

NOK CORPORATION

# NOK ESG DATA BOOK 2024



## Content, Editorial Policy

This Data Book summarizes the NOK Group's performance data, policies, and initiatives related to the environment, society, and governance (ESG). Referring to multiple reporting guidelines, we have organized related numerical data for each ESG category. We consider this Data Book to be a vital means of improving communication with all of our stakeholders. We would appreciate your candid opinions and feedback on the report.

### Period Covered

Most of the activities described in this report took place in fiscal 2023 (April 1, 2023 to March 31, 2024)

\* Some activities prior to the period covered and recent activities are also included

### Publication Date

July 2024 (published annually)

### Scope

NOK Corporation and 92 consolidated subsidiaries

### Referenced Guidelines

- ISO 26000: 2010 - Guidance on social responsibility
- Global Reporting Initiative (GRI) Standards
- United Nations Global Compact
- Task Force on Climate-related Financial Disclosures (TCFD)

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### Disclaimer

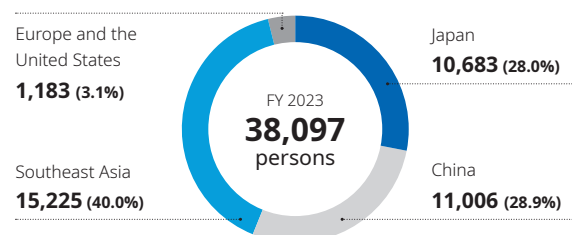
This Data Book contains forward-looking statements regarding the plans, strategies and performance of the Group. These statements are based on information available at the time of issue and involve risks and uncertainties. Please understand that future performance may differ from these statements due to changes in the Business environment and other factors.

## Basic Information

### Company Profile

Company Name	NOK CORPORATION
Head Office	1-12-15 Shiba Daimon, Minato-ku, Tokyo 105-8585, Japan
Established	December 2, 1939
Founded	July 9, 1941
Capital	23,335 million yen (as of March 31, 2024)
Number of Employees	38,097 (consolidated, as of March 31, 2024) 3,337 (non-consolidated, as of March 31, 2024)
Consolidated Subsidiaries	92 companies

### Composition of employees by region (consolidated)



## NOK Philosophy

NOK Group's management ethos, embodied in the principle of respect for employees based on care and trust, has served as the bedrock of our organization for nearly 80 years. In 2023, we built upon this enduring legacy by crafting Our Purpose and Our Values — new guiding principles thoughtfully aligned with the prevailing social context.

As Global One NOK, we unite with the shared values embraced by our worldwide workforce, and together, we aim to achieve a sustainable society while continuing to elevate our corporate worth. We intend to accomplish this goal by generating value that serves social needs and engaging in self-driven, responsible initiatives.

### Our Purpose

Why we are here

**Shaping Possibilities with Unique Technology**

### Our Values

The principles and values that guide us

#### RESPECT

We respect diversity and inclusivity

#### IGNITE

We ignite a passion for innovation

#### EXPLORE

We explore every possibility for better solutions

#### EXCEED

We exceed expectations by delivering exceptional results

**We pursue our dreams**

### Our Founding Principles

1. The Management has to run the Company based on feelings of care 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.

## 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 our founding Principles under the NOK spirit. We will pursue this through developing the Management Policies in such a way that all our 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 acting autonomously and 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 respecting human rights, complying 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

### Our Founding Principles

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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, 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, cyberattacks, 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 them.

## Sustainability Overview

### NOK Group Sustainability Statement

At NOK Group, we aim to extend beyond generating economic benefits for stakeholders: we aspire to evoke a profound sense of pride in them. To that end, we have been dedicated to fostering a sustainable society alongside our business endeavors since our founding.

Our Purpose statement, “Shaping Possibilities with Unique Technology,” reflects our ambition to enhance people’s lives with innovative products resulting from

proprietary technologies based on our R&D, and we strive to offer people safer and more comfortable lifestyles by harnessing these capabilities and embracing diversity and untapped possibilities.

We remain committed to proactively tackling worldwide environmental and social challenges by leveraging the inherent value within our company to realize a sustainable society.

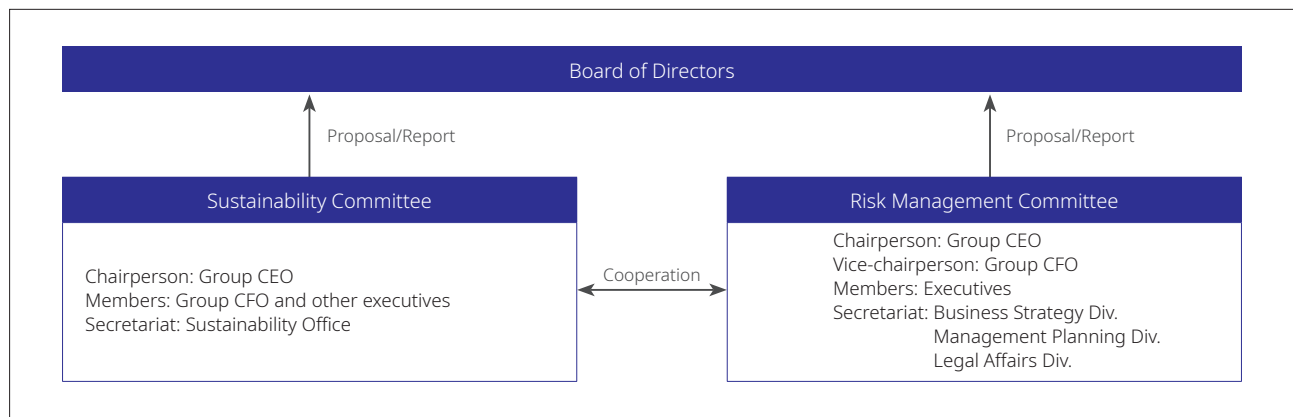
### Governance

We have set up a Sustainability Committee as an organization that discusses sustainability for the Group and decides on policies and other matters.

Chaired by the Group CEO and composed of top management including the Group CFO, the Sustainability Committee discusses and decides on sustainability measures and policies. It also addresses key issues crucial to the Group’s management and shares its findings with the leadership team. As well as conducting reviews, it

submits proposals and reports to the Board of Directors. The Sustainability Office serves as the secretariat and holds meetings regularly (in principle, once a month).

Since sustainability risks are closely linked to the Group’s management risks, the Sustainability Committee coordinates with the Risk Management Committee to tackle them.



### Risk Management

We have outlined the basic policy and management framework for risk management across the Group in the Risk Management Regulations. We have established a Risk Management Committee chaired by the Group CEO, with the Group CFO as vice-chair and executive members

as committee members. This committee drives the Group’s risk management initiatives, reviewing business strategy risks and potential loss risks that could affect the Company’s management. It also reviews and decides on risk management and compliance policies.

\* See page 50 for details.

## Environment

### Environmental Management

#### Basic Concept

The NOK Group has established a system in accordance with ISO 14001 standards, promotes environmental management, and strives to implement environmental management with the next generation in mind, thereby

reducing its environmental burden. The current percentage of NOK Group establishments with ISO 14001 certification is 100%.

#### NOK Group Environmental Statement

As NOK Group is a part of society, all employees recognize that the company's operations, products, and services have a significant impact on the environment on a global scale. To foster the development of a sustainable society, we establish NOK Group Environmental Statement and strive for environmental conservation management that considers future generations and beyond. We also work with internal and external stakeholders, including employees, shareholders, local communities, and business partners in the value chain from raw material procurement, production, distribution, use, and disposal to continuously reduce our environmental impact.

- 1 Based on our existing proprietary technologies, we strive to reduce environmental impact by promoting the improvement of technologies and the development of products that take environmental conservation into consideration.
- 2 We comply with environmental laws and regulations, local government ordinances, and regional agreements, etc., and promote activities for environmental conservation.
- 3 We promote energy conservation and reduction of greenhouse gas emissions to achieve a decarbonized society.
- 4 We strive to conserve resources and contribute to a circular society by reducing, reusing, and recycling waste.
- 5 To conserve water resources, we promote efficient water use and appropriate management of water quality.
- 6 We assess our impact on biodiversity and promote biodiversity conservation activities tailored to local characteristics in cooperation with business partners and external organizations.
- 7 We strive to prevent environmental pollution and reduce environmentally hazardous substances by thoroughly managing all chemical substances.
- 8 We disclose information on environmental conservation and social contribution activities and proactively communicate with local and broader society.
- 9 We promote environmental education for all our employees to raise awareness of the global environment.
- 10 We strive to continuously improve our environmental management system by setting targets, promoting activities to reduce environmental impact, and regularly assessing progress.

Enacted on September 17, 2001

Revised on June 28, 2023

Representative Director, Group Chief Executive Officer, NOK CORPORATION

**Masao Tsuru**

#### NOK's Environmental Strategy: Twin Green Plan 2030

In response to the global trend toward carbon neutrality and the results of TCFD scenario analysis, we revised the NOK Twin Green Plan 2030, formulated in 2018, and declared that we will aim to achieve carbon neutrality by 2050.

Under this long-term vision, the Group will work together to realize a sustainable society through the provision of eco-friendly products and business activities in response to electrification of automobiles and carbon neutrality.

\* For details, please refer to NOK's website:  
<https://www.nok.co.jp/en/csr/twingreen.html>

## Compliance with Environmental Laws and Regulations

The NOK Group faced no major fines, surcharges, or lawsuits related to environmental accidents or complaints in FY 2023.

\* For details on fines, surcharges, and lawsuit costs, see page 18.

## Environmental Awards

In FY 2020, the NOK Group introduced an environmental awards program for the purpose of breathing life into environmental activities within the Company and raising the awareness of every employee regarding environmental issues. The program comprehensively evaluates actions taken at each site to address climate change, resource efficiency and circulation, biodiversity, and other environmental issues. The program also provides an

incentive for action by recognizing the initiatives judged to be the most outstanding with awards.

In FY 2023, NOK (Wuxi) Vibration Control China Co., Ltd. won the gold prize as a “Wuxi City Environmental Protection Model Enterprise.” Mektec Manufacturing Corporation (Suzhou) received the silver prize for achieving significant energy savings through compressor improvements. Bronze prizes were awarded to NOK’s Tottori Plant, for enhancing its wastewater treatment system, and Changchun NOK-Freudenberg Oil Seal Co., Ltd., for continuously reducing environmental impact. We will continue using this program to raise awareness of environmental conservation throughout the entire NOK Group and further improve our environmental activities.

## Material Balance (Material Flow)



\*1 Total CO<sub>2</sub> 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 (IEA).

\*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 microorganisms to decompose pollutant organic material in water. The figure for BOD load was obtained by multiplying the BOD measurement by the amount of effluent entering rivers.

### Environmental Education

The NOK Group conducts a variety of education programs to foster a company-wide environmental spirit. The NOK Group conducts tiered training for its employees, as well as specialized education that covers ISO 14001 management, energy conservation, resource-saving, waste reduction, water risk management (intake and quality), and chemical substance management. We also conduct drills based on emergency scenarios. The result is raising the environmental awareness of every employee.

### Working with Suppliers

The NOK Group administers a CSR survey to supplies to promote CSR initiatives such as reducing environmental impact and working together across the supply chain.

\*For detail, see page 34.

	New employee	General employee	Management positions
Level-specific education	New employee training		
	General employee education		
			Education for management positions
Specialized education (for eligible employees)	Emergency-related education		
	Education for internal auditors		
	Resource (waste, water)-related education		
	Energy-related courses		
	Chemical substances-related education		

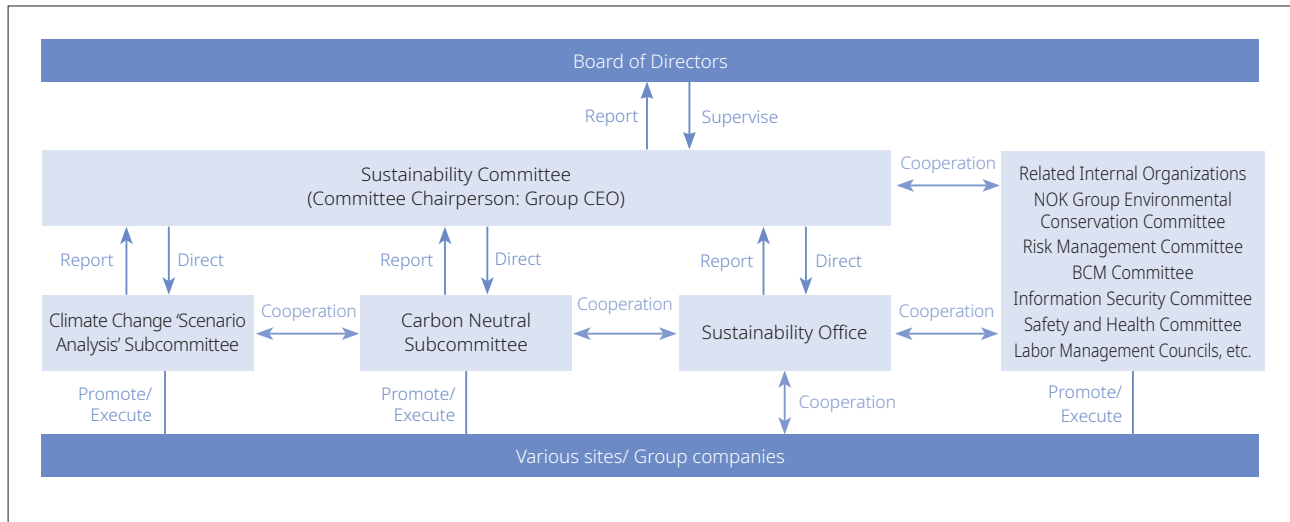


## Information Disclosure Based on TCFD Recommendations

In line with the recommendations of the TCFD, we disclose the NOK Group's business strategies related to climate change.

### Governance (Climate Change)

NOK Group is addressing to climate change by establishing a management system based on the Sustainability Committee.



#### Supervision of the Board of Directors

The Board of Directors regularly receives reports from the Sustainability Committee on issues related to climate change risks and opportunities, as well as other sustainability matters. It approves and oversees progress on addressing them.

#### Sustainability Committee

We have set up the Sustainability Committee as the body for discussing and deciding on the Group's sustainability policies. As well as discussing and deciding on sustainability measures, the committee also discusses key management issues. After sharing these with senior management, it engages in further deliberation. The committee then submits its proposal and report to the

Board of Directors.

We have also set up two specialized organizations under the Sustainability Committee to address climate change, the Climate Change 'Scenario Analysis' Subcommittee and the Carbon Neutral Subcommittee. The Climate Change 'Scenario Analysis' Subcommittee assesses the impact of climate change, while the Carbon Neutral Subcommittee plans and promotes specific measures to address climate change. These subcommittees collaborate with related internal organizations and each branch or group company to drive climate initiatives. We have established a framework that they regularly report on progress at the Sustainability Committee.

### Risk Management

The NOK Group's "Risk Management Regulations" stipulate the basic policy and management system for risk management across the entire Group. We have also established a Risk Management Committee to promote risk management within the Group.

Since sustainability risks are closely linked to the Group's management risks, the Sustainability Committee coordinates with the Risk Management Committee to tackle them.

The Climate Change 'Scenario Analysis' Subcommittee, a sub-organization of the Sustainability Committee, works with related internal organizations to identify climate change risks and opportunities, which it assesses based on their potential impact on the business and the expected duration of that impact.

The Sustainability Committee then assesses and discusses the findings, formulating countermeasures and reflecting them into our business strategies.

### Strategy

We recognize that climate change is an important management issue that will affect our businesses into the future. We assessed the impact of climate change, and we have carried out scenario analyses in accordance with TCFD recommendations to climate change countermeasures in our management strategy. Based on data from the International Energy Agency (IEA) and other sources, we defined two scenarios, the 4°C and a 2°C scenarios for the impact of climate change on our business and evaluated the risks and opportunities for NOK Group.

Based on the results of these scenario analyses, we will

be actions to address the identified risks and opportunities of NOK Group. We will also continue to expand our scenario analyses and incorporate their results into our

business strategies and management plans. We strive to improve the resilience of our management strategies.

Envisioned world	4°C scenario	2°C scenario
Temperature rise	By the end of the 21st century, the global temperature rises by about 4°C compared to the pre-industrial era.	By the end of the 21st century, the global temperature rise is kept to less than 2°C higher than the pre-industrial era.
Policies/energy	Little or no progress in carbon neutrality policies, no carbon tax introduced, limited deployment of renewable energy.	Carbon taxes are introduced, the share of renewable energy grows, business costs rise accordingly.
Markets/raw materials	The automotive industry gradually moves towards electrification, but the bulk of vehicles still run on internal combustion engines.	The automotive industry undergoes rapid electrification, which results in a decline in the number of internal combustion engine vehicles.
	Gradual advances in electrification are accompanied by a gradual rise in the price of related raw materials.	Markets related to renewable energy and the reduction of environmental footprints expand, and the robotics and semiconductor markets also expand with the acceleration of digitalization. The expansion of these markets is accompanied by rises in prices of related raw materials to levels even higher than in the 4°C scenario.
Physical risks	Rising temperatures increase damage from flooding and tropical cyclones, which affects factory operations and supply chains.	While rising temperatures cause damage from flooding and tropical cyclones, their impacts are smaller than under the 4°C scenario.

Scenario definition Period covered: 2030

Scope of coverage: Consolidated

Referenced scenarios: IEA 2DS, IEA SDS, IEA STEPS, RCP2.6, RCP4.5, RCP6.0, RCP8.5, etc.

## Risks and Opportunities

### Physical Risks and Our Measures

More than 90% of the NOK Group's production sites are located in Asia, including Japan. Among 76 production sites, eight have been assessed to be of high risk by the AQUEDUCT\* flood risk assessment tool (rivers and coastline). The scale and frequency of floods and typhoon damage in the Asian region are expected to increase in the future as the impact of climate change worsens. Accordingly, all of NOK Group's sites, not just those currently designated as high risk, carry the risk of negatively impacting operations and upstream/downstream supply chains. To combat this risk, we are assessing the risk of hazards from natural disasters at each site and, together with the flood risk of every site, we are implementing longer-term (at least five years) to install a water gate and other disaster-prevention measures. We are also ensuring we have enough raw materials and product inventory to cope with such risks in an effort to minimize the impacts on upstream and downstream supply chains.

\* AQUEDUCT is a water risk assessment tool made available by the World Resources Institute (WRI). It is presented in the form of a world map that shows water risks in terms of quantity, quality, and regulatory and reputational risks.

### Transition Risks and Our Measures

The NOK Group's mainstay products stop oils, liquids, gases, and other substances in various forms from leaking out with the use of sealing technology. A typical NOK

product is oil seals, which have long been used widely in the internal combustion engines of vehicles. Given that the transition to a low-carbon society for the purpose of alleviating the impacts of climate change is accelerating a shift towards EVs, we anticipate the risk of a decline in oil seal sales for internal combustion engine applications. In terms of response measures, the NOK Group is promoting product development and sales expansion in fields that offer potential growth in a low-carbon society, including electrical units for electric vehicles, seal products for batteries, and flexible printed circuits (FPCs).

Also, another aspect of the global decarbonization movement is the possibility that carbon tax regulations in each country could be enacted and tightened. Most of the NOK Group's CO<sub>2</sub> emissions come from the use of electricity and there are concerns that business costs will increase if the amount of CO<sub>2</sub> we emit directly is taxed, or if our power costs are hit with a carbon tax. Therefore, with the aim of furthering our efforts to reduce CO<sub>2</sub> emissions, we raised our 2030 overall domestic CO<sub>2</sub> emissions reduction target to 50% and the overseas emissions intensity reduction target to 30%, compared to FY 2018. We will continue to look at solar power generation and the capacity of other technologies and products that can be adopted immediately, but up ahead, we will closely examine and trial new emerging technologies and measures and make investment plans to ensure that we reach our reduction targets.

● Group-wide ● Seal Business ● Electronic Products Business

Impacts	Risks	Opportunities	Actions
Markets	<ul style="list-style-type: none"> <li>Declining sales of conventional products for internal combustion engine applications due to the increase of electric vehicles.</li> <li>Declining market competitiveness due to delays in response to environmental issues (prices, customers' purchasing policies).</li> </ul>	<ul style="list-style-type: none"> <li>Demand for control/electrical units and electronic components grows with electrification.</li> <li>Carbon neutrality increases opportunities to grow sales of low-friction, long-life products.</li> <li>Markets related to renewable energy, semiconductors, and labor- and power-saving (robots, etc.) grow.</li> </ul>	<ul style="list-style-type: none"> <li>Expand sales to the electric vehicle (EV/FCV) market and growth industries (renewable energy, semiconductors, etc.).</li> <li>Create more opportunities to expand sales of seal products for electrical units and batteries for electric vehicles, as well as newly developed products.</li> <li>Develop and expand sales of products with smaller environmental footprints (low friction, long life, high durability, bio-based raw materials, etc.).</li> <li>Develop and expand sales of FPCs for electric vehicle batteries.</li> <li>Expand sales in the renewable energy storage battery market.</li> <li>Cultivate the electric vehicle infrastructure market (charging stations).</li> </ul>
Raw materials	<ul style="list-style-type: none"> <li>Rising procurement costs due to carbon taxes on raw materials.</li> <li>Rising raw-material prices due to shifts in supply-demand balance.</li> </ul>	<ul style="list-style-type: none"> <li>Reduce raw-material costs through recycling and other effective uses of resources.</li> <li>Reduce costs by improving supply-chain efficiency.</li> </ul>	<ul style="list-style-type: none"> <li>Monitor supply-and-demand forecasts for raw materials, and optimize procurement costs and prices. (Seal Business: raw-rubber materials, steel materials, etc.; Electronic Products Business: copper, etc.)</li> <li>Strategy for developing material-saving fabrication methods (to improve yields).</li> <li>Consider increasing the use of reused materials and product recycling.</li> </ul>
Carbon price	<ul style="list-style-type: none"> <li>Rising operating costs due to carbon taxes.</li> </ul>	<ul style="list-style-type: none"> <li>Promote manufacturing efficiency and energy-saving initiatives. (Improve motivation to save energy.)</li> </ul>	<ul style="list-style-type: none"> <li>Revise the targets in the NOK Twin Green Plan 2030.</li> <li>Introduce internal carbon pricing.</li> <li>Develop new low-energy materials and fabrication methods.</li> </ul>
Energy	<ul style="list-style-type: none"> <li>Rising energy procurement costs due to shifts in electricity demand and power source makeup.</li> </ul>	<ul style="list-style-type: none"> <li>Intensifying competition among electric power suppliers.</li> <li>Promote the introduction of in-house renewable energy power sources using public subsidies, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Optimize our power procurement sources.</li> <li>Introduce renewable energy sources such as solar power generation.</li> </ul>
External evaluation	<ul style="list-style-type: none"> <li>Corporate valuation negatively impacted due to insufficient environmental initiatives.</li> <li>Concerns that these will become a standard for making investment and funding decisions.</li> </ul>	<ul style="list-style-type: none"> <li>Attract ESG investment by improving external evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>Proactively disclose corporate information in accordance with the ESG Framework.</li> </ul>
Disasters	<ul style="list-style-type: none"> <li>Supply-chain disruptions due to disasters.</li> <li>Suspension of operations at Company plants and damage to inventory in storage.</li> </ul>	—	<ul style="list-style-type: none"> <li>Carry out hazard risk assessments and tropical cyclone/disaster countermeasures (water protection) at all locations.</li> <li>Secure inventory levels that are appropriate for the risk exposure.</li> </ul>

## Indicators and Targets

As part of our climate change actions, the NOK Group formulated the NOK Twin Green Plan 2030, and has been promoting the reduction of CO<sub>2</sub> emissions and development of next-generation eco-technologies. To strengthen our climate-change actions, we have recently raised the CO<sub>2</sub> emission reduction targets set in the NOK

Twin Green Plan 2030 based on results from our TCFD scenario analyses. With the aim of achieving carbon neutrality by 2050, we will continue to promote initiatives to address climate change and consider revisions to our targets from time to time based on the results of scenario analyses and social conditions.

### Targets

2050 Aiming to achieve carbon neutrality

2030 NOK consolidated (in Japan) 50% reduction in CO<sub>2</sub> emissions (compared to 2018)

NOK consolidated (overseas) 30% reduction in CO<sub>2</sub> emissions per unit (compared to 2018)

## Climate Change Countermeasures

### Basic Concept

In recent years, climate change has come to the fore as a global challenge. Efforts to reduce carbon emissions have accelerated in Japan and around the world, as instanced by the entry into force of the 2016 Paris Agreement and Japan's declaration on 2050 carbon neutrality pledge.

Recognizing that climate change is an important global issue that must be addressed to create a sustainable society, the NOK Group is working to achieve carbon neutrality by 2050. Following the TCFD recommendations, we analyze the risks and opportunities that climate change presents for the Company. We incorporate climate change countermeasures into our management strategies. We also strive to reduce energy use thoroughly across our value chain, including manufacturing and logistics, and actively introduce renewable energy to cut CO<sub>2</sub> emissions.

### Policy Views

The NOK Group supports the Paris Agreement enacted in November 2016, which aims to hold “the increase in the global average temperature to well below 2°C above pre-industrial levels” and pursue efforts “to limit the temperature increase to 1.5°C above pre-industrial levels.”

We also support Japan's October 2020 pledge to achieve carbon neutrality by 2050, setting this as the CO<sub>2</sub> emissions reduction target for our business activities. In pursuing these efforts, we comply with climate change policies like the “Act on Promotion of Global Warming Countermeasures” and the “Act on Rationalization of Energy Use and Shift to Non-fossil Energy.” We also continue to promote proper information disclosure and activities to reduce CO<sub>2</sub> emissions and energy consumption.

### Managing CO<sub>2</sub> Emissions and Energy Consumption

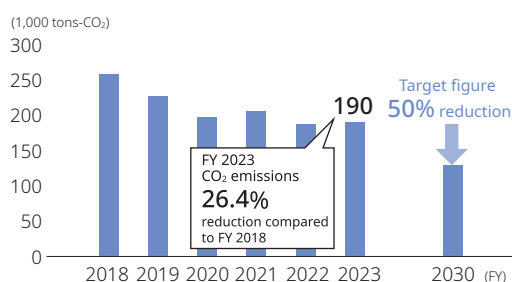
In FY 2023, our domestic group companies reduced CO<sub>2</sub> emissions by 26.4% compared to FY 2018. Our overseas group companies reduced CO<sub>2</sub> emission intensity by 16.4%. Despite a slight increase in overall CO<sub>2</sub> emissions due to higher production, we are on track to meet the NOK Group's FY 2030 targets.

In addition, we have reduced electricity usage by 17.2%, bringing us close to our 2030 target of an 18% reduction. Having almost met our renewable energy target for 2030, we have now set a new target to increase our usage of domestic renewable energy to 15% of our total power consumption by 2025.

NOK Group Targets	Scope of coverage	Unit	Baseline figure/ Base year	Target figure/Target year	FY 2023 results
CO <sub>2</sub> emissions reduction	Consolidated	1,000 tons-CO <sub>2</sub>	759.49/2018	Carbon neutral/2050	658.13 (13.3% reduction)
CO <sub>2</sub> emissions reduction	Domestic group companies	1,000 tons-CO <sub>2</sub>	258.61/2018	129.3/2030 (50% reduction)	190.42 (26.4% reduction)
CO <sub>2</sub> emissions intensity reduction	Overseas group companies	ton-CO <sub>2</sub> /millions of yen	1.31/2018	0.92/2030 (30% reduction)	1.10 (16.4% reduction)
Reduction in electricity consumption (energy saving)	Domestic group companies	GWh	455.5/2018	373.5/2030 (18% reduction)	377.05 (17.2% reduction)
Increase in renewable energy ratio	Consolidated	%	0.01/2018	10/2030	12.21

\* CO<sub>2</sub> emissions are the sum of fuel and electricity consumption multiplied by the conversion factor. Fuel CO<sub>2</sub> conversion factors are calculated using emission factors based on the Law Concerning the Promotion of Measures to Cope with Global Warming. The electric power CO<sub>2</sub> conversion factors are: domestic—emission factors by electric utility; and overseas—“CO<sub>2</sub> Emissions from Fuel Combustion” by the International Energy Agency (IEA) (using both market-based and location-based methods). The renewable energy ratio includes CO<sub>2</sub>-free electricity, credits, and certificates.

### CO<sub>2</sub> emissions reduction target (domestic)

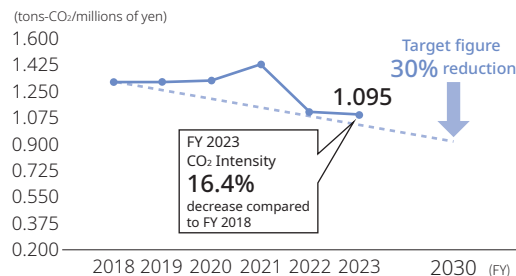


### Greenhouse gas breakdown (domestic)

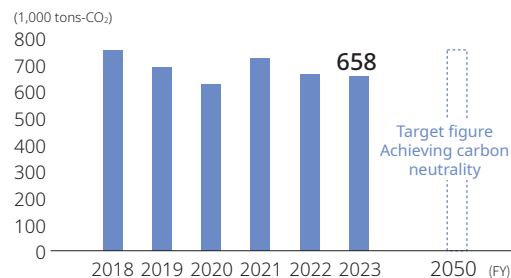
(tons-CO<sub>2</sub>)

Greenhouse gas	CO <sub>2</sub> emissions	GWP reference
CO <sub>2</sub> emissions not from energy sources	59	IPCC Fifth Assessment Report (AR5 value for a 100-year time horizon)
CH <sub>4</sub>	346	IPCC Fifth Assessment Report (AR5 value for a 100-year time horizon)
N <sub>2</sub> O	102	IPCC Fifth Assessment Report (AR5 value for a 100-year time horizon)
HFCs	1,068	IPCC Fifth Assessment Report (AR5 value for a 100-year time horizon)
PFCs	69	IPCC Fifth Assessment Report (AR5 value for a 100-year time horizon)
SF <sub>6</sub>	1,241	IPCC Fifth Assessment Report (AR5 value for a 100-year time horizon)
NF <sub>3</sub>	0	IPCC Fifth Assessment Report (AR5 value for a 100-year time horizon)

## CO<sub>2</sub> emissions intensity (overseas)



## CO<sub>2</sub> emissions reduction target (consolidated)



### Adoption of Internal Carbon Pricing

The NOK Group is promoting the adoption of internal carbon pricing (ICP) to further measures aimed at reducing CO<sub>2</sub> emissions with a view to achieving carbon neutrality. Internal carbon pricing is a mechanism that we use to attach our own monetary value (carbon price) to CO<sub>2</sub> emissions. In doing so, it provides a frame of reference for investment, thereby facilitating investment in equipment that contributes to CO<sub>2</sub> emission reductions. We have set a carbon price of 30,000 yen/ton-CO<sub>2</sub> for capital investments (environmental investments) that help lower CO<sub>2</sub> emissions (Scope 1 and 2), such as in extremely energy-efficient equipment and renewable energy equipment (solar power generation). Using this mechanism, we intend to step up the pace of efforts to reduce CO<sub>2</sub> emissions and do everything we can to achieve carbon neutrality.

### Insulation of Piping Valve

At NOK Tottori Plant, they are taking measures to reduce heat from boiler steam piping as part of their energy conservation. They carried out that involved adding insulation jackets to valves of boiler steam pipes to prevent heat loss. This reduces the consumption of fuel (heavy oil A) by 1,167 liters a year.

## FY 2023 Scope 3 breakdown

(1,000 tons-CO<sub>2</sub>)

Category	Scope of coverage	CO <sub>2</sub> emissions
1 Purchased goods and services	Consolidated	1,915
2 Capital goods	Consolidated	156
3 Fuel- and energy-related activities (not included in Scopes 1 and 2)	Consolidated	80
4 Upstream transportation and distribution	Consolidated	10
5 Waste generated in operations	Consolidated	9
6 Business travel	Consolidated	5
7 Employee commuting	Consolidated	16
8 Upstream leased assets	Consolidated	0
9 Downstream transportation and distribution	Consolidated	-
10 Processing of sold products	Consolidated	0
11 Use of sold products	Consolidated	N/A
12 End-of-life treatment of sold products	Consolidated	2
13 Downstream leased assets	Consolidated	N/A
14 Franchises	Consolidated	N/A
15 Investments	Consolidated	N/A
Total	Consolidated	2,192

\* Category 9 is not included in the calculation because it is difficult to calculate its current status.

### Relations with Industry Associations

The NOK Group participates in formulating through industry associations to set industry-wide guidelines for achieving carbon neutrality. We also align our own action plans with these guidelines to maintain consistency.

If an industry association's policy significantly diverges from societal trends, we will recommend that the policy be reviewed.

Main associations in which we participate  
Japan Auto Parts Industries Association (JAPIA)

### Increasing the Efficiency of Pneumatic Systems

Mektec Manufacturing Corporation (Suzhou) has improved its pneumatic systems, replacing compressors and adsorption dryers with high-efficiency equipment, which reduces electricity consumption. This was combined with a system for reusing waste heat from compressors to produce hot water, reducing CO<sub>2</sub> emissions by 768 tons per year.

## Resource Conservation and Waste Recycling

### Basic Concept

In recent years, many around the world are calling for a shift to a recycling society and demanding that businesses further promote the efficient use of resources, taking into account entire product lifecycles, as well as the 3Rs (Reuse, Reduce and Recycle). The NOK Group contributes to realizing a recycling-oriented society through a range of measures throughout the product life cycle, including the efficient use of resources such as raw materials, water, and energy as well as waste reduction and recycling of resources by improving each process.

### Resource Use and Waste Management

In FY 2023, our domestic landfill disposal amounted to 1,042 tons, a reduction on the previous year thanks to efforts in sorting and recycling. We reached a recycling rate of 97.8%, meeting our target level. In addition, we revised our target for industrial waste emissions to a reduction of at least 1.0% from the average of the past five years. This target level was also met.

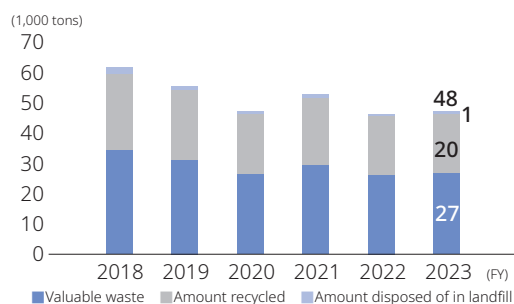
Resource use targets and results for FY 2023	Scope of coverage	Unit	Baseline figure/Base year	Target figure/Target year	FY 2023 results
Increase in by-product recycling rate	Domestic group companies	%	96.8/2018	100/2030	97.8

\* By-product: General term for industrial waste and valuable resources.

\* Recycling rate: "Recycling rate = 1 – amount of landfill disposal / amount of by-product generated x 100"

Waste-related targets, and results for FY 2023	Scope of coverage	Unit	Baseline figure/Base year	Target figure/Target year	FY 2023 results
Reduction in industrial waste against average of past 5 years	Domestic group companies	tons	23,295/2022	23,062/2023 (1.0% reduction)	20,583 (11.6% reduction)

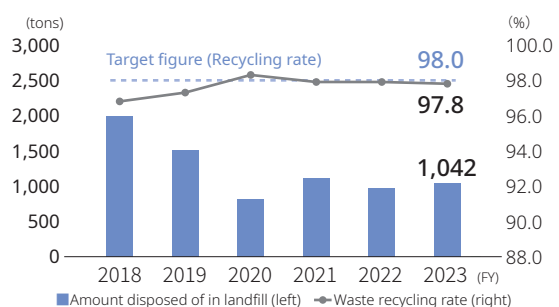
### Amount of industrial waste generated (domestic)



### Thoroughly Sorting Waste

At the NOK Kumamoto Plant, we are working hard to cut waste by sorting mixed waste thoroughly. By separating tools discarded as mixed metal waste into iron scrap and plastic, we have reduced industrial waste by 3.4 tons annually.

### Amount disposed of in landfill and waste recycling rate (domestic)



### Recycling Waste Sand

As part of waste disposal activities, Thai NOK Co., Ltd. reviewed how it handles waste sand from its casting process, which used to be disposed of in landfills. Following the review, it is now recycled as aggregate for road foundations. As a result, the amount of waste discharged to landfill has been reduced to zero.

## Conservation of Water Resources

### Basic Concept

Currently, the global shortage of water resources is seen as a problem. It has become increasingly important for companies to make effective use of water resources to bring about a sustainable society. The NOK Group works to conserve water resources by identifying and reducing the amount of water used in the manufacturing process of our products, and by taking thorough measures to clean wastewater. In addition, the NOK Group assesses the water risks in each country and region. And we promote conservation of water resources activities tailored to the characteristics of there.

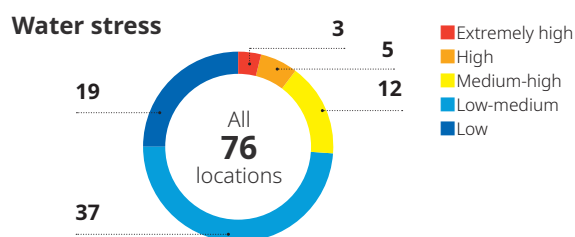
### Response to Water Risk

The NOK Group uses high-quality water in the manufacturing processes of our products. Ensuring a stable supply of high-quality water is important in conducting our business activities. If a natural disaster or other event prevents a stable supply of high-quality water, we expect this to impact a variety of value chains and disrupt supply chains. Our business activities and water are closely related.

Moreover, since wastewater generated in the manufacturing process may contain harmful substances, there is a concern that if wastewater exceeding the effluent standard prescribed by law is discharged, it may cause environmental pollution and harm to the local community. For this reason, we regularly carry out thorough wastewater treatment control, run emergency drills, and check response procedures.

### Assessment of Water Risks with AQUEDUCT

The NOK Group conducts water risk assessments across the Group to efficiently promote response measures to water risks. The results of the study on water stress at all our production locations obtained by using AQUEDUCT\*, which is operated by the World Resources Institute (WRI), are as follows:



The survey revealed that of 76 production sites, six sites in Thailand and China and two sites in Germany are production sites with high water stress. The NOK Group is currently working to grasp and restrain water withdrawals on a global basis. In addition, we will conduct water risk assessments when new facilities are established, and we will strive to make production and conserve water resources with consideration for water withdrawals and wastewater.

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

### Water withdrawals in certain water-stressed regions

(m<sup>3</sup>)

Country	Production sites	No. of sites	Water stress	Water withdrawals
Thailand	Thai NOK Co., Ltd.	2	Extremely high	634,155
China	Changchun NOK-Freudenberg Oil seal Co., Ltd.	1	Extremely high	49,880
Thailand	Mektec Manufacturing Corporation (Thailand) Ltd.	1	High	927,873
Thailand	Mektec Precision Component (Thailand) Ltd.	1	High	63,760



## Water Management

At the NOK Group, our water management approach focuses on wastewater quality and water withdrawal volume. For wastewater quality, we set internal standards stricter than legal requirements and conducted regular wastewater analysis to ensure cleaner water discharge. For water withdrawal management, we aim to control

the increase in water intake as consolidated goals and actively work to reduce water usage. In FY 2023, the total water withdrawal for all our factories worldwide was 8,691 thousand cubic meters, while the total discharge was 6,613 thousand cubic meters. In our production process, we aim to reduce water intake by optimizing the water circulation facilities of the cooling tower and reusing wastewater.

Water resource targets and FY 2023 performance	Scope of coverage	Unit	Baseline figure/Base year	Target figure/Target year	FY 2023 results
Increase-controlled water withdrawals	Consolidated	1,000 m <sup>3</sup>	8,667/2022	8,667/2022	8,691

The Electronic Products Business has production sites in water-risk areas and involves some of the highest water use in the NOK Group. As part of our measures to address future water risks, we have developed a water management plan\* for this business that aims to reduce water withdrawals by 6.4% compared to 2022 levels.

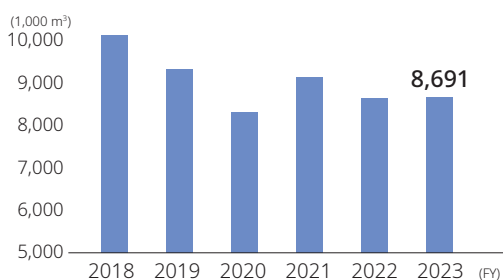
Specific initiatives in this plan include optimizing the amount of water supplied to air conditioning equipment,

and the water amount to clean pure water manufacturing machine in our production. We also recycle wastewater using NOK UF membranes when generated during the production of purified water, we are also diverting it to domestic water such as toilets flush water.

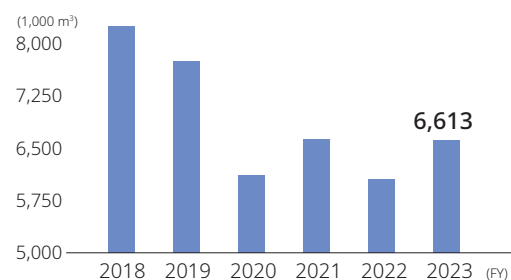
\* This water management plan applies to 9 out of 52 main production sites in the NOK Group (17%), and 61% of the Group's total water withdrawal.

Water resource targets and FY 2023 performance	Scope of coverage	Unit	Baseline figure/Base year	Target figure/Target year	FY 2023 results
Reduction of water withdrawals	Electronic Products Business (domestic)	1,000 m <sup>3</sup>	816/2022	702/2025 (14% reduction)	762 (6.6% reduction)
Reduction of water withdrawals	Electronic Products Business (overseas)	1,000 m <sup>3</sup>	4,516/2022	4,290/2025 (5% reduction)	4,439 (1.7% reduction)

### Water withdrawals (consolidated)



### Wastewater (consolidated)





### Violation of Laws and Regulations on Water Withdrawal and Wastewater

In FY 2023, there were no significant non-conformities in the NOK Group related to water volume or water quality.

\* For details on fines, surcharges, and lawsuit costs, see page 18.

### Reuse of Brine Water

Thai NOK Co., Ltd. has been reusing drain water from air conditioning systems and rainwater as toilet flush water to cut water use. They recently also started supplying brine water. By supplying 20.5 m<sup>3</sup> of brine water per day, they have reduced their water use by 635 m<sup>3</sup> per month.

### Initiatives to Prevent Water Pollution

NOK (Wuxi) Vibration Control China Co., Ltd. took steps to prevent water pollution by upgrading its wastewater treatment facilities to a high-efficiency treatment system using reverse osmosis membrane and a low-temperature evaporator. Contaminated water is filtered through the reverse osmosis membrane, following which the purified water is reused and concentrated in the low-

temperature evaporator. The cooling water generated by the evaporator is reused, and the concentrated liquid is treated as hazardous waste.

### Rice Paddy Ownership Program

Since FY 2019, the NOK Kumamoto Plant has supported a groundwater recharge project by the Kumamoto Groundwater Foundation as part of its efforts to protect water resources. Businesses and groups sign agreements with local farmers who have rice paddies in groundwater recharge zones. As they grow rice together, the water stored in the paddies soaks into the ground, recharging groundwater levels. In FY 2023, 45 people took part in planting rice, and 17 helped with the harvest. They managed to recharge 4,495 m<sup>3</sup> of groundwater, and also donated 150 kg of the harvested rice to a food bank. In this way, the project not only conserves water resources but also contributes to the local community.

## Management of Substances of Environmental Concern

### Basic Concept

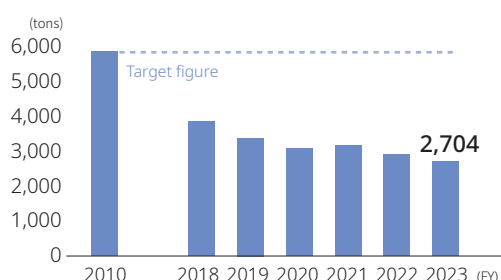
Owing to the fact that chemical substances are destroying ecosystems and harming people's health, regulations on substances of concern worldwide are being tightened year after year. The NOK Group will reduce the substances of concern used and emitted in its business activities, minimize and try to eliminate the impacts of pollutants in society, identify and manage chemical substances throughout the product life cycle, and help reduce the environmental impacts in the entire supply chain.

### Chemical Substance Management

The NOK Group's VOC emissions for FY 2023 were 2,704 tons, below our target of 5,855 tons.

VOC emission targets and FY 2023 results	Scope of coverage	Unit	Baseline figure	Target figure	FY 2023 results
Controlling VOC emissions	Consolidated	1,000 tons	—	5.86 or less	2.70

### VOC emissions (consolidated)



### Modification of Vulcanizing Gas and VOC Treatment Facilities

Changchun NOK-Freudenberg Oil Seal Co., Ltd. upgraded its existing VOC treatment facilities, installing high-efficiency equipment. This boosted exhaust gas treatment efficiency in the adhesion process to 90%, slashing emissions to well below standard limits and cutting VOC emissions by 7.92 tons per year. They also equipped the vulcanization gas treatment facilities with high-efficiency systems, increased exhaust volume, and improved vulcanization gas treatment efficiency to 90%. This reduced non-methane hydrocarbon (NMHC) emissions by 0.35 tons per year.

### Initiatives to Prevent Air Pollution

NOK (Wuxi) Vibration Control China Co., Ltd. uses methanol in the bonding process following the introduction of new products. Because methanol has a small molecular weight, traditional adsorption methods are inefficient, leading to a large amount of VOC emissions into the air and operating costs. To address this, they adopted the liquid-phase absorption and the concentrated distillation processing technologies. Solvents are used to absorb the methanol based on the principle of "like dissolves like." The resulting liquid is then distilled to desorb methanol from the solvent, thereby reducing VOC emissions.

## Environmentally Friendly Products

### Basic Concept

To minimize the impacts of climate change, the depletion of resources, waste treatment, the growing demand for water resources, and other environmental risks, and to create a sustainable society, we cannot ignore the environmental burden of the products we use on a daily basis. Companies are required to contribute to solving environmental problems through develop products and technologies on considering for all on life cycle from the procurement purchasing raw materials, manufacturing of products, logistics, using, and disposing, that contribute to environmental conservation.

The NOK Group is developing products that contribute to next-generation eco-technologies, considering the entire product lifecycle.

### Product Assessment

We have given in document of "Environmental Preservation Assessment Standards for Products" intended for new product design, new material formulation design, new manufacturing process design, and new production facility design. Based on this standard, we conduct environmental assessments throughout the entire product life cycle from the product design stage through to the processes design and manufacturing facility design, and promote the development of environmentally friendly products.

In addition, NOK conducts risk assessments for its products. When using new chemicals, we evaluate factors such as safety, toxicity, environmental impact, and legal compliance. We also set our own management categories for each substance, such as bans on their use, reductions, and controls. This system enables us to properly control harmful substances to prevent them contaminating or leaking from our products. In this way, we manage product risks such as hazards to the environment and health or legal non-compliance.

Assessment	Design	Production	Use	Disposal
Green procurement	○	○		
Disuse of substances of concern (regulatory compliance, minimizing external discharge and dispersion)	○	○		○
Reduction of energy consumption (using energy-efficient materials and equipment, contributing to energy savings during use)	○	○	○	
Use of resources (recyclable materials, fewer resources used, improved yields, improved service life)	○	○	○	
Reduction of waste (ease of disassembly, reuse, low disposal ratio)	○	○		○

## Quantitative Data on Eco-Friendly Products (Production Volume, Waste Amount, Recycling Amount, etc.)

As part of the Green Product component of the Twin Green Plan 2030, the NOK Group has continued to engage in business activities with the stated aim of helping to reduce CO<sub>2</sub> emissions through its products. To efficiently and effectively promote this initiative, we have calculated, based on our own standards, the size of our

contributions to CO<sub>2</sub> reductions at the NOK product use stage. These calculations showed that we cut emissions by 1.08 million t-CO<sub>2</sub> in FY 2022 and 1.35 million t-CO<sub>2</sub> in FY 2023. We will continue to contribute to the goal of carbon neutrality by developing and expanding sales of products that help reduce CO<sub>2</sub> emissions.

### Approach to calculating size of contributions to CO<sub>2</sub> reductions

CO<sub>2</sub> reduction contribution [CO<sub>2</sub>] = contribution to CO<sub>2</sub> reductions per product [CO<sub>2</sub>/items/hours] x duration of use [hours] x annual sales volume [items]

\* Only automotive products were included in the scope of calculation

## Environmental Accounting

In targeting sustainable development and with the aim of efficiently and effectively taking action to address environmental conservation issues, we grasp how much we need to invest and spend on environmental conservation in our business activities every year.

Trends in environmental investments and costs	Scope of coverage	Unit	FY 2020	FY 2021	FY 2022	FY 2023
Environmental conservation investments	Non-consolidated	millions of yen	464	495	544	637
Environmental conservation costs	Non-consolidated	millions of yen	620	550	556	655
Total	Non-consolidated	millions of yen	1,084	1,045	1,100	1,293

Environmental conservation costs	Scope of coverage	Unit	FY 2022	FY 2023
Pollution and resource costs	Non-consolidated	millions of yen	168	166
Pollution and resource investments	Non-consolidated	millions of yen	2	9
Water risk costs	Non-consolidated	millions of yen	49	24
Water risk investments	Non-consolidated	millions of yen	33	23

In terms of potential future costs, or shadow costs, we expect 96 million yen in pollution and resource-related costs, which relate to measures such as waste treatment and analysis of environmentally hazardous substances. We also anticipate 20 million yen in water risk costs, which relate to measures such as wastewater and groundwater analysis and the purchase of wastewater treatment equipment and chemicals.

Effects of environmental conservation	Scope of coverage	Unit	FY 2020	FY 2021	FY 2022	FY 2023
Reduction of power consumption	Non-consolidated	GWh	5	9	11	12
Reduction of CO <sub>2</sub> emissions	Non-consolidated	tons-CO <sub>2</sub>	2,033	4,258	5,006	5,586

Economic effects of environmental conservation measures	Scope of coverage	Unit	FY 2020	FY 2021	FY 2022	FY 2023
Energy-saving effect	Non-consolidated	millions of yen	61	107	194	259
Gain on sales of recyclable materials	Non-consolidated	millions of yen	248	1,256	1,145	1,083

FY 2023 NOK environmental accounting				
Category	Main contents	Unit	Investments	Costs
Business area costs	Environmental conservation costs to control environmental burden caused by business activities within business areas	millions of yen	257	398
Pollution prevention costs	Investment, and maintenance and management costs related to pollution prevention activities	millions of yen	10	135
Global environmental conservation costs	Investment, and maintenance and management costs related to global warming countermeasures, including energy conservation	millions of yen	238	97
Resource circulation costs	Investment, and maintenance and management costs related to resource recycling activities, including waste disposal and recycling	millions of yen	9	166
Upstream and downstream costs	Costs of controlling the environmental burden that occurs in upstream and downstream processes, such as green procurement, etc.	millions of yen	0	0
Management activity costs	Costs associated with management activities such as ISO 14001 maintenance and operation	millions of yen	0	60
Research and development costs	Costs of research and development that contributes to the environment, such as the development of environmentally friendly products	millions of yen	380	198
Social activity costs	Costs related to greening of business establishments and support for the activities of environmental conservation groups	millions of yen	0	0
Costs involved in dealing with environmental damage	Costs associated with the removal of environmental burdens, such as special equipment and facilities	millions of yen	0	0
Fines, penalties and/or legal costs associated with the settlement of environmental accidents and complaints		millions of yen	0	0
Total		millions of yen	637	655
Aggregate total		millions of yen	1,293	

## Conservation of Biodiversity

### Basic Concept

In recent years, species have become extinct mainly as a result of the destruction of the natural environment, overexploitation, and climate change, and subsequently, the world's biodiversity is shrinking at an alarming rate. A new set of 23 targets for biodiversity through to the year 2030, known as the Kunming-Montreal Global Biodiversity Framework, was adopted. The conservation of biodiversity is one of the global challenges, and efforts are being made in various countries.

The NOK Group undertakes no business activities in regions designated as a World Heritage Site and has no plans to do so. As part of our efforts to protect biodiversity, we will carry out risk assessments and partner with external organizations to implement measures to help prevent deforestation and alleviate the impacts on biodiversity.

We also ask that our suppliers take biodiversity into account when doing business and we intend to strengthen partnerships to ensure that net-positive impacts are felt across the entire supply chain, not just by our primary suppliers.

### Biodiversity Conservation Guidelines

The NOK Group advances initiatives to conserve biodiversity, aiming to achieve a net positive impact.

- We assess biodiversity risks in our business and identify the impact of our activities on biodiversity.
- Based on the mitigation hierarchy (precedence of avoid, minimize, restore, offset), we develop and implement policies to prevent deforestation and conserve biodiversity.
- We do not conduct business activities in globally important biodiversity areas such as UNESCO World Natural Heritage sites.
- We work with suppliers, external groups, and other stakeholders to help prevent forest destruction and preserve biodiversity.

## Biodiversity Risk Assessments

To assess the risks pertaining to how the NOK Group's business activities might affect biodiversity, we used the IBAT<sup>\*1</sup> to study the relationships between our production sites and key biodiversity areas. The results of the study revealed that of the sites where a nature reserve is located

within a five-kilometer radius, one of them is a wetlands designated under the Ramsar Convention, while five others are IUCN Category II protected areas (national parks).

<sup>\*1</sup> IBAT is a biodiversity information database tool developed by an alliance comprising the IUCN, the UNEP-WCMC, Birdlife International (an international environmental NGO), and Conservation International.

	No. of sites	World Heritage	Ramsar	MAB	IUCN			
					Ia	Ib	II	III
Domestic production sites	50	0	1	0	0	0	5	0
Overseas production sites	26	0	0	0	0	0	0	0
Total	76	0	1	0	0	0	5	0

<sup>\*</sup> World Heritage: Sites chosen by UNESCO for their cultural, historical, or scientific importance

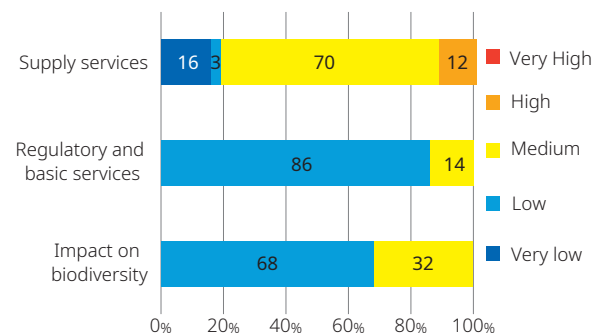
Ramsar: a wetland designated by a country under the Ramsar Convention

MAB: Areas internationally recognized as biosphere reserves under the UNESCO Man and the Biosphere (MAB) Programme

IUCN: Areas inhabited by species listed as critically endangered or endangered on the IUCN Red List

We also used the WWF Biodiversity Risk Filter<sup>\*2</sup> to assess biodiversity risks at NOK Group's 76 production sites. As a result, none of our production sites were categorized as being "very high risk" in terms of supply services, regulatory and basic services, and impacts on biodiversity. We will continue to perform risk assessments of biodiversity and our business activities, leverage this time results of these studies in our measures for safeguarding biodiversity, and press ahead with initiatives best suited to the characteristics of each region.

<sup>\*2</sup> The WWF Biodiversity Risk Filter is a risk assessment tool for biodiversity made available by the World Wide Fund for Nature.



## Participation in Inawashiro Lake Clean Action

The NOK Fukushima Plant took part in the Inawashiro Lake Clean Action, hosted by Fukushima Prefecture and other local authorities. Twenty-four staff members joined to collect water weeds and trash along the lake's shore, to preserve its beauty for future generations.

## Wetland Conservation Activities

The NOK Group regularly carries out cleaning activities around its domestic and overseas sites. Our Shonan R&D Center works with an NPO to preserve the wetlands around the Oba detention basin. Employees volunteer to help, trimming plants to help protect penthorum chinense, an endangered species of perennial herb, and to preserve the area's scenic views.

## Efforts to Eradicate Lanceleaf Coreopsis

Kumamoto NOK Co., Ltd. carried out a joint operation with Aso Kuju National Park Management Office of the Ministry of the Environment to remove lanceleaf coreopsis. This invasive plant is known for its strong reproductive ability which can pose a threat to native plants, and is designated as an invasive alien species by law. A total of 13 people, including employees of other private companies, took part, removing 230 kilograms of lanceleaf coreopsis.

## Environmental Performance Data

Input	Scope of coverage	Unit	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total consumption of raw materials	Non-consolidated and manufacturing subsidiaries	tons	90,661	80,646	89,157	79,183	<b>85,516</b>
Rubber	Non-consolidated and manufacturing subsidiaries	tons	13,048	11,742	13,154	11,994	<b>12,297</b>
Compounding ingredients and adhesives	Non-consolidated and manufacturing subsidiaries	tons	10,971	9,921	11,012	10,188	<b>10,884</b>
Plastics	Non-consolidated and manufacturing subsidiaries	tons	1,083	965	1,149	1,039	<b>1,086</b>
Metals	Non-consolidated and manufacturing subsidiaries	tons	65,559	58,018	63,842	55,962	<b>61,249</b>
Total energy consumption	Non-consolidated and manufacturing subsidiaries	TJ	1,260	1,156	1,245	1,230	<b>1,173<sup>*1</sup></b>
	Consolidated	TJ	5,101	4,709	5,276	4,958	<b>5,014</b>
Electricity	Non-consolidated and manufacturing subsidiaries	TJ	1,126	1,039	1,118	1,104	<b>1,043<sup>*1</sup></b>
	Consolidated	TJ	4,390	4,079	4,600	4,319	<b>4,415</b>
Fuels	Non-consolidated and manufacturing subsidiaries	TJ	134	118	127	127	<b>130<sup>*1</sup></b>
	Consolidated	TJ	711	630	676	639	<b>599</b>
Energy emissions intensity	Non-consolidated and manufacturing subsidiaries	TJ/millions of yen	0.010	0.010	0.010	0.010	<b>0.009</b>
	Consolidated	TJ/millions of yen	0.009	0.010	0.010	0.008	<b>0.008</b>
Renewable energy ratio	Consolidated	%	0.1	0.2	0.4	3.8	<b>12.2</b>
Total water withdrawals	Non-consolidated and manufacturing subsidiaries	1,000 m <sup>3</sup>	821	809	832	792	<b>712</b>
	Consolidated	1,000 m <sup>3</sup>	9,366	8,347	9,187	8,667	<b>8,691</b>
City water	Non-consolidated and manufacturing subsidiaries	1,000 m <sup>3</sup>	611	612	664	620	<b>503</b>
	Consolidated	1,000 m <sup>3</sup>	4,993	4,575	4,961	4,269	<b>4,112</b>
Industrial water	Non-consolidated and manufacturing subsidiaries	1,000 m <sup>3</sup>	37	27	31	34	<b>32</b>
	Consolidated	1,000 m <sup>3</sup>	4,080	3,505	4,012	4,192	<b>4,344</b>
Ground water	Non-consolidated and manufacturing subsidiaries	1,000 m <sup>3</sup>	173	171	137	139	<b>177</b>
	Consolidated	1,000 m <sup>3</sup>	292	267	214	207	<b>236</b>
Inputs (water intake) emissions intensity	Non-consolidated and manufacturing subsidiaries	m <sup>3</sup> /millions of yen	5.9	5.9	5.6	5.7	<b>5.5</b>
	Consolidated	m <sup>3</sup> /millions of yen	17.0	17.0	16.6	14.1	<b>14.0</b>
Water consumption	Non-consolidated and manufacturing subsidiaries	1,000 m <sup>3</sup>	289	302	235	218	<b>150</b>
	Consolidated	1,000 m <sup>3</sup>	1,632	2,237	2,568	2,625	<b>2,078</b>
Consumption of substances subject to PRTR	Non-consolidated and manufacturing subsidiaries	1,000 tons	1.6	1.5	1.6	1.5	<b>1.3</b>

Output	Scope of coverage	Unit	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total CO <sub>2</sub> emissions Location-base <sup>*2</sup>	Scope 1	1,000 tons-CO <sub>2</sub>	8	7	8	8	<b>8<sup>*1</sup></b>
	Scope 2	1,000 tons-CO <sub>2</sub>	169	140	149	129	<b>128<sup>*1</sup></b>
	Scope 1+2	1,000 tons-CO <sub>2</sub>	178	147	156	137	<b>136<sup>*1</sup></b>
	Scope 1	1,000 tons-CO <sub>2</sub>	43	38	41	39	<b>36</b>
	Scope 2	1,000 tons-CO <sub>2</sub>	679	598	700	633	<b>621</b>
	Scope 1+2	1,000 tons-CO <sub>2</sub>	722	636	741	672	<b>657</b>

Output		Scope of coverage	Unit	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Total CO <sub>2</sub> emissions Market-base*2	Scope 1	Non-consolidated and manufacturing subsidiaries	1,000 tons-CO <sub>2</sub>	8	7	8	8	8
	Scope 2		1,000 tons-CO <sub>2</sub>	151	137	140	128	134
	Scope 1+2		1,000 tons-CO <sub>2</sub>	159	144	148	136	142
	Scope 1	Consolidated	1,000 tons-CO <sub>2</sub>	43	38	41	39	36
	Scope 2		1,000 tons-CO <sub>2</sub>	650	590	685	628	622
	Scope 1+2		1,000 tons-CO <sub>2</sub>	693	628	727	667	658
CO <sub>2</sub> emissions for Scope 3		Consolidated	1,000 tons-CO <sub>2</sub>	268	269	2,169	2,137	2,192
NOx		Non-consolidated and manufacturing subsidiaries	Kg	8,975	8,591	8,047	11,502	11,031
		Domestic group companies	Kg	23,490	23,072	20,838	21,697	16,057
SOx		Non-consolidated and manufacturing subsidiaries	Kg	3,784	2,973	2,580	2,345	2,163
		Domestic group companies	Kg	3,784	2,973	7,757	3,103	4,805
VOC emissions		Non-consolidated and manufacturing subsidiaries	1,000 tons	1.9	1.7	1.8	1.6	1.6
		Consolidated	1,000 tons	3.4	3.1	3.2	2.9	2.7
Emissions of substances subject to PRTR		Non-consolidated and manufacturing subsidiaries	1,000 tons	0.132	0.102	0.123	0.099	0.104
Total wastewater		Non-consolidated and manufacturing subsidiaries	1,000 m <sup>3</sup>	533	507	597	574	562
		Consolidated	1,000 m <sup>3</sup>	7,734	6,111	6,619	6,043	6,613
	River/lake	Non-consolidated and manufacturing subsidiaries	1,000 m <sup>3</sup>	471	451	538	510	506
		Consolidated	1,000 m <sup>3</sup>	3,842	2,755	3,014	2,647	3,107
	Sewage system	Non-consolidated and manufacturing subsidiaries	1,000 m <sup>3</sup>	62	56	58	64	56
		Consolidated	1,000 m <sup>3</sup>	3,892	3,356	3,605	3,396	3,506
BOD load		Non-consolidated and manufacturing subsidiaries	tons	3.97	3.53	5.34	4.04	5.92
		Domestic group companies	tons	5.16	5.36	6.96	7.92	12.77
Industrial waste		Non-consolidated and manufacturing subsidiaries	1,000 tons	15	14	15	14	14*1
		Consolidated	1,000 tons	54	49	57	50	46
	Amount of waste recycled	Non-consolidated and manufacturing subsidiaries	1,000 tons	14	14	15	14	14
		Consolidated	1,000 tons	42	44	51	44	43
	Landfill disposal amount	Non-consolidated and manufacturing subsidiaries	1,000 tons	0.34	0.03	0.02	0.02	0.01
		Consolidated	1,000 tons	12	5	6	5	3
Valuable waste		Non-consolidated and manufacturing subsidiaries	1,000 tons	28	24	27	24	25*1
		Consolidated	1,000 tons	56	47	55	51	55
Recycling rate		Non-consolidated and manufacturing subsidiaries	%	99.19	99.92	99.95	99.93	99.96
		Consolidated	%	89.62	94.77	94.59	95.11	97.25

\*1 This data has been verified by a third party.

\*2 CO<sub>2</sub> emissions are the sum of fuel and electricity consumption multiplied by a conversion factor. The CO<sub>2</sub> conversion factor for fuel uses an emission factor based on Japan's Act on Promotion of Global Warming Countermeasures.

For electric power CO<sub>2</sub> conversion factors, in Japan we use the emission factors of different general transmission and distribution utilities; overseas we use the CO<sub>2</sub> Emissions from Fuel Combustion factor of the International Energy Agency (IEA) (combining market- and location-based methods)

## Environmental Performance Results Aggregation Range

Page	Theme	Item		Aggregation range
P.5	Material Balance	Input	Raw materials	Non-consolidated and domestic manufacturing subsidiaries
			Energy	Non-consolidated and domestic manufacturing subsidiaries
			Water	Non-consolidated and domestic manufacturing subsidiaries
			Environmentally hazardous substances	Non-consolidated and domestic manufacturing subsidiaries
		Output	Gas emissions	Non-consolidated and domestic manufacturing subsidiaries
			Wastewater	Non-consolidated and domestic manufacturing subsidiaries
			Industrial waste, etc.	Non-consolidated and domestic manufacturing subsidiaries
			Environmentally hazardous substances	Non-consolidated and domestic manufacturing subsidiaries
P.10-11	Climate Change Countermeasures	NOK Group Medium- to Long-Term Targets	CO <sub>2</sub> emissions (consolidated)	Consolidated
			CO <sub>2</sub> emissions (domestic)	Domestic group companies
			CO <sub>2</sub> emission intensity (overseas)	Overseas group companies
			Electricity consumption	Domestic group companies
			CO <sub>2</sub> -free electricity ratio	Consolidated
			Scope 3 GHG	Consolidated
P.12	Resource Conservation and Waste Recycling	Targets and Results	Landfill disposal amount	Domestic group companies
			By-product recycling rate	Domestic group companies
			Industrial waste	Domestic group companies
P.13-14	Conservation of Water Resources	Targets and Results	Total water withdrawals	Consolidated
			Wastewater	Consolidated
			Water risk assessment	Consolidated
P.15	Management of Substances of Environmental Concern	Targets and Results	VOC emissions into the atmosphere	Consolidated
P.17-18	Environmentally Friendly Products	Environmental Accounting	Various costs	Non-consolidated
P.20-21	Environmental Performance Data	Input	Raw materials	Non-consolidated and domestic manufacturing subsidiaries
			Energy	Consolidated
			Water	Consolidated
			PRTR results	Non-consolidated and domestic manufacturing subsidiaries
		Output	CO <sub>2</sub> emissions	Consolidated
			NO <sub>x</sub>	Domestic group companies
			SO <sub>x</sub>	Domestic group companies
			VOC emissions into the atmosphere	Consolidated
			Wastewater	Consolidated (BOD indicates domestic group companies)
			Industrial waste, etc.	Consolidated
			PRTR results	Non-consolidated and domestic manufacturing subsidiaries



### List of ISO 14001-certified companies

In the NOK Group, 100% of plants/offices have obtained ISO 14001

Country	ISO 14001-certified companies	Scope of application
Japan	NOK CORPORATION	
	Tenei Seal Industry Corporation	Headquarters Factory Fukushima Plant: Certified as NOK
	NOK METAL Co., Ltd.	
	Miyagi NOK Corporation	
	Miharu Industry Corporation	
	Tohoku Seal Industry Corporation	
	Nihonmatsu NOK Corporation	Certified as NOK
	Isohara Polyurethane Industry Corporation	Certified as NOK
	Isshin Industries Corporation	
	Kanasei Corporation	
	Kikugawa Seal Industry Co., Ltd.	Certified as NOK
	MYK Corporation	Certified as NOK
	TVC Co., Ltd.	
	Saga NOK Corporation	
	Kumamoto NOK Corporation	
	Kusu NOK Corporation	
	Nichinan NOK Corporation	
	Aso NOK Corporation	
	MEKTEC CORPORATION	
	MEKTEC-J Co., Ltd.	Certified as MEKTEC
	NOK KLUEBER CO., LTD.	
	UNIMATEC CO., LTD.	
	Synztec co., Ltd.	
	Kuki Roll Industry Co., Ltd.	Certified as Synztec co., Ltd.
	ESTOH Co., Ltd.	
	NOK Elastomers Processing Co., Ltd.	Tohoku Plant: Certified as NOK Kyusyu Plant
	NOK Fugaku Engineering Co., Ltd.	
	Kusu Seimitsu Co., Ltd.	Certified as NOK Fugaku Engineering Co., Ltd.
Thailand	Thai NOK Co., Ltd.	
	Mektec Manufacturing Corporation (Thailand) Ltd.	
	Mektec Precision Component (Thailand) Ltd.	
Malaysia	Synztec (Malaysia) Sdn. Bhd.	
Vietnam	Vietnam NOK Co., Ltd.	
	Mektec Manufacturing Corporation (Vietnam) Ltd.	
	Synztec Vietnam Co., Ltd.	
Indonesia	PT. NOK Indonesia	
	PT. NOK Freudenberg Sealing Technologies	
	PT. NOK Precision Component Batam	
China	Wuxi NOK-Freudenberg Oil Seal Co., Ltd.	
	Changchun NOK-Freudenberg Oil seal Co., Ltd.	
	Taichang NOK-Freudenberg Sealing Products Co., Ltd.	
	NOK (Wuxi) Vibration Control China Co., Ltd.	
	NOK (Wuxi) Water Treatment Technology Co., Ltd.	
	Mektec Manufacturing Corporation (Zhuhai) Ltd.	
	Mektec Manufacturing Corporation (Suzhou)	
Taiwan	Synztec Precision Parts (Shenzhen) Co., Ltd.	
	Mektec Corporation	
Germany	MEKTEC EUROPE GmbH	
	Mektec Manufacturing Corporation Europe DE GmbH	Certified as MEKTEC EUROPE
Czech Republic	Mektec Manufacturing Corporation Europe CZ s.r.o.	Certified as MEKTEC EUROPE
Hungary	Mektec Manufacturing Corporation Europe HU Kft.	Certified as MEKTEC EUROPE

## Independent Verification Report



No.1811004769

## Independent Verification Report

To: NOK CORPORATION

## 1. Objective and Scope

Japan Quality Assurance Organization (hereafter “JQA”) was engaged by NOK CORPORATION (hereafter “the Company”) to provide an independent verification on the statement of information regarding Greenhouse gas emissions, energy use and total amounts of industrial wastes for FY2022<sup>\*1</sup> and FY2023<sup>\*2</sup>. The content of our verification was to express our conclusion, based on our verification procedures, on whether the statement of information regarding Greenhouse gas emissions, energy use and total amounts of industrial wastes on “Monthly report of Environmental Performance for FY2022” and “Monthly report of Environmental Performance for FY2023” (hereafter “the Reports”) was correctly measured and calculated, in accordance with the “Calculation procedure of Environmental Performance,” (hereafter “the Rule”) established by the Company. The purpose of the verification is to evaluate the Reports objectively and to enhance the credibility of the Reports.

<sup>\*1</sup>The fiscal year 2022 of the Company ended on March 31, 2023. <sup>\*2</sup>The fiscal year 2023 of the Company ended on March 31, 2024.

## 2. Procedures Performed

JQA conducted verification in accordance with “ISO 14064-3” for Greenhouse gas emissions and with “ISAE3000” for energy use and total amount of industrial wastes. The scope of this verification assignment covers energy-derived CO<sub>2</sub> emissions from Scope 1 and 2 Greenhouse gas emissions, energy use and total amount of industrial wastes including valuables. The verification was conducted to a limited level of assurance and quantitative materiality was set at 5 percent each of the total emissions in the Reports. The organizational boundaries of this verification cover 32 plants for FY2022 and 34 plants for FY2023 in Japan managed by the Company and its production subsidiaries.

Our verification procedures included:

- Performing validation to check the Rule and overall monitoring and calculation system with Shonan R & D Center of the Company.
- Visiting three sampling sites, Tokai plant of the Company, Kusu NOK Corporation, and TVC Co., Ltd. The location of sampling sites was selected by the Company.
- On-site assessment to check the report boundaries; monitoring points of energy use and industrial wastes; and monitoring and calculation system and its controls on each sampling site.
- Vouching: Cross-checking the reported data against evidence for all sampling plants.

## 3. Conclusion

Based on the procedures described above, nothing has come to our attention that caused us to believe that the statement of the information regarding Greenhouse gas emissions, energy use and total amount of industrial wastes shown in the Reports is not materially correct, or has not been prepared in accordance with the Rule.

## 4. Consideration

The Company was responsible for preparing the Reports, and JQA’s responsibility was to conduct verification of Greenhouse gas emissions, energy use and total amount of industrial wastes in the Reports only. There is no conflict of interest between the Company and JQA.

Sumio Asada, Board Director

For and on behalf of Japan Quality Assurance Organization

1-25, Kandasudacho, Chiyoda-ku, Tokyo, Japan

May 28, 2024

## Society

### Human Rights

#### Basic Concept

In its principles of corporate conduct, the NOK Group upholds an approach to management that respects human rights. As a corporate group with global operations, we are committed to respecting the human rights of all stakeholders, including employees. We see this as essential to contributing to the sustainable growth of society.

To address respect for human rights more concretely, we formulated a Human Rights Policy with the desire to make the NOK Group's basic stance on human rights known throughout our organization and among outside stakeholders, and to gain understanding and cooperation

in promoting respect for human rights. We share the policy widely both inside and outside the Company through our website.

The NOK Group shares its views on human rights with employees through booklets and smartphone apps. We also ensure that business partners are aware of our stance by sharing the human rights guidelines set forth in our CSR Procurement Guidelines (page 35).

The Board of Directors approved the revised policy on May 24, 2023.

### NOK Group Human Rights Statement

- 1 Human Rights Statement**  
 In line with our management philosophy of fostering a company driven by care and trust in our employees, the NOK Group places utmost importance on the well-being and dignity of each individual within our organization. We are committed to upholding human rights as protected in internationally recognized norms, including the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of the UN Global Compact.  
 The NOK Group aligns with and supports the United Nations Guiding Principles on Business and Human Rights, and our company policy is founded upon these principles. Furthermore, through our Principles of Corporate Behavior, we recognize that compliance with local laws, adherence to international norms — including human rights, and consideration of cultural diversity, customs, and stakeholder interests — are integral to our operations, and we pledge to respect human rights across all countries and regions where we conduct business.
- 2 Scope of Application**  
 This policy applies to all individuals within the NOK Group, including officers, employees, suppliers, and other relevant parties. We require the utmost respect for human rights throughout our supply chain, ensuring that no entity associated with the NOK Group is complicit in any human rights violations.
- 3 Human Rights Due Diligence**  
 Based on this policy, the NOK Group will institute and execute essential mechanisms for human rights due diligence. In alignment with the NOK Group Procurement Policy and CSR Procurement Guidelines, we require our suppliers to adhere to human rights standards. Additionally, we request our other business partners to uphold human rights based on this policy.
- 4 Remediation & Correction**  
 We have implemented a dedicated point of contact for reporting human rights compliance violations and seeking consultations. Upon identifying a breach that has resulted in or contributed to an adverse impact on human rights, we take prompt action to address and rectify the situation.
- 5 Education & Training**  
 To ensure a comprehensive understanding and consistent implementation of this policy among all officers and employees, we continually foster awareness through educational initiatives, training programs, and ongoing efforts. These initiatives specifically focus on enhancing knowledge and promoting a culture of respect for human rights and preventing harassment.
- 6 Priority Action Areas & Transparency**  
 Following this policy, we concentrate on the designated priority action areas outlined separately to uphold our commitment to human rights. To ensure transparency and accountability, we diligently execute these initiatives and provide regular updates on our progress and outcomes through various channels, including our company website.

Enacted: December 16, 2021  
Revised: May 24, 2023

Representative Director, Group Chief Executive Officer, NOK CORPORATION  
**Masao Tsuru**

### Priority Action Areas

- **Ensuring freedom of association and collective bargaining rights**

NOK Group strictly adheres to the laws and regulations of the countries where we operate, ensuring that our employees are free to join or establish labor unions without any hindrance. Moreover, we actively recognize and support the exercise of collective bargaining rights.

- **Eliminating forced labor**

The NOK Group maintains a zero-tolerance policy towards forced labor and human trafficking, whereby individuals are coerced into work against their will and under the threat of punishment.

- **Eradicating child labor**

The NOK Group firmly opposes and prohibits child labor below the minimum age defined by labor laws and regulations in the countries and regions where we operate and international norms.

- **Ensuring equal opportunities and non-discrimination in employment**

The NOK Group is committed to providing equal and unbiased employment opportunities to all individuals, irrespective of their race, color, gender, religion, political opinion, national origin, social origin, age, disability, HIV/AIDS infection or development, labor union membership, sexual orientation, or political or personal beliefs. We strictly prohibit any form of discrimination based on these grounds.

- **Ensuring harassment prevention**

At the NOK Group, we hold the utmost respect for the human rights of every employee. We maintain a zero-tolerance policy towards all forms of harassment, including power harassment and sexual harassment.

- **Ensuring fair wages and responsible working hours**

We are dedicated to upholding the payment of wages following legal requirements and endeavor to provide living wages or higher. Additionally, we strictly prohibit excessive overtime work that surpasses the legal limits on working hours.

### Promotion Framework

Respect for human rights is crucial in all business activities. At the NOK Group, the HR Department, Legal Affairs Department, and Sustainability Department work together under the oversight of the General Manager of the Corporate Administration Office to drive this effort. The Internal Control Audit Committee, which advises the Board of Directors, regularly audits the human rights compliance systems of NOK and its subsidiaries based on internal control regulations. It reports its findings to the Board of Directors and the Audit and Supervisory Committee.

### Initiatives

#### Confirming Human Rights Compliance

Regarding respect for human rights and compliance with labor laws at overseas subsidiaries, we confirm annually whether there has been any discriminatory treatment of employees or incidences of harassment, child labor, or forced labor.

Also, as a consultation service for human rights issues, we have set up internal and external reporting hotlines in Japan, staffed by a lawyer. We have also established an internal reporting hotline at each of our overseas subsidiaries. We have rules in place to safeguard information at the hotline where it is shared. These rules ensure details are kept confidential and protect the whistleblower from detriment. We receive several consultations every year. When we find compliance breaches, we take proper corrective actions and work

to prevent them from happening again. We may take disciplinary action for human rights violations in accordance with internal guidelines.

We have also set up a consultation service (in the Legal Affairs Department) for suppliers with compliance concerns, including those about human rights violations, in dealings with NOK Group companies. We conduct human rights due diligence as stipulated in our Human Rights Policy, including in the supply chain, and take corrective action when we identify any rights violations.

#### Respect for Basic Human Rights in Relation to Employees

The NOK Group Principles of Corporate Behavior set forth the values of respect for human rights and provision of a comfortable and secure working environment. Our Behavioral Guidelines on Employee Compliance also stipulate respect for human rights and the prohibition of discrimination and harassment.

#### Implementation of Human Rights Due Diligence

We conduct a survey on human rights and labor practices at NOK and all our subsidiaries. In FY2023, the NOK Group assessed six key areas of its human rights policy: freedom of association and collective bargaining rights, forced labor, child labor, equal opportunities and non-discrimination in employment, harassment, and fair wages and responsible working hours. We also reviewed the conditions of technical trainees in Japan. We confirmed

that no immediate corrections for human rights violations were necessary.

We also conducted similar surveys for our major suppliers and received responses from approximately 80% of them. Details are in the supply chain section on page 34.

### Mitigation and Improvement of Human Rights Risks

In FY2023, NOK had two cases where individuals faced disciplinary action for harassment or other human rights violations. In each case, we investigated the facts to ensure the person seeking advice would not face any detriment. We took appropriate action based on internal regulations and alerted employees to prevent similar incidents from happening again.

Our other Group companies also did not have any immediate human rights violations requiring immediate correction. However, it was noted that some companies lack a system to regularly check for discrimination. There were also cases of temporary overwork during peak periods. To ensure proper labor-hour management, we instructed

them to regularly check for discrimination and review task assignments.

### Providing Human Rights Education

To raise awareness among employees of the NOK Group, we produced online content and educational videos providing basic knowledge on human rights and recent topics. For employees at the manager level and above, we provide education on human rights and harassment in the year they are appointed to management positions and in the fourth year. This training includes guidance on how to handle reports and consultations on bullying and harassment.

### Initiatives Against Forced Labor and Child Labor

At the NOK Group, to prevent forced labor, we make sure that we do not charge impose fees that would cause them to engage in forced labor. We do not require the surrender or restrict the use of passports or other identification documents. To prevent child labor, we check each worker's age using a valid certificate or document.

## Human Resources

### Basic Concept

Under the Basic Principle of Human Resources Development and the Vision of Human Resources Development, the NOK Group aims to create workplaces where employees can find satisfaction in their jobs and feel that they are growing. To this end, we are working to develop personnel who can contribute to the creation of such workplaces through various programs. One of the

four key pillars of the medium-term management plan is to construct a diverse human capital foundation. When we fully tap into the skills and individuality of a diverse range of talent, new company value emerges. We have made various reforms to build a foundation where every employee can thrive.

### Human Resources Development Program

The employee education program of the NOK Group consists of level-specific education and development/specialized education.

### Tiered Training

Alongside our usual tiered training programs, we introduced a new training course that focuses on instilling an understanding of the Purpose and Values we formulated in FY2023. This Purpose and Values training is provided for all department directors and managers within the NOK Group. It aims to foster a culture that embraces our purpose and values, and to nurture employees who are willing to take on challenges. In FY2023, 514 people took the course.

### Training and Specialized Education

#### NOK-U35 Program

As part of our efforts to develop the next generation of leaders, in FY2023 we launched the NOK-U35 Program. This program targets employees aged 35 and under, chosen through a voluntary sign-up process. The aim is to use the short time frame of the program to develop these individuals into potential future leaders. We plan to take in a few participants each year. In FY2023, four people joined this program.

### Global Human Resources Development Program

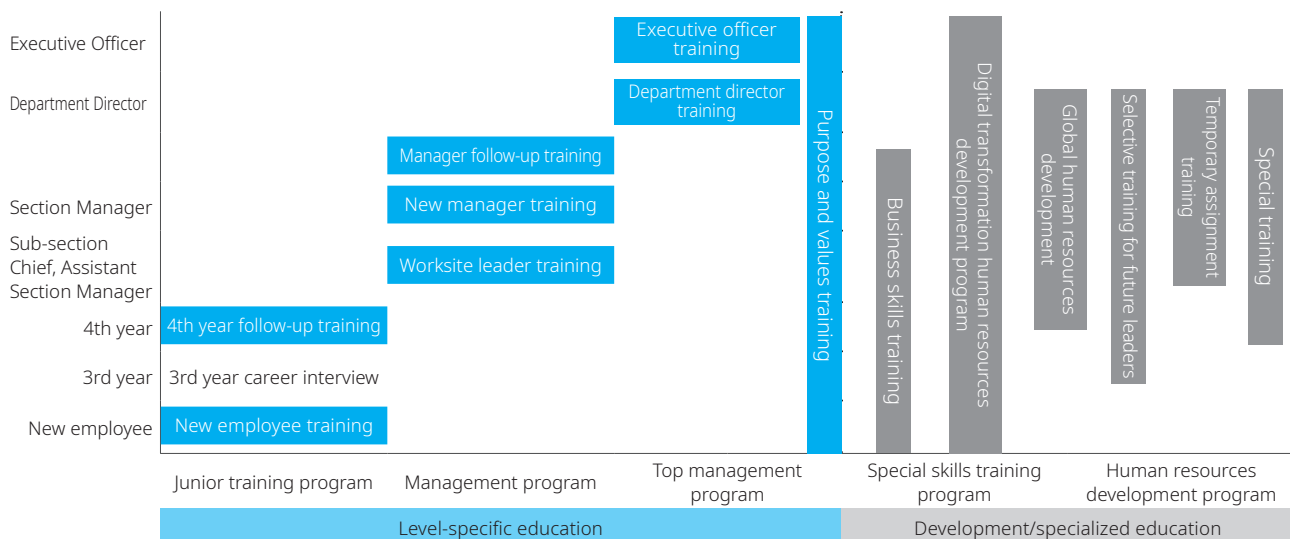
Since FY2016, we have run a Global Human Resources Development Program to strengthen our competitiveness in overseas markets. This program aims to cultivate people who can use English effectively in business settings. To develop global talent, we offer more than standard language training, providing English immersion camps and role-playing for cross-cultural understanding. In this way, we give employees in Japan as many opportunities as possible to experience different cultures. Three people took part in FY2023. So far, 20 people have completed the program, 11 of whom are working abroad.

### Digital Transformation Human Resources Development Program

We are rolling out data-driven initiatives across the NOK Group. As a foundation for creating new value, we will start a program that provides basic knowledge on data and digital technologies to ensure employees can use data effectively. All employees except for executives and managers will receive this training as “DX Standard” level employees. The DX Standard training program launches in July 2024. We expect around 2,500 participants.

In this way, we are developing a range of training programs aimed at building a culture of embracing challenges.

### System of Human Resources Development Program



### Engagement Survey

We administer an engagement survey targeting regular employees and reemployed personnel of major domestic Group Companies. FY2025, the final year of our medium-term management plan, we aim for a score of 72. We are

working to improve engagement to meet this target.

In FY2023, the response rate was 98%, representing nearly all targeted employees. Our comprehensive score surpassed that of peer companies of a similar corporate scale.

Item	Scope of coverage	Unit	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Response rate	Major domestic group companies	%	—	—	—	98	98
Engagement score	Non-consolidated	—	—	—	—	65	66
Percentage of highly engaged employees*	Non-consolidated	%	—	—	—	—	33.8

\*We define “highly engaged employees” as employees with an overall score of 72 or higher

## Labor Practices

### Basic Concept

At the NOK Group, we aim to respect and protect the rights of our employees by putting into practice the management principle of valuing human dignity. To achieve this, we follow Principles 1 to 6 of the UN Global Compact and uphold our management principle of being “a company

with open communication.” We actively promote dialogue among employees and between the Company and employees. We strive to create a workplace where employees can work with peace of mind and enthusiasm.

### Initiatives

#### Compliance with Labor-Related Laws

Our domestic Group Companies are instructed to ensure compliance with the Labor Standards Act, the Labor Union Act, and all other labor-related laws. Our overseas Group Companies are also instructed to ensure compliance with labor-related laws of each relevant country. There were no serious legal violations in FY2023.

Business sites in Japan that accept foreign technical interns have been checked for compliance with the Immigration Control Act as well as for the working and living environment and working conditions for interns. We found that there were no problems overall.

#### Establishment of Healthy Labor Management and Labor Relations Based on Dialogue

Dialogue between management and employees is essential to realizing “the management principle on feelings of care and trust” and promoting healthy development. Through respecting the right to organize, the right to bargain collectively, and other rights of employees, the NOK Group has built a healthy labor-

management relationship.

100% of employees of NOK Corporation and major domestic Group Companies are members of labor unions (apart from non-eligible employees). Regular labor-management meetings are held with the participation of the top management. Not only do we carry out negotiations on working conditions, but also explain business conditions and present management issues. Also, discussions on the Company's important policies and measures take place so that both the labor side and the management side can cooperate in realizing business development and employee wellbeing. Measures that have a significant impact on employees are explained and discussed in advance.

The Company explains the business environment and management plan for the next fiscal year to the labor union and holds consultations about them. With that in mind, the union submits a demand for consensus-based compensation and working conditions for its members. In the spring of 2023's negotiations, the request was fully discussed and concluded.

## Diversity

### Basic Concept

The NOK Group takes the stance of recruiting and appointing various diverse human resources regardless of their gender, race or nationality. Approximately 40,000 employees of diverse nationalities, races, genders, and employment types are currently working in the NOK Group. We ensure that executives at both domestic and overseas bases understand management based on respect for human dignity, which is the basic principle of the NOK Group, and promote the practice of such management in accordance with the circumstances in each region.

We aim for an equal percentage of women, foreign nationals, and mid-career hires in management positions across the Group. There is no discrimination in promotions.

At our overseas locations, we base our approach on localizing business operations. We actively hire local talent and promote the development and appointment

of people who understand and are aware of the local context, regardless of race or gender.

Interaction among executives and the technology, manufacturing, sales, operations, and other departments of both domestic and overseas bases is facilitated so that they can utilize the outcomes to develop personnel and improve operational quality and efficiency in each department.

Furthermore, non-Japanese employees are appointed to the executive positions of overseas subsidiaries. In addition, we proactively advance the appointment, development, and participation of employees of foreign nationalities by providing training for engineering staff and manufacturing operators of overseas subsidiaries in the technology and manufacturing departments and hiring non-Japanese students in Japan.



## Initiatives

### Female Empowerment

One issue Japan faces is the scarcity of women in management positions. A survey on career aspirations showed that few women aspire to become leaders or specialists. We aim to broaden our job roles and change job functions based on each employee's skills and motivation. We will also provide education on career development. In FY2024, we will introduce a new HR system with multiple career courses to support independent career growth. By the end of FY2025 NOK Corporation and major domestic Group Companies aim to double the number of female managers compared to the end of FY2022, and to raise the ratio of career-minded females to 30%.

### Enhancing the Employment and Support System for People with Disabilities

NOK furthers the employment of people with disabilities so that they can take jobs according to their abilities and aptitudes, and live independent lives in their communities. Facilities around Japan promote the allocation of people with disabilities to fulfilling jobs and the creation of workplaces that enable them to work

comfortably to establish an environment where people with disabilities can work with vitality.

### Hiring Senior Employees

In FY2006, we introduced a reemployment system for retirees so that motivated individuals can continue working after retirement. As well as providing these employees with financial stability, the system allows them to pass on their knowledge and skills to younger generations. We are working to create opportunities where their rich experience and advanced skills can be put to full use.

In FY2016, we introduced flexible work arrangements and revised our labor conditions. We have since continued to review these conditions as needed. We also established an internal job application system and a personnel registration system for senior employees. We also continue to implement measures to support senior employees after retirement. These include life planning seminars for a stable life post-retirement and pre-retirement training to help maintain their motivation to work.

(FY 2023)

Gender wage differential (ratio of women's wages to men's wages)							
Classification	Unit	Annual income		Of which, monthly wages		Of which, bonus	
		Average	Median	Average	Median	Average	Median
All employees	%	74.2	80.1	76.4	77.6	69.2	86.2
Regular employees	%	77.0	81.8	79.2	79.8	72.5	86.6
Non-regular employees	%	65.6	63.5	67.3	64.9	58.1	57.1

## Human Resource and Welfare System

### Basic Concept

As part of management based on respect for human dignity, NOK is making efforts to create working environments where employees can balance their job satisfaction with a comfortable lifestyle. In addition to conventional initiatives, we now consider and undertake various other measures from the viewpoint of work-style reform. In terms of specific measures to realize

flexible and diverse work styles, we are also working on implementing and improving a flextime system, childcare leave, nursing care leave, and other employee benefit systems, lowering the upper limit on overtime to shorten working hours, and improving the rate of paid leave taken by employees.

### Work-Life Balance

At the NOK Group, we have set up support systems that go beyond legal requirements to create a better workplace. We also share information about the system and provide advice through our intranet so that employees can use it easily. We will continue to introduce

various systems to cater for the diversifying work styles and lifestyles of today.



Systems to Promote Work-Life Balance	
Flextime	Employees can choose to have no core time and set a non-working day for a work week with three days off
Remote work	Can be used up to 64 hours per month or 2 days per week
Half day of annual paid leave	Annual paid leave may be taken in half-day increments
Maternity leave before and after childbirth	Six weeks of paid special leave with pay before childbirth and eight weeks of paid special leave after childbirth
Spousal birth leave	Two days of paid special leave when a spouse gives birth
Childcare leave system	Available until the child turns two years old
Shorter work hours for childcare	Available until the child reaches 4th grade of elementary school
Nursing leave	5 days/year for one child, 10 days/year for two or more children
Caregiving leave	5 days/year for one person requiring nursing care, 10 days/year for two or more persons requiring nursing care
Caregiving leave system	Available for up to one year
Shortened work hours for caregiving	Available for up to three years
Support leave	Paid special leave for medical treatment or recovery related to personal illness or injury, pregnancy, childbirth, or for family care and caregiving. Childcare and spousal care support allowance
Childcare and spousal care support allowance	Financial support provided to those working while raising small children or caring for a spouse

## Initiatives

### Reinforcing Initiatives to Shorten Working Hours and Encourage Paid Leave-Taking

NOK has endeavored to shorten the total actual working hours to help employees pursue comfortable and prosperous lifestyles. The central labor-management council annually develops a plan for new initiatives and reviews the performance of previous initiatives. Specifically, we check the record of overtime work hours and paid leave taken on both a departmental and individual basis by using the relevant data, and thereby identify problems and develop a response plan. Our target is to keep total actual working hours to within 2,000 hours and for employees to take 17 or more days of paid leave. We expect to achieve this in FY2023. Our new target will be to keep total working hours under 1,900 per year and will continue to review and implement various measures to achieve this.

### Reflecting External Expertise into Our Personnel System Design

We take part in regular meetings and working group activities related to the personnel policies put in place by Japan Auto Parts Industries Association (JAPIA). This allows us to gain information on industry trends related to diverse work styles and revisions to labor-related laws and regulations, which is useful in considering improvements to the personnel systems.

### Drawing on Career Aspiration Surveys and Interviews

Every year, NOK offers employees an opportunity to declare on their current workplace situations and their job aspirations. At that time, supervisors hold an interview with employees regarding the content of the declarations, including their career aspirations, which is used in personnel development and utilization, as well as to place the right people in the right positions.

### Workplace Communication

The NOK Group strives to always be an open and comfortable workplace. Managers take the initiative in achieving and maintaining a level of communication between superiors and subordinates, colleagues, and workplaces. In addition to holding regular department meetings, supervisors and their subordinates meet about four times a year to discuss goals, progress, and achievements as part of our performance review process. We began one-on-one meetings in FY2023 and are conducting a review toward full implementation in FY2025.

### Support for Retiree Associations

To help employees enrich their lives after retirement, NOK established retiree associations and supports each association through holding each regional gatherings and other events for retirees to interact.

## Occupational Safety and Healthcare

### Basic Concept

At NOK Group, we have the management principle based on respect for human dignity, and we believe safety is a vital precondition for human dignity. We formulated the NOK Group Safety Principles in FY2017 and pursued health and safety activities across the Group with the aim of eliminating industrial accidents. In addition, in FY2022, the Group CEO released a Health Declaration to indicate the commitment of top management to initiate health promotion based on a health management approach.

As a company, we view mental and physical health as a management issue and are working to support employee health. We also encourage employees to engage in healthy activities on their own.

#### Safety Principles of NOK Group

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

### Occupational Health and Safety Promotion Framework

The NOK Group runs an occupational safety and health management system (OHSMS) based on the principles of ISO 45001.\*

The Group CEO leads our framework for managing work safety and health. This applies to all Group companies and both on-site and off-site tasks. We aim to ensure that everyone, including dispatched and contract employees, works in a safe and healthy environment. To this end, we promote safety and health activities and regularly check their progress through internal audits. We have set emergency response procedures for each facility based on our emergency response manual.

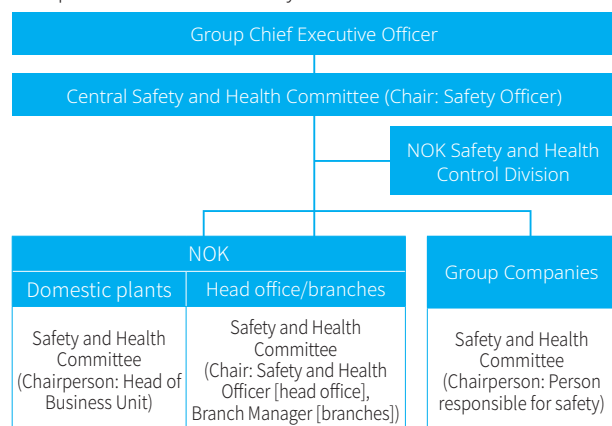
We have formed health and safety committees at each business site. These are made up of representatives from management and employees and serve as a forum for discussing workplace safety and health. The committees meet monthly to confirm the status of activities and discuss and decide on health and safety measures.

The Safety and Health Control Division, which oversees the entire Company, collaborates with the health

and safety secretariats of each business site, branch, and Group Company to maintain and improve the health and safety management level of the NOK Group.

\*Percentage of ISO 45001 certified offices: 16.3% (as of March 31, 2024)

Occupational Health and Safety Promotion Framework



### Initiatives in Safety and Disaster Prevention

#### Establishing the NOK Occupational Health and Safety Policy

Based on the NOK Group Safety Principles, we formulated the NOK Occupational Health and Safety Policy in FY2022. The policy indicates the specific direction of health and safety activities in line with the thinking of the top management.

#### Formulating Action Plans

We create annual action plans based on the status of industrial accidents. The Central Safety and Health Committee, chaired by the executive in charge of health and safety and made up of representatives from labor and management, deliberates and decides on the plan, which it disseminates to all business sites along with priority action items.

We formulated a medium-term health and safety plan spanning FY2023 to FY2025 and have continued to take measures in the following three key areas. In FY2023, we

aimed for zero major accidents, but fell short of this goal as one accident occurred. We will continue to carry out health and safety activities across the entire Group based on the NOK Group Safety Principles.

#### Medium-term Health and Safety Plan

- Improving the level of safety management to eliminate major accidents
- Equipment safety measures through risk assessment
- Zero explosions and fires and thorough implementation of measures to prevent recurrence

Business sites that have experienced issues such as industrial accidents and require improvement are designated "specified management business units." The Safety and Health Promotion Department follows up with these sites on an individual basis.

### Checking for Occurrence of Industrial Accidents

In FY2023, there was one major accident and eight lost time incidents. These accidents were mainly caused by employees being trapped or falling down or by heavy objects. The main issues were unsafe equipment and the lack of set work procedures. We therefore reviewed the equipment and work environment. We also set up work procedures and provided training based on them. When an industrial accident happens, we thoroughly investigate the causes and background through on-site inspections and interviews with those involved. We then share the findings across all locations to prevent future incidents.

### Measures to Improve Safety

Based on risk assessment results and past data such as near-miss incidents and findings of safety patrols, we identify processes, equipment, and tasks that we judge to be high risk, based on the probability of them causing workplace accidents and on the severity of the injury that would be expected. We classify these as “designated hazards,” and prioritize response measures and management to address them.

### Health and Safety Education

Health and safety education begins when employees first enter the Company. We follow up with regular educational programs to help employees gain the knowledge and skills needed to work safely, as well as hazard simulations using hands-on hazard simulation equipment we designed in-house. We also carry out training for line managers, seeking to instill unified thinking about health and safety management in their own workplaces and a shared awareness of health and safety as managers. With the aim

## Initiatives in Health and sanitation

### Health Management

We have a 100% regular health checkup rate. In addition, we actively encourage medical examinations and provide health guidance with the aim of ensuring that 100% of employees undergo follow-up examinations for the early detection and treatment of illnesses.

For mental health issues, we make online interviews with an industrial physician or counselor available. We have also set up a 24-hour, year-round free telephone consultation service through an external specialist organization, putting in place a framework to respond early on to any issues and support a smooth return to work. Also, we conduct consultations with industrial physicians and health nurses based on stress check results to prevent mental health issues.

### Health Promotion

To boost employee awareness of health, we introduced a health management app for employee smartphones and use it to disseminate health information. We also provide aerobic exercise, stretching and other workouts under the

of instilling safety knowledge and maintaining and raising the safety awareness of employees, we also offer training at each workplace using “Safety and Health Guidelines Handbook.” Created in 1972, we still use this Handbook as a tool for health and safety education and activities in the workplace, revising them as needed.

### Fire Prevention Initiatives

With a priority on preventing fire disasters and small fires, we have formed the Fire prevention Task Force sub-committee as part of BCM activities to consider issues and response measures and deploy them across the Group. We have also established a database that we use to share Group-wide information on near-miss incidents and small fires and deploy response measures horizontally.

### Traffic Safety Initiatives

The NOK Group is committed to creating a culture of traffic safety as a company engaging in transportation in society through our products. For example, since the 1970s, before legislation mandated the wearing of seatbelts, we have worked to ensure that all occupants of our vehicles, not just drivers, wear a seatbelt. In addition, we provide education and guidance at each workplace to prevent speeding and driving under the influence, which can cause serious accidents. In addition, we participate in community sponsored zero-accident, zero-violation challenges. We also regularly hold traffic safety seminars with the help of local police stations. To maintain and improve the road safety awareness of employees, we have also established a system to commend excellent drivers who continue to drive safely, awarding them according to their number of years without an accident or violation.

guidance of our athlete employees to help staff develop the habit of exercising.

### Initiatives to Improve the Workplace Environment

The NOK Group first launched activities to improve our work environment in 1993. Since then, we have systematically implemented environment controls (noise, heat, and cold), safe work practices (working posture and the handling of heavy objects), and support systems (such as providing break-time facilities). In 2023, we have installed exhaust fans and makeshift cooling rooms as part of our heat mitigation measures in the indoor workspaces.

### Addressing Global Health Issues

The NOK Group has many overseas offices. For employees and their families who are assigned abroad, they provide information on infections like tetanus, hepatitis, and rabies. They also offer vaccinations and medical support in those locations.

## Supply Chain Management

### Basic Concept

At the NOK Group, we believe that to fulfill our corporate social responsibility, it is essential to share a common awareness across the procurement supply chain while building relationships based on mutual trust.

Today's society is also facing many problems such as environmental and human rights issues, and companies are expected to help address these to build a sustainable society. To this end, we established the NOK Group Procurement Policy for conducting procurement activities with suppliers.

At the same time, we ask suppliers to respect our Charter of Corporate Behavior, the NOK Group Human Rights Policy, the CSR Procurement Guidelines, and the NOK Group Green Procurement Guidelines as we work across the entire supply chain to achieve equitable, fair, and socially and environmentally friendly procurement and bring about a sustainable society.

### 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 relationships of trust with suppliers.
5. We conduct improvement activities proactively in collaboration with suppliers.

### Promotion Framework

The NOK Group has established a Sustainability Committee chaired by the Group CEO. We report key matters concerning the Group's overall procurement activities to the Board through the Sustainability Committee. We have set up a network between the Procurement Division, which is led by an executive officer overseeing procurement, and related companies, business divisions, and production sites. Through regular procurement manager meetings, we share and implement Group policies and measures. We are promoting our sustainable sourcing and other procurement activities globally across the entire Group.

#### Supply Chain Management Promotion Framework



## CSR Procurement Guidelines

To fulfill our corporate social responsibility, we request that not only our Group but also our suppliers refer to these guidelines and actively promote CSR activities, including within their supply chains.

- 1 Compliance with laws and regulations**  
 We will comply with laws and social norms in each country, including competition laws, trade-related laws, and environment-related laws.

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- 2 Respect for human rights**
  - We do not deal with business entities that use forced or child labor, that engage in unlawful employment of foreign nationals or any other illegal employment, and that do not satisfy occupational safety and health regulations.
  - We do not discriminate on the grounds of race, ethnicity, creed, gender, age, marital status, 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 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. In particular, we recommend that wages exceed national and local laws and regulations, and we do not work excessive overtime hours.
  - We respect the freedom of association and the right to participate in collective bargaining, and engage in good faith dialogue and consultation directly with employees or their representatives. We also recognize employees' right to freely associate or not in accordance with the laws and regulations of each country and region.
  - We do not accept any form of harassment, including abuses of power and sexual harassment.

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- 3 Safety**  
 We prioritize the safety of customers and consumers, and purchase products that satisfy safety regulations.

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- 4 Green procurement**  
 We carry out procurement activities based on the NOK Group Green Procurement Guidelines with consideration for conserving the global environment.

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- 5 Confidentiality**  
 We deal with suppliers that can appropriately manage and control the confidentiality of information on customers, individuals and technologies, etc., obtained through business transactions.

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- 6 Elimination of anti-social forces**  
 We do not deal with any organized crime groups, any of their members and related individuals, any other antisocial forces, or any business entities associated with them.

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- 7 Activities regarding conflict minerals**  
 We strive to avoid purchasing minerals and their processed products sourced from countries where inhumane armed forces are active and mining minerals for their financial resources.

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- 8 Contribution to local community and society**  
 We contribute to the development of the local community and society by proactively doing business with local suppliers.

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- 9 Information disclosure**  
 We 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 develop and maintain mutual understanding and trust through open and fair communication.

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- 10 Deployment of CSR to suppliers' own supply chain**  
 To advance initiatives throughout the supply chain, we ask suppliers to implement initiatives throughout their own supply chain equivalent to those described in the NOK Charter of Corporate Behavior and CSR Procurement Guidelines.

## Initiatives

### Identification of Key Suppliers

The NOK Group works with about 2,000 suppliers within Japan. Among them, we identify suppliers with large purchase amounts or those providing key products and materials as “key suppliers.” We have identified 71 key suppliers so far and review them regularly.

### Conducting the CSR Supplier Survey

We conduct an annual CSR survey focusing on key suppliers we have identified.

The CSR supplier survey covers governance, human rights, labor, environment, compliance, quality and safety, information security, supply chain, and community engagement, checking the efforts of each company in these areas. We assess each company’s response, flagging any suppliers whose efforts are found to be lacking as at-risk suppliers. For at-risk suppliers and some key suppliers, we carry out detailed interviews, on-site audits, and improvement activities to minimize risks.

Number of suppliers (Japan)	Approx. 2,000
Number of key suppliers	71
Number of CSR supplier surveys conducted	238
Number of at-risk suppliers	0
Number of suppliers audited on-site	11

### Green Procurement

To boost our environment-related efforts in cooperation with our suppliers, we issue the NOK Group Green Procurement Guidelines. These guidelines inform suppliers about NOK Group’s environmental values and policies, enabling us to source eco-friendly raw materials and parts. We ask suppliers to work to cut energy use, reduce greenhouse gases, promote resource recycling, lower waste production, and consider biodiversity. We also ask that they submit a cooperation agreement.

### Education and Training in the Procurement Department

To promote sustainable procurement throughout the supply chain, during FY2023 we provided procurement department leaders, including the General Manager of the Procurement Division with training on sustainable procurement. In FY2024, we plan to hold training sessions at key production sites to further promote sustainable procurement.

### Initiatives on Conflict Minerals

Since FY2013, we have been addressing the issue of conflict minerals. Each year, we review the results of efforts in the previous fiscal year. We then create a new plan and manage our progress regularly by supplier and business division.

### Conflict Minerals Surveys

At NOK, we use tin in some of our seal products. We have therefore adopted the industry-standard Responsible Minerals Initiative (RMI), (Conflict Minerals Reporting Template (CMRT) and Extended Minerals Reporting Template (EMRT). These templates help us trace our supply chain back to its origins.

Once a year, we select materials for review and use the CMRT and EMRT to conduct conflict minerals surveys of suppliers. The survey checks for 3TG (Tin, Tantalum, Tungsten, Gold), cobalt, and mica content, country of origin, smelters, and supplier due diligence. We also identify non-certified smelters in our supply chain by cross-checking them against the latest RMI-certified smelter list. In FY2023, we conducted a survey on the same raw materials as the previous year and received responses from 433 companies. We reviewed the survey responses closely. Where the responses from suppliers were incomplete, we sought clarification to improve the reliability of the responses.

### Participation in Supply Chain Initiatives

NOK is a member of the Japan Auto Parts Industries Association (JAPIA). We work with customers, suppliers, and other industry firms to address challenges across the entire supply chain. As part of this, we are also advancing our efforts to address the issue of conflict minerals.

## Product Quality and Safety

### Basic Concept

The NOK Group has a longstanding commitment to manufacturing, we have been focusing on ultimate quality into the manufacturing process. Since our founding, our technology and quality have earned the trust of numerous customers, who use our products in a variety of fields.

To build in quality through the manufacturing process, our efforts have concentrated on cultivating the people involved in manufacturing under our Management Principles of respecting human dignity. We have developed a variety of educational programs for this purpose. Recently, we have focused on strengthening the training of managers and supervisors, driven by the desire to pass on the basics of manufacturing to future generations as veteran employees retire from manufacturing sites.

In recent years, we have actively adopted digital technology and set a quality policy theme of building a foundation for compelling quality. Aiming to surpass customer expectations through the added value (“+α”) we offer, we have started efforts to further enhance customer satisfaction.

#### Basic policy

“Putting quality first, we provide services and products that customers can trust at all stages of research and development, design, production, sales, service, etc.”

#### Behavioral guidelines

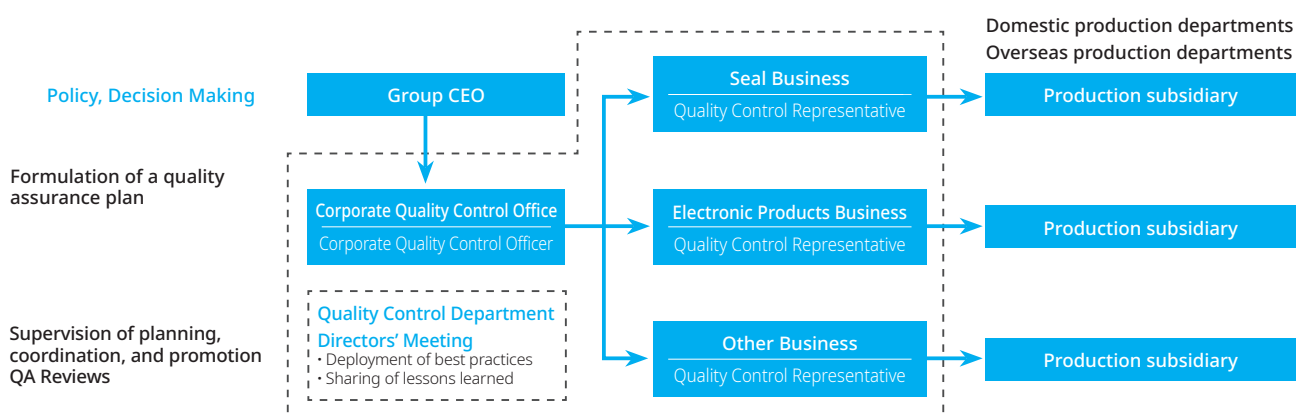
1. All employees work together to make constant efforts to improve quality
2. Improve our unique technology
3. Continuously improve administration technology
4. Thoroughly comply with laws and regulations
5. Continuously manage the policy

### Frameworks for Quality Management and Quality Assurance

To continue supplying products that meet customer needs, NOK has established a quality management framework based on ISO 9001 and other international standards, which we are operating in pursuit of ongoing improvement.

Quality Officers also supervise the planning, coordination, and promotion of quality assurance. We develop Quality Assurance (QA) Action Plans in line with the NOK Quality Assurance Policy and conduct regular on-site Quality Assurance (QA) Reviews.

### Quality Assurance System Overview



#### Plants in Japan do the following as mother factories:

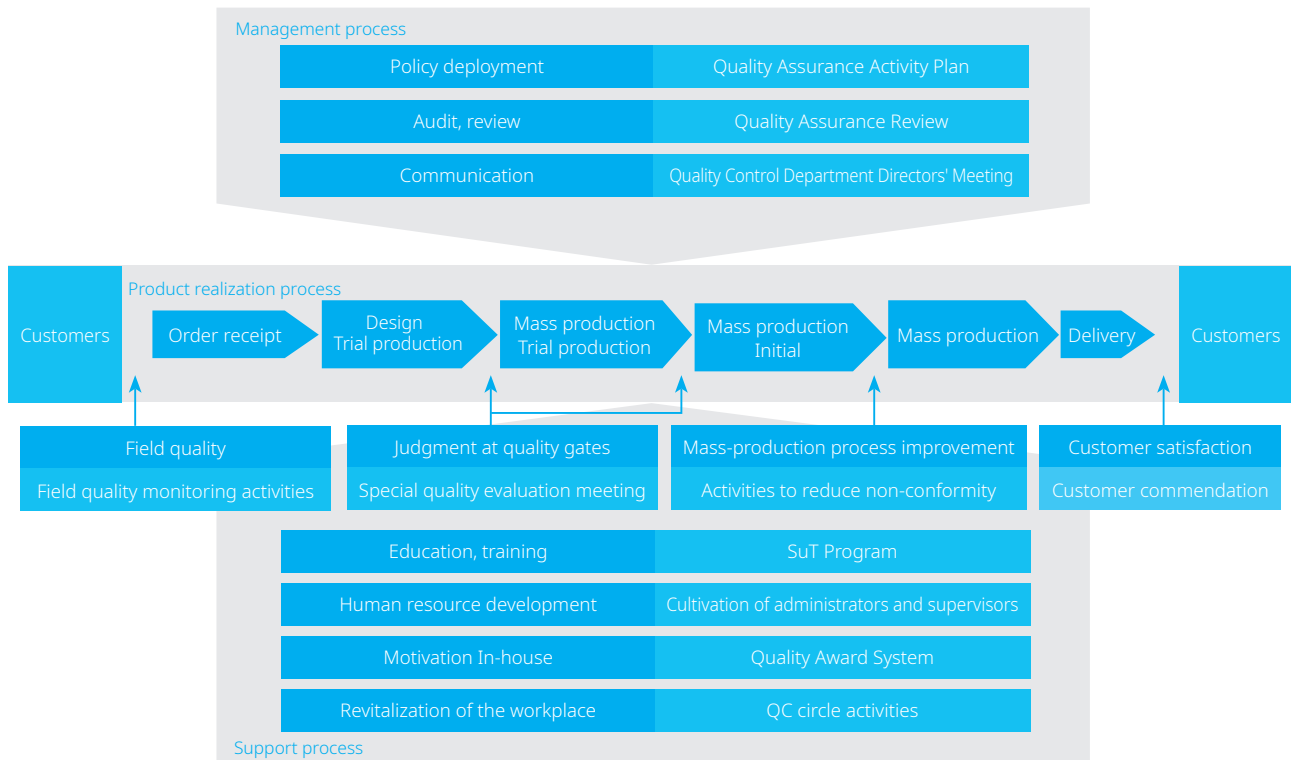
- Support for quality assurance activities
- Support for product transfers and launches of overseas production
- Promotion of priority issues



## Quality Improvement Activities

We are taking steps to improve quality in all of our processes, from order receipt to delivery.

### Overview of Quality Improvement Activities



### Field Quality Monitoring Activities

NOK draws on field quality data to regularly monitor for anything that could lead to significant complaints from the market. Using results obtained from past activity performance assessments, surveys, and analyses, among other data, we collaborate on initiatives such as proposing improvements to customers.

### Improvement Activities through Quality Control Education and Practice Based on QC-Oriented Thinking

NOK offers quality control education at each level of the organization. We put a particular emphasis on problem solving, where we advocate fact- and data-based logical analysis and improvement under the motto of “Let’s argue from the data,” which is a hallmark of QC-oriented thinking.

To enable rapid problem solving, NOK offers a SuT\* Program which aims to support the more widespread use of tools that help speed up problem-solving. Having started out with a course on the “Seven QC tools,” we now offer more than 20 courses ranging from multivariate analysis to design of experiments. We also have an advanced curriculum to train participants in methods through hands-on exercises.

\* SuT stands for Speed-up Tools of Problem Solution.

### QC Circle Activities

NOK employees take initiative in conducting quality control (QC) circles to pursue quality improvement activities in small groups. In QC circles, all members of the circle work together to resolve matters they deal with in the day-to-day workplace. QC circles also provide a venue for the growth and character formation of members through shared activities, which leads to a more vibrant workplace.

In FY2023, 730 QC circles in Japan and overseas took part in a quality control competition. The top activity presentations of circles selected by each company were entered into the NOK Group QC Circle Convention, and the outcomes of the winning circles’ activities were showcased. Since the first NOK Group QC Circle Convention was held in 1963, this competition has been held 71 times over the span of 60 years.

### Customer Quality Awards

We have received high marks from customers for our quality achievements and improvement activities. In FY2023, we received 35 commendations for quality.



## 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		ISO 9001	7-Mar-14
	Tenei Seal Industry Corporation		ISO 9001	18-Dec-20
	Miharu Industry Corporation		ISO 9001	12-Apr-21
	Tohoku Seal Industry Corporation		ISO 9001	2-Apr-21
	Miyagi NOK Corporation		ISO 9001	15-Mar-21
	Nihonmatsu NOK Corporation		ISO 9001	3-Mar-21
	NOK METAL Co., Ltd.		ISO 9001	14-Apr-21
	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
		Kikugawa Seal Industry Co., Ltd.	ISO 9001	9-Oct-13
	NOK CORPORATION Tokai Plant		ISO 9001	17-Oct-07
	NOK CORPORATION, Vibration Control Rubber 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
	Isshin Industries Corporation		ISO 9001	28-Nov-11
	Kanasei Corporation		ISO 9001	13-Apr-11
	Saga NOK Corporation (Ureshino Plant)		ISO 9001	7-Feb-01
	Saga NOK Corporation (Tosu Plant)		ISO 9001	7-Nov-08
	Kusu NOK Corporation		ISO 9001	27-Mar-04
	Kumamoto NOK Corporation		ISO 9001	24-Mar-04
	Nichinan NOK Corporation		ISO 9001	24-Mar-05
	Aso NOK Corporation		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	1-Sep-09
			IATF 16949	12-Dec-11
Indonesia	P.T. NOK Indonesia		IATF 16949	26-Jul-17
	PT. NOK Freudenberg Sealing Technologies		ISO 9001	10-Jul-18
			IATF 16949	13-Jun-18
China	Wuxi NOK-Freudenberg Oil Seal Co., Ltd.		ISO 9001	21-May-99
			IATF 16949	17-Apr-18
	Changchun NOK-Freudenberg Oil seal Co., Ltd.		IATF 16949	12-Jun-18
	Taicang NOK-Freudenberg Sealing Products Co., Ltd.		ISO 9001	20-Feb-07
			IATF 16949	20-Jan-16
	NOK (Wuxi) Vibration Control China Co., Ltd.		IATF 16949	15-Mar-19
	NOK (Wuxi) Water Treatment Technology Co., Ltd.		ISO 9001	29-Oct-20

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

## Coexistence with Local Communities and Society

### Basic Concept

In the NOK Group Charter of Corporate Behavior, we clearly state that “As a good corporate citizen, we will actively participate in communities and contribute to their development.” The local community is a key stakeholder for the NOK Group. As a good corporate citizen, we value communication with our local community so that we can grow together. We strive to be loved and trusted, and to be

seen as a source of pride. The NOK Group also focuses on nurturing and supporting the next generation, who will shape the future.

As part of our social contribution efforts, we align our activities with the NOK Group’s philosophy and our criteria for funding social contribution activities. We select activities mainly in our key focus areas.

### 〈Key Focus Areas〉

- Activities that contribute to the sustainable development of the communities in each country and region where NOK Group offices are located
- Training and supporting the next generation

Focus areas	Examples of activities
Health, medicine, sports	Participating in blood donation events, sponsoring sports, health, and well-being events, supporting and donating to school sports events, Ecocap bottlecap recycling activities
Academic, research, education	Accepting interns, granting scholarships, supporting events for next-generation development and school events
Crime prevention, disaster prevention	Participating in and donating to crime prevention and traffic safety activities, participating in disaster prevention activities, visiting victims after disasters
Local community activities, conservation of traditional culture	Donating road safety goods to local governments, sponsoring local festivals, making donations to shrines, donating goods to local communities, inviting local residents to festive events at the plants
Environment	Participating in local cleanup activities, tree planting activities, groundwater protection activities, recycling activities
Social welfare	Donations to the Red Cross and other social welfare organizations

### Promotion Framework

At NOK, we have established funding the criteria for social contribution activities, and base our decisions on these guidelines. The administrative and operations departments at each site choose the main themes for implementation. They then present these to an advisory committee chaired

by the Group CEO, which decides on the activities. The local community contributions of each business site are tabulated each year by numbers of participants and amounts spent. This data is then reported in the integrated annual report and the ESG data book.

### Initiatives

#### Contribution to the Local Community

The NOK Group regularly carries out local cleanup activities at its offices in Japan and overseas. We also focus on community-based activities, such as sponsoring local festivals and inviting local residents to events at our facilities. Each year, employees at NOK’s Kumamoto plant join volunteer efforts to preserve and restore the Aso grasslands. They also support groundwater recharge projects. These actions help protect the natural environment and water resources, contributing to the local community.

#### Activities to Develop and Support the Next Generation

The NOK Group works to develop and support the next generation in several ways. We offer plant tours for students and local residents, and they conduct outreach classes. In FY2023, our manufacturing subsidiary TVC Co., Ltd. held an event called “Parent-Child Open School: Have Fun Learning about SDGs and TVC” to highlight its SDG efforts. A total of 63 people took part, including 48 children.

Item	Scope of coverage	Unit	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Composition of Employees</b>							
Number of employees by employment type	Regular employees	persons	3,529	3,676	3,489	3,419	3,337
	Non-regular employees	persons	389	389	398	401	412
	Total	persons	3,918	4,065	3,887	3,820	3,749
	Regular employees	persons	40,492	37,999	37,613	37,913	38,097
	Non-regular employees	persons	2,726	2,388	2,300	2,285	2,295
	Total	persons	43,218	40,387	39,913	40,198	40,392
Number of employees by region	Japan	persons	11,001	11,017	10,730	10,648	10,683
	China	persons	10,913	9,383	9,690	10,659	11,006
	Southeast Asia	persons	17,395	16,194	15,623	15,196	15,225
	Europe and the United States	persons	1,183	1,405	1,570	1,410	1,183
	Total	persons	40,492	37,999	37,613	37,913	38,097
Number of employees by gender and percentage of women	Male	persons	2,747	2,857	2,704	2,643	2,572
	Female	persons	782	819	785	776	765
	Total	persons	3,529	3,676	3,489	3,419	3,337
	Percentage of female employees	%	22.2	22.3	22.5	22.7	22.9
	Male	persons	—	—	—	—	21,186
	Female	persons	—	—	—	—	16,911
	Total	persons	—	—	—	—	38,097
	Percentage of female employees	%	—	—	—	—	44.4
Employee ratio by age	Age 20s and under	%	22.1	20.7	19.6	18.8	17.9
	Age 30s	%	27.5	27.3	27.2	26.5	27.5
	Age 40s	%	29.6	29.1	27.1	25.7	24.6
	Age 50s	%	20.5	22.4	25.5	28.5	29.5
	Age 60s and over	%	0.3	0.4	0.5	0.5	0.6
	Age 20s and under	%	—	—	—	17.8	17.1
	Age 30s	%	—	—	—	25.7	26.9
	Age 40s	%	—	—	—	26.8	25.9
	Age 50s	%	—	—	—	29.0	29.5
	Age 60s and over	%	—	—	—	0.6	0.6
Average age	Male	age	40.1	40.3	40.9	41.1	41.1
	Female	age	40.1	40.4	41.2	42.0	42.5
	Total	age	40.1	40.3	41.0	41.3	41.4
	Male	age	—	—	—	41.3	41.2
	Female	age	—	—	—	41.4	41.8
	Total	age	—	—	—	41.3	41.3
Average length of continuous service	Male	years	17.1	17.3	17.8	17.9	17.8
	Female	years	19.3	19.5	20.0	20.7	21.2
	Total	years	17.6	17.8	18.3	18.5	18.6
	Male	years	—	—	—	17.5	18.1
	Female	years	—	—	—	19.3	20.6
	Total	years	—	—	—	17.9	18.7
<b>Hiring and Turnover</b>							
Hiring of new graduates	Male	persons	117	92	30	68	56
	Female	persons	34	25	11	12	17
	Total	persons	151	117	41	80	73
	Male	persons	—	—	—	80	76
	Female	persons	—	—	—	16	22
	Total	persons	—	—	—	96	98
Number of new hires by gender (total of new graduates and mid-career hires)	Male	persons	134	98	47	88	88
	Female	persons	42	26	22	22	24
	Total	persons	176	124	69	110	112
	Male	persons	—	—	—	113	123
	Female	persons	—	—	—	30	32
	Total	persons	—	—	—	143	155

Item		Scope of coverage	Unit	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Number of new hires by age group (total of new graduates and mid-career hires)	Age 20s and under	Non-consolidated	persons	—	—	55	85	85
	Age 30s		persons	—	—	12	19	21
	Age 40s		persons	—	—	2	6	4
	Age 50s and over		persons	—	—	0	0	2
	Age 20s and under	Major domestic group companies	persons	—	—	—	111	114
	Age 30s		persons	—	—	—	21	33
	Age 40s		persons	—	—	—	11	5
	Age 50s and over		persons	—	—	—	0	3
Ratio of senior management hired from regional communities		Non-consolidated	%	—	—	6.5	7.8	7.6
		Major domestic group companies	%	—	—	—	8.3	9.2
Average employment cost		Non-consolidated	yen	—	—	—	—	898,000
Rate of turnover	Overall rate of turnover	Non-consolidated	%	1.0	1.8	1.7	2.3	4.1
		Consolidated	%	—	—	—	—	11.5
	Rate of voluntary turnover	Non-consolidated	%	—	—	—	—	2.0
		Consolidated	%	—	—	—	—	10.5
Rate of turnover by gender (Overall rate of turnover)	Male	Non-consolidated	%	—	—	—	—	4.4
	Female		%	—	—	—	—	3.0
	Total		%	—	—	—	—	4.1
	Male	Major domestic group companies	%	—	—	—	—	2.7
	Female		%	—	—	—	—	2.6
	Total		%	—	—	—	—	2.7
Rate of turnover by age (Overall rate of turnover)	Age 20s and under	Non-consolidated	%	—	—	—	—	3.9
	Age 30s		%	—	—	—	—	2.6
	Age 40s		%	—	—	—	—	1.5
	Age 50s		%	—	—	—	—	0.7
	Age 20s and under	Major domestic group companies	%	—	—	—	—	3.7
	Age 30s		%	—	—	—	—	2.2
	Age 40s		%	—	—	—	—	1.3
	Age 50s		%	—	—	—	—	0.8
Remuneration								
Ratio of standard entry-level salary to regional minimum wage	Fukushima	Major production sites of NOK and MEKTEC	%	132.9	132.6	128.1	123.6	122.3
	Ibaraki		%	—	—	—	116.4	115.5
	Kumamoto		%	134.2	133.7	129.2	124.3	122.5
Employee gender wage gap (percentage for female if men=100)	All employees	Non-consolidated	%	—	—	—	71.8	74.2
	Of which regular employees		%	—	—	—	75.3	77.0
	Of which part-time and fixed-term employees		%	—	—	—	55.4	65.6
Investment in Human Capital								
Human resource development programs*1	Total number of participants	Major domestic group companies	persons	1,103	1,027	1,524	8,383	1,650
	Total training hours		hours	13,992	15,763	17,512	22,940	19,145
	Total training cost		thousands of yen	—	—	—	—	72,108
	Training hours per person		hours/ persons	—	—	—	—	4.0
	Training cost per person		yen/persons	—	—	—	—	14,895
Investment in human resource development (including human resource development programs)*2	Total number of people	Consolidated	persons	—	—	—	—	18,004
	Total hours		hours	—	—	—	—	786,347
	Total staff training costs		thousands of yen	—	—	—	—	405,251
	Hours per person		hours/ persons	—	—	—	—	19.5
Diversity								
Percentage of management positions held by women		Major domestic group companies	%	0.8	0.5	0.3	1.7	2.3
		Overseas group companies	%	28.1	30.0	35.7	32.1	30.9
		Consolidated	%	—	—	—	26.9	18.2
Percentage of upper management positions held by women		Consolidated	%	—	—	—	—	15.9

\*1 Tiered education and training/specialized education exclude ISO-based quality, environment, and safety education and training implemented since FY2023 such as Purpose and Values training.

\*2 Includes human resource development programs, Purpose and Values training, etc.

Item		Scope of coverage	Unit	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Percentage of lower management positions held by women		Consolidated	%	—	—	—	—	19.0
Percentage of management positions in revenue-generating functions (sales, etc.) held by women		Consolidated	%	—	—	—	—	19.9
Ratio of mid-career and foreign-national employees in managerial positions	Mid-career employees	Non-consolidated	%	—	9.8	9.8	11.3	12.8
	Foreign-national employees		%	—	0.3	0.3	0.3	
	Mid-career employees	Major domestic group companies	%	—	—	—	12.3	13.3
	Foreign-national employees		%	—	—	—	0.3	0.3
Percentage of women aspiring to careers in leadership and professional positions		Non-consolidated	%	—	—	—	20	23
Human Resource and Welfare System								
Number of employees who took childcare leave	Male	Non-consolidated (Leave-taking rate)	persons (%)	1	2	5	24 (21.8)	46 (40.0)
	Female	Non-consolidated	persons	60	47	30	32	34
Rate of return-to-work after childcare leave	Male	Non-consolidated	%	—	—	100	100	100
	Female		%	—	—	100	100	100
Number of employees who took nursing care leave	Male	Non-consolidated	persons	0	1	1	2	1
	Female		persons	0	0	0	0	0
Number of persons reemployed	Male	Non-consolidated	persons	209	212	221	183	191
	Female		persons	6	10	12	12	15
Employment of disabled persons		Non-consolidated	%	2.06	2.03	2.15	2.56	2.71
		Consolidated	%	—	—	—	0.71	0.75
Hours worked per employee/Average number of days of annual paid leave taken	Actual total hours worked		hours/ persons	2,041.7	1,953.0	2,006.8	1,997.3	1,972.4
	Overtime worked (on an annual basis)		hours/ persons	205.8	117	183.2	180.7	162.5
	Average number of days of annual paid leave taken		day/persons	14.5	14.5	16	16.9	17.8
Number of labor-management conferences held	Number of Central Labor Management Councils held	Major domestic group companies	sessions	16	17	16	17	18
Number of Labor Standards Act Violations		Major domestic group companies	cases	—	—	—	—	0
Occupational Safety and Healthcare								
Lost-time injury frequency rate*1		Manufacturing industry*3 (calendar year)	—	1.20	1.21	1.31	1.25	1.29
		Major domestic group companies	—	0.27	0.21	0.28	0.35	0.3
Severity rate*2		Manufacturing industry*3 (calendar year)	—	0.100	0.070	0.060	0.080	0.080
		Major domestic group companies	—	0.038	0.011	0.004	0.005	0.006
Deaths due to occupational accidents	Employees	Consolidated	persons	0	0	0	0	0
	Contract employees*4	Consolidated	persons	0	0	0	0	0
Safety and Health Training	Safety, health, and wellness training for line managers	Major domestic group companies	persons	129	161	150	141	170
	Equipment safety training	Non-consolidated	persons	59	146	102	274	639
No. of units undergoing facility safety improvements		Non-consolidated	Units	1,131	994	646	194	215
Investment in facilities and equipment for safety measures		Non-consolidated	millions of yen	320	68	170	270	413
Total number of employees commended for safe driving (commended for 30 years or longer)		Major domestic group companies	persons	910 (124)	908 (139)	963 (158)	925 (146)	888 (116)
Number of health consultation calls		Major domestic group companies	cases	—	850	715	552	443
Supply Chain Management								
Breakdown of local procurement by region (by value)		Japan	%	—	—	93.3	91.5	90.4
		China	%	—	—	84.3	84.7	89.7
		ASEAN	%	—	—	72.2	77.3	80.1
Growing Together with the Community								
Amount spent on social contribution activities		Consolidated	millions of yen	116	82	81	119	114

\*1 Number of casualties and rate of lost-time injuries and accidents per million working hours

\*2 Severity of injuries represented by the total number of workdays lost per 1,000 working hours

\*3 Ministry of Health, Labour and Welfare 2022 Occupational Accident Trend Survey

\*4 Including contractors

## Governance

### Corporate Governance

#### Basic Concept

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 that benefits society at large by promoting management that can make all stakeholders proud of the company and continue pursuing their dreams together. We are also promoting a management plan to secure economic growth with stability and strong increases in revenue over the medium to long term.

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

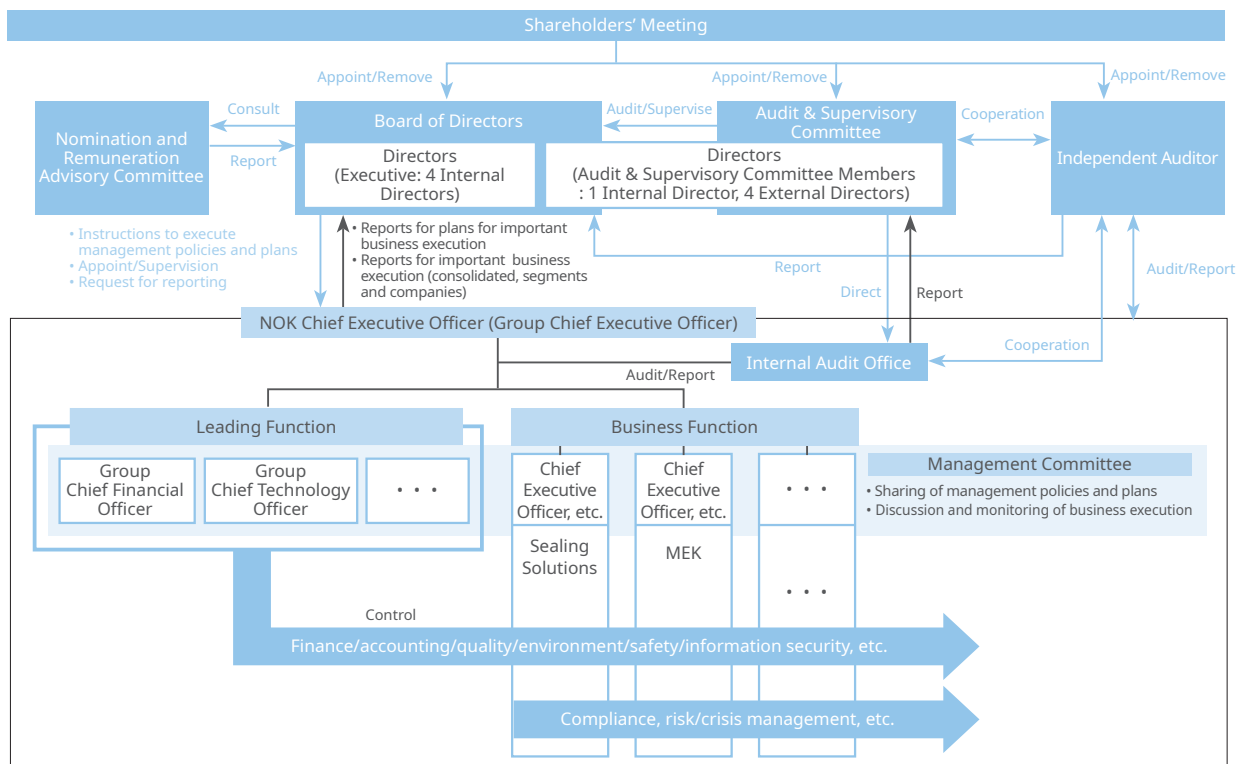
#### Corporate Governance System

In June 2024, NOK adopted a Company with an Audit and Supervisory Committee system. In a fast-changing business environment shaped by new technologies and shifting user needs, we must design and offer products and services with the customer in mind. To achieve this, we need efficient and agile business execution based on quick decisions. Furthermore, to better delineate the roles of oversight and execution, we have adopted a Company with an Audit and Supervisory Committee system. This allows

the Board of Directors to focus solely on decision-making of key management policies and plans, and supervising business execution. We delegate some key business decisions to executive directors and further delegate authority for execution to executive officers. This ensures a clear separation of oversight and execution and allows for quick decision-making. Our Audit and Supervisory Committee, composed of a majority of external directors, oversees business execution from a neutral standpoint. This ensures a governance system that balances flexible business execution with effective monitoring. Our Audit and Supervisory Committee consists of five directors, including four external directors. A full-time Audit and Supervisory Committee member serves as the chair.

To enhance the objectivity and transparency of executive nominations and remuneration, and to address other key management issues, we established a Nomination and Remuneration Advisory Committee in June 2024. This committee serves as an advisory body to the Board of Directors. The Nomination and Remuneration Advisory Committee consists of a chair and a majority of independent external directors. It regularly reviews and advises on crucial matters such as executive nominations and compensation, providing appropriate guidance to the Board of Directors.

#### Diagram of Corporate Governance System



## Steps to Enhance Corporate Governance

Year and month		Policy	Purpose
2004	Apr.	Established the Corporate Risk Management Office	Prevent and minimize negative impacts on business continuity
	Jul.	Established the Accounting and Audit Division	Established as the Internal Audit Unit
2006	May	Established the Basic Policy for the Internal Control System	Formulate basic policies for the 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 on Employee Compliance Compliance Rules established	Enacted and disseminated guidelines on matters for employees to comply with Provisions on the handling of compliance with laws and regulations and company rules and regulations
2007	Mar.	Established the Risk Management Rules	Provisions on responses to the occurrence of business risks and emergencies
	Oct.	Established the internal control subsidiary management rules	Prescribes instructions to subsidiaries and compliance by subsidiaries
		Established the internal control rules for financial reporting	Prescribes methods for developing and evaluating internal controls over financial reporting
2008	Jan.	Established the Internal Control Audit Committee	Audit and maintain the state of the internal control system
2009	Jun.	Introduced the Executive Officer System	Separate management oversight and executive functions, and establish an agile management framework
		Changed the term of office of directors to one year	Separate management oversight and executive functions, and establish an agile management framework
		Revised the executive compensation system	Introduce a long-term performance-based and performance-linked compensation system
2013	Jul.	Established internal control rules	Consolidate Internal Control Subsidiary Management Rules and other internal control-related rules
2015	Jun.	Established the Risk Management Committee	Minimize risk probability and losses through cross-organizational verification and evaluation
		One external director took office	Strengthen the management oversight function
2016	Apr.	Installed a whistle-blowing system (that covers domestic Group Companies)	Created a whistle-blowing framework by establishing the Whistle-Blowing Hotline (in and outside the company)
	May	Started assessing the effectiveness of the Board of Directors	Improve the effectiveness of the Board of Directors
	Jun.	Increased the number of external directors to two	Strengthen the management oversight function
	Oct.	Established the CSR Committee	Raise the awareness of CSR throughout the company and promote effective CSR activities
		Established the Central BCM Committee	Increase the effectiveness of the business continuity plan and help to improve corporate value
2017	Jan.	Seal Segment BCM Committee established	Build and maintain the BCM within the segment as a sub-organization of the Central BCM Committee
	Mar.	Electronic Segment BCM Committee established	Build and maintain the BCM within the segment as a sub-organization of the Central BCM Committee
2019	Jan.	Established the Business Continuity Management Rules	Provides a business continuity management system
	Jul.	Established the Management Oversight Council (composed of the President and Representative Director, external directors and auditors)	Check, assess, and advise on key management issues and serious risks
2020	Oct.	Expanded the internal reporting system (China Group companies excluding Taiwan and Hong Kong)	Strengthen the reporting framework by expanding the establishment of some whistle-blowing desks at overseas bases
2021	May	Established the ESG Committee	Promote the company's continued sustainable growth and the implementation of responsible initiatives
2022	Mar.	Expanded and introduced a whistle-blowing system (Asian Group Companies outside mainland China)	Strengthen the reporting framework by expanding the establishment of some whistle-blowing desks at overseas bases
	Jun.	Established the Internal Audit Department	Established a specialized department for internal control audits
		Formulated whistle-blowing regulations	Formulated regulations in compliance with the revised Whistleblower Protection Act
2023	Apr.	Formulated NOK Group Anti-Bribery and Anti-Corruption Policy	Took actions and reinforced framework for bribery and corruption prevention
		Formulated basic rules for bribery and corruption prevention	
	Jul.	Changed our Risk Management Committee Structure	Strengthened our systems to address risks throughout the Group
	Oct.	Established the Sustainability Committee	Promoted sustainability initiatives across the Group
2024	Jun.	Transitioned to a Company with Audit and Supervisory Committee system	Established a governance system that combines flexible business execution and monitoring
		Established Internal Audit Office	Established an Internal Audit Department under the direct control of the President, independent of business execution divisions
		Established Nomination and Remuneration Advisory Committee (composed of a representative director and external director and chaired by an external director)	Confirmation, evaluation, and advice on important issues and serious risks related to company management, such as nomination and remuneration of officers



## Remuneration of Directors

The Company has established the following basic policy for determining the details of remuneration for directors. Based on this policy, we determine remuneration within the total amount approved by the General Meeting of Shareholders. The Board of Directors decides remuneration

for directors who are not Audit and Supervisory Committee members. Directors who are Audit and Supervisory Committee members decide their own remuneration through discussions among themselves.

### Basic Policy

We believe in using remuneration to motivate the management team, including directors of our core companies, to achieve their goals. Through this approach, we aim to enhance corporate value over the medium to long term and increase stakeholder satisfaction. To this end, we have in place a stock-based remuneration plan for the management of the NOK Group's core companies,

in which the amount varies according to the level of achievement of KPIs related to the priority implementation measures in the NOK Group's medium-term management plan. Together with monetary remuneration, which varies according to the degree to which performance targets are achieved in a single fiscal year, the goal is to increase corporate value over the medium to long term and to enhance stakeholder satisfaction.

(As of June 30, 2024)

Composition of the Directors	Unit	Total	Gender		Internal/External	
			Male	Female	Internal	External
Directors	persons	9	8	1	5	4
Executive Officer*	persons	15	14	1	15	0

\* Figures for executive officers do not include those concurrently serving as directors.

## Board of Directors and Skills Matrix

Officers	Name	Gender	Years in position	Skills possessed							
				Corporate management	Group strategy	Business (production/sales) strategy	Technology strategy	Financial, accounting, and capital policies	New business	Compliance/ Risk management	Sustainability
Directors who are not Audit and Supervisory Committee members	Masao Tsuru	Male	4	○	○						
	Akira Watanabe	Male	11	○				○			
	Junichi Orita	Male	3	○		○					
	Yuki Sato	Male	0				○		○		
Directors who are Audit and Supervisory Committee members	Hideki Watanabe <sup>*1</sup>	Male	4			○		○			
	Makoto Fujioka <span>External</span>	Male	8	○							○
	Naoki Shimada <span>External</span>	Male	2	○	○						
	Motoko Imada <span>External</span>	female	0	○					○		
	Atsushi Kajitani <sup>*1</sup> <span>External</span>	Male	8	○						○	

\*1 For Mr. Hideki Watanabe and Mr. Atsushi Kajitani, directors who are Audit and Supervisory Committee members, the number of years of service shown includes the period during which they were auditors.

\*2 The above list shows up to two areas specifically expected of each person, and does not indicate all areas of their knowledge or experience.



	Item	Unit	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Composition of Management Oversight Council (advisory body for nominations, remuneration, etc.)	Representative Director	persons	2	2	2	2	2
	Directors	persons	0	0	0	0	0
	External Directors	persons	2	2	2	3	3
	External Auditors	persons	1	1	1	—	—
Management Oversight Council (advisory body for nominations, remuneration, etc.)	Number of Management Oversight Council meetings held	sessions	2	2	2	2	2
	Average attendance rate	%	100	100	100	100	100
Composition of Board of Directors	Directors	persons	8	9	9	9	9
	Of which, the number of external directors	persons	2	2	2	3	3
	Of which, the number of female directors	persons	0	0	0	0	0
Composition of Board of Statutory Auditors	Auditors	persons	5	5	5	5	5
	Of which, the number of external auditors	persons	3	3	3	3	3
	Of which, the number of female auditors	persons	0	0	0	0	0
Board of Directors	Number of board of directors' meetings held (held on paper)	sessions	13 (2)	14 (2)	12 (0)	13 (1)	14 (1)
	Average attendance rate	%	98.2	100	99.1	100	98.2
Board of Statutory Auditors	Number of board of statutory auditors' meetings held	sessions	9	12	11	11	12
	Average attendance rate	%	97.8	98.3	100	98.2	100
Remuneration of Directors and Auditors <sup>*1</sup>	Directors	millions of yen	289	317	406	393	366
	Of which, the number of external directors	millions of yen	12	11	14	25	30
Auditor Remuneration <sup>*2</sup>	Auditors	millions of yen	59	60	67	75	80
	Of which, the number of external auditors	millions of yen	18	17	17	27	30

\*1 The directors' remuneration for FY 2019 includes remuneration granted to a board director who stepped down as a director as of October 31, 2019.

The directors' remuneration for FY 2021 includes remuneration for one auditor who retired from the position of board director at the conclusion of the 115th Ordinary General Meeting of Shareholders held on June 25, 2021.

The directors' remuneration for FY 2022 includes remuneration for one auditor who retired from the position of board director at the conclusion of the 116th Ordinary General Meeting of Shareholders held on June 24, 2022.

The directors' remuneration for FY 2023 includes remuneration for one auditor who retired from the position of board director at the conclusion of the 117th Ordinary General Meeting of Shareholders held on June 28, 2023.

\*2 The directors' remuneration for FY 2020 includes remuneration for two auditors who retired from the position of board director at the conclusion of the 114th Ordinary General Meeting of Shareholders held on June 25, 2020.

## Compliance

### Basic Concept

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 on Employee Compliance as a guide for specific details of the regulations. This document specifies the items that

employees must comply with in their business activities, and we ensure that all Group employees familiarize themselves with the Guidelines. If any compliance violations are discovered, those involved will face disciplinary action under Company rules. Their actions will also affect their performance evaluations.

### Behavioral Guidelines on Employee Compliance

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. Health and Safety
9. Provision of Useful and Safe Products
10. Appropriate Management of Information
11. Prohibition Against Acts that May Damage the Company's Interests
12. Reporting Violations of Ordinances, etc.

## Promotion System

At the NOK Group, the Risk Management Committee, chaired by the Group CEO, decides compliance policies. It also reviews compliance-related issues and problems. Based on these policies and outcomes, the Compliance Promotion Subcommittee, as part of the Risk Management Committee, works to prevent legal risks globally across the Group. It promotes compliance measures and considers steps to prevent repeat legal violations, striving for thorough compliance.

Furthermore, to strengthen compliance across the Group, each department in charge of specific laws and regulations promotes compliance activities in their area of responsibility, based on the Compliance Rules. These departments also serve as contact points for reporting and consulting on the relevant laws and regulations or on internal rules and internal regulations.

## Education

The NOK Group has designated every October as Compliance Promotion Month. During this period, we conduct a compliance awareness survey for all employees in Japan and overseas. We aim to regularly instill and reinforce company compliance policies. The Company also provides compliance education as part of the training for new

employees and newly appointed managers. We have created educational materials for all employees titled “Introduction to Compliance” (in Japanese, English, Chinese, and Thai) and regularly distribute articles titled “an Encouragement of Compliance” to continuously promote awareness about compliance.

Compliance education	Implementation period	Target	Measure, purpose
Training for new employees	When joining Company (April)	New employees	Acquisition of basic compliance knowledge
Training for newly appointed managers	When appointed (twice a year)	Newly appointed managers	Acquisition of compliance knowledge necessary for labor management
Management training for seconded employees	When seconded (once a year)	Newly seconded officers	Acquisition of internal control and compliance knowledge
Group legal training	Once a year	Group company officials	Acquisition of compliance knowledge required for work
Compliance Promotion Month	Every October	All group officers and employees	Education via compliance primers and educational databases Compliance awareness surveys, comprehension tests, etc.
Distribution of compliance articles	Four times a year	All group officers and employees	Acquisition of knowledge on laws and regulations by theme and improvement of compliance awareness

## Reporting Desk and Whistle-Blowing Hotline

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

NOK Group employees can contact the Reporting and Consultation Desk if they notice an illegal act or violation or if they are unsure whether an action counts as an illegal act or violation. If the violation continues even after the report to the Reporting and Consultation Desk or if it is difficult to report there, we have established system that employees can contact the Whistle-Blowing Hotline.

The Whistle-Blowing Hotline consists of the internal contact (Legal Affairs Department) and independent

lawyers. Reports can be made anonymously, if they are objective and specific. Moreover, the whistle-blower is protected against disadvantageous treatment under Whistle-Blowing Rules. Whenever a report or consultation is received, the Company takes appropriate action, such as investigating and correcting the situation in question.

Regarding overseas sites, the Whistle-Blowing Hotline was set up (in and outside of the company) at 12 Group companies in China. Furthermore, we expanded and established whistle-blowing hotlines at 32 Group companies in the rest of Asia to strengthen our whistle-blower system.

## Prevention of Corruption and Bribery

The NOK Group declares in NOK Charter of Corporate Behavior that it will maintain "fair, transparent, and free competition, appropriate business transactions, and sound and normal relations with political and administrative authorities," and that corruption and bribery are prohibited. As a signatory to the United Nations Global Compact, the NOK Group respects the Ten Principles of the United Nations Global Compact and has established the NOK Group Policy on Prevention of Corruption and Bribery to further promote measures to prevent corruption and bribery. In the event of a

violation of the Group's anti-corruption policy, the Risk Management Committee is primarily tasked with taking response measures. Our Whistle-Blowing Hotline also accepts information on violations of anti-corruption rules.

Once a year, the Internal Control Audit Committee conducts an anti-corruption audit of all domestic and international divisions and Group subsidiaries. Based on the results of each audit, it identifies any anti-corruption risks in the business and reports its findings to the Board of Directors.

### NOK Group Policy on Prevention of Corruption and Bribery

1

#### Compliance with Laws and Regulations

We will observe laws and regulations prohibiting bribery (hereinafter referred to as "bribery related laws and regulations") in the performance of group duties in the countries and regions concerned.

2

#### Prohibition of Provision or Receipt of Illicit Profit

We will not engage in any acts (including facilitation payments) that are prohibited by bribery related laws and regulations for the purpose of obtaining illicit or unfair profits, regardless of whether domestic or foreign, directly or indirectly, public officials, private citizens, or private companies.

3

#### Prohibition of Bribery Through Third Parties

We will prevent bribery through third parties and will not tolerate such acts by appropriately managing business relationships with third parties, such as agents and consultants.

4

#### Proper Accounting and Record Management

We will keep accurate and factual accounting books and other records for all transactions related to this policy, perform appropriate accounting procedures, and properly maintain these records.

5

#### Education and Training

We shall provide education and training on the prevention of corruption and bribery for officers and employees to thoroughly inform them of the purpose and content of this policy.

6

#### Effective Operation of the Whistle-Blowing System

We will establish a contact point for consultation and reporting for when we recognize an act that violates or may violate this policy, and we will use this contact point to prevent, detect early, and correct the act in question.

7

#### Risk Assessment and Review

We will periodically assess risks of corruption and bribery, handle high-risk business activities in a focused manner, and review this policy and responses based on this policy as necessary.

8

#### Monitoring and Continuous Improvement

We will monitor the status of compliance with this policy and internal rules concerning the prevention of corruption and bribery, and make continuous improvements based on the results.

Enacted on April 1, 2023

Item	Scope of coverage	Unit	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Serious legal violations	Consolidated	cases	0	0	0	0	0
Amount of fines for legal violations	Consolidated	yen	0	0	0	0	0
Anti-corruption violations	Consolidated	cases	0	0	0	0	0
Amount of fines for anticorruption violations	Consolidated	yen	0	0	0	0	0
Violations of the Code of Conduct other than above	Consolidated	cases	6	8	4	4	10
Number of cases relating to human rights violations and harassment	Consolidated	cases	0	0	1	2	3
Number of cases relating to privacy (including customer personal information)	Consolidated	cases	0	0	0	0	0
Number of cases relating to conflicts of interest	Consolidated	cases	0	0	0	0	0
Number of cases relating to insider trading	Consolidated	cases	0	0	0	0	0
Others	Consolidated	cases	6	8	3	2	7

Spending on political organizations	Scope of coverage	Unit	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Lobbying activities	Consolidated	yen	0	0	0	0	0
Political activities	Consolidated	yen	0	0	0	0	0
Other political contributions	Consolidated	yen	0	0	0	0	0

Main spending on political organizations (annual fees)	Scope of coverage	Unit	FY 2023
Keidanren Japan Business Federation	Consolidated	yen	3,300,000
Japan Auto Parts Industries Association	Consolidated	yen	3,900,000
Tokyo Employers' Association	Consolidated	yen	1,120,000

## Risk Management

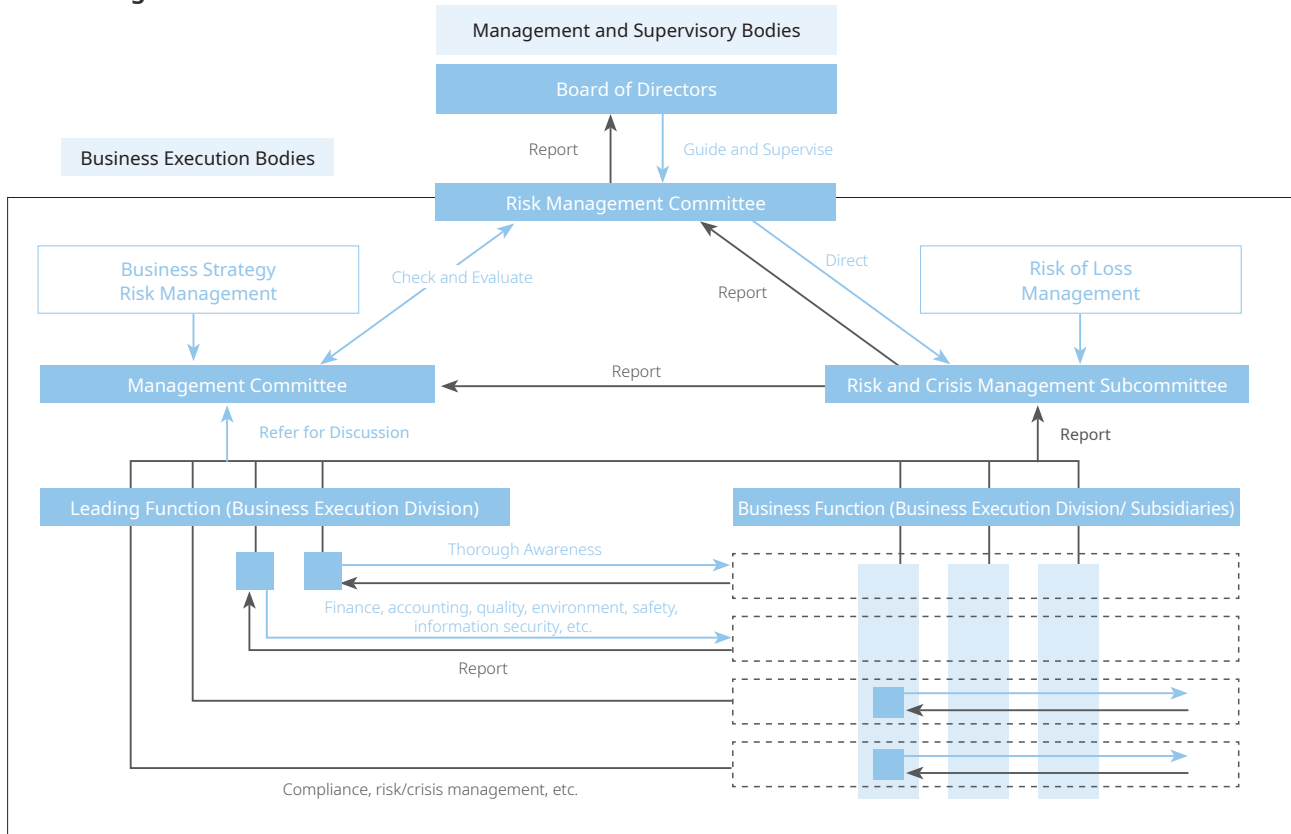
### Basic Concept

NOK's Risk Management Regulations stipulate the basic policy and management framework for risk management across the entire Group. Based on these regulations, we have established a Risk Management Committee chaired by the Group CEO to promote 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 maximize returns while balancing risks to enhance corporate value; and the risk of loss, in which we seek to prevent or minimize the probability of losses occurring to maintain corporate value.

For business strategy risks, the Risk Management Committee meets three times a year to identify such risks

in group company operations and new ventures. The committee discusses these risks in monthly management strategy meetings so that returns can be maximized in a timely and appropriate manner. For risk of loss, the Risk Management Committee has a subcommittee called the Risk and Crisis Management Subcommittee. This subcommittee meets twice a year to identify and analyze such risks across the group. It then quantifies these risks by evaluating their frequency of occurrence and scale of damage assesses their importance and urgency, and ranks them in order of priority. Finally, it reviews actions and measures that are needed.

## Risk Management Framework



## Crisis and Risk Categories That May Significantly Impact Company Management

Risks of loss are categorized as follows based on the type of crisis that may significantly impact company management and its cause.

Type of crisis	Cause	Risk category
Shutdown of operations	Fire, explosion	<ul style="list-style-type: none"> <li>•Disaster risk</li> <li>•Credit risk</li> <li>•Country risk</li> </ul>
	Natural disasters (earthquakes, floods, volcanic eruptions, etc.)	
	Illness (COVID-19, H1N1 influenza, SARS, etc.)	
	Suspension of materials supplies	
	Cyberattacks	
	Unlawful obstruction of business	
	Disruption of critical infrastructure	
Legal violations, etc.	Judicial risk (crime, profit sharing, etc.)	<ul style="list-style-type: none"> <li>•Legal risk</li> <li>•Credit risk</li> </ul>
	Taxation (violation of tax laws, etc.)	
	Companies Act, Financial Instruments and Exchange Act (shareholder derivative lawsuits, etc.)	
	Environment (pollution, etc.)	
Employee death, serious injury, or the possibility thereof	Labor laws (violation of Labor Standards Act, harassment, etc.)	<ul style="list-style-type: none"> <li>•Disaster risk</li> <li>•Country risk</li> </ul>
	Industrial accidents	
	Traffic accidents	
	Natural disasters (earthquakes, floods, volcanic eruptions, etc.)	
Lawsuits	Fire, explosion	<ul style="list-style-type: none"> <li>•Disaster risk</li> <li>•Country risk</li> </ul>
	Overseas armed conflict, riots, terrorism, kidnapping, etc.	
Other matters that significantly impact company management	Loss, leakage of key confidential information	•Legal risk
	Serious quality issues	•Credit risk
	Other	•Credit risk •Various risks

## Business Risks

1. Business strategy risk	
Strategic risk	<p><b>(1) Dependence on customer performance</b> The bulk of the Group's business is the manufacture and sale of seal products and electronic products. In these fields, our major clients are leading domestic and foreign manufacturers of automobiles, construction machinery, and electronic devices. Sales to such client companies may be affected by factors beyond the Group's control, such as the companies' business performance and unforeseen changes in contracts. A decline in sales to such customers may affect the Group's operating results and financial position. The Group aims for a balanced customer portfolio and strives to minimize the risk of sales declines to client companies.</p>
	<p><b>(2) Alliances with other companies</b> The Group engages in various alliances with other companies in developing its business. However, the Group's operating results and financial position may be affected by factors beyond its control, such as the dissolution of such alliances due to the peculiar circumstances of alliance partners. In particular, since 1960, the Company has been in a capital and technical alliance with Freudenberg in Germany. Freudenberg (including its group companies) has played an important role as a partner company in the business development of our Group. Freudenberg is currently our largest shareholder, holding 25.1% of outstanding shares of the Company through its investment arm, Freudenberg S.E. The Group recognizes that its alliance with Freudenberg will remain stable going forward. However, should there be a change in the relationship with Freudenberg or Freudenberg's business strategy or some other change, this may affect the business of the Group.</p>
Investment risk	<p><b>(1) Impact of changes in demand trends</b> Oil seals and other mainstay products of the Group are primarily used in internal combustion engines. Fuel cell and electric vehicles have also entered the automotive market in recent years. Anticipating the future spread of such vehicles, the Group is also promoting R&amp;D into new products that can be installed in the vehicles. At present, however, it is difficult to foresee the impact that the spread of fuel cell and electric vehicles will have on the Group's operating results and financial position. Moreover, as the trend toward the commoditization of automobiles, construction equipment, electronic device products, and office equipment grows, the number of local manufacturers in emerging countries has increased. Going forward, mounting competition may cause prices to decline, which may affect the Group's operating results and financial position.</p>
Market risk	<p><b>(1) Impact of exchange rate fluctuations</b> With overseas sales accounting for roughly 70% of Group consolidated net sales in the fiscal year under review, exchange rate movements in various regions may affect the Group's operating results and financial position. For this reason, we hedge risks by means of foreign exchange forward contracts. However, as such contracts do not necessarily avoid exchange rate risks entirely, exchange-rate fluctuations may have an impact on the Group's operating results and financial position.</p>
	<p><b>(2) Impact of interest rate fluctuations</b> The Group raises funds in consideration of the need for funds, the means of funding, and financial conditions. Fluctuations in interest rates on funding stemming from changes in financial conditions may affect the Group's operating results and financial position.</p>
	<p><b>(3) Impact of stock market trends</b> Domestic and overseas stock market trends affect the valuation of investment securities held by the Company and the investment status of the Group's pension assets. A downturn in the stock market could subject investment securities to valuation losses, cause a decrease in pension assets, and increase the Company's burden.</p>
	<p><b>(4) Fluctuations in raw materials costs</b> The costs of steel sheets, synthetic rubber, copper foil, resin films, gold, and other products that are the main raw materials for Group products fluctuate in line with supply and demand. As these fluctuations in raw materials costs are not always immediately reflected in product prices, they may affect the Group's operating results and financial position. Given such fluctuations in raw materials costs, the Group is seeking a broad range of business partners in Japan and worldwide to ensure a stable, continuous supply of raw materials.</p>
2. Risk of loss	
Legal risk	<p><b>(1) Impact of legal regulations</b> The Group is subject to various laws and regulations in the various countries where it operates. We are working to develop internal regulations and manuals that conform to such laws and regulations, foster and thoroughly instill awareness of compliance through various types of education, and build a framework for collaboration with outside experts. However, if such laws and regulations are revised or made more stringent going forward, the additional costs incurred in complying with new regulations may affect the Group's operating results and financial position.</p>
	<p><b>(2) Risks related to lawsuits and other legal proceedings</b> When doing business in various countries, the Group establishes frameworks for Group internal control and collaboration with outside experts and hedges risks by taking out various types of insurance. However, we may become a party to lawsuits, regulatory action, or other legal proceedings. If fines or restrictions on business execution are exacted on the Group as a result of such proceedings, this may affect the Group's operating results and financial position.</p>

## 2. Risk of loss

Legal risk	<b>(3) Impact of intellectual property infringement</b> The Group guards its proprietary technology by obtaining patent rights and other intellectual property rights, and is also attentive to preventing infringement on the intellectual property rights of third parties. However, if the inability to adequately guard the Group's intellectual property rights due to factors such as disparities in country circumstances results in lower sales or in litigation costs, or if Group products unintentionally infringe on the intellectual property rights of other companies, resulting in the need to suspend sales or pay remuneration, this may affect the Group's operating results and financial position.
	<b>(4) Impact of environmental regulations</b> The Group complies with environmental laws and regulations at its various sites and takes necessary measures to address the environmental demands of customers. In the future, however, laws and regulations or customer demands may become more stringent, the Group may bear additional environmental responsibilities, and business activities may be restricted. If responding to such developments incurs a sizable cost, this may affect the Group's operating results and financial position.
Country risk	<b>(1) Political and economic conditions</b> The Group operates in Japan, North America, Europe, China, and other Asian countries. Therefore, shifts in political and economic conditions in the countries and regions where the Group manufactures and sells products may affect the Group's operating results and financial position.
Disaster risk	<b>(1) Natural disasters, etc.</b> The Group's production and distribution activities may be hindered by earthquakes, typhoons, floods, volcanic eruptions, and other natural disasters, fires and other accidents. To prepare against such eventualities, we are striving to minimize business continuity risks by decentralizing production sites and putting safety measures in place. We also hedge risks by means of various types of insurance. However, it may not be possible to entirely prevent or mitigate the occurrence of such events, which may affect the Group's operating results and financial position.
	<b>(2) Infectious diseases, etc.</b> To prepare against situations in which an outbreak of infectious disease or other pandemic hinders production and transportation activities, the Group is striving to minimize business continuity risks by decentralizing production sites and putting safety measures in place. In particular, we have taken various measures to minimize the impact of COVID-19 since its global outbreak in 2020. Measures include drafting a response manual, allowing employees to work remotely and follow staggered working hours, and using remote working tools to create an environment where work can continue. There are signs that the pandemic is subsiding, as countries reassess their handling of the disease. However, if there is a resurgence in new infections or the pandemic is prolonged, the economic or business environment of the Group may deteriorate, which may affect the Group's operating results and financial position.
Credit risk	<b>(1) Impact of information leaks</b> In the conduct of business, the Group comes into possession of technical information, personal information, and other confidential information. We have established an internal framework and procedures to prevent leaks of such information. However, in the event that information is leaked due to unforeseen circumstances, this may affect the Group's operating results and financial position.
	<b>(2) Impact of cyberattacks, etc.</b> The Group makes use of outside organizations and other resources to investigate and implement preventive measures against operational shutdowns, loss of key data, and information leaks due to malicious cyberattacks. However, cyberattacks using unknown methods may affect operations.
	<b>(3) Impact of product quality issues</b> The Group manufactures products in accordance with globally recognized quality control standards at its various production sites. However, entirely eliminating product quality defects due to unpredictable causes is difficult. In the event of a product defect that leads to a large-scale recall or product liability, the significant cost of the response and the loss of social credibility may affect the Group's operating results and financial position.

## Responding to Disaster Risk

### 1. Business Continuity Management (BCM) System

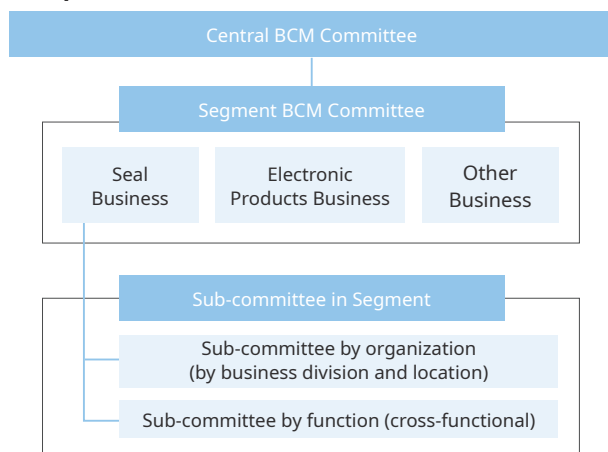
Regarding business risks and emergencies, NOK defines natural disasters, fires, explosions, serious accidents and epidemics of infectious disease as “events that interfere with business continuity.” The company established the Business Continuity Management System to ensure business continuity and to promote business continuity activities consistently and effectively should such an event occur.

Specifically, the NOK Group BCM Committee was established as a standing committee to promote business continuity management activities. The management framework consists of the BCM Committee, which is

responsible for formulating, maintaining, and updating the business continuity plan (BCP), securing the budget and resources to implement it, implementing preventative measures, conducting education and training, conducting inspections, and engaging in ongoing activities.

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

### Composition of BCM Committee



\* A sub-committee is established in each segment's BCM Committee

### 2. Planning and Promoting Business Continuity Plans (BCP)

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

1. Give top priority to protecting people, saving people's lives, and ensuring safety.
2. As a member of the local community, actively cooperate with the recovery of the whole region.
3. Minimize the impact on customers and other 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, if they occur, to be restored as quickly as possible if an unforeseen event should occur. At the same time, the Company verifies the plan's effectiveness through training and responding to identified issues. It also continues to implement measures to minimize damage, improve emergency communication methods and reporting systems, and reinforce the earthquake resistance of our IT infrastructure. We are also working with suppliers to strengthen the business continuity of our supply chain BCM.

## ESG Assessment for New Businesses and Projects

We recognize that when planning new businesses or projects, we need comprehensive evaluations that include ESG perspectives. Besides financial and tax assessments, we look into the corporate culture and business model. We also conduct due diligence focused on ESG factors: climate change, human rights, labor problems, workplace safety and health, compliance, and anti-corruption. We move

ahead only after confirming there are no issues.

Before Estoh Co., Ltd. became a subsidiary in October last year, we conducted due diligence and confirmed there were no problems.



## Information Security Measures, Cyber Security Strategy

The NOK Group views the leak of customer and personal information and the threat of sophisticated cyberattacks as significant risks. The Risk Management Committee, chaired by the Group CEO and vice-chaired by the Group CFO, and composed of senior management, addresses these risks, which we see as top priorities for management action. Based on the results of the deliberations and the policy, we advance countermeasures in a specialized department (the IT Division headed by the Group CIO).

In addition, having established an NOK Group Information Security Policy, the Central Information Security Committee, which is headed by the Group CIO, and the information security committees established within each division and Group company systematically implement response measures for their organizations.

The Information Security Management Regulations set forth information security measures and management. They also stipulate how to respond when an accident occurs. If we detect an information security incident that could lead to the loss or leakage of confidential information, we follow the procedures in the Information Security Incident Response Standards as we respond to prevent or mitigate damage. In addition, any employees who violate these rules and cause damage may be subject to disciplinary action

based on the employment rules.

For cybersecurity countermeasures, we base our policies and strategies on the NIST CSF. We conduct a range of planned activities including regular vulnerability assessments and annual incident response drills.

Having launched NOKG-CSIRT in FY 2023, we continue bolstering our cyberattack countermeasures.

At the NOK Group, our approach to security education is guided by the belief that each employee's security awareness and skills are key. In FY 2023, we distributed educational videos on the latest information security trends and responses to targeted attack emails to employees and conducted a questionnaire to check their understanding. We also provide regular education on IT knowledge and security information. Topics include anti-virus measures and information management for remote work.

Going forward, we will continue to implement a PDCA cycle, striving to maintain and enhance information security measures. In addition, we will actively participate in joint measures to strengthen information security measures for the entire supply chain outside the Group as well, including those of industry groups.

## Protection of Intellectual Property

The NOK Group has summarized key points regarding intellectual property-related laws in the Behavioral Guidelines on Employee Compliance and works to ensure that all employees are aware of these points. In this way, the Group seeks to apply for and acquire intellectual property rights for our own inventions, as well as respects the intellectual property rights of other companies and strives to prevent infringements of others' rights by

researching and identifying the patents belonging to other companies.

We have also set up an Anti-Counterfeit Committee to protect NOK brands and are working to confront counterfeiting overseas. In China, we are detecting plants that manufacture counterfeit products and removing pages selling counterfeit products from online sales sites.

## Anti-counterfeit Measures

Item		Unit	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Exposing counterfeit product manufacturing sites		cases	4	3	9	8	6
Deleting online sales sites		cases	830	664	5,093	5,284	4,417
Patents held (non-consolidated)	Domestic	cases	1,355	1,267	1,265	1,202	1,379
	Overseas	cases	1,250	1,433	1,729	1,728	1,959
	Total	cases	2,605	2,700	2,994	2,930	3,338
Patents held (NOK Group)	Domestic	cases	1,882	1,768	1,770	1,666	1,766
	Overseas	cases	1,901	2,112	2,674	2,683	2,772
	Total	cases	3,783	3,880	4,444	4,349	4,538

## Tax Policy

### Basic Concept

The NOK Group operates worldwide. We regard fulfilling tax obligations in each country and region as a fundamental and crucial social responsibility for any company. Based on this view, we have established a tax policy and are working to ensure transparency in tax matters.

### 1. Basic Policy

We conduct fair and appropriate business activities globally based on the NOK Charter of Corporate Behavior and our Behavioral Guidelines on Employee Compliance. Regarding taxes, our tax department leads information sharing with related department and engages external experts like tax accountants for support. Through these efforts, we ensure our compliance with tax laws and regulations in all countries and regions where we operate. Should there ever arise any actions that deviate from tax laws or any issues that suggest tax avoidance, we will promptly correct them and ensure proper tax payments.

### 2. Appropriate Tax Payment

The countries and regions where the Group operates are chosen based on business needs. Tax burden is just one factor among many. We do not choose locations mainly for their low tax rates. We base our tax planning on the intent of tax laws and regulations in each country and region. While we consider and implement plans that benefit cash flow and optimize tax costs, we do not adopt abnormal tax structures that use entities without substance for tax avoidance.

### 3. Complying with the Transfer Pricing Taxation

Transactions between overseas affiliates of the Group are conducted based on arm's length price based on the functions and risks of each site, based on the OECD guidelines and the transfer pricing taxation of each country.

In addition, we are preparing transfer pricing documents in accordance with the tax systems of each country. We are also working to reduce transfer price risks through a system that verifies and corrects transaction prices after the fact.

### 4. Complying with Anti-Tax Haven Rules

The Group does not use tax havens for the purpose of tax avoidance. We properly file and pay taxes in the countries and regions where we operate. When we need to operate in low-tax countries for legitimate business reasons, we accurately calculate the tax burden and assess economic rationality based on economic activity standards. We reflect these assessments in our tax filings as needed.

### 5. Relationships with Tax Authorities

The NOK Group responds earnestly to requests from tax authorities in each country and region where we operate. By providing accurate tax information, we strive to build healthy relationships with these authorities. We also implement measures to prevent recurrence of any issues identified by the tax authorities.

## Business Overview by Country/Region (FY 2022, consolidated)

(100 million yen)

	Number of employees (persons)	Earnings	Earnings before interest tax	Income taxes payable	Income taxes paid
Japan	10,648	4,595.5	122.4	12.8	115.4
China	10,659	5,018.7	56.8	4.0	25.8
Rest of Asia	15,196	2,655.8	176.6	8.2	26.5
Europe, the United States, other	1,410	895.7	1.5	0.0	7.0

## Initiatives and External Evaluations

### Engaging in Initiatives

#### United Nations Global Compact (UNGC)

In April 2021, the NOK Group signed the United Nations' Global Compact and joined the Global Compact Network Japan (GCNJ). We have participated in ten study groups organized by the GCNJ, including those on SDGs, reporting, human rights education, environmental management, anti-corruption, ESG, internal dissemination about the Global Compact, human rights due diligence, WEP, and the circular economy.



#### Task Force on Climate-related Financial Disclosures (TCFD)

In April 2022, the NOK Group embraced the TCFD recommendations, championing transparency and accountability in climate change initiatives and policies.



#### Japan Climate Initiative

The NOK Group joined the Japan Climate Initiative (JCI) in April 2022, joining with a powerful network of like-minded organizations dedicated to tackling climate change through collaboration and innovation.



#### Keidanren Initiative for Biodiversity Conservation

The NOK Group has been a supporter of the Keidanren Biodiversity Initiative since December 2019, actively engaging in initiatives that address multiple aspects of its revised action guidelines and contribute to its overarching mission of biodiversity conservation.

#### Keidanren Challenge Zero

Challenge Zero is a groundbreaking initiative spearheaded by Keidanren, with the ambitious goal of achieving a decarbonized society and net-zero emissions by the latter half of this century. Companies are invited to submit their innovative challenge themes for realizing a decarbonized society, with the project actively promoting and showcasing these efforts. In February 2020, NOK endorsed the Challenge Zero declaration and has put forth a challenge focused on advancing towards a hydrogen society through the development of advanced components for increased fuel cell adoption.

### External Evaluations

#### CDP (Carbon Disclosure Project)

CDP is a global NGO committed to addressing critical environmental challenges, particularly climate change. By sending out comprehensive questionnaires to companies worldwide, CDP evaluates their environmental initiatives and shares this valuable information on a global scale. The NOK Group have actively participated in the CDP questionnaire process since fiscal year 2010.



#### FTSE (Financial Times Stock Exchange)

NOK remains a component of the FTSE4Good Index Series and the FTSE Blossom Japan Index, both key benchmarks in ESG investing. We have also been selected for the FTSE Blossom Japan Sector Relative Index, which is designed to be sector neutral.



FTSE Blossom  
Japan Sector  
Relative Index



FTSE Blossom  
Japan Index

## GRI Standard Content Index

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2-2	Entities included in the organization's sustainability reporting	Content, Editorial Policy	Content, Editorial Policy
2-3	Reporting period, frequency and contact point	Content, Editorial Policy	Content, Editorial Policy
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2-6	Activities, value chain and other business relationships	Supply Chain Management	P.34
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