withdrawals globally." To achieve the goal, the NOK Group is actively promoting internal water withdrawals reduction activities and participating in external water resource conservation activities, such as groundwater recharge activity, to conserve water resources both in and outside the company.

Target	Baseline Fiscal Year	Results of Water withdrawals Volume	Results of Wastewater Volume
Monitoring the water withdrawals and wastewater volume (Global)	FY 2019	1,900,000 m ³	1,158,000 m ³

NOK Group's total water withdrawals



NOK Group's wastewater



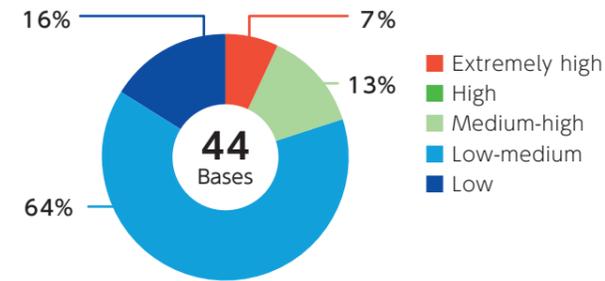
Three-year target (2020-2022)
Controlling the increase in water withdrawals compared to the previous year globally

Water Risk Assessment

The NOK Group conducts water risk assessments on a global basis to efficiently promote response measures to water risks. The results of the study on water stress at global production bases obtained by using AQUEDUCT*, operated by the World Resources Institute (WRI), are as follows:

*AQUEDUCT: A water risk assessment tool published by the World Resources Institute (WRI). It provides a world map information on water risks such as "quantity of water," "water quality," "regulations," and "reputation."

Water stress



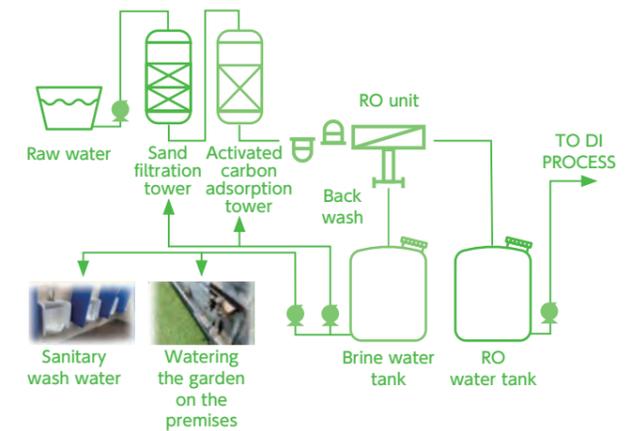
The study revealed that the two most water-stressed production sites out of a total of 44 sites are located in Thailand and China. NOK will continue to monitor and control water withdrawals on a global basis and promote activities for reducing water withdrawals in areas with high water risks to conserve water resources. When building a new plant, NOK conducts water risk assessments and promote production that takes into account water withdrawals and wastewater.

Concrete Activities

Recycling of water resources (Thailand, Vietnam)

At the Thai plant (Thai NOK Co., Ltd.), where there are concerns about water risks, Reverse Osmosis (RO) water is generated at the plant for use in the product production process. Brine water generated in the process is reused for toilet flushing and other purposes to reduce the amount of water withdrawals. By establishing this water recycling system, the company was able to reduce water withdrawals by 68,559 m³/year. The Vietnam plant (Vietnam NOK Co., Ltd.) also collects wastewater from the RO system into a water storage tank (for reuse) to spray the water on plants and trees around the factory, reducing water withdrawals by 3,780 m³/year.

RO-deionized water system



Groundwater conservation (Japan)

As an external initiative to protect water resources, NOK has participated from FY 2019 in a groundwater recharge project in the Kumamoto region promoted by the Kumamoto Groundwater Foundation. Farmers who own paddy fields in a groundwater recharge area and companies and organizations that sign an ownership agreement with each other grow rice together. The water stored in the fields percolates into the ground and promotes groundwater recharge. This contributed to the conservation of water resources with an estimated annual groundwater recharge volume of 3,043 m³.



The NOK Kumamoto Plant is registered in the paddy field owner system as part of its environmental conservation activities. An opportunity to learn about the "Land of Water Kumamoto."

Measures on Substances of Concern

Social Background

Chemical substances are essential to our lives, but they also cause problems such as destruction of ecosystems and damage to people. Achieving the goal "Achieve by 2020 that chemicals are used and produced in a way that minimizes the significant adverse effects on human health and the environment" set forth at the 2002 Earth Summit (WSSD). Aiming for this, regulations on substances of concern are becoming stricter year by year in each country. To protect the Earth's ecosystems and prevent negative impacts on people, companies are required to comply with various regulations and to manage and reduce chemical substances throughout the entire product life cycle.

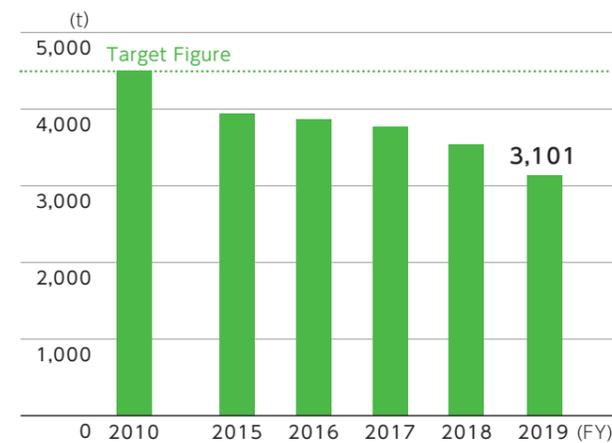
NOK's Policy

NOK believes that it is one of the social responsibilities of a company to comply with chemical substance regulations and customers' self-imposed standards, which are becoming stricter every year. For this reason, the NOK Group will reduce the substances of concern used and emitted in the production process, grasp and manage chemical substances throughout the product life cycle, and contribute to reducing the environmental impact of the entire supply chain.

Targets and Results

The NOK Group's VOC emissions during FY 2019 were 3,101 tons, keeping its VOC emissions below the group's target of 4,447 tons. NOK will continue to seek ways to reduce emissions from adhesives and paints at each stage of production so that the company can maintain or reduce VOC emissions. The company will also study the development of technologies to prevent an increase in VOC emissions when the use of organic solvents increases due to increased production. In addition, the NOK Group conducts a self-environmental quality inspection every year in order to build and maintain a management system that does not include environmentally hazardous substances in its products. Continuously in FY 2019, the NOK Group's production sites were inspected, and the management system for substances of concern was checked by identifying areas for improvement in the management system and processes.

Total VOC emissions of the NOK Group



Target Items	Baseline Fiscal Year	Baseline Figure	Target	This fiscal year's results	Evaluation
Target VOC Emissions (Global)	2010	4,447 t	VOC emissions Less than FY 2010 results	3,101 t	○ VOC emissions Achieved VOC emissions less than FY 2010 results

FY 2019 PRTR Results

Substance Name	Cabinet Order No.	Emissions (kg)				Amount of Movement (kg)	
		Atmosphere	Public Waters	Landfill	Soil	Sewage	Off-site
Water-Soluble Zinc Compounds	1	0	21	0	0	0	0
3,3'-Dimethylbiphenyl 4,4'-Diyl=Diisocyanate	228	164	0	0	0	0	164
N,N-Dimethylformamide	232	71	0	0	0	0	11,790
Toluene	300	18,547	0	0	0	0	43,189
Methylnaphthalene	438	0	0	0	0	0	2
Methylenebis (4,1 - Phenylene) = Diisocyanate	448	79	0	0	0	0	348
Total		18,862	21	0	0	0	55,493

Concrete Activities

Reduction of VOC emissions

At the Kumamoto Plant, the company planned to reduce the amount of VOC treatment fluid used for product surface treatment and developed an application method using short nozzles in FY 2019. As a result, we can expect a VOC reduction effect of 66.4 kg per year. NOK will continue to reduce VOCs by expanding a range of products covered by its efforts.

Promotion of Green Procurement

Please refer to P. 41 for promotion of green procurement.

Environmental Quality Self-Inspection

The NOK Group periodically conducts a self-inspection on its management system to build and maintain a management system that does not include substances of concern in its products. Based on a checklist, the substances of concern management system is inspected for each process from the procurement of raw materials to shipment of products at each of the company's global production bases to identify areas for improvement. In addition, the company-wide environmental secretariat conducts site checks as necessary to reinforce the management system to prevent environmentally hazardous substances from being contained at all companies.



Environmental Quality Self-Inspection

Environmentally friendly products

Social Background

In recent years, the world has become aware and concerned about the risks associated with the environment, such as climate change, resource depletion, waste disposal and increased demand for water resources. In order to reduce those risks and create a sustainable society, we cannot ignore the environmental burden of products we use on a daily basis. Businesses are required to develop products and technologies that are useful for environmental conservation taking into account the entire product lifecycle from procurement of raw materials to manufacturing, transportation, use and disposal. They are also required to use renewable energy to help solve environmental issues including the problems of climate change and resource depletion, etc.

NOK's Policy

In order to contribute to the reduction of environmental burden, the NOK Group is developing products that contribute to next-generation eco-technologies, taking into account the entire product lifecycle from procurement of raw materials to manufacturing, transportation, use and disposal.

Environmentally friendly NOK products

All NOK products contribute to the environment by supporting our customers' products behind the scenes.

NOK's products backed by technologies have a wide range of functions, including sealing, fluid control, vibration and sound isolation, low friction and membrane separation. These NOK products are integrated into our customers' products and are used in a variety of end products to perform functions to protect the environment, such as "not emitting or leaking," "transferring efficiently," "reducing burden," and "extending the life of the product." NOK is committed to providing products that "help realizing a sustainable society" and developing new technologies to that end.

Not generating and emitting substances that impact the environment



Oil seals, O-rings, gaskets, electromagnetic shielding rubber (EM Guard), mechanical seals, metal bellows, etc.

Efficient transfer of energy



Le-μ's technology, iron rubber products, accumulators, solenoid valves, actuators, thermally conductive rubber, etc.

Reducing burden on products and the environment



Vibration and sound isolators, special lubricant products, coating products, wastewater treatment membrane modules, separation membrane modules, etc.

Extending the life of products



Le-μ's technology, special lubricant grease, special coatings, etc.

Product development related to new energy (fuel cell)



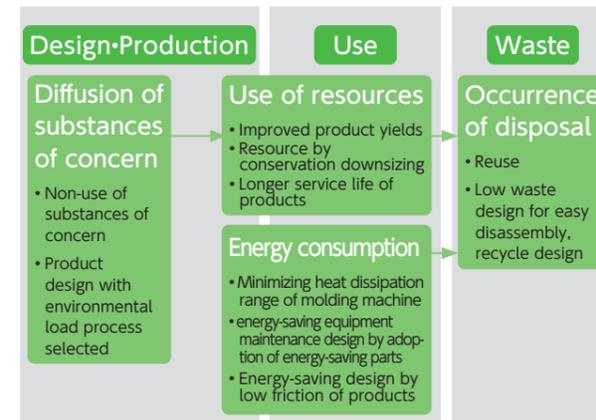
Cell seal for fuel cell, humidifying membrane modules, etc.

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.

Taking the entire product life cycle into account, NOK is working on various designs including disuse of substances of concern; energy-saving design; improved product yields; downsizing; longer service life; low friction and low wear performance; reuse of products; and low waste and recycling.

Standard of Environmental Impact Assessment for Design



Application of the Standard of Environmental Impact Assessment for Design in FY2019

Plants	Applicable Cases	Number of improvements (cases)
Fukushima	847	99
Kitaibaraki	1,231	25
Fujisawa (SHONAN R&D CENTER)	124	79
Shizuoka	810	18
Tokai	21	17
Tottori	250	250
Kumamoto	101	74
Total	3,384	562

Effects of Environmental Conservation and Economic Effect

<Effects of Environmental Conservation>
CO₂ emissions reduction: 2,809 tons-CO₂
Landfill disposal volume reduction: 896 tons

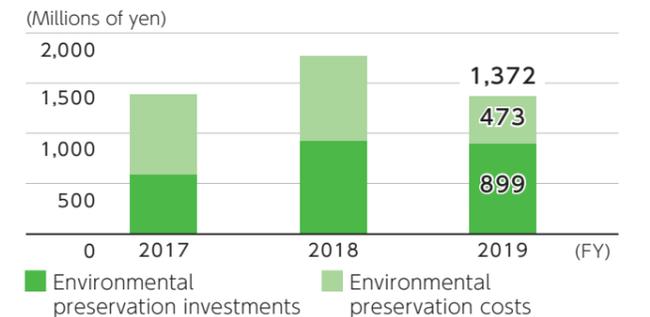
<Economic Effect of Environmental Conservation Measures>
Energy saving effect: 78.6 million yen
Gain on sales of recyclable materials : 1,413 million yen

NOK tracks the amount of investment and costs required for environmental conservation in its business activities each year with the aim of efficiently and effectively promoting environmental conservation efforts, aiming to achieve sustainable development.

During FY 2019, NOK introduced high-efficiency air conditioners, switched to LED lighting, and improved its wastewater treatment facilities as energy-saving measures. NOK is also introducing solar panels, which also serve the purpose of business continuity management (BCM).

Trend of Environmental Investments and Costs (Millions of yen)

FY	2017	2018	2019
Environmental preservation investments	587	923	899
Environmental preservation costs	805	850	473
Total	1,392	1,773	1,372



NOK Environmental Accounting

Category	Main Contents	Investment	Costs
Business Area Costs	Environmental conservation costs to control environmental burden caused by business activities within business area	576.1	258.2
Pollution Prevention Costs	Investment in and maintenance and management costs related to pollution prevention activities	117.2	102.2
Global Environmental Conservation Costs	Investment and maintenance and management costs related to global warming countermeasures including energy conservation	454.5	64.7
Resource Circulation Costs	Investment and maintenance and management costs related to resource recycling activities including waste disposal and recycling	4.4	91.3
Upstream and Downstream Costs	Costs of controlling environmental burden that occurs in upstream and downstream such as green procurement, etc.	0	0
Management Activity Costs	Costs associated with management activities such as ISO14001 maintenance and operation	0	106.4
Research and Development Costs	Costs of research and development that contributes to the environment such as the development of environmentally friendly products	323	107.1
Social Activity Costs	Costs related to greening of business establishments and support for the activities of environmental conservation groups	0	0.5
Costs involved in dealing with environmental damage	Costs associated with the removal of environmental burdens such as special equipment and facilities	0	0.7
Fines, penalties and/or legal costs associated with the settlement of environmental accidents and complaints			0
Total		899	473
Aggregate total			1,372

Conservation of Biodiversity

Social Background

Our life is supported by the various benefits of biodiversity, such as the provision of food and water and stable climatic conditions, which are essential for the continued existence of all humanity. In recent years, an increasing number of living organisms have been becoming extinct due to the destruction of the natural environment, overfishing, and climate variability, leading to a rapid decrease in biodiversity. Conservation of biodiversity is positioned as one of the critical global issues among the SDGs, with countries across the world making efforts toward that end. To create a sustainable society, business enterprises also need to carry out their business activities with a sensitivity to conservation of biodiversity and the natural environment.

NOK's Policy

We at NOK Group assessed the impact and dependence of our business activities on biodiversity and ecosystem services. Based on the results, we identified the way to go from the perspective of biodiversity conservation and established a uniform internal regulation "NOK Standards for Biodiversity Conservation" in FY2011. This standard defines the biodiversity-related efforts we should make in our business activities and emphasizes the necessity to promote biodiversity conservation activities based on the characteristics of the region.

Concrete Activities

NOK promotes biodiversity activities based on the characteristics of the region in cooperation with local governments and residents, including environmental cleanup and tree planting activities in the neighborhood of its factories. We will continue to contribute to society through biodiversity conservation activities.

Support for eco-supporters (Japan)

We provide support for the "Enosui eco" program for ecology and ecological actions sponsored by Enoshima Aquarium (Enosui). As a supporter, NOK assists in conservation efforts, including survey research into the diversity of living organisms and habitat environment in Sagami Bay, beautification and waste reduction in the region. In addition, NOK proactively takes part in beach cleanup activities to build a relationship with the local community, thereby contributing to biodiversity conservation.



Participation in cleaning Lake Ezu sponsored by the Kumamoto Prefectural Environmental Conservation Council (Japan)

We took part in an activity to conserve Lake Ezu in Kumamoto City, which represents "the city having the best-quality groundwater in Japan." Specifically, we eradicated weeds at the edge of the lake, which led to the improvement of the living environment of aquatic animals and plants as well as maintenance of a leisure area for Kumamoto residents.



Installation of a mini-biotope on factory premises (Japan)

We at Tosu NOK have set up a mini-biotope* in the compound where we rear killifish and dragonfly nymphs. Through the operation and expansion of this mini biotope and the dissemination of in-house information on the growth status of the creatures, we are working to raise employee awareness of biodiversity and awareness of environmental conservation.

* A space which enables various wild creatures that originally live in the region to live in it

Corporate Governance

Corporate Governance

Composition of the board of directors

	As at the end of FY2017	As at the end of FY2018	As at the end of FY2019
Number of auditors	10	9	8
Of which, the number of outside directors	2	2	2
Of which, the number of female auditors	0	0	0

Composition of auditors

	As at the end of FY2017	As at the end of FY2018	As at the end of FY2019
Number of auditors	5	5	5
Of which, the number of outside auditors	3	3	3
Of which, the number of female auditors	0	0	0

Board of Directors

	As at the end of FY2017	As at the end of FY2018	As at the end of FY2019
Number of board of directors' meetings held (Held on paper)	14(1)	14(0)	13(2)
Average attendance rate	97.1%	97.7%	98.2%

Board of Statutory Auditors

	As at the end of FY2017	As at the end of FY2018	As at the end of FY2019
Number of board of statutory auditors' meetings held	12	11	9
Average attendance rate	96.7%	92.7%	97.8%

Remuneration of Directors and Auditors (Millions of yen)

	FY2017	FY2018	FY2019
Directors	322	296	289
Of which, the number of outside directors	14	12	12

• The directors' remuneration for FY2019 includes remuneration granted to a board director who stepped down as a director as of October 31, 2019.
 • The directors' remuneration for FY2018 includes remuneration for one director who retired from the position of board director at the conclusion of the 112th Ordinary General Meeting of Shareholders held on June 27, 2018.

Auditors' Remuneration (Millions of yen)

	FY2017	FY2018	FY2019
Number of Auditors	62	60	59
Of which, the number of outside auditors	18	18	18

Political Donations (Millions of yen)

	FY2017	FY2018	FY2019
Result	0	0	0

No political donations have been made in the past ten years.

Efforts to Enhance Corporate Governance

Year	Month	Policy	Purpose
2004	Apr.	Established the Crisis Management Office	Preventing and minimizing negative impacts on business continuity.
	Jul.	Established Accounting Audit Division	Established as an internal audit department
2006	May.	Established Basic Policy for Internal Control System	Established Basic Policy for Internal Control System
		Enacted the NOK Charter of Corporate Behavior.	Enacted and declared Management Principles, Management Policies, and Principles of Corporate Behavior.
	Aug.	Enacted the Behavioral Guidelines Concerning Employee Compliance.	Enacted and disseminated guidelines on matters to be complied with by employees.
2007	Mar.	Established Risk Management Rules	Established how to deal with business risks and emergencies
		Established Management Rules for Internal Control Subsidiaries	Established matters to be instructed to subsidiaries and matters to be observed by subsidiaries
2008	Jan.	Established Internal Control Rules for financial reporting	Established methods for establishing and evaluating internal control related to financial reporting
		Established the Internal Control Audit Committee	Development of an internal control system, audit of its operational status and proper maintenance.
2009	Jun.	Introduced the Executive Officer System.	Separation of management oversight and executive functions, and the establishment of an agile management system.
		Changed the term of office of directors to one year.	Separation of management oversight and executive functions, and the establishment of an agile management system.
		Revised the executive compensation system.	Introduction of long-term performance-based and performance-linked compensation system.
2013	Jul.	Established Internal Control Rules	Integrated "Internal Control Subsidiary Management Rules" and other internal control related regulations
2015	Jun.	Established the Risk Management Committee	Minimizing risk probability and losses through cross-organizational verification and evaluation.
		One external director took office	Strengthening the management oversight function.
2016	May.	Started assessing the effectiveness of the Board of Directors.	Improving the effectiveness of the Board of Directors
	Jun.	Increased the number of external directors to two.	Strengthening the management oversight function.
	Oct.	Established the CSR Committee	Raising the awareness of CSR throughout the company and promoting effective CSR activities.
2017	Jan.	Established the Central BCM Committee	Increasing the effectiveness of the business continuity plan and contributing to the improvement of corporate value.
	Mar.	Established the Segments BCM Committee	Built and maintained BCM within the segment as a sub-organization of the Central BCM Committee
2019	Jan.	Established Seals Segment BCM Committee	Built and maintained BCM within the segment as a sub-organization of the Central BCM Committee
	Jul.	Business Continuity Management Rules	Established Business Continuity Management System
2019	Jul.	The Management Oversight Council (composed of the President and Representative Director, external directors and auditors).	Check, assessment and advice on key management issues and serious risks.

Labor Practices

Employee situation

Composition of employees (by region) (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Japan	9,420	9,807	10,158	10,789	11,001
China	16,296	14,683	12,774	11,681	10,913
Southeast Asia	20,890	23,003	19,891	18,651	17,395
Europe and the United States	263	688	706	1,130	1,183
Total	46,869	48,181	43,529	42,251	40,492

* On a consolidated basis

Composition of employees (by type of employment) (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Regular employees	3,085	3,143	3,248	3,419	3,529
Non-regular employees	424	431	427	410	389
Total	3,509	3,574	3,675	3,829	3,918

* On a parent basis

Composition of employees (on the basis of gender) (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Male	2,404	2,448	2,535	2,677	2,747
Female	681	695	713	742	782
Total	3,085	3,143	3,248	3,419	3,529

* On a parent basis

Average age (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Male	40.4	40	40	40	40.1
Female	38.3	38.9	39.5	39.8	40.1
Overall	39.9	39.7	39.9	39.9	40.1

* On a parent basis

Average length of continuous service (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Male	17.7	17.1	17.1	16.9	17.1
Female	18.1	18.6	18.8	18.9	19.3
Overall	17.8	17.5	17.4	17.4	17.6

* On a parent basis

Employee retention status (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Rate of turnover	1.2	1.2	1.1	1.3	1.0

* On a parent basis

Hiring of new graduates (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Male	100	102	87	115	117
Female	19	23	25	32	34
Overall	119	125	112	147	151

* On a parent basis

Rate of hiring of new female graduates for the managerial track (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Hiring ratio	2.9	3.1	4.4	6.1	5.2

* On a parent basis

Labor-management relations

Number of labor-management conferences held (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Number of Central Labor Management Councils held	16	20	15	16	16

Diversity

Employment of disabled persons (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Rate of employment	1.96	1.98	2.06	2.06	2.06

* On a parent basis

Ratio of women in managerial positions (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Domestic	N/A	N/A	N/A	0.52	0.82
Overseas	N/A	N/A	N/A	29.23	28.10

* On a consolidated basis

Work-life Balance

Hours worked per employee/
Average number of days of annual paid leave taken (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Actual total hours worked per employee	2,110.6	2,117.8	2,100.1	2,096.2	2,041.7
Overtime worked per employee (on an annual basis)	267.4	273.8	256.1	253	205.8
Average number of days of annual paid leave taken	13.6	13.5	13.5	13.6	14.5

* On a parent basis

Number of employees who took childcare leave (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Male	0	0	1	0	1
Female	51	47	53	53	60

* On a parent basis

Number of employees who took nursing care leave (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Male	0	0	0	0	0
Female	1	0	1	0	0

* On a parent basis

Number of persons reemployed (As of March 31, 2020)

	FY2015	FY2016	FY2017	FY2018	FY2019
Male	166	202	210	223	209
Female	4	6	5	6	6

* On a parent basis

Quality Assurance

List of quality management system certified companies

Country	Certified companies (business divisions/business establishments)	Operating site	Type of standards	Date of acquisition
Japan	NOK CORPORATION, Oil Seal Division	Fukushima Plant	ISO 9001	7-Mar-14
		Tenei Seal Industry Corporation Head Office's Factory	ISO 9001	7-Mar-14
		Tenei Seal Industry Corporation Fukushima Factory	ISO 9001	7-Mar-14
		Miharu Industry Co., Ltd., Head Office's Factory	ISO 9001	7-Mar-14
		Miharu Industry Corporation, Shirasawa Factory	ISO 9001	7-Mar-14
		Tohoku Seal Industry Corporation	ISO 9001	7-Mar-14
		Miyagi NOK Corporation, Miyazaki Factory	ISO 9001	7-Mar-14
		Miyagi NOK Corporation, Tome Factory	ISO 9001	7-Mar-14
		Nihonmatsu Seal Kogyo Kabushiki Kaisha	ISO 9001	7-Mar-14
	NOK CORPORATION, Plastics & Polyurethane Division	Kitaibaraki Plant	ISO 9001	3-Sep-07
		Isohara Polyurethane Industry Corporation	ISO 9001	15-Dec-14
	NOK CORPORATION, Gaskets & Boots Division	Shizuoka Plant	ISO 9001	9-Oct-13
		Nihonmatsu Plant	ISO 9001	9-Oct-13
		Tsukuba Plant	ISO 9001	9-Oct-13
		MYK Corporation	ISO 9001	9-Oct-13
	NOK CORPORATION, Tokai Plant	Kikugawa Seal Industry Co., Ltd.	ISO 9001	9-Oct-13
			ISO 9001	17-Oct-07
	NOK CORPORATION, Vibration Control Division	Tottori Plant	ISO 9001	3-Jun-09
		TVC Co., Ltd.	ISO 9001	3-Jun-09
	NOK CORPORATION, Precision Moldings & O - rings Division	Kumamoto Plant	ISO 9001	30-Sep-98
	NOK METAL Co., Ltd.	Nonodake Factory (Headquarters)	ISO 9001	Scheduled to acquire in March 2021
		Kawamata Factory	ISO 9001	Scheduled to acquire in March 2021
		Kawamata Factory (Kogami)	ISO 9001	Scheduled to acquire in March 2021
		Kawamata Factory (Nihonmatsu)	ISO 9001	Scheduled to acquire in March 2021
	ISSHIN Industries Corporation		ISO 9001	28-Nov-11
	KANASEI Corporation		ISO 9001	13-Apr-11
	Saga NOK Corporation (former Saga Seal Industry Co., Ltd.)		ISO 9001	7-Feb-01
	Tos NOK Corporation (former Tos Seal Industry Co., Ltd.)		ISO 9001	7-Nov-08
	Kusu NOK Corporation		ISO 9001	27-Mar-04
	Kumamoto NOK Corporation (former Kumamoto Seal Industry Co., Ltd.)	Headquarters Factory	ISO 9001	24-Mar-04
		The First Factory	ISO 9001	24-Mar-04
	Nichinan NOK Corporation		ISO 9001	24-Mar-04
Aso NOK Corporation (former Kawazu Industry Co., Ltd.)		ISO 9001	25-Jun-08	
Thailand	Thai NOK Co., Ltd.	Oil Seal Production	IATF 16949	28-Jan-18
		Vibration Control Production	IATF 16949	24-Jan-18
		Rubber Seal Production	IATF 16949	2-Feb-18
Vietnam	Vietnam NOK Co., Ltd.		ISO 9001	10-Dec-14
			IATF 16949	27-Nov-17
Indonesia	PT. NOK Indonesia		IATF 16949	26-Jul-17
			ISO 9001	27-Mar-03
China	Wuxi NOK-Freudenberg Oil Seal Co., Ltd.		IATF 16949	13-Jun-18
			ISO 9001	15-Apr-07
		Changchun NOK-Freudenberg Oil seal Co., Ltd.	IATF 16949	17-Apr-18
		Taicang NOK-Freudenberg Sealing Products Co.,Ltd.	IATF 16949	12-Jun-18
			ISO 9001	5-Feb-18
			IATF 16949	5-Feb-18
China	NOK (Wuxi) Vibration Control China Co., Ltd.		IATF 16949	15-Mar-19
			ISO 9001	Scheduled to acquire in December 2020

* This list covers establishments engaged in seal production among overseas group companies.

The Environment

List of ISO14001-certified companies

Country	ISO14001-certified companies	Scope of application	Status of EMS acquisition	Date of acquisition
Japan	NOK CORPORATION	Fukushima Plant, Nihonmatsu Site	ISO14001	2-Mar-02
		Fukushima Plant, Fukushima Site	ISO14001	1-Mar-03
		Kitaibaraki Plant	ISO14001	2-Mar-11
		Isohara Plant	ISO14001	2-Mar-11
		Toyoda Plant	ISO14001	2-Mar-11
		Shirasawa Plant	ISO14001	18-Apr-19
		Fujisawa Plant	ISO14001	2-Mar-02
		Shizuoka Plant	ISO14001	1-Mar-03
		Tokai Plant	ISO14001	1-Mar-03
		Tottori Plant	ISO14001	2-Mar-05
		Kumamoto Plant	ISO14001	5-Mar-04
		Tenei Seal Industry Corporation	Headquarters Factory	ISO14001
	Fukushima Factory: QMS-certified as a NOK CORPORATION plant		ISO14001	2-Apr-12
	NOK METAL Co., Ltd.	Nonodake Factory (Headquarters)	ISO14001	26-Jan-07
		Kawamata Factory	ISO14001	26-Jan-07
		Kawamata Factory (Kogami)	ISO14001	26-Jan-07
		Kawamata Factory (Nihonmatsu): QMS-certified as a NOK CORPORATION plant	ISO14001	2-Mar-11
	Miyagi NOK Corporation	Tome Factory (former Senboku Industry)	ISO14001	10-Mar-06
		Miyazaki Plant (former Miyazaki Industry)	ISO14001	2-Mar-06
	Miharu Industry Corporation		ISO14001	31-Mar-06
	Tohoku Seal Industry Corporation		ISO14001	10-Feb-06
	Nihonmatsu Seal Industry Corporation	QMS-certified as a NOK CORPORATION plant	ISO14001	2-Apr-12
	Isohara Polyurethane Industry Corporation	QMS-certified as a NOK CORPORATION plant	ISO14001	2-Mar-14
	ISSHIN Industries Corporation		ISO14001	27-Mar-07
	KANASEI Corporation	Fukushima Plant	ISO14001	25-Feb-13
	Kikugawa Seal Industry Co., Ltd.	Head Office's Factory: QMS-certified as a NOK CORPORATION plant	ISO14001	13-Mar-15
		Head Office's Factory: QMS-certified as a NOK CORPORATION plant	ISO14001	18-Apr-19
	MYK Corporation	Head Office's Factory: QMS-certified as a NOK CORPORATION plant	ISO14001	2-Mar-11
	TVC Co., Ltd.		ISO14001	9-Mar-07
	Saga NOK Corporation (former Saga Seal Industry Co., Ltd.)		ISO14001	14-Feb-07
	Kumamoto NOK Corporation (former Kumamoto Seal Industry Co., Ltd.)	Headquarters Factory	ISO14001	28-Mar-07
		The First Factory	ISO14001	28-Mar-07
Kusu NOK Corporation		ISO14001	28-Mar-07	
Tos NOK Corporation (former Tos Seal Industry Co., Ltd.)		ISO14001	14-Apr-08	
Nichinan NOK Corporation		ISO14001	28-Mar-07	
Aso NOK Corporation (former Kawazu Industry Co., Ltd.)		ISO14001	28-Mar-07	
Thailand	Thai NOK Co., Ltd.	Panthong Plant	ISO14001	16-Jul-07
		Bangpakong Plant	ISO14001	16-Jul-07
Vietnam	Vietnam NOK Co., Ltd.		ISO14001	1-Sep-09
Indonesia	PT. NOK Indonesia		ISO14001	12-Oct-04
			ISO14001	15-Oct-07
China	Wuxi NOK-Freudenberg Oil Seal Co., Ltd.		ISO14001	3-Dec-03
			ISO14001	22-Jun-06
			ISO14001	5-May-08
			ISO14001	Scheduled to acquire in FY 2022

* This list covers establishments engaged in seal production among overseas group companies.

Environmental Performance Data

INPUT

Item	Unit	FY2017	FY2018	FY2019
Total consumption of raw materials	1,000 tons	91	96	91
Rubber	1,000 tons	15	14	13
Compounding ingredients and adhesives	1,000 tons	11	12	11
Plastics	1,000 tons	1	1	1
Metals	1,000 tons	63	69	66
Total energy consumption	TJ	6,519	6,946	6,536
Electricity	TJ	6,394	6,770	6,362
Fuels	TJ	124	176	174
Total water withdrawals	1,000 m ³	1,780	1,898	1,901
City Water	1,000 m ³	1,464	1,504	1,466
Industrial Water	1,000 m ³	172	212	252
Ground Water	1,000 m ³	144	182	183
Consumption of substances subject to PRTR	1,000 tons	1.5	1.2	1.4

OUTPUT

Item	Unit	FY2017	FY2018	FY2019
Total CO ₂ emissions (Scope 1 + Scope 2)	1,000 tons of CO ₂	379	395	363
Scope1	1,000 tons of CO ₂	8	11	11
Scope2	1,000 tons of CO ₂	371	384	352
Scope3*	1,000 tons of CO ₂	186	192	681
NOx	kg	0	0	0
SOx	kg	137	130	145
VOC emissions	1,000 tons	3.7	3.5	3.1
Emissions of substances subject to PRTR	t	245.5	133.6	18.8
Total wastewater discharge	1,000 m ³	1,308	1,182	1,158
Public Waters	1,000 m ³	583	456	497
Drainage	1,000 m ³	725	726	660
BOD load	t	1.42	1.47	1.45
Industrial Waste	1,000 tons	42	38	29
Amount of waste recycled	1,000 tons	35	32	25
Landfill disposal amount	1,000 tons	8	5	4
Valuable waste	1,000 tons	28	35	31
Recycling rate	%	89.0	92.8	93.1

* For Scope 3 for FY2017 to FY2018 : The aggregation range shall cover categories 1, 2, 3, 4, 5, 6, 7, 8, 13 and 14.
 For FY2019 : The aggregation range shall cover categories 1, 2, 3, 4, 5, 6, 7, 8, 13, 14 and 15.
 Categories 9, 10, 11 and 12 fall outside the aggregation range because of the current difficulty in calculating.

Aggregation range for the past record of environmental performance

Page	Item	Aggregation range	
P.54	Input resources and industrial waste associated with business activities	INPUT	Raw Materials NOK Group companies based in Japan
		Energy NOK Group companies based in Japan	
		Water NOK Group companies based in Japan	
		Substances of concern On a parent basis	
	OUTPUT	Gas emissions NOK Group companies based in Japan (On a parent basis for NOx and SOx)	
		Wastewater NOK Group companies (on a parent basis for BOD)	
Waste, etc. NOK Group companies based in Japan			
P.63	Measures on Substances of Concern	Targets and Results FY 2019 PRTR Results On a parent basis	
P.65	Environmentally friendly products	Environmental accounting Various costs On a parent basis	
P.73	Environmental Performance Data	INPUT	Raw Materials NOK Group
		Energy NOK Group	
		Water NOK Group	
		Environmentally hazardous substances On a parent basis	
		OUTPUT	CO ₂ emissions NOK Group
		NOx On a parent basis	
		SOx On a parent basis	
		VOC emissions into the atmosphere NOK Group	
		Drainage water NOK Group companies (on a parent basis for BOD)	
		Industrial waste, etc. NOK Group	
Environmentally hazardous substances On a parent basis			

opinion

As I read the CSR Report 2020, the first thing I noticed was a steady improvement from the last edition. This year, the Report is reconfigured with a focus on the relationships between different contents. As a result, the entire Report has become more reader-friendly with a stronger storyline. For example, new sections have been added at the beginning of the Report, including the NOK Group's history, social contribution through products and introduction of the Group's products. These additional sections make it easier for readers to understand the value provided by the Group from the Report. This is a significant step forward as it is usually difficult for BtoB companies to present their value. Related to this point is that the Report identifies the areas in which the Group makes contributions while connecting these areas to the SDGs, which should deepen readers' understanding effectively. This change has been made to incorporate the third-party opinion on the last edition, exemplifying the Group's sincere attitude toward its stakeholders. Considering the reference to ISO 26000:2010 Guidance on Social Responsibility, it is clear that the Report has been edited so that it can be effectively used as a communication tool for multiple stakeholders. From this perspective, it seems safe to say that the Report has already reached the stage of completion.

In the meantime, throughout the Report, I also noticed signs of movement toward the next stage. For example, the top message emphasizes the sustainability of business activities, which has developed from the basic policy of the new Medium-Term Management Plan, "Flexible response to changes and re-challenge to be a sustainable company." As a company that has a number of products with high market share, the message focuses on the importance of the Group's responsibility to stably supply products as well as the business continuity management to make it possible. This is one example of the Group's focus on sustainability. Moreover, while previous Reports mainly focused on environmental issues until last year, this year's Report has more emphasis on society and governance. Combined with the section "Concept of CSR and Our Organization" which is also structured based on an ESG framework, the Report can be further characterized as a communication tool targeting ESG investors. This is in line with the Group's existing policies that have focused on its social responsibility to multiple stakeholders. According to the current logic of ESG investing, CSR is to synchronize solutions to social issues with business growth. Therefore, the Group truly

practices its responsibility to multiple stakeholders by looking ahead to the uncertain future and pursuing a sustainable business model.

If my comment above is an accurate interpretation of the new direction the Report is taking, it naturally becomes clear what will be expected of the next Report. First of all, I would like the Group to explore the possibility of extending the timeframe. When looking ahead to the future of the automotive industry, it is absolutely necessary to address climate change. A number of automotive manufacturers have already disclosed their analyses on risks and opportunities with anticipation of long-term changes in powertrains. Their goals are set for the year 2050, and 2030 is generally considered a milestone that connects the current state and the goal. Since the Group's main products are oil seals, strategies adapting to medium- and long-term electrification, especially in terms of opportunities, are the primary interest among ESG investors when discussing the sustainability of the Group's business model. I encourage the Group to enhance information disclosure, including the scenario developed in accordance with the TCFD framework. Moreover, as exemplified by climate change, it is also effective to identify and disclose non-financial factors (materiality) that affect the Group's sustainability in the long term. In the process of identifying these factors, the Group may incorporate not only its accumulated experience in CSR management but also the learning from its initiatives for digitalization (visualizing production), which is also emphasized in the new Medium-Term Management Plan. I look forward to seeing the further disclosure of non-financial information by the NOK Group.



Keisuke Takegahara
 Executive Officer
 Deputy Chief Research Officer
 Development Bank of Japan

Response to Third-Party Opinion

While NOK has steadily engaged in CSR activities for a long time, it seems that the company has overlooked the importance of "communicating" and "having stakeholders understand" those efforts. This year, based on this learning, we have developed the Report into one that will help readers understand more about the CSR activities conducted by NOK. We deeply appreciate the positive opinions by Mr. Takegahara on the improvement of the CSR Report itself. Encouraged by his valuable comments, we are determined to continue our efforts to develop reader-friendly reports.

For this edition, we have received advice on efforts to address climate change. As noted in the comments, climate change is

an unavoidable issue when looking ahead to the future of the automotive industry. Just the other day, Prime Minister Yoshihide Suga stated that Japan would aim to cut greenhouse gases to zero on a net basis by 2050. Likewise, we need to move our activities forward with goals that go beyond the SDGs. While reinforcing the existing activities, we are committed to further enhancing the contents of the Report so as to better communicate NOK's efforts to various stakeholders.

Noriyuki Takahashi

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