



Artist: Momotaro Title: Kono Hoshi wo Mamoritai (I Want to Protect This Planet)

We work inside  
what keeps the  
world moving

## Company Profile

<b>Company Name</b>	NOK CORPORATION
<b>Head Office</b>	1-12-15 Shiba Daimon, Minato-ku, Tokyo 105-8585, Japan
<b>Established</b>	December 2, 1939
<b>Founded</b>	July 9, 1941
<b>Capital</b>	23,335 million yen (as of March 31, 2020)
<b>Employees</b>	37,999 (Consolidated, as of March 31, 2020) / 3,676 (Non-consolidated, as of March 31, 2020)
<b>Net sales</b>	596,400 million yen (Consolidated, FY 2020) / 201,100 million yen (Non-consolidated, FY 2020)
<b>Security Code</b>	7240
<b>Business Lines</b>	Manufacture, purchase, import, and sale of seal products, industrial functional parts, hydraulic equipment, plant machinery, nuclear power equipment, synthetic chemical products, electronic products, and various other products; and the provision of associated services such as the installation of machinery and devices

## Contact

### About the CSR report in general

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## Editorial Policy

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

### ● Period Covered

Most of the activities described in this report were carried out in FY 2020 (April 1, 2020 to March 31, 2021), but some took place in FY 2021.

### ● Organizations Covered

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

### ● Date of Issue of Japanese Version: September 2021

### ● Date of Issue of English Version: November 2021

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

Paralympic Art is a program that aims to help "disabled artists leverage their own talent to strive for economic independence." Starting in 2020, NOK presents a work of Paralympic Art on the cover page of its CSR report. Continuing from last year, we once again interviewed Momotaro, who painted "Kono Hoshi wo Mamoritai" (I Want to Protect This Planet) for this issue about the thoughts that the artist put into this piece.

Unprecedented natural disasters are increasing year on year, and many living creatures are continuing to lose their lives. I feel that spaces where living beings can live safely are gradually decreasing. I hope this is an opportunity for people to escape from being excessively focused on material values that we are accustomed to and once again recognize the importance of being able to have reverence for the power of invisible forces.

# Social Contribution through Products

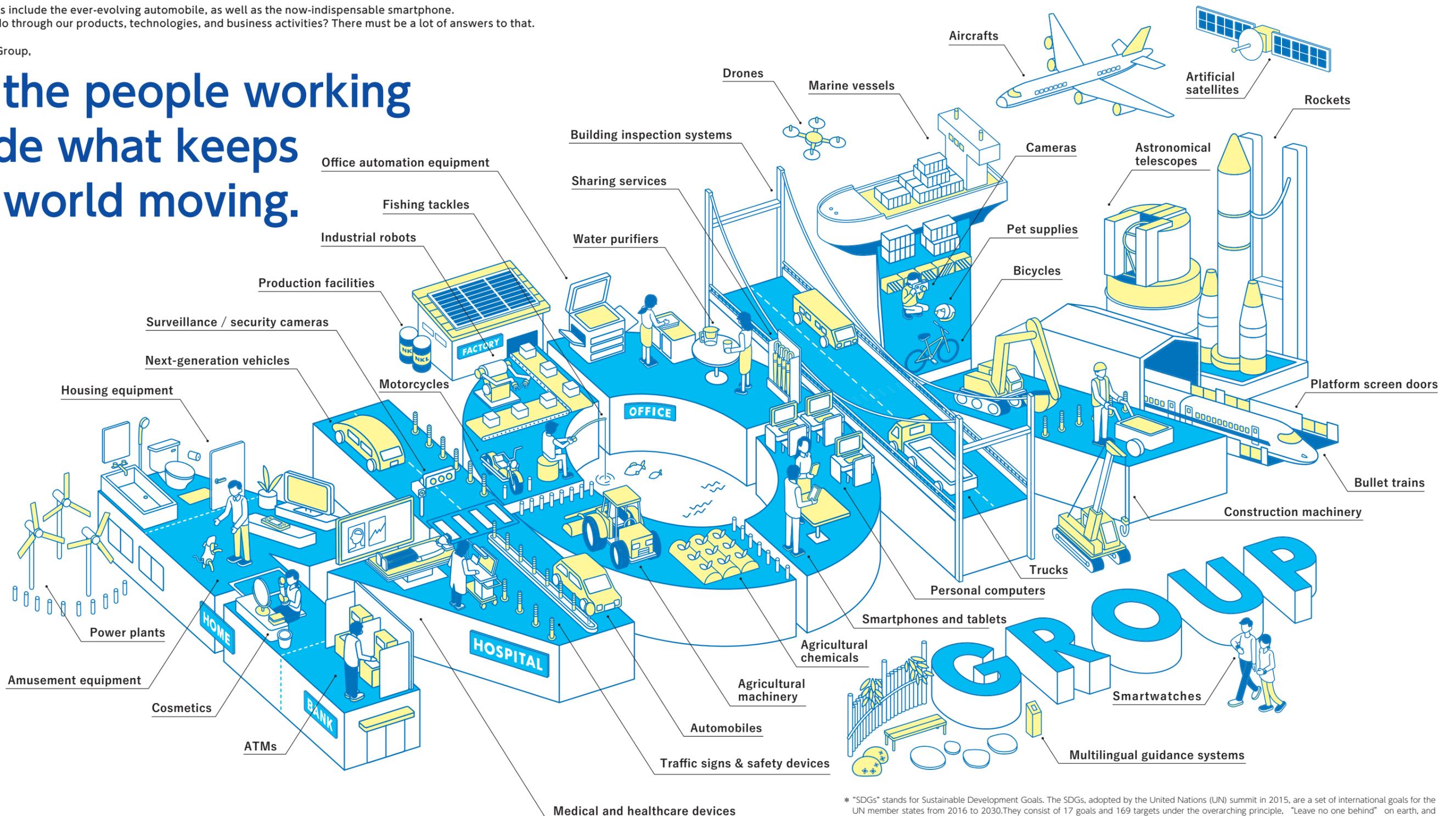
Humanity is currently facing a wide range of issues. Some are environmental, such as global warming, worsening water-related issues, an increase in natural disasters and the loss of biodiversity. Others are social, including poverty, unequal educational opportunities, pandemics, various forms of discrimination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

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

We, the NOK Group,

are the people working  
inside what keeps  
the world moving.

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



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

# Message from the President

**While honoring our 80-year history, we will implement necessary reforms, and aim to build a more flexible corporate structure.**



President of NOK CORPORATION

**Masao Tsuru**

## Appreciation for Achieving 80 Years in Business

On July 9, 2021, the NOK group celebrated the 80th anniversary of its founding. I am very grateful that we were able to celebrate the milestone of 80 years in business thanks to the support from our employees and our many stakeholders, including shareholders, customers, suppliers, and the local community who have supported us since our founding in 1941 in Kobe. I feel a renewed determination to work even harder, having been appointed president of the NOK Group with its great history. Since joining NOK in 2005, I have mainly focused on accounting and finance and corporate planning, both in Japan and overseas. I also worked at Freudenberg AG in Germany, NOK's partner company, where I learned about management that values stakeholders and contributes to society and the communities. Based on this experience, I believe that even though the countries are different, what we should do as a company and the importance of growing together with our stakeholders will not change.

The first item outlined in NOK's management principles is "Management has to run the Company based on feelings of love and trust in its employees." The NOK Group started as a dedicated manufacturer and was the first company in Japan to manufacture oil seals. However, while being subjected to the rough waves of the changing times, the NOK Group's 80-year history is one of various challenges, including the diversification of businesses, products, and operating regions, all done with the conviction of never allowing the company to go bankrupt. In addition to continued implementation of the management spirit that respects human dignity and protects shareholders, I want to achieve further sustainable growth while responding to ESG issues that are strongly called for these days.

## Building a Flexible Corporate Structure to Respond to Changes

To respond to our customers' strict requirements, the NOK Group has constantly pursued advanced technology and has earnestly responded to customer demands that change and diversify with the times. As a result, we have been able to gain support from customers across a wide range of industries globally and establish the current business foundation. However, the NOK Group's business environment is also changing at an unprecedented pace due to the increasing severity of the social and environmental issues we face, such as global pandemics and climate change.

The NOK Group set forth "Flexible response to changes and Re-challenge to be a Sustainable Company" in its medium-term management plan for the fiscal year ending March 2023. While respecting our 80-year history, we are aiming to create a more flexible corporate structure by preserving what needs to be preserved and changing what needs to be changed. In order to carry out this kind of change, it is important for the upper management to take the initiative in communication both inside and outside the company. I would like to keep my antenna up, collect information both inside and outside the company, and proactively communicate this message.

## Accelerating Environmental Management

One area where reform is necessary as an organization is environmental initiatives. The NOK Group outlined the NOK Twin Green Plan 2030 in 2018 and has implemented environmental initiatives since then. "Twin" refers to conducting initiatives through both Green Factory which is the reduction of CO2 emissions in the manufacturing process, and Green Product which is the development of products that contribute to next-generation environmentally friend-

ly technologies.

However, since early 2020, many countries have been making carbon-neutral declarations, and initiatives towards climate change have shifted up a gear. In light of these social conditions, when reflecting on our initiatives, it is regrettable that, for example, when expanding production facilities, financial factors were the priority criterion for investment decisions, and decisions based on environmental impact were limited. This means that our connection between environmental activities and business is weak, and the level of our commitment isn't high enough. Also, we have set a 30% reduction in CO<sub>2</sub> emissions by FY 2030 compared to FY 2018 as a company target. However, this is lower than the 46% reduction by FY 2030 (compared to FY 2013) set by the Japanese Government, and I believe it is necessary to review the company target.

In May this year, we created an ESG committee comprised mostly of management as a task force directly controlled by the president. The ESG Committee was established to promote environmental and other responsible ESG initiatives. Based on this structure and in light of recommendations from the Task Force on Climate-related Financial Disclosures (TCFD), we are rapidly proceeding to evaluate risks and profit opportunities associated with climate change and conduct scenario analysis as well as conducting business impact evaluations, along with examining new responses to carbon neutrality.

Carbon neutrality is a very ambitious target, and in order to seriously tackle it, we need to change the mindset of the entire group and its employees. To that end, we as management need to change first, and lead the employees to a sense of value that, in addition to improving quality and productivity, environmental initiatives should be directly linked to improving corporate value.

## Diversity and Inclusion

As I stated, the philosophy of the NOK Group is a "management spirit that respects human dignity." We have worked towards building a pleasant working environment as well as striving for the health and safety of employees. However, with the novel coronavirus pandemic, I feel like there has also been a change in attitudes towards working. Also, as there are differences among what people demand from the company depending on their generation, the company must embrace employees' various needs and create an environment that facilitates individual's job satisfaction and self-actualization. It is vital to implement this swiftly at our plants, which are the source of the NOK Group's profitability and the main constituent of manufacturing.

At the company I worked at in Europe, there was a very diverse workforce, people of various genders and nationalities held important positions, and everyone worked in English. In comparison, the current NOK Group is a typical Japanese company with a homogenous structure geared towards Japanese people. However, this does not mean we should change drastically to promote diversity, as we would lose what makes the NOK Group special. Diversity becomes the source of an organization's competitiveness. It shows us new values and aspects to the direction of the business, so I want to promote diversity at the NOK Group. When doing so, I want to take care so that this does not become token diversity. No matter how diverse our employees are, if everyone's mindset is the same, we cannot become a truly diverse organization. Employees have to respect the individuality of others and recognize that we will create corporate value as a collection of diverse individuals. In other words, I believe changing people's mindsets is essential when it comes to diversity, the same as for environmental issues. That is why, for example, I want to send a message within the com-

pany from the Board of Directors showing that we are striving to bring about diversity by having a composition that includes diverse members in terms of gender and other factors. Since some of the divisions within the NOK Group are in close contact with overseas businesses, we expect that changing the mindset of the top management will add new perspectives and values to the workplace and operations.

## Improving the effectiveness of the Board of Directors

I consider strengthening the corporate governance structure one of the critical issues for management, and I want to continue to work on this issue. Currently, we are adopting the format of a company with an audit and supervisory board. In our organization, while directors who serve concurrently as executive directors work together cooperatively, on the other hand, inside and outside directors mutually oversee one another, and auditors, including outside auditors, are in charge of auditing management.

Also, to improve board effectiveness, we have separated it from the executive committee. From the start of FY 2021, I have been conducting the management reports at board meetings every quarter. I feel tense when doing so because this is like showing my grades to the outside directors. The outside directors give me points for discussion and their opinions based on their respective expertise and management oversight perspective. This is also a good opportunity for me to switch between management and oversight. Until now, we have allocated time for discussions and approvals related to individual cases. Therefore in the future, I want to allocate more time for discussions concerning the direction of medium- to long-term strategy and progress management while at the same time delegating authority to the operating officers.

## Message to Our Stakeholders

The slogan of our 80th anniversary is "DREAM JOURNEY." This comes from "the Management has to run the Company while pursuing dreams with management plan," which is part of our management principles. A plan is a dream of how we want to be in the future, and our group has continued to implement corporate planning that makes these dreams reality. This has been the foundation for the support from our stakeholders that the NOK Group has received over the years.

In order to live up to our 80-year history, I want to make the NOK Group into a company that all stakeholders can be proud of. Approaching our 100th anniversary in 2041, my dream and mission is to create a business model that can contribute to our major stakeholders, including shareholders, customers, suppliers, local communities, employees, and the earth. I want to make our next dream a reality together with all the companies of the NOK Group and our stakeholders.

# Message from the President

## Q&A

From here on, I would like to introduce our specific ESG initiatives in a Q&A format.

### Q What kind of procedures will you take to accelerate activities related to environmental management?

A With the NOK Twin Green Plan 2030, we won't be able to reach the Japanese government's CO<sub>2</sub> emission reduction target (46% reduction compared to FY 2013), so at some point in the future, we will need to revise it. Also, we need to conduct a business impact assessment from the risk and opportunity assessment and scenario analysis based on the Recommendations of the TCFD, and incorporate it into a management plan.

I want to finalize the plan during FY 2022 and adopt this in the new medium-term management plan that will start from FY 2023. Thereby environmental management will be accelerated as environmental initiatives will be at the core of management.

### Q How was your business response and working style during the novel coronavirus pandemic?

A In the novel coronavirus pandemic, there were drastic changes in working style and all employees who were able to work from home. Also, we used the period where our customers curtailed their production through the proactive implementation of improvement activities, training, and study sessions. We focused on catching up with production once demand returned, and I think we were able to achieve a working style that responded well to the changes. From this fiscal year, we established a work-from-home system. Therefore I hope that employees will enjoy a fulfilled work and private life while choosing their working style.

On the other hand, we interacted with our customers online, and I feel like we were able to do so because of the trust we built up over the years. In the future, depending on the situation, we will return to face-to-face interactions with our customers and use both online and in-person interactions accordingly.

### Q Recently there has been growing concern about human rights issues in supply chains. How is the NOK Group responding to this issue?

A The NOK Group conducts procurement in 16 countries and regions, and recognizes that it has a corporate responsibility to address various human rights issues in its supply chains. The NOK Charter of Corporate Behavior, NOK Group Procurement Policy, and the CSR Procurement Guidelines clearly state in detail our policy regarding human rights, the environment, conflict minerals, as well as compliance with laws. We work to share and spread these policies with our suppliers, and we ask that they respect them when doing business with us. We will continue to promote CSR activities for our suppliers' supply chains so that they can fulfill their responsibilities together with the NOK Group.

### Q Would you mind telling us about the circumstances that led the NOK Group to become a signatory to the UN Global Compact?

A NOK is developing businesses not only in Japan but globally in areas such as China and Southeast Asia. In April of this year, NOK signed the United Nations Global Compact as a means of communicating our efforts to become a sustainable company as well as to address environmental issues both internally and externally. We support the 10 principles of the UNGC, including the protection of human rights, the elimination of unfair labor practices, environmental measures, and the prevention of corruption, and contribute to the creation of a sustainable society. Going forward, we will make declarations related to the 10 principles and work together with overseas bases to develop activities in accordance with global standards. We will make regular disclosures regarding our specific initiatives to our stakeholders.

### Q How are you working towards the SDGs?

A There are a wide array of NOK Group products that contribute to the environment, such as those that improve fuel economy and products that prevent the leakage of chemical substances. Through these products, we are contributing to the SDGs. Automotive manufacturers are working towards the electrification of their vehicles and are important customers for the NOK Group. We also have many customers who are in the renewable energy industry. So I believe that by developing new products with our customers, we are contributing to the solution of various societal issues. We will work on the SDGs as a major theme for future businesses of the NOK Group. We intend to actively propose products that contribute to decarbonization and the prevention of soil and sea pollution.

### Q Please tell us about the direction of technical development in light of risks and opportunities.

A Regarding CASE, which shows the direction of automobile innovation, I think we will be significantly affected by E, electrification. The speed of electrification has increased further due to the growing momentum of decarbonization. This will likely lead to the popularization of electric vehicles occurring faster than we expected. For the seal business, we must have a product lineup that can cover the market's demands no matter which type of vehicle becomes widespread. Whether that be electric vehicles, plug-in hybrids, or fuel-cell vehicles. Currently, we are rapidly innovating through collaborations with our customers aimed at developing our product line up in all directions, while incorporating not only technology that is an extension of our existing products, but also technologies from other areas. The central theme of this development is meeting our customers' needs and solving issues that will arise with electrification. Our customers already have several growing demands, so firstly we will conduct development in these areas. Freudenberg is a company located in Europe—an advanced region in the adoption of EVs—and they have made considerable progress in technology development and product development. Therefore, we are collaborating with Freudenberg to make proposals to customers.

### Q Would you please tell us your capital policy, target indicators, and dividend payout ratio?

A The NOK Group has established a financial base that can withstand severe market environments and economic fluctuations such as the Lehman Shock and the novel coronavirus pandemic. In the future, we will continue to maintain our solid financial position. For financial KPIs, we first set a guideline for an equity ratio of over 50% or more.

As for capital efficiency, we have set a medium- to long-term target of a consolidated ROA of 5%. Starting this fiscal year, the 5% ROA steering committee comprised mostly of board members has been established, and discussions have begun about how to achieve the target.

The mission of the steering committee is to make the shift to management that is conscious of capital efficiency in addition to other conventional indicators such as operating margin. After clarifying business and non-business assets, I want to reallocate non-business assets to growth investments. We will replace and optimize our asset portfolio by increasing assets in highly profitable areas and minimizing assets in low profitability areas.

Regarding the dividends to our shareholders, as previously stated, we intend to pay stable dividends at predetermined level regardless of changes in revenue.

## NOK Three-year Plan (FY2020 to FY2022)

### Slogan

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

### Chairman's Initiatives

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

# NOK Group's History

On July 9, 2021, we celebrated the 80th anniversary of our founding. "To become a company that all of our stakeholders can take pride in." Since we started as a small factory in Kobe City in 1941, we have cherished our corporate culture of being ambitious, kept taking on challenges based on our proven technology and created a variety of products. Over the years, we have grown into a highly

unique enterprise. The corporate culture of that original factory has been passed down through the generations. Looking ahead to our 100th anniversary in 2041, we will pass on our dreams to the future by addressing the social issues of the times, providing useful products backed by technology, and contributing to the realization of a sustainable society.



## From a small-town factory to a global enterprise



### 1941 to 1950

- 1941 Japan Bearing Production Co., Ltd. is founded
- 1942 The company is renamed Nippon Yushi Industry Co., Ltd., and starts manufacturing and selling oil seals. A two-company production system with Tokyo Yushi Industry Co., Ltd. (the predecessor is Edogawa Seiki Co., Ltd., established in 1939) is implemented

### 1951~1960

- 1951 Tokyo Oil Seal Industry Co., Ltd. merges with Nippon Yushi Industry Co., Ltd. The company name is changed to Nippon Oil Seal Industry Co., Ltd.
- 1960 Capital participation agreement is concluded with Carl Freudenberg KG in West Germany

### 1961~1970

- 1961 Listed on the first section of the Tokyo Stock Exchange
- 1964 Nippon Sealol Co., Ltd. is founded as a subsidiary (The company is currently known as Eagle Industry Co., Ltd. an affiliated company)
- 1967 Shizuoka Plant is established
- 1968 NOK-USA, Inc. (currently known as NOK Inc.) is founded in the USA as the first overseas subsidiary
- 1969 NIPPON MEKTRON, LTD. is founded as a company responsible for the electronic components business
- 1970 Kumamoto Plant is established

### 1971~1980

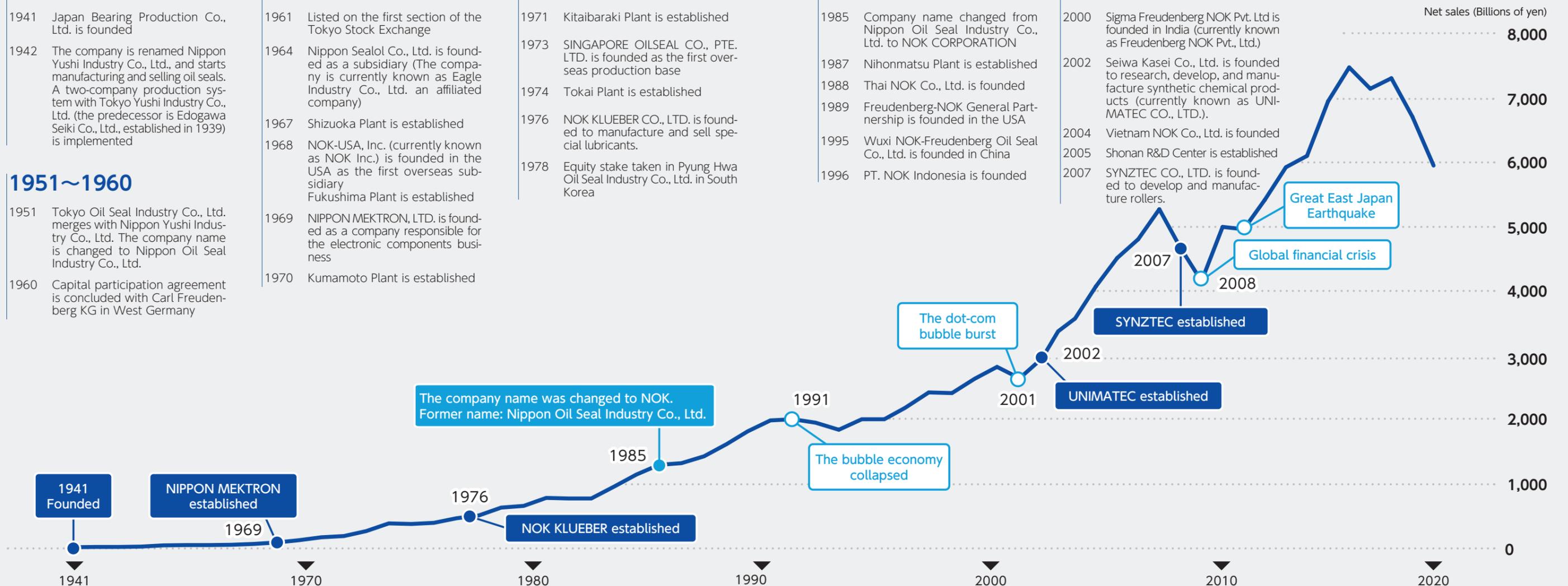
- 1971 Kitaibaraki Plant is established
- 1973 SINGAPORE OILSEAL CO., PTE. LTD. is founded as the first overseas production base
- 1974 Tokai Plant is established
- 1976 NOK KLUEBER CO., LTD. is founded to manufacture and sell special lubricants.
- 1978 Equity stake taken in Pyung Hwa Oil Seal Industry Co., Ltd. in South Korea

### 1981~1999

- 1985 Company name changed from Nippon Oil Seal Industry Co., Ltd. to NOK CORPORATION
- 1987 Nihonmatsu Plant is established
- 1988 Thai NOK Co., Ltd. is founded
- 1989 Freudenberg-NOK General Partnership is founded in the USA
- 1995 Wuxi NOK-Freudenberg Oil Seal Co., Ltd. is founded in China
- 1996 PT. NOK Indonesia is founded

### From 2000

- 2000 Sigma Freudenberg NOK Pvt. Ltd is founded in India (currently known as Freudenberg NOK Pvt., Ltd.)
- 2002 Seiwa Kasei Co., Ltd. is founded to research, develop, and manufacture synthetic chemical products (currently known as UNIMATEC CO., LTD.).
- 2004 Vietnam NOK Co., Ltd. is founded
- 2005 Shonan R&D Center is established
- 2007 SYNZTEC CO., LTD. is founded to develop and manufacture rollers.



# NOK Group's Products

## Seal Business



Net sales: **293 billion yen** Operating income: **23.2 billion yen**  
Major operating companies: NOK CORPORATION, UNIMATEC CO., LTD.

### Oil seals



Oil seals are functional parts that seal oil. Composed of synthetic rubber, metal rings, and springs, they prevent oil from leaking through gaps in machine shafts and prevent dust and dirt from entering from the outside.

#### Main usage

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

### O-rings



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

#### Main usage

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

### Industrial rubber products



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

#### Main usage

Automobile suspension and steering, housing equipment, etc.

### Vibration and sound isolators



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

#### Main usage

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

### Iron Rubber products



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

#### Main usage

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

### NOXTITE



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

#### Main usage

Special rubber materials

## Electronic Product Business



Net sales: **281.8 billion yen** Operating income: **(8.4) billion yen**  
Major operating company: NIPPON MEKTRON, LTD.

### Single-sided FPCs



Single-sided FPCs (flexible printed circuits) have circuits on one side only. They are structured to best exhibit the thin and flexible characteristics of FPCs. They are durable against repetitive bending and can be used for space-saving wiring in moving areas. They are also suitable for multi-dimensional wiring in narrow gaps.

#### Main usage

HDDs, digital cameras, media players, game consoles, automobiles, medical and health-care devices, etc.

### Double-sided FPCs

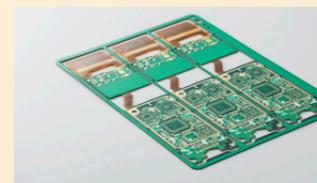


These have circuits on both sides. Compared to the single-sided version, they allow for more complex wiring, and contribute to downsizing and weight reduction through the mounting of parts on both sides. They can also be used for a variety of designs because they are freely bendable.

#### Main usage

Digital cameras, smartphones, automobiles, medical and health care devices, etc.

### Multi-layer FPCs



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

#### Main usage

Digital cameras, video cameras, smartphones, automobiles, medical and health care devices, etc.

### Component assembly FPCs



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

#### Main usage

HDDs, Digital cameras, smartphones, automobiles, medical and health care devices, etc.

### Precision rubber and resin products



These products are sealing parts to prevent the entry of water and dust by fitting inside of HDDs and smartphones or assembling on the exterior. Taking advantage of the technologies cultivated in the development and manufacturing of these products, we also have FPCs with water proof and impact resistance (protection) characteristics which we add by molding rubber or resin on FPCs.

#### Main usage

HDDs, smartphones, etc.

### CHEMINOX



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

#### Main usage

Surface treatment agents, synthetic chemical products

## Roll Business



Net sales: **14.2 billion yen** Operating income: **(1.4) billion yen**  
Major operating company: SYNZTEC CO., LTD.

### Developing and charging roller



The developing roller feeds a specified quantity of toner to the photoreceptor, and the charging roller applies a specified quantity of charges to the photoreceptor. The electric conductivity of these products is controlled with high precision.

#### Main usage

Surrounding area of the office machinery photoreceptors

### Fixation belts and pressure rollers



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

#### Main usage

Fixing parts of office machinery

### Products for financial terminals



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

#### Main usage

ATMs, cash dispensers, etc.

## Other Business

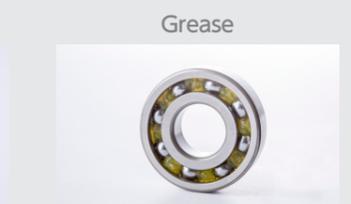
Net Sales: **7.4 billion yen** Operating income: **1.1 billion yen**  
Major operating company: NOK KLUEBER CO., LTD.



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



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



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

# NOK Group's Global Operations



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

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



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



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

## Japan



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

## Group Company

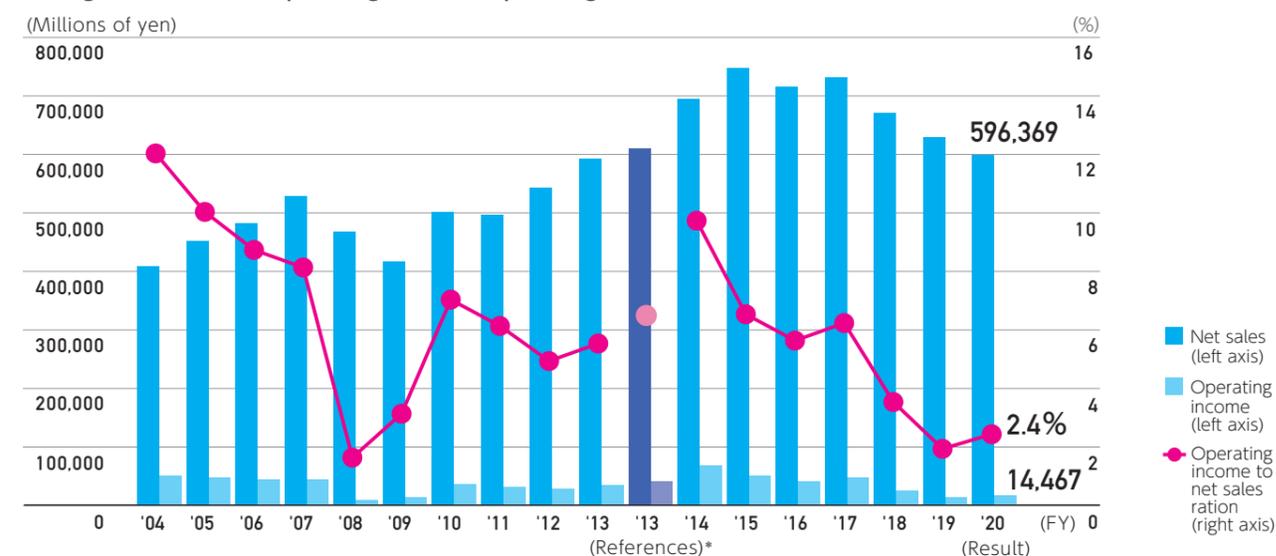
- Japan**  
 Miyagi NOK Corporation (Kami-gun, Miyagi Prefecture)  
 NOKMETAL Co., Ltd. (Toda-gun, Miyagi Prefecture)  
 Tenei Seal Industry Corporation (Iwase-gun, Fukushima Prefecture)  
 Miharu Industry Corporation (Tamura-gun, Fukushima Prefecture)  
 Tohoku Seal Industry Corporation (Yama-gun, Fukushima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

# 2020 Financial Highlights

## Financial Highlights (Consolidated) over the Last 6 Years

		FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Net sales	(Millions of yen)	746,147	713,138	729,341	669,482	626,815	596,369
Operating income	(Millions of yen)	48,258	39,776	44,934	23,140	12,028	14,467
Operating income to net sales ratio	(%)	6.5	5.6	6.2	3.5	1.9	2.4
Ordinary income	(Millions of yen)	53,727	45,709	56,291	31,135	17,373	18,339
Ordinary income to net sales ratio	(%)	7.2	6.4	7.7	4.7	2.8	3.1
Profit (loss) attributable to owners of parent	(Millions of yen)	30,053	27,328	35,281	3,419	△ 2,218	△ 1,361
Net income to net sales ratio	(%)	4.0	3.8	4.8	0.5	-	-
<b>Profitability</b>							
ROE (Return On Equity)	(%)	7.4	6.7	8.0	0.8	△ 0.5	△ 0.3
ROA (Return On Asset)	(%)	4.1	3.8	4.6	0.4	△ 0.3	△ 0.2
EPS (Earnings Per Share)	(yen)	174.0	158.4	204.2	19.8	△ 12.8	△ 7.9
PER (Price Earnings Ratio)	(times)	11.1	16.3	10.1	87.2	△ 93.0	△ 190.7
<b>Financial position</b>							
Total assets	(Millions of yen)	696,989	751,797	793,314	785,133	728,695	803,000
Owner's equity	(Millions of yen)	395,444	418,666	459,655	444,177	407,092	457,352
Equity ratio	(%)	56.7	55.7	57.9	56.6	55.9	57.0
Capital expenditure	(Millions of yen)	61,399	65,135	58,388	70,118	47,669	25,728
Depreciation	(Millions of yen)	40,156	40,391	43,970	46,829	43,312	40,664
Net R&D expenditure	(Millions of yen)	7,632	8,274	9,443	10,459	11,298	10,053
<b>Shareholder return</b>							
Dividend	(yen)	50	50	50	50	37.5	25
Payout ratio	(%)	28.7	31.6	24.5	252.9	-	-
<b>Cash flows</b>							
Operating activities	(Millions of yen)	88,503	68,038	69,526	63,854	71,370	45,824
Investing activities	(Millions of yen)	△ 65,682	△ 62,035	△ 58,681	△ 79,259	△ 50,425	△ 18,719
Financing activities	(Millions of yen)	△ 24,008	△ 7,327	△ 13,010	6,633	△ 17,497	5,884
Cash and cash equivalents, end of period	(Millions of yen)	94,032	90,629	89,420	80,761	82,366	120,385

## Change in net sales / operating income/ operating income to net sales ratio



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

## Analysis of Operating Results

### Fiscal 2020 Operating results

With regard to the operating environment surrounding the NOK Group during FY 2020, the Japanese economy faced domestic and overseas difficulties as economic activities and personal consumption remained sluggish due to the impact of the novel coronavirus pandemic. Although a wide range of measures taken by the government were effective to a certain extent in controlling the pandemic, the spread of the virus was not stopped. As a result, the economic outlook remained uncertain with the risk of economic downturn throughout the year.

In the automobile industry, demand in Japan recovered in the second half of the current fiscal year following a temporary decline caused by the spread of the novel coronavirus. While demand also decreased significantly in overseas markets, demand in North America picked up sharply during the second half of the fiscal year. Meanwhile, in China where economic activities had been resumed from an early stage, demand remained brisk throughout the fiscal year.

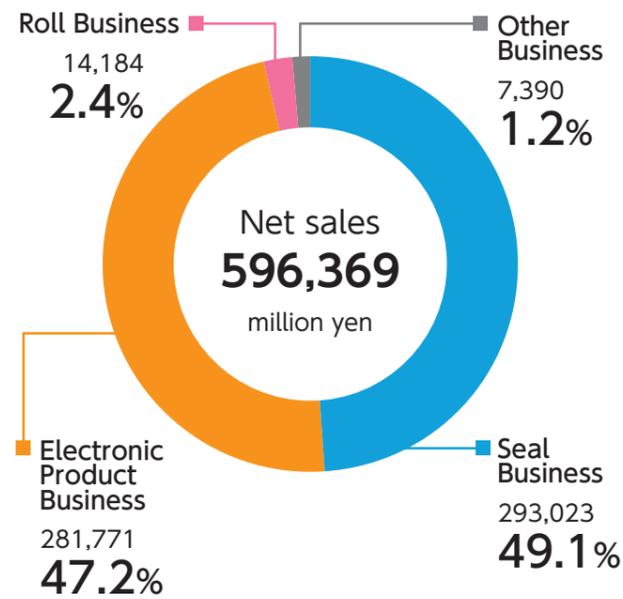
In the electronic equipment industry, manufacturing and ship-

ment of products were delayed due to the impact of the novel coronavirus pandemic, and demand for smartphones and HDDs declined. On the other hand, demand for personal computers and tablets increased, reflecting the promotion of telework and online education.

In the office machinery industry, demand for both multifunction peripherals and printers declined due to the impact of the pandemic.

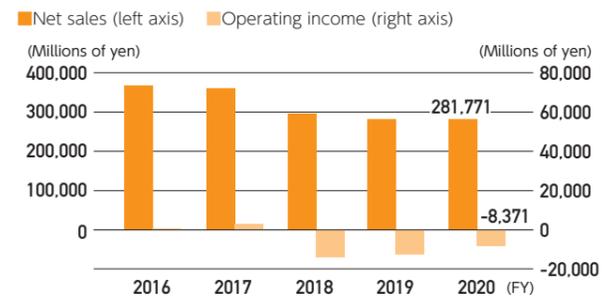
Under these circumstances, the NOK Group posted the following results for fiscal 2020: Net sales totaled 596,369 million yen (down 4.9% year on year); operating income was 14,467 million yen (up 20.3% year on year); and ordinary income amounted to 18,339 million yen (up 5.6% year on year), resulting in 1,361 million yen in loss attributable to owners of parent (compared to a loss attributable to owners of parent of 2,218 million yen in the previous fiscal year) due to the business restructuring expenses, etc., arising out of voluntary retirement offered at NIPPON MEKTRON, LTD. and other factors.

## Fiscal 2020 overview by business segment



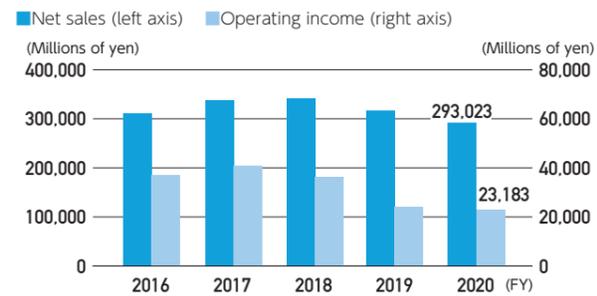
### Electronic Product Business

Sales decreased due to a decline in demand during the first half of the fiscal year, although demand for high-function smartphone and automotive applications recovered in the second half of the fiscal year. As a result, net sales totaled 281,771 million yen (down 0.5% year on year). Operating loss came to 8,371 million yen (compared to an operating loss of 12,600 million yen in the previous fiscal year) due to the effects of a reduction in personnel and other expenses as well as a decrease in depreciation and amortization costs, despite the drop in sales.



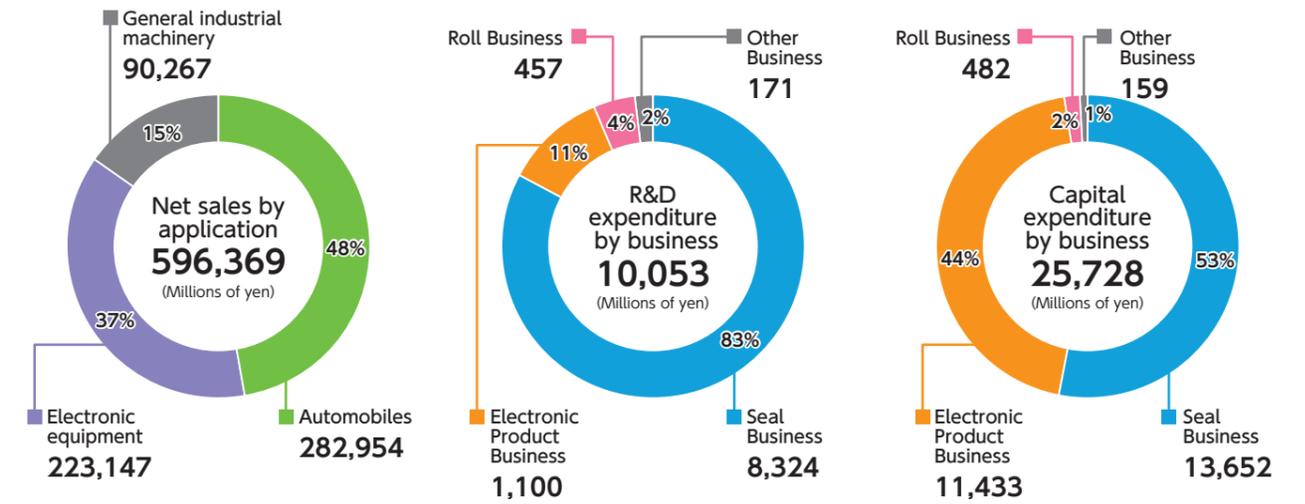
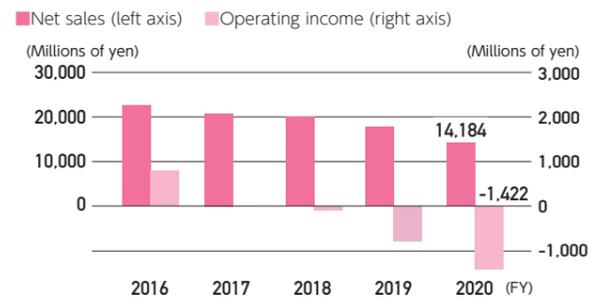
### Seal Business

Sales for automotive applications decreased because demand declined in the first half of the fiscal year, although demand picked up from the second half of the fiscal year. On the other hand, sales to manufacturers of general industrial machinery increased due to an upswing in demand from manufacturers of construction machinery in China. As a result, net sales stood at 293,023 million yen (down 7.6% year on year). Operating income was 23,183 million yen (down 4.6% year on year) due to a decrease in sales despite efforts to reduce personnel and other expenses.



### Roll Business

Sales declined due to a drop in demand for multifunction peripherals and repair parts. As a result, net sales totaled 14,184 million yen (down 20.3% year on year). Operating loss came to 1,422 million yen (compared to an operating loss of 751 million yen in the previous fiscal year) due to the significant impact of the drop in sales, despite efforts to reduce personnel and other expenses.



## Key Risks and Opportunities by Business

### Seal Business

In the seal business, overall demand is expected to remain robust, although demand from automotive manufacturers in Japan will likely decline as a backlash to the increase in demand in the second half of FY 2020. Overseas, demand is anticipated to remain strong on the back of brisk demand for new vehicles, despite concerns over parts supply in North America, especially of semiconductor components. Meanwhile, in China, demand is projected to remain vigorous.

In the medium to long term, however, we anticipate significant changes in the business environment associated with the electrification of automobiles. For manufacturers of general industrial machinery, domestic demand for construction machinery is expected to remain virtually unchanged. Overseas, demand for construction machinery is forecast to continue to grow in China.

Amid such circumstances, since competition from Japanese and overseas competitors will likely intensify, we will make efforts across sales, technology and production divisions to expand sales of existing and new products, improve the efficiency and optimization of our production systems while continuing to further enhance quality.

### Electronic Product Business

In the electronic product business, there have been issues such as the response to fluctuations in demand for high-end smartphones and a drop in demand for HDDs. Although there are concerns over a transformation of the industry structure by electrification and the current semiconductor shortage in automotive applications, demand is expected to pick up. In order to address these concerns, we will expand sales of products for new applications, as well as continue to improve the efficiency of our production systems to make our production capacity capable of meeting future demand.

### Roll Business

In the roll business, in addition to the traditional slowdown in the growth of the office equipment market, there are concerns that the workstyle transformation through remote work will lead to a shift to a paperless office, and that demand for printers and consumables will continue to decline. In order to respond to these, we intend to seek increased profitability by making efforts across sales, technology and production divisions to further expand sales by improving competitiveness in quality and cost, while promoting management efficiency by thoroughly reducing costs.

# 2020 Business Highlights

## Completion of Our New Urban, Low-Energy Head Office

The reconstruction of the former headquarters building, which was built in 1966, was completed as scheduled last year for the purpose of improving earthquake resistance and the working environment.

With a focus on the environment employees work in, under the corporate concept of "Borderless," we intend to eliminate all boundaries, including those of departments, generations, nationalities and gender, to stimulate communication and to create a workplace where each person can bring their abilities fully into play. Also, we have taken a proactive stance in adopting eco-friendly air conditioning equipment and lighting systems, as well as appliances made of domestic timber, etc., to fix the amount of CO<sub>2</sub> generated. In addition, the new building has a base isolation structure and is equipped with emergency power generators from the viewpoint of BCM.



In order to facilitate communication, there are no pillars or corridors in the office area.



Glass is used on three sides of the building to efficiently utilize natural light



Glass eaves are used to block direct sunlight



A radiant air-conditioning system is installed which warms or cools the ceiling



Main conference room on the second floor. The first and second floor will be used as a space for stranded people in the event of a disaster.

### Environmentally Friendly Technology

#### The "RUSTECTOR" series, seals and greases that prevent the corrosion of aluminum

We developed seals and greases resistant to saltwater corrosion that can be used for aluminum housings such as electric vehicle units. The unique cross-sectional shape of the seal effectively prolongs the life of units by slowing down the advance of corrosion while maintaining high sealing performance. Corrosion can be contained further by using the seal in combination with highly water-resistant grease. A reduction in cost and workload compared with existing anti-corrosion treatment is possible.

\* The name RUSTECTOR was coined by combining "Rust" and "Protector."

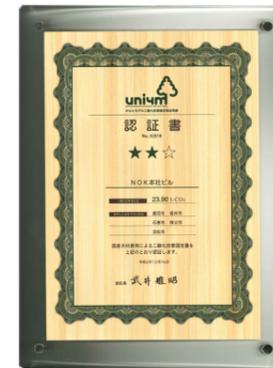


### We Are Protecting Forests While We Work

NOK received certification under the Minato Model Carbon Dioxide Fixation Certification System. A system where Minato City certifies the amount of CO<sub>2</sub> fixation calculated based on the amount of agreement timber\*1 or Japanese legal timber\*2 used to construct buildings. Buildings with a floor space of 5,000 m<sup>2</sup> or more are required to receive the certification, and our new head office is subject to this requirement. Certificates with stars listed on them are issued according to the amount of Japanese timber used. If the base value is met, one star is issued. The number of stars increases if higher targets are achieved (maximum of three stars). NOK was recognized for using large quantities of domestic timber and was awarded two stars.

\*1 Timber produced from municipalities (agreement municipalities) that have signed an agreement with Minato City to promote the use of domestic timber, including timber from forest thinning

\*2 Japanese timber that has been proven legal under the "Guidelines to Prove the Legality and Sustainability of Timber and Forest Products" set forth by the Forestry Agency



The "Minato Model Carbon Dioxide Fixation Certification System" certificate



The wooden whiteboard mounted on the wall of the conference room "Kiesugi-kun" uses cypress from Saitama Prefecture



"Lacquer art" made of cedar wood from Shizuoka Prefecture, displayed in the reception room

### Environmentally Friendly Technology

#### Low Friction Seal Series, "Le-μ's"

A high-performance seal brand that achieves low friction while maintaining seal performance. An oval ring with CNT (carbon nanotube) was newly added to the lineup of oil seals, seal rings (TS-ring), SP-treated O-rings, and rod seals for rotation/osillation. Using four low friction technologies (shape design, material design, surface function design, and grease), it reduces loss in driving force and contributes to low fuel and power consumption.

\* Le-μ's is an abbreviation of Low emission μ seal



# Our Approach to CSR, Information Disclosure, and Our Promotion System

## Concept of CSR

As stated in the Charter of Corporate Behavior, the NOK Group aspires to drive the realization of a sustainable society while operating its business in a way that makes our stakeholders proud to pursue their dreams with us. All of our business activities are founded upon the NOK Charter of Corporate Behavior (Management Principles, Management Policies, and Principles of Corporate Behavior). We believe that fulfilling the environmental, social, and governance aspects of corporate social responsibility is an integral part of continuous business activities. We also value communication with stakeholders as an effective way to broadly examine the

business climate and situation, as well as to identify business risks and opportunities. NOK discloses information regarding CSR initiatives based on ISO 26000:2010 Guidance on social responsibility, and we are working to enhance the content of our report with the objective of issuing an integrated report. We will proceed with scenario analysis based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and we are aiming to formulate a strategy that incorporates climate-related risks and opportunities into management strategy.

## CSR Promotion System

A CSR Committee was organized in October 2016 to increase the awareness of CSR throughout the company and to promote CSR activities more effectively. In addition, in May of this year, we established an ESG committee comprised mostly of management as a task force directly controlled by the president in order to promote responsible CSR and ESG initiatives (the CSR Committee will continue as a subcommittee of the ESG Committee). Centered on the ESG Committee, we are indicating our commitment both internally and externally through promoting activities towards the realization of a sustainable society.



# NOK Group Activities and SDGs

The NOK Group's activities to date have contributed to the achievement of the Sustainable Development Goals (SDGs) adopted by the United Nations.

The links between the NOK Group's activities and SDG targets are listed here. We will continue contributing to solving the social issues surrounding us.

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

## Details of Our Efforts

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

# NOK Group Business Overview and SDGs

At the NOK Group, we are contributing to the solution of environmental and social issues by providing our products to our customers for their use. The products of the NOK Group are built into our customers' products to become their final products, so it is difficult to see the kind of issues to which they are contributing. Therefore, we decided to conduct a survey to find out to which specific targets of the SDGs our products are contributing. As a result, we learned that they are contributing in various fields, including automotive.

## SDGs That Our Products Are Contributing To



Contribution to SDGs realized by NOK Group businesses	Product	Products and technologies contributing to the improvement of environmental and social issues	
1	Oil seals, O-rings, gaskets, electromagnetic shielding rubber (EM Guard), mechanical seals, metal bellows, etc.  Oil seals	Dust resistance improvement technology	Technology that prevents sand and dust from entering the engine while maintaining stable seal performance in harsh environments such as in desert and extremely cold regions and the rough and dirt roads seen in developing countries.
		Space-saving gasket	We developed lighter and more compact seal products to achieve the ever-advancing and evolving low fuel consumption of automobiles. We have also achieved conformability with the change in dimensional tolerance and creep caused by the change in housing materials.
2	The Le-μ's series, iron rubber products, accumulators, solenoid valves, actuators, thermally conductive rubber, etc.  Iron Rubber products	TF coat oil seals	Oil seals treated with a special coating "TF Coat" achieve 30% less torque than existing oil seals. In addition to energy saving and a reduction of heat caused by sliding, the effect lasts for a long time as the coating is less likely to come off.
3	Vibration and sound isolators, special lubricant products, coating products, wastewater treatment membrane modules, separation membrane modules, etc.  Water-purifier membrane modules	Water-purifier membrane modules	We have achieved high filtration capability by employing polysulfone with a superior balance of membrane pore diameter and flow rate as the membrane material. As a result, minute particles contained in contaminated and reclaimed water can be removed, contributing to the global issues of the effective use of water and elimination of water stress.
		Super Low Friction Polyurethane Timing belt	This product has the exceptional properties of high mechanical strength, high wear resistance, low noise and low vibration. Next-generation power transmission belts and transfer belts in the production lines of various industries.
4	Le-μ's series, special lubricant grease, special coating, RUSTECTOR series  Special lubricant grease	RUSTECTOR specification soft metal gaskets and special lubricant greases	We developed soft metal gaskets and greases resistant to salt-water corrosion that can be used for aluminum housings such as electric vehicle units. The RUSTECTOR specification soft metal gasket features a seal with a unique cross-sectional shape that effectively prolongs the life of units by slowing down the advance of corrosion while maintaining high sealing performance. Corrosion can be contained further by using the seal in combination with highly water-resistant grease.

Contribution to SDGs realized by NOK Group businesses	Product	Products and technologies contributing to the improvement of environmental and social issues	
5	Biological rubber electrodes, packings  Biological rubber electrode	Biological rubber electrode	Biological rubber electrodes have opened up new possibilities that were difficult with existing metal electrodes, such as the measurement of brain waves, electrocardiac signals, and myoelectric signals. With the adoption of these products, contribution regarding new R&D related to the promotion of people's health and wellness is expected.
		Pipette packing	A packing that is attached to pipette tips and allows reagents to be injected into small devices. It is contributing to cell cultures and the automation of testing.
6	Recycled plastic products  Median Strip Blocks	Median Strip Blocks	For median strip blocks used on roads, we have achieved extended usage life due to high durability and a recycling system where 98% of raw materials are recycled.
7	High-damping anti-vibration rubber, FPC  FPC	High-damping anti-vibration rubber, High-damping rubber	We will meet the high-level quietness requirements for electric vehicles with our high-damping anti-vibration rubber, which feature significantly improved damping characteristics.
		FPC	For parts needed for monitoring the voltage and current of lithium-ion batteries, we have developed FPCs that are thin, light, flexible, and have excellent component mountability. We are contributing to the dissemination of electric vehicles through the downsizing and weight reduction of batteries.

## UN Global Compact

NOK is developing businesses globally in areas such as China and Southeast Asia. In April this year, we became a signatory of the UN Global Compact (from herein UNGC) to comprehensively announce to the world that NOK is a company that aims to realize a sustainable society and is a company that addresses human rights issues. We are also actively collecting information and exchanging views by participating in several subcommittees.

We will continue to contribute to the realization of a sustainable society by supporting and implementing the ten principles of the UNGC in our business activities. The Ten Principles are related to issues such as protection of human rights, elimination of unfair labor, environmental measures, and anti-corruption. We will also disclose the content of our initiatives to our stakeholders on a regular basis.

### The Ten Principles of the UN Global Compact

#### Human Rights

- Principle 1: Support and respect the protection of internationally proclaimed human rights
- Principle 2: Not to be complicit in human rights abuses

#### Labor

- Principle 3: Uphold the freedom of association and the effective recognition of the right to collective bargaining
- Principle 4: The elimination of all forms of forced and compulsory labor
- Principle 5: The effective abolition of child labor
- Principle 6: The elimination of discrimination in respect of employment and occupation

#### Environment

- Principle 7: Support a precautionary approach to environmental challenges
- Principle 8: Undertake initiatives to promote greater environmental responsibility
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies

#### Anti-Corruption

- Principle 10: Work against corruption in all its forms, including extortion and bribery

SPECIAL TOPIC

Caux Round Table  
Japan  
Executive Director

Hiroshi  
Ishida

# Interview

NOK CORPORATION  
Senior Operating Officer  
General Manager of  
Corporate  
Administration Office

Noriyuki  
Takahashi

## To promote human rights initiatives true to the spirit of NOK through the fusion of social perspectives with the company DNA of “Love and Trust”

### Our employees are management partner

**Ishida** The theme of today’s interview is “valuing people.” Has NOK taken any special initiatives along this theme?

**Takahashi** The first item outlined in NOK’s management principles is “Management has to run the Company based on feelings of love and trust in its employees.” Our management principles exemplify “valuing people,” and these principles are the foundation for our regular treatment of employees as well as our human resource and welfare system, so we are not doing anything special. Actually, there is a history to this way of thinking. Around 70 years ago, NOK was on the verge of bankruptcy and was not even able to regularly pay its employees. The president at the time (four generations before the current president) told the employees, “I will do whatever it takes to get the company back on its feet in a month, so I need you to lend me your strength.” They came together and were able to overcome the crisis. The management principle, a spirit of love

and trust in employees, was born out of this history.

**Ishida** Listening to that story, it is easy to understand that NOK values “Love and Trust” as the DNA of the company.

**Takahashi** “The Management has to run the Company based on feelings of love and trust in its employees” is connected to “valuing employees,” and I think the relationship with the labor union can be given an example of this. Senior management attends every monthly labor union meeting held at the head office, and they explain company policies before they are implemented, and discussions are held. Also, in labor-management negotiations, frank and positive debate about how to develop the company is held. The company has a great deal of respect for the opinions of the labor union, in other words, employees’ opinions, and their opinions are utilized in the formulation of company policies.

**Ishida** Not only the upper management, but also employees are united in their commitment.

### Pursuing the well-being of employees

**Takahashi** Another underlying concept at the NOK Group’s core is to “pursue the well-being of employees.” From the time a person enters a company until retirement, they experience many stages of life, such as marriage, raising children, and retirement. The company and the labor union get together from time to time to consider how they can support employees so that they are happy.

**Ishida** I think it is a wonderful concept. For example, the relationship with the labor union mentioned earlier is a worthwhile initiative. However, to effectively convey this uniqueness of the NOK Group to society, I think it is necessary to devise the way this is communicated.

## Sharing awareness of “Protect Human Rights” among all employees

**Ishida** The concept “Love and Trust” of the NOK Group that you mentioned earlier is based on the so-called “theory of innate goodness.” However, to convey initiatives as a company to society, it is also important to communicate messages from the “theory of innate evil.” For example, this means that when it comes to respecting and protecting human rights, it is necessary to show evidence that “we are not doing anything wrong, we are doing things correctly.” Including this, what does the NOK Group think about human rights?

**Takahashi** I feel that there is no need to change significantly in our way of doing things, as there are many similarities between respect for human rights as stated in SDGs and the initiatives of NOK Group. However, it is also true that there are many things that have not been done. In the first place, it cannot be said that all the employees properly understand on what “Human Rights” are.

**Ishida** This is the issue of how to promote correct understanding and awareness of human rights. I think it is necessary to confirm this with all the employees through training or something similar.

**Takahashi** I agree. Without this kind of common awareness, there is the risk that if we say “let’s protect human rights,” nothing would happen.

**Ishida** There are many companies implementing training in the form of E-learning as a way to spread awareness. In addition to E-learning, I think it would also be effective to consider human rights with employees using actual examples of operations at offices or factories.

**Takahashi** It is certainly important to make those kinds of initiatives. The NOK Group has many overseas companies, and from an overall perspective, there are still many things to be done.

**Ishida** To be able to share an awareness of human rights with all employees, it is important to promote awareness such as “how is our workplace at the moment?” or “are human rights being violated in surrounding areas such as factories?”

## NOK’s Unique Respect for Human Rights Initiatives

**Ishida** I would like to hear a little about your specific initiatives. How are you proceeding regarding safety, which has a close relationship to human rights?

**Takahashi** We have been taking initiatives regarding safety for a long time. However, as there are policies for each division, there have been difficulties with thorough implementation. There was an unconscious tendency to favor the delivery schedule of the products. That is why the chairman once again made a commitment to “give top priority to safety” for all employees. Safety is the overarching principle of management that respects human dignity, and along with the environment and quality, it is a very significant theme for the NOK Group.

**Ishida** You just touched upon delivery schedule, which is probably an issue related to human rights, such as safety and overtime



work. In order to resolve these issues, not only production sites but also related departments within the Group, as well as external collaborations such as customers, are necessary. It is an issue that should be addressed across the entire industry.

**Takahashi** We are taking advantage of various opportunities and conducting training sessions. Also, we are cooperating with the labor union to collect information from employees to prevent issues before they occur. We also set up a consultation service for employees. We have also deployed a similar consultation service in Group companies in Southeast Asia.

**Ishida** You cannot change awareness about human rights in one go. It is essential to start with relatable issues and build initiatives gradually from there.

By the way, what kind of system do you have in place to promote activities related to human rights?

**Takahashi** Actually, we are working on creating the system right now. We have created an ESG committee with the president as committee chairperson, and we are enhancing activities across the entire NOK Group.

**Ishida** I see. That’s a good idea. It is vital that the president leads from the front and makes commitments to their employees and society.

You will continue to protect the DNA of Love and Trust passed down from your predecessors. While doing so, you will change what you need to in line with the values of society. From this fusion, I hope you will expand the NOK Group’s unique initiatives to respect human rights.



# Social Report

Society

## Human Rights



### Respect for Human Rights



#### Basic Concept

Our management principle is "The Management has to run the Company based on feelings of love and trust in its employees." We value the life of each employee and respect their humanity, and at the same time, we maximize the potential of each employee. We thereby maintain and reinforce the company's competitive edge. That is to say, we firmly uphold the stance of respecting human dignity across all aspects of our operations. A precondition for such management based on respect for the human dignity of employees is the idea of respect for basic human rights. Based on this principle, we respect the human rights outlined in the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, and we became a signatory of the UN Global Compact. The NOK Charter of Corporate Behavior makes a declaration as follows: "We will carry out management that respects the human rights of all people." We develop our business in accordance with this declaration.

#### Review of Human Rights Compliance

Regarding respect of human rights and compliance with labor laws at overseas subsidiaries, every year, we confirm whether there has been any discriminatory treatment of employees, harassment, child labor, and forced labor. Also, as a consultation service for human rights, in Japan, we have set up an internal reporting service and an external reporting service with a lawyer. We have also set up an internal reporting service at our overseas subsidiaries. Every year several consultations are received, we take corrective action for those in which non-compliance has been confirmed.

#### Respect for Basic Human Rights Related to Employees

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

- Diversity, character and personality must be respected, and there shall be no discrimination based on race, skin color, creed, religion, nationality, age, gender, sexual orientation, gender identity, national origin, or bodily or mental handicaps. Moreover, such discrimination shall not be forgiven.**
- We must not conduct acts of harassment that have adverse effects on the workplace environment, such as impairing the dignity of individuals and causing disadvantages to or posing threats to them. In addition, such acts of harassment shall not be forgiven.**

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

We are conducting education for managers at the new manager training and manager follow-up training to prevent all kinds of harassment, including the prevention of power harassment that was legislated in June 2000 in Japan. For employees, we are raising awareness by utilizing opportunities such as harassment prevention month through company-wide educational materials. In addition, we have established systems to prevent harassment and take swift and appropriate action after harassment has occurred not only for the occurrence of harassment within the group but also for harassment at external affiliates.

Society

## Labor Practices



### Respect for Fundamental Rights and Dialogue



#### Basic Concept

To practice the management principle of respecting human dignity is to respect and protect workers' rights. In practicing the management of respecting human dignity, we comply with the Principles 1 to 6 of the U.N. Global Compact. Moreover, practicing one of NOK's Management Principles, "a company with open communication," leads to active promotion of dialogue among employees and dialogue between the company and employees. Under these Management Principles, NOK is making efforts to create a workplace where employees can work vigorously without anxiety.

#### Compliance with Labor-related Laws

Our domestic Group companies are instructed to ensure compliance with the Labor Standards Act, the Labor Union Act and any and all other labor-related laws. Our overseas Group companies are also instructed to ensure compliance with labor-related laws of each relevant countries corresponding to these labor-related laws. In FY 2020, we received no reports of violation of the Labor Standards Act at domestic business sites. Regarding domestic business sites that accepted technical interns of foreign nationalities, we have checked the status of compliance with the Immigration

Control and Refugee Recognition Act, working environment, living environment and labor conditions. As a result, we made a comprehensive judgment that there was no problem.

#### Establishment of a Healthy Labor-Management Relationship based on Dialogue

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

The employees subject to the Labor-Management Agreement account for 90% of all employees of NOK. Regular labor-management meetings are held with the participation of the top management. Not only negotiation about working conditions is conducted, but also explanation on business conditions and management issues are presented. Also, discussions on the company's important policies and measures are held so that both the labor side and the management side can cooperate in realizing business development and employee happiness.

### Human Resources Development

#### Basic Concept

It is in the respective workplaces where employees can feel that the management is running "the Company based on feelings of love and trust in its employees" as stipulated in the Management Principles. Under the Basic Principle of Human Resources Development and the Vision of Human Resources Development, NOK aims to create workplaces where employees can find satisfaction in their jobs and feel that they are growing. To this end, we are making efforts to develop human resources who can contribute to create such workplaces through various programs.

**Basic Principle of Human Resources Development**  
"A workplace nurtures its people, and people nurture their workplace."

**Vision of Human Resources Development**  
"Development of human resources who take pride in their jobs and respect each other"

#### NOK's Human Resources Development Program

NOK's human resources development program consists of level-specific education and development/specialized education. The level-specific education is intended to enable attendees to understand their own roles and the expectations from the company correctly, and to contribute to the creation of workplaces where attendees themselves and their colleagues can find satisfaction in their jobs and feel that they are growing.

#### Level-specific education

The fourth year follow-up training is a junior training program collectively targeted at employees in their fourth year after joining the company as new graduates. In the sessions, trainees share the details of their daily work and their experiences, and hold panel discussions with senior employees invited from various types of jobs. Through these sessions, trainees can receive a variety of advice on concerns that many junior employees currently have, such as how they should perform their jobs, how to interact with people in and outside of the company, and the necessity of improving their linguistic ability and other skills. This training provides trainees with opportunities to share a sense of unity and be in friendly rivalry with their peers, as well as to reconsider their roles and ways of performing their jobs at their respective workplaces. In FY 2020, the fourth year follow-up training was not implemented due to the impact of the novel coronavirus pandemic.

## Labor Practices

Since FY 2019, domestic group companies have been included in the management program (worksite leader training, new manager training, and manager follow-up training).

### Training/expert education

Training/expert education is carried out for participants to acquire the necessary skills to perform their duties.

The Business Skills Education program is designed to enable all employees who wish to participate in expert education across divisional boundaries, which had previously been provided by individual divisions to the employees in their own divisions. By making the information on the courses held in each division in the company visible in a unified manner, we have been able to share the information and apply for the course.

Moreover, global human resources development aims to develop human resources who can actively use English at work, rather than simply speaking English well. In addition to language training, we are cultivating human resources who can play an active role globally through off-the-job training to improve the attitudes and communication skills required to work overseas, as well as on-the-job training with the aim of expanding the scope of work for individuals. The program, which is implemented for a term of six months or longer, is intended to supplement the internationalized human resources development system in which employees study language abroad under the in-house system.

"The specific education" is targeted at employees who need intensive education or training from time to time. Usually, the program is implemented under the themes of active participation of the re-employed retirees and vitalization of the workplaces.

As seen from the above, NOK endeavors to develop and vitalize employees by increasing opportunities for them to receive various training. Such training is implemented to provide employees with not only opportunities for simple capacity building, but also oppor-

tunities to establish solid relationships with their seniors and peers, which will be very helpful for ensuring smooth communication at each workplace.

Training records of programs are managed and followed up in the in-house training management system. In FY 2020, 1,027 employees received training, and the total training hours were 15,762.

### Number of participants

FY	2017	2018	2019	2020
Number of participants	863	736	1,103	1,027

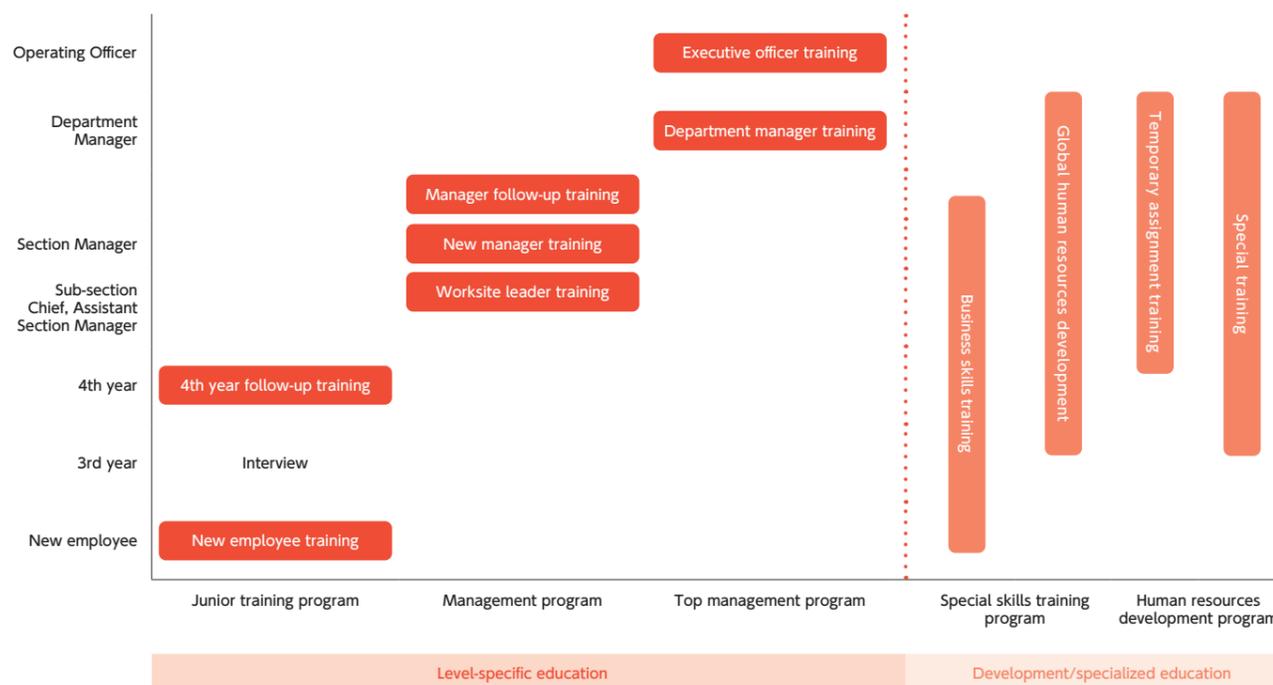
\* Including group companies from FY 2019

### Training time results

FY	2017	2018	2019	2020
Training hours	13,351 hours	12,866 hours	13,992 hours	15,762 hours

\* Including group companies

### System of NOK's human resources development program



## Diversity



### Basic Concept

The NOK Group upholds the stance of recruiting and appointing various and diverse human resources regardless of their gender, race or nationality. On a global consolidated basis, approximately 38,000 employees of diverse and different nationalities, races, genders, and employment types are currently working in the NOK Group. We ensure that executives of both domestic and overseas business 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.

### Global Promotion of Diversity

With the stance of localizing business execution by overseas bases, the NOK Group promotes development and appointment of human resources who acknowledge and understand local conditions regardless of their race or gender. Interaction among executives, technology, manufacturing, sales, operations and other departments of both domestic and overseas bases is facilitated so that they can utilize the outcomes for the development of human resources and improvement of operational quality and efficiency in each department. Furthermore, non-Japanese employees are appointed to the executive positions of overseas subsidiaries. In addition, active appointment, development and participation of employees of foreign nationalities are advanced by providing training for the technical and manufacturing employees of overseas subsidiaries in the technology and manufacturing departments, and hiring non-Japanese students in Japan.

### Promoting women's empowerment

NOK takes various measures to increase the number of females recruited for management-track positions. It also provides training and guidance to enable existing female employees in non-management-track positions to be actively promoted to management-track positions and on to executive positions according to their willingness and abilities. The medium-term plan for these initiatives is to increase the percentage of new female recruits for management-track positions to 10% by the end of FY 2022. The plan has also set the target of tripling the number of female employees in management positions compared with the number at the end of FY 2019.

### Enhancement of Employment and Supporting System for People with Disabilities

NOK is working to promote 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. Divisions around Japan promote the placement of people with disabilities to jobs that satisfy them and the creation of workplaces that enable them to work comfortably in order to establish an environment where people with disabilities can work vigorously.

### Senior Employee System (Reemployment after Retirement)

In 2006, NOK introduced a system to rehire employees who have reached mandatory retirement age. We seek to improve the system so that retired people who still wish to work can make full use of their rich work experience and the advanced skills gained through their career at NOK. For example, retired employees can pass their work-related knowledge and techniques on to younger generations while maintaining their livelihood through reemployment under the system. In FY 2016, flexible working styles were introduced, and working conditions were revised. While revising working conditions from time to time thereafter, we established an internal recruitment system and a human resources registration system for senior employees. Moreover, through providing seminars on life planning to support livelihood after retirement and training prior to retirement for maintaining the will to work, we continue to facilitate senior employees taking on more active roles and to enhance their job satisfaction after retirement.

## Personnel and Welfare Systems

### Basic Concept and Initiatives for Work Style Reform

As part of management based on respect for human dignity, NOK is making efforts to realize a working environment where employees can balance their job satisfaction and comfortable private lives. In addition to past measures taken to help employees achieve both professional and personal goals, we now consider and undertake various other measures from the viewpoint of work style reform. To realize flexible and diverse work styles, we also work on the implementation and improvement of a flextime system, childcare leave, nursing care leave and other employee benefit systems, the lowering of the upper limit of overtime work hours for shortening of working hours, and improvement of the rate of paid leave taken by employees.

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

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

Moreover, we have promoted the creation of a comfortable workplace by adopting a flextime system (without core time), easing the restriction on taking paid leave for half a day, and allowing expiring days of paid leave to be reserved for up to 30 days. In FY 2021, we introduced a telecommuting system to improve efficiency in operations and help employees achieve a better work-life balance.

### Enhanced Initiatives for Shortening Working Hours and Encouraging Employees to Take Paid Leave

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

The current targets are as follows:

1. In principle, the total of overtime work and work on a holiday to be within 45 hours in a month and 360 hours in a year
2. Paid leave is to be taken for 16 days or more in a year.

To achieve these targets, we are aggressively working on a policy of "promoting digital transformation" to improve operational efficiency. The effective use of online meetings and paperless operations amid the novel coronavirus pandemic prompted a rapid digital transformation of operations. Going forward, we will endeavor to establish and further promote the systems.

### Initiatives by Business Type, Theme and Cooperation

Information concerning the personnel systems of other companies and the labor administration of the Ministry of Health, Labour and Welfare can be obtained by participating in the regular meetings and working group activities associated with personnel affairs measures taken by the industry group of automobile parts companies. This helps us determine better personnel affairs systems at NOK.

### Self-evaluation and Reporting System

Every year, NOK provides employees with an opportunity to report on their workplace situation and the job they aspire to have in the future. Depending on the content of the report, such as the desired career path, an interview with a supervisor is arranged as needed, which is also an opportunity to communicate with one's supervisor. The results of the self-reporting are used to develop and utilize human resources effectively in order to ensure that the right personnel are appointed to the right positions, thereby improving the workplace environment.

### Other Welfare Systems

#### 1. Workplace communication

The NOK Group aspires to maintain a workplace with open communication at all times. Executives and managers take the lead in creating and maintaining a workplace where good communication is ensured between superiors and subordinates, among coworkers and between departments. For example, through social gathering meetings composed of officers and employees, the company supports entire divisions and respective workplaces in planning and holding social gathering events.

#### 2. Support for retiree associations

To help employees enrich their lifestyle after retirement, NOK established retiree associations around Japan (regional eight blocks), and supports each association in regionally holding gatherings and other events for retirees to interact with each other.

## Occupational Safety and Healthcare

### Basic Concept

Respect for human dignity is one of the NOK Group's management principles, and we believe that safety is a crucial precondition for such principle. Safety represents both a mission for management and a desire of all employees. We have well recognized safety as a top priority in all operations. To explicitly communicate a message on safety from top management to employees as well as improve and ensure safety awareness and eliminate industrial accidents, we formulated the NOK Group Safety Principles in FY 2017 and are promoting our safety activities accordingly with unified efforts.

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



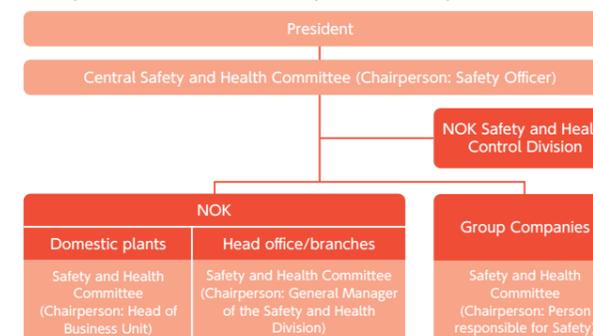
NOK Group's Basic Safety Principles posted in a factory

### Occupational Health and Safety Promotion System

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

The Central Safety and Health Committee, which serves as an activity organization, holds meetings twice a year to develop annual policies. These policies are then promulgated to divisions and group companies to promote activities based on the annual safety and health plan. The Safety & Health Dept., which supervises safety and health affairs of the Group, as a whole, actively supports the creation of systems by which the level of safety and health management can be maintained and improved in each division, in collaboration with safety secretariats at plants, the head office and group companies.

#### Occupational Health and Safety Promotion System



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

### Activities in FY 2020

#### Development of the medium-term occupational safety and health plan

The NOK Group established and has been implementing continuously the medium-term occupational safety and health plan (FY 2019 to FY 2022), focusing on the following three items:

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

\* Number of cases in FY 2022 compared with the number in FY 2018

### Safety and health activities

#### (1) Distribution of a video of a message from the upper management to all employees

We created a video of a message from the upper management and distributed it across the Group so that each employee can fully understand that safety is our top priority. Safety culture will be developed and instilled through repeated viewing of this video, in which the upper management speak freely, in each workplace, thus contributing to the creation of safe workplaces.

#### (2) Safety declaration by the heads of divisions and Safety Day activities

The heads of divisions, including the head office, make a safety declaration, taking the lead in the promotion of safety activities in each division. Furthermore, we have set Safety Day, on which all employees of each workplace work on the improvement of awareness of safety, mutual enlightenment, identifying risks at our own workplaces and the countermeasures every month.

#### (3) Measures for securing safety of facilities

Based on risk assessment for facilities and operations, we continue to take additional measures to reduce operational risks, such as introducing safety mechanisms into facilities and placing safety covers on equipment, thereby creating a work environment where employees can work more safely through mitigating operational loads on employees. These activities will be continued until the occupational accidents that occur due to factors associated with facilities are totally eliminated.

#### (4) Zero explosion/fire

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

# Labor Practices

## (5) Safety and health education

Our Safety and Health Mottos were developed in 1976 with the aim of maintaining and raising the safety awareness of employees and helping them acquire safety knowledge. The Mottos have been used as an educational tool for all employees to share awareness of safety in operations.



Safety and Health Principles

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

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

With the aim of raising the level of safety awareness and mutual enlightenment among safety secretariats, training workshops are held periodically with the participation of the secretariats at domestic group companies and plants.

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



Virtual crisis simulation training



Education for managers

### Lost Time Injury Frequency Rate\*

\* Rate of occurrence of lost time injuries per one million hours

	FY2018	FY2019	FY2020
Average among manufacturers	1.20	1.20	—
NOK Group (domestic)	0.46	0.27	0.21

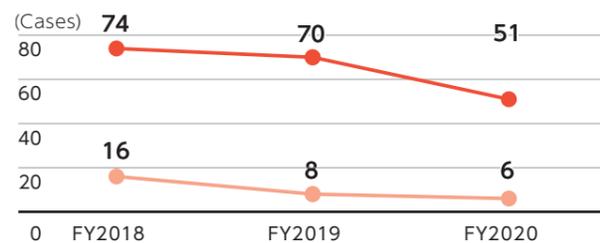
### Lost Time Injury Severity Rate\*

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

	FY2018	FY2019	FY2020
Average among manufacturers	0.10	0.10	—
NOK Group (domestic)	0.007	0.004	0.004

Major safety activities	FY2018	FY2019	FY2020
Safety, hygiene and health training for line managers	143	129	161
Facility safety training (simulation/safety standard training)	330	59	146
No. of units undergoing facility safety improvements	622	1,131	994
Investment in facilities and equipment for safety measures	370 million yen	320 million yen	68 million yen

### Number of Industrial Accidents



\*NOK Group (domestic)

## Mental and Physical Health

In FY 2019, NOK started activities to analyze the employees' health data, seeking to help improve their health. Meetings of occupational health nurses and public health nurses are held to share information. To meet the mental health needs of employees, we have developed a system that incorporates individual interviews by clinical psychologists and is thereby able to offer counseling, in addition to efforts realizing self-care, line care and care provided by in-house occupational health staff.

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

In FY 2020, in response to novel coronavirus, we prepared a manual for the prevention of infection and the initial measures to be taken in the event of an infection. We completed and started the internal operation of the manual before the Japanese government's declaration of a state of emergency was issued in March 2020, which leads us to believe that our efforts had preventive effects. Furthermore, we held an internal lecture meeting led by our industrial physician concerning the forefront responses to novel coronavirus so that employees obtain correct knowledge.

We established an online interview system so that employees working from home can consult with our industrial physician and public health nurses more easily than ever, and this system also helped enhance the primary prevention of infection.

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

To promote employees' physical health, we have also focused on encouraging employees to engage in exercise in an enjoyable format, in cooperation with industrial physicians, such as the provision of guidance concerning lifestyle diseases (at the head office), seminars to prevent back pain and stiff shoulders (at divisions) and walking events (at divisions). In FY 2020, our athlete employees, Okubo and Hirayama, instructed remote workout sessions three times, teaching a total of 100 participants muscle training through aerobic exercise.



Remote workout by our athlete employees

Major mental and physical health promotion activities	FY2018	FY2019	FY2020
Number of health consultation calls	867	850	715
Rate of receiving comprehensive health examination	99.9%	99.9%	99.8%
Rate of receiving secondary examination	89.4%	89.9%	91.9%

## Activities to improve the workplace environment

The NOK Group first launched activities to improve workplace environments in 1993. We have managed our working environments (noise, heat and cold), operations (work posture and the handling of heavy objects) and support systems (the provision of facilities for relaxation). The Mid-Term Safety and Health Plan from FY 2019 has strengthened efforts to improve our working environments with an emphasis on group companies.

In FY 2020, we focused on improving the operational environment in workplaces where the temperature is hot, and improved the temperature and humidity environment of 22 workplaces.

## Activities for traffic safety

As part of the responsibilities of companies associated with the traffic society through their products, the NOK Group focuses on creating a culture of traffic safety. From the viewpoint of respecting human dignity, we have, over a period of time, exercised necessary control and provided education and guidance in promoting safe driving, in the hope that we can reduce, even if only slightly, the number of people adversely affected by traffic accidents and eradicate traffic rule violations leading to accidents. In addition, we have been working to ensure that all employees and fellow passengers wear seat belts since the 1970s, even before the Road Traffic Act made the fastening of seat belts mandatory.

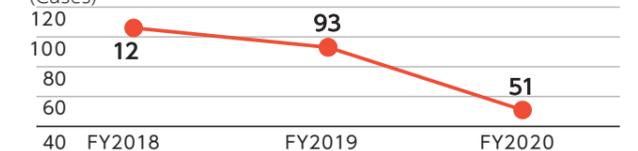
Moreover, in order to promote safe driving, NOK divisions are undertaking traffic safety lookouts and holding traffic safety seminars taught by the Japan Automobile Federation and local police departments. For example, we commend good drivers according to their number of years as safe drivers, during which they caused no accidents or violations, to maintain and improve employees' awareness of traffic safety.



Fuji Logistics Center of Fuji Branch was granted a letter of appreciation for being a business site that promoted safe driving.

	FY2018	FY2019	FY2020
Total number of employees commended for safe driving (Those commended for 30 years or longer)	856 (78)	910 (124)	908 (139)

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



# Fair Operating Practices



## Compliance with Fair Operating Practices

### Basic Concept

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

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

established the NOK Group Procurement Policy to conduct our procurement activities with suppliers.

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

## Supply Chain Management

### NOK Group Procurement Policy

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

### CSR Procurement Guidelines

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

- 1 **Compliance with laws and regulations**  
We shall comply with laws and social norms in each country, including competition laws, trade-related laws, and environment-related laws.
- 2 **Respect for human rights**  
  - We shall not deal with business entities that would use forced or child labor, that would engage in unlawful employment of foreign nationals or any other illegal employment and that would not satisfy industrial safety and health regulations.
  - We shall not discriminate on the grounds of race, ethnicity, creed, gender, age, marriage, physical characteristics, disability, etc. in any employment or treatment (application, recruitment, promotion, remuneration, right to receive education, work grants, wages, welfare, punishment, dismissal, retirement, etc.).
  - We shall comply with the laws and regulations of each country and region where employees are entitled to minimum wages, overtime, wage deductions, piece-work payment, other benefits, working hours (including overtime), holidays, and annual paid holidays.
  - We shall communicate and discuss with employees directly or with their representatives faithfully. We recognize the rights of employees to associate freely or not to associate in accordance with the laws and ordinances of individual countries and regions.
- 3 **Safety**  
We shall prioritize the safety of customers and consumers and purchase products that satisfy safety regulations.
- 4 **Green Procurement**  
We shall carry out procurement activities based on the NOK Group Green Procurement Guidelines with consideration for preserving the global environment.
- 5 **Confidentiality**  
We shall deal with suppliers that can appropriately manage and control the confidentiality of information on customers, individuals and technologies, etc. obtained through business transactions.
- 6 **Elimination of anti-social forces**  
We shall not deal with any organized crime groups, any of their members and related individuals nor any other antisocial forces as well as any business entities associated with them.
- 7 **Activities regarding conflict minerals**  
We shall strive to avoid purchasing minerals and products that use minerals from countries where inhumane armed forces are active and mining minerals for their financial resources.
- 8 **Contribution to local communities**  
We shall contribute to the development of local communities by promoting business transactions with local suppliers.
- 9 **Information disclosure**  
We shall disclose business information related to management and finance, product handling and safety, quality, environment information, etc. to all stakeholders in a timely and appropriate manner, and through open and fair communication, we shall maintain and develop mutual understanding and trust.
- 10 **Deployment of suppliers' CSR**  
In order to advance initiatives throughout the supply chain, we request secondary and subsequent suppliers also to implement initiatives equivalent to those described in the NOK Charter of Corporate Behavior and CSR Procurement Guidelines.

In November 2020, the NOK Group revised the basic principle and rights on labor stipulated in this Guidelines in line with the UN Global Compact. We request our suppliers to take actions in line with this revised Guidelines to ensure that the work environment is adequately safe, to treat workers with respect and dignity, and to conduct work with ethics and responsibility for the environment.

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

In consideration of the importance of co-prosperity with suppliers, we have made efforts to build a strong relationship of trust and a long-term cooperative relationship with suppliers.

For the purpose of fair trading, in September 2016, the Minister of Economy, Trade and Industry announced "Towards future-oriented trading practices," an initiative aimed to ensure fair trading and enhanced added value for both the original contractor and subcontractors, thereby improving the trading environment throughout the supply chain. Furthermore, in December 2016, the Operational Standards of the so-called Subcontract Act (formally, the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors) and the so-called Promotion Standards based on the Act on the Promotion of Subcontracting Small- and Medium-sized Enterprises were revised, followed by the issuance of a notification titled payment means for subcontracting.

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

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

### Promotion of Green Procurement

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



### Efforts to Deal with Conflict Minerals

We at the NOK Group conduct procurement activities throughout the supply chain in order to ensure that illegal profits are not offered to antisocial forces or armed insurgents who violate human rights.

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

### Strengthening supply chain BCP / BCM

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

In fiscal 2019, we sent a BCM Check Sheet to our suppliers and clarified problems through self-checking. In fiscal 2020, we strived to build a resilient supply chain while providing guidance on effective measures.

These efforts were effective indeed, the novel coronavirus pandemic did not impact our raw material procurement. We will continuously consider and implement measures to fulfil our responsibility of supplying products even when a disaster or accident occurs.



## Product Quality and Safety

### Basic Concept

The NOK Group has maintained its workmanship in manufacturing process under the concept "Quality is made in the manufacturing process." Since the foundation of NOK, our products have been used in various fields by many customers with confidence in our technology and quality. This is the basis of our quality.

With the aim of achieving quality in the manufacturing process, we have concentrated our efforts in developing human resources who engage in manufacturing under our philosophy of respecting human dignity. We have a variety of educational curriculums for such purpose, and recently, we have focused particularly on developing managers and supervisors. Our efforts are focused on passing the manufacturing basics on to next generations as experienced senior employees retire from the manufacturing sites.

In order to earn the trust of customers, it is crucial to consider all matters as our own responsibility in every department, whether it's the research and development, design, manufacturing or sales departments, and return to the basics to achieve the three-year plan. Thereby, we will establish our quality.

While it is not easy to communicate between each department amid the novel coronavirus pandemic, we will strive to return to the basics of quality by flexibly responding to the crisis which we regard as our chance.

### Basic policy

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

### Behavioral guidelines

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

### NOK Group Three-Year Quality Assurance Policy (2020\_2022)

#### Return to the Basics of Quality

#### Priority Action Items

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

#### 1. Thorough adherence to basics

In order to earn more customers' trust, the top priority of ours is to stick to the basics. More specifically, we will aim at educating our employees in quality assurance against correct standards and having them comply with the same, thereby continuously improving their skill in quality assurance. We will ensure that the products we deliver to our customers do not cause any inconveniences due to inadequate work decisions or non-compliance with some work.

#### 2. Prevention of serious quality problems

As demands for product safety and quality increase, and with increasingly sophisticated demands of customers for compliance and responses to product defects identified in the market, a new approach to process development is required. Therefore, we will enhance our workmanship in manufacturing process, ranging from development to production sites to prevent such problems from occurring.

#### 3. Reduction of waste loss

From the perspectives of environment conservation and contribution to the bottom line of an organization, it is necessary to reduce waste loss arising at production sites. We will give top priority to products with high waste loss, and respective headquarters will provide necessary support to pursue activities related to waste loss reduction.

#### 4. Improving quality control level by utilizing IT

By promoting the digitization of operations, we will streamline operations and strive not to rely too much on individual skills, tips, and experience. In addition, we will improve the speed and accuracy of traceability by further enhancing the digitization of quality records.

Quality Management System

In order to continue to supply products that meet the needs of our customers, NOK has established and operated a quality management system based on international standards such as ISO9001, and is working on continuous improvement.

►For details, please see page 3 of the ESG Data Book

Quality Assurance System

At NOK, the Quality Officer also acts as a control center for the functions associated with quality assurance, such as planning, coordination and promotion for group companies' products. We develop a quality assurance activity plan (QA Action Plan) in line with the NOK quality assurance policy, and conduct quality assurance diagnosis (QA diagnosis) on site in a systematic manner.

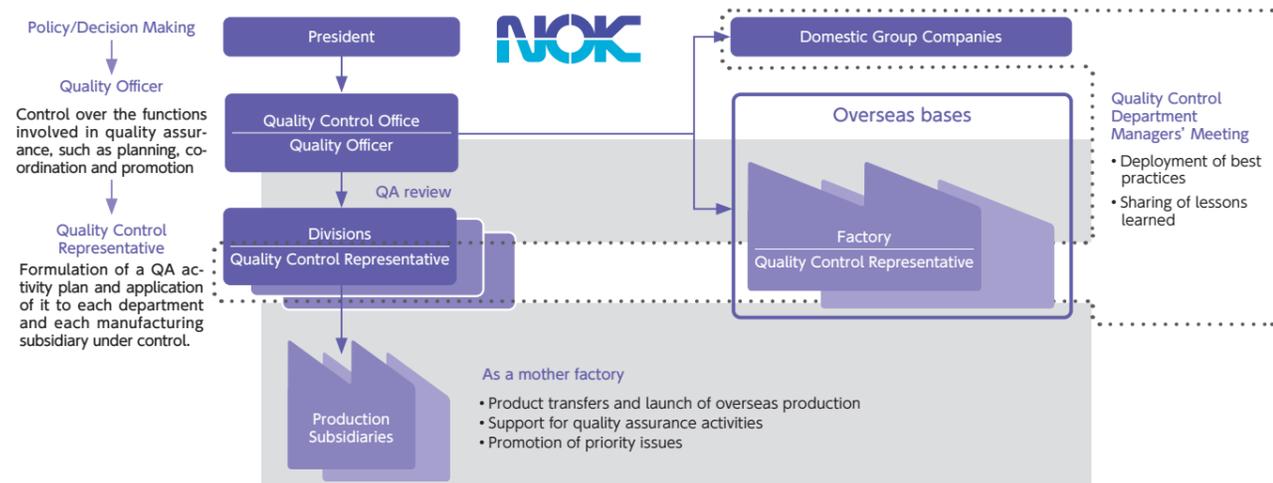
In addition, the domestic mother factory takes the lead in supporting the launch of overseas production transfers, promoting quality priority implementation matters, and solving quality problems. The Quality Control Office is also involved in important matters associated with the above operations, striving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

To conduct quality activities by all departments

Quality Assurance Activity Plan (QA Activity Plan)

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

Quality Assurance System Overview



To diagnose the quality assurance system  
Quality Assurance Diagnosis (QA Diagnosis)

NOK's Quality Officers conduct on site QA diagnoses. Specifically, we diagnose whether an implementation plan has been formulated based on an understanding of the intention of the policy and whether quality improvement activities are effectively implemented. In recent years, we are working on weaknesses by conducting production-site-driven diagnosis.

Horizontal ties within the NOK Group to ensure mobility  
Quality Control Department Managers' Meeting

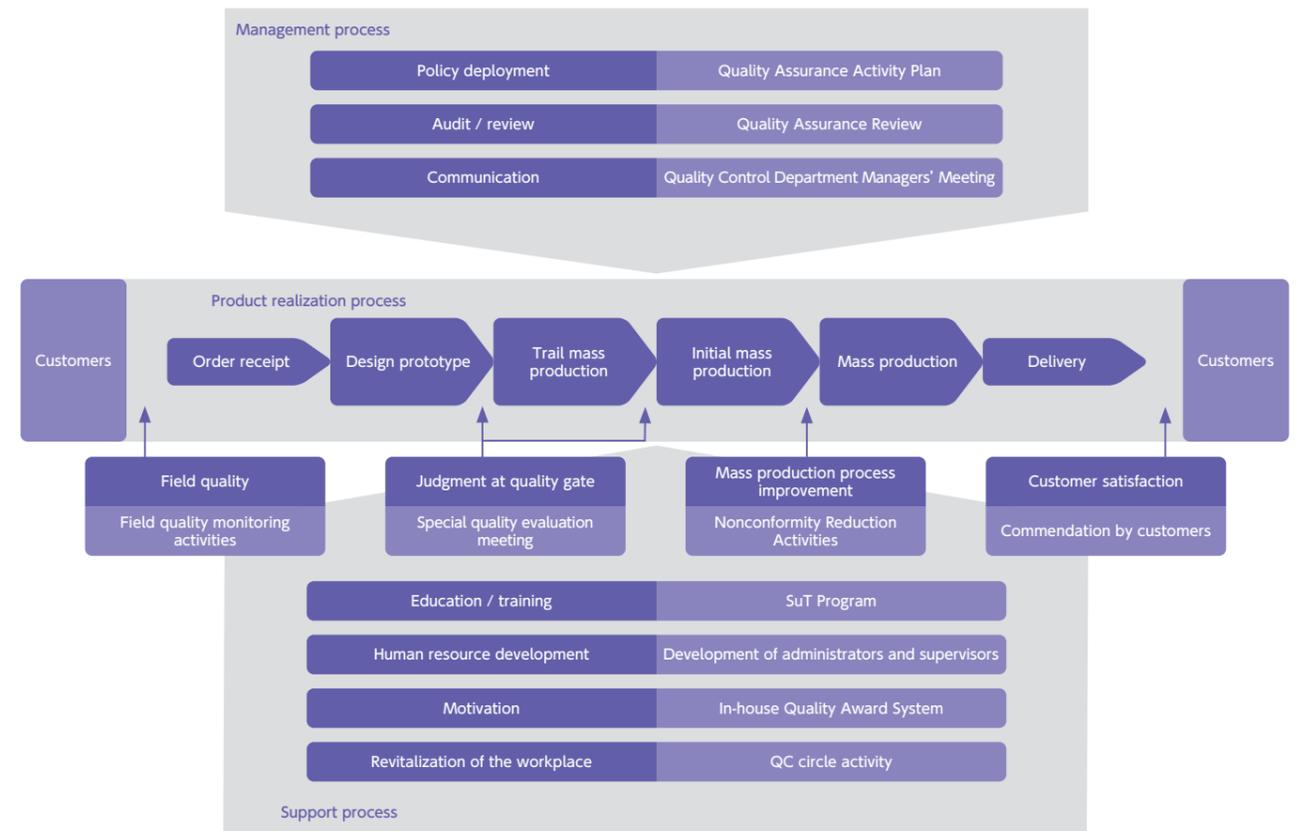
Quality managers from domestic and overseas group companies gather regularly to exchange information on the year-by-year development of priority implementation items and the activities status at each site. This occasion provides gathered managers of operation bases with an opportunity to not only share good activity cases presented by other bases, but also to share lessons learned from their activities. Recently, we conduct online meetings due to the novel coronavirus pandemic.

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

Quality improvement activities

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

Overview of quality improvement activities

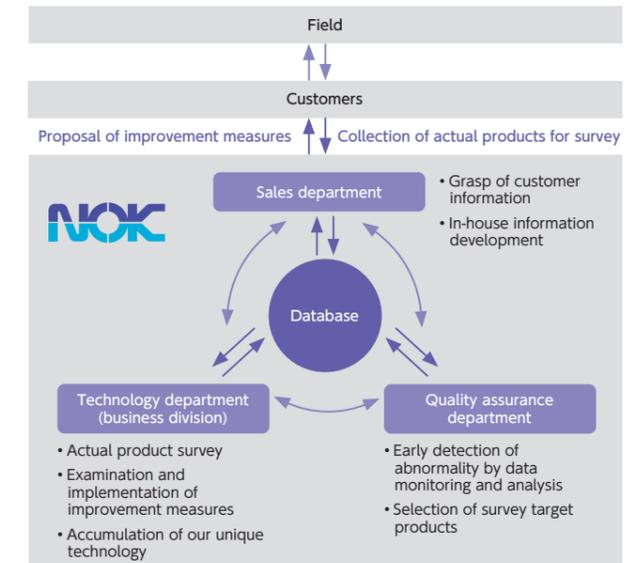


Taking advantage of field quality data  
Field quality monitoring activities

NOK uses field quality data to regularly monitor for anything that could lead to significant market complaints. This activity is called MFQ\* activity, and is managed in a database and enables the analysis of field quality data. This activity also leads to improved product quality. If we are successful in exploring an improvement based on our past achievements and/or the results of surveys and analysis, we suggest an improvement to our customers and work in collaboration with them.

\* MFQ: Monitoring Field products Quality

Overview of field quality monitoring activities



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

**Special quality evaluation meeting**

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

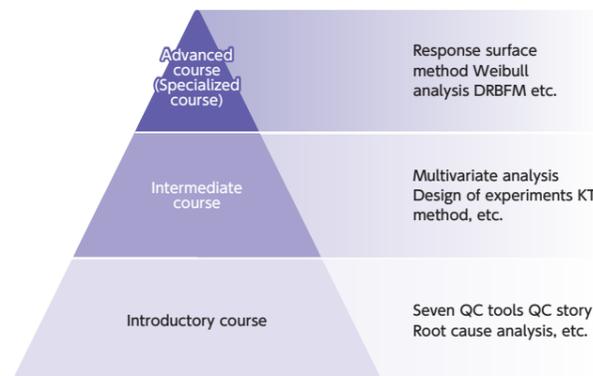
In particular, for products that involve new development, a "special quality evaluation meeting" is held at each stage for members from the responsible business division and relevant offices to conduct design review, and the Quality Officer makes the decision to move to the next stage.

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

NOK strives to reduce nonconforming products to improve quality and cut back on waste. In order to avoid causing trouble to customers, we need to cautiously avoid producing nonconforming products in relevant processes. To that end, we undertake a series of actions under which we, from the outset, take measures against one single phenomenon of nonconformity until the product becomes free of such phenomenon. Then we replicate the process for another phenomenon until the phenomenon no longer occurs for the product. In this way, we conduct a one-by-one check up until nonconformity is precluded at all stages. The Zero Nonconformity Initiative is promoted for a multitude of themes at operation sites on a yearly basis. It has gained a foothold and become independent at group companies in Japan and abroad.

Basically, this project requires the repeated observation in the gemba (on site), gembutsu (actual thing) and genjitsu (actuality) stages, and verification based on a mechanism. It has helped employees develop their abilities to solve problems on site. Regarding mechanisms,

**Overview of SuT Program**



the results of the verification are represented in an FTA\* to be managed as a unique technique for use in the future.

As a new initiative, we have started the study of a failure-solving method using AI.

\* Fault Tree Analysis, a method of failure and accident analysis

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

NOK provides quality control education for each level of the organization. Among others, in the field of problem-solving, we have been advocating the importance of logical analysis and improvement based on facts and data under the motto "Let's say something with data," which is a hallmark QC-oriented way of thinking. Recently, in the field of problem solving, speedy response is required. To meet such needs, we hold the SuT Program with a focus on diffusing the use of tools that will help speed up problem solving. In early days of its launch in 2001, we had only eight courses for the technology department. Since then, the program coverage has expanded to include people from the manufacturing department and group companies. Since then, we have come to learn peoples' education needs for more fundamental knowledge as well as advanced techniques. At present, we have more than 20 courses from basic "QC seven tools" to "multivariate analysis" and "design of experiments," and we have organized a curriculum so that advanced methods can be learned through practical exercises.

Driven by restricted people flows due to the novel coronavirus pandemic, we introduced quality control education using online training courses in FY 2020. In addition, in FY 2021, we will improve the educational environment for those who wish to learn at any time and in any place.

SuT is pronounced as "satto" in Japanese. Many employees who participated in the course have applied the methodology they learned to various improvement activities, such as QC circle and nonconformity reduction activities.

\* SuT is an acronym for Speed-up Tools of problem solution, meaning a tool that expedites the solution of problems.



During online education

**Passing down "quality first thinking"  
Quality Dojo initiatives**

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

Each division has quality trainers (Quality Dojo Masters) who run the Quality Dojo training center and provide disciples with training and education. Disciples who have graduated from the Dojo are responsible for providing guidance and training to their subordinates as their daily routine in addition to their own quality as primary duty.

Now that 10 years have passed since the Quality Dojo was established, the training curriculum has been improved to meet the needs of each business division and group company.

**Growing activity overseas  
QC circle activity**

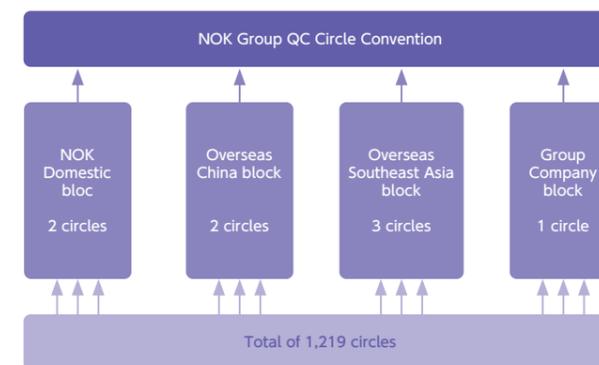
The NOK Group encourages employees to form quality control (QC) circles: autonomous small groups that engage in quality improvement activities.



These QC circles also provide a place for their members' growth and personality development through activities in which all the members of each circle endeavor to solve the matters they deal with in the workplace, which also leads to revitalization of the workplace. While NOK Group companies hold activity presentations every year, we were forced to conduct the screening of application materials due to the restricted people flow caused by the novel coronavirus pandemic in FY 2020. A total of 1,219 circles participated in the presentations from Japan and abroad. Three circles in Japan and five circles from abroad, which had been selected through an activity presentation held at each company, took part in the NOK Group QC Circle Convention. There, they reported the results of their activities through their own QC stories, and the best QC circle was selected.

This convention marked the 68th convention in the 57 years since the first convention in 1963. In the NOK Group, QC circle activities are extensively conducted at many of our operation sites and group companies in Japan and abroad.

**Road for Qualification for the Group Convention**



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

The NOK Group has an in-house quality award system in place for the purpose of boosting quality improvement activities and enhancing motivation. Under this system, we encourage all employees of NOK Group companies in Japan to apply for the system in units of their nearby action group or organization in order to raise their awareness of quality. Once every six months, we commend organizations that have actively promoted quality improvement activities and have achieved excellent results. Articles on the outstanding improvements they have achieved appear in company newsletters. The previous award-winners include the logistic departments arm as well as the production division, which indicates that the system is used to help create a work environment where all departments directly or indirectly make united efforts to promote quality improvements.

**Articles of Quality Awards posted in company newsletter**



Article published in the NOK Group newsletter "Tanetomato"

**Commendation by customers**

We have received favorable evaluations from our customers in terms of actual quality achievement and improvement activities. In FY 2020, we received 15 commendations concerning quality.



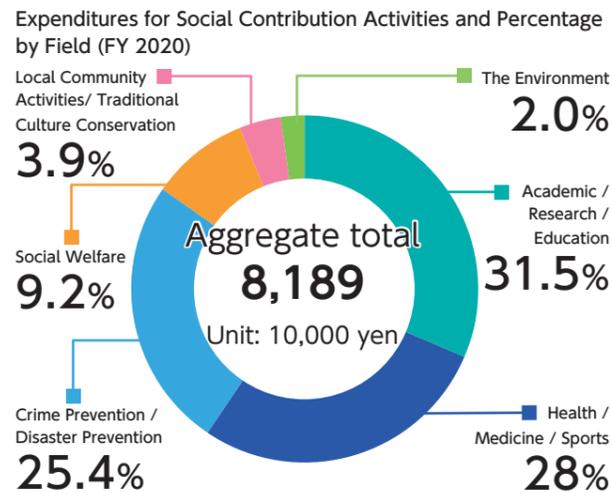
## Social / Local Area Activities

### Basic Concept

As stated in the Principles of Corporate Behavior in the NOK Charter of Corporate Behavior, we seek to actively participate in society and contribute to its development as a good corporate citizen. In particular, local communities are important stakeholders of the NOK Group. We place importance on maintaining good communication with local communities in order to be a company that is loved and trusted, and to make the communities feel proud of us while growing together with them. We are also conducting a variety of social contribution activities, and as part of our efforts in CSR, we are focusing on participating and sponsoring programs related to the education of our next generation.

### NOK Group's Social Contribution Activities

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



### Academic / Research / Education

#### Supporting events to help develop the next generation

NOK is committed to providing educational support to the next generation, who will shape our future. Since FY 2015, we have been sponsoring the NHK Student Robot Contest hosted by NHK and NHK Enterprises, Inc., as well as the ABU Asia-Pacific Robot Contest hosted by ABU (Asia-Pacific Broadcasting Union), to do our part as a manufacturing company to encourage future engineers. And in FY 2019, we also started sponsoring Robocon for Elementary School Students, hosted by NHK Enterprises, Inc. and the Science Museum, to provide children with a chance to learn about the fun of making things. In 2008, we started sponsoring the Student Formula SAE Competition of Japan hosted by the Society of Automotive Engineers of Japan, Inc. We support students by providing oil seals and O-rings to participating schools. Furthermore, starting in FY 2019, we have been sponsoring the Nikkei Education Challenge, hosted by Nikkei Inc. At this career-oriented educational event for high school students, company workers serve as lecturers. They talk to the students about their real-life experiences, sharing with them the fun of working and the passion

that they have toward their work. In FY 2020, NOK dispatched an employee to serve as a lecturer.

#### Accepting Interns from Universities and Technical Colleges

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

FY 2020

	Humanities students	Science students	Total
Participants in two-week internship program (university students)	0	10	10
Participants in two-week internship program (technical college students)	0	2	2
Participants in long-term (2-4 months) internship program	0	1	1

### Health / Medicine / Sports

NOK supports athletes in order to contribute to society through the dreams and inspiration that sports can provide to people. In April 2019, the company hired Rintaro Okubo, a competitive swimmer, through the Athlete Navigation System (Athnavi), a program run by the Japanese Olympic Committee (JOC) that offers job search support for top athletes. In October of the same year, we also hired Yukina Hirayama, a competitive swimmer. While continuing to strive at their competitive activities, both athletes plan and hold remote workouts to promote our employee health. We launched this remote workout in FY 2020 to help prevent the spread of novel coronavirus.

We also support the activities of professional sports teams, as we share in their vision of achieving a prosperous coexistence with the local communities and society. Moreover, the NOK Group's plants in Japan and overseas companies provide support to local elementary schools, junior high schools, high schools, and sports clubs, such as by offering the use of our gymnasiums and playgrounds.



Holding a remote workout



At a Kumamoto Volters game

Plants	Professional sports teams we sponsor/support
Fukushima Plant	Fukushima Firebonds
Shonan R&D Center	Shonan Bellmare
Tottori Plant	Gainare Tottori
Kumamoto Plant	Kumamoto Volters

### Crime Prevention / Disaster Prevention

As a company that manufactures automotive parts, NOK is focusing on activities that promote safe driving and prevent traffic accidents. In FY 2020, the NOK Fuji Branch office (Sales Office and Logistics Center) was selected as a safe driving management promotion office among the member companies of Fuji Area Safety Driving and Traffic Education Association. Throughout the year, the company promoted traffic safety activities and supported the activities organized by the Safe Driving and Traffic Education Association.

### Local Community Activities/ Traditional Culture Conservation

NOK Group's domestic plants and overseas companies regularly conduct cleaning activities in the areas around those plants or companies. In FY 2020, employees working at the Kumamoto plant participated in the noyaki volunteer activity. Noyaki aims to conserve and restore the grasslands of Aso, which create unique landscapes and are home to a wide variety of plants and animals. Employees of the Kumamoto plant participate every year to protect the vast and beautiful prairies.



Before the noyaki, with the Kumamoto plant in the background



The noyaki is a seasonal springtime tradition in Aso area.

### Environment

The environment is undergoing major change due to a variety of problems on the planet, including climate change and the impact of marine plastics on ecosystems. The NOK Group is implementing a variety of initiatives both domestically and overseas to hand down the beautiful natural environment to the next generation.

Since fiscal 2019, the Shonan R&D Center has sponsored the Ecology and Eco Action 21\* activities promoted by Enoshima Aquarium (Enosui). In addition to supporting surveys and research related to biodiversity and the environment in Sagami Bay, as well as conservation activities such as regional beautification and waste reduction, we are also actively participating in beach cleaning activities.

And in FY 2020, staff members from the Fukushima Plant volunteered in the Umigomi Zero Week activities held to reduce marine debris and also did volunteer work in gathering aquatic plants from Lake Inawashiro (umigomi is a combination of the Japanese words for ocean (umi) and waste or trash (gomi)).

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



Participation in beach cleanup activities



### Social Welfare

In FY 2020, as the novel coronavirus pandemic caused a shortage of hygienic products, the Fukushima Plant donated non-woven overall, hygienic gloves, and masks to the city of Fukushima.

# Governance Report

Governance

## Corporate Governance



### Corporate Governance

UNGC  
Principle 10

#### Basic Concept

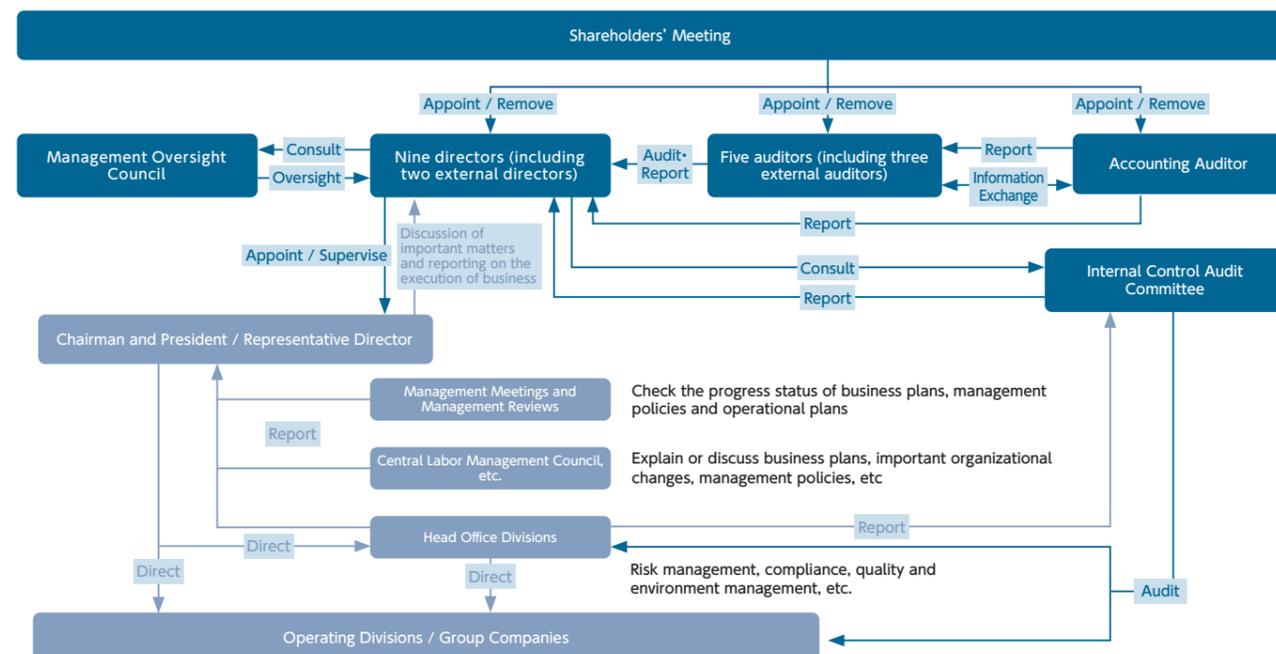
The NOK Group aims not only to contribute to the development of economic society by creating added value through fair competition, but also to become a company useful for the society at large by promoting management that can make all stakeholders proud of the company and continue pursuing their dreams together. We also promote a management plan to secure economic growth with stability and strong growth in revenue over the medium to long term. For this reason, the NOK Group considers continuously strengthening the corporate governance system as one of our business management priorities, and we are committed to this goal.

#### Corporate Governance System

NOK has adopted the format of a company with a board of corporate auditors. In order to develop and provide products and services from the customer's perspective in a business environment where technological innovation and the needs of end users are rapidly changing, we believe it is important that directors who

are well-versed in business operations be involved in making key management decisions. From this point of view, the directors of the board who concurrently serve as executive officers cooperate with each other in the execution of their duties, while directors of the board, including external directors, mutually monitor each other and the corporate auditors, including external auditors, audit management. The Board of Directors and the Board of Corporate Auditors, which include personnel from outside the company, are the key to strengthening the checking function. In order to improve objectivity and transparency regarding nomination and remuneration, the Board of Directors has established the Management Oversight Council with key members from outside the company as an advisory body to the Board of Directors, which regularly confirms important matters such as nomination and remuneration and provides appropriate advice to the Board of Directors. In addition, significant management risks are checked and assessed at the Management Oversight Council periodically. The Internal Control Audit Committee, an advisory body to the Board of Directors, periodically audits systems that ensure the appropriateness of NOK's and its subsidiaries' operations in accordance with the Internal Control Regulations, and reports the results to the Board of Directors and the Board of Corporate Auditors.

#### Corporate Governance System



### NOK Charter of Corporate Behavior

We, NOK CORPORATION, are committed to being an entity that fulfills the role of driving efforts toward the realization of a sustainable society according to the Management Principles under the NOK spirit. We will pursue this through developing the Management Policies in such a way that all 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 so 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

#### Management Principles

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

#### Management Policies

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

#### Principles of Corporate Behavior

1. Provision of Socially Useful Products	We will develop and provide socially useful and safe products through the creation of new value, and provide pertinent information regarding products and have sincere dialogues with end users and customers while also working to achieve sustainable economic growth and solve social issues, thereby gaining their satisfaction and deeper trust.
2. Fair and Appropriate Trade	We will ensure that we engage in fair, transparent, and free competition, that transactions are appropriate, and that responsible procurement is carried out, when selling products and purchasing materials. Also, we will maintain a sound and proper relationship with political bodies and government agencies.
3. Proper Disclosure and Management of Information	We will disclose accurate information about the Company timely and appropriately, and have constructive dialogues with the various stakeholders who surround our business in order to increase the corporate value. Also, we will protect and properly manage personal and customer data and other types of information as well as intellectual property rights.
4. Thorough Risk Management and Severance of all relations with Antisocial Forces and Groups	We will resolutely provide systematic risk management to prepare against activities of antisocial forces, terrorists, 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.
11. Response to Problems	In the event that a matter in noncompliance with this Charter arises, which causes society to lose trust in us, our officers will take steps such as taking the lead in solving the problem, identifying the cause, and taking measures to prevent the recurrence of similar problems, thus fulfilling their responsibilities. Moreover, they will publicly disclose relevant information promptly and appropriately, fulfill their accountability requirements, indicate those who are in authority and those who are responsible, and severely punish those involved, including themselves.

External Directors and External Auditors

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

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

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

Nomination of Directors and Auditors

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

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

In addition to complying with the external requirements set forth in the Companies Act and the independence criteria of the Tokyo Stock Exchange in nominating external directors, the company expects external directors to be able to advise on the company's corporate activities from an objective, wide-ranging and high-level perspective based on their wealth of experience and high level insight. In this way, the company nominates external directors on the basis that there is no conflict of interest with general shareholders.

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

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

Remuneration of Directors and Auditors

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

Basic policy

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

Policy on Remuneration for Directors

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

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

Policy on Remuneration for Auditors

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

Advisory body on nomination and remuneration (Management Oversight Council)

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

Assessing the Effectiveness of the Board of Directors

In May of each year, NOK administers a self-evaluation questionnaire to all directors and auditors, including those from outside the company, asking them questions about the composition, operation, and agendas of the Board of Directors, as well as questions about the structure that supports the Board of Directors. The aggregate results of responses are shared with the Board of Directors. In FY 2020, the analysis and assessment indicated that the Board of Directors as a whole was effective.

Internal Control

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

Specifically, the company has established Internal Control Regulations based on the Basic Policy for Internal Control System. NOK's Head Office Divisions provide rules for the internal control system and give directions to NOK's operating divisions and subsidiaries, while the Internal Control Audit Committee periodically audits the internal control system to determine the progress of improvement and implementation. The results of these audits are reported once a year to the Board of Directors. During FY 2020, there were no legal violations or lawsuits that could have seriously affected the company's performance.

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

Based on the Principle of Corporate Behavior, the NOK Group stipulates in the "Behavioral Guidelines Concerning Employee Compli-

ance" its stance and relationship with agencies, distributors, competitors and suppliers, and complies with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and the Unfair Competition Prevention Act, etc. The NOK Group continuously raise employees' awareness of the principle by distributing an introductory compliance booklet and through education, etc. by the department in charge.

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

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

The Internal Control Audit Committee conducts an annual audit on the status of compliance with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors and the Unfair Competition Prevention Act and reports its results to the Board of Directors. During FY 2020, there were no violations in the NOK Group.

Anti-Corruption Initiatives (Anti-Bribery)

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

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

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

The Internal Control Audit Committee conducts annual anticorruption audits and reports the results to the Board of Directors. During FY 2020, there were no violations in the NOK Group.

Communication with Shareholders and Investors

The NOK group holds two financial results briefings every year, one in May for annual results and another in November for interim results. Securities analysts, institutional investors, research institutions, journalists and financial institutions are invited to these sessions, where we explain the financial results and forecasts, and also respond to questions. Presentation materials used for financial results briefings are available at NOK's website. In addition, from the standpoint of fair disclosure, NOK participates in events for individual investors every year. NOK refrained from participating in the event in FY 2020 to help prevent the spread of novel coronavirus.

Efforts to Enhance Corporate Governance

▶For details, please see p. 5 of the ESG Data Book.

Year	Month	Policy	Purpose
2004	Apr.	Established the Crisis Management Office	Preventing and minimizing negative impacts on business continuity.
2006	May.	Enacted the NOK Charter of Corporate Behavior.	Enacted and declared Management Principles, Management Policies, and Principles of Corporate Behavior.
	Aug.	Enacted the Behavioral Guidelines Concerning Employee Compliance.	Enacted and disseminated guidelines on matters to be complied with by employees.
2008	Jan.	Established the Internal Control Audit Committee	Development of an internal control system, audit of its operational status and proper maintenance.
2009	Jun.	Introduced the Executive Officer System.	Separation of management oversight and executive functions, and the establishment of an agile management system.
		Changed the term of office of directors to one year.	Separation of management oversight and executive functions, and the establishment of an agile management system.
		Revised the executive compensation system.	Introduction of long-term performance-based and performance-linked compensation system.
2015	Jun.	Established the Risk Management Committee	Minimizing risk probability and losses through cross-organizational verification and evaluation.
		One external director took office	Strengthening the management oversight function.
2016	Apr.	Installed a whistle-blowing system (including domestic group companies)	Created a whistle-blowing system by establishing the Whistle-Blowing Hotline (in and outside of the company)
	May.	Started assessing the effectiveness of the Board of Directors.	Improving the effectiveness of the Board of Directors
	Jun.	Increased the number of external directors to two.	Strengthening the management oversight function.
	Oct.	Established the CSR Committee	Raising the awareness of CSR throughout the company and promoting effective CSR activities
Established the Central BCM Committee		Increasing the effectiveness of the business continuity plan and contributing to the improvement of corporate value.	
2019	Jul.	The Management Oversight Council (composed of the President and Representative Director, external directors and auditors).	Check, assessment and advice on key management issues and serious risks.
2021	May.	Established the ESG Committee	Promoted the company's continued sustainable growth and the implementation of responsible initiatives

## Compliance

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

### Behavioral Guidelines Concerning Employee Compliance (Plan)

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

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

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

### Compliance Promotion System and Initiatives

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

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

### Reporting and Whistle-Blowing System

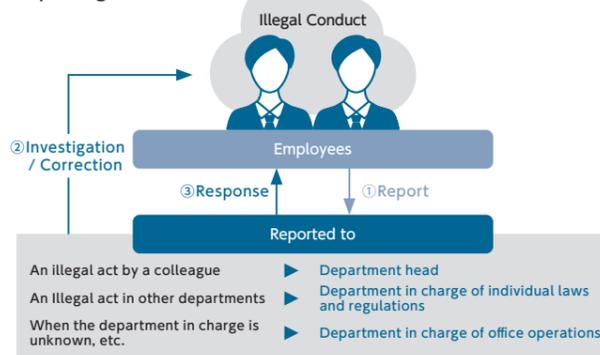
The NOK Group establishes the NOK Group Reporting Desk and Whistle-Blowing Hotline to detect and correct illegal conduct that violates the Compliance Rules at an early stage.

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

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

At overseas sites, in FY 2019, the Whistle-Blowing Hotline was set up (in and outside of the company) on a trial basis at two of our Group companies in China. Furthermore, in FY 2020, the Whistle-Blowing Hotline was expanded to an additional 10 Group companies in China to advance our efforts to strengthen the whistle-blowing system.

#### Reporting Desk



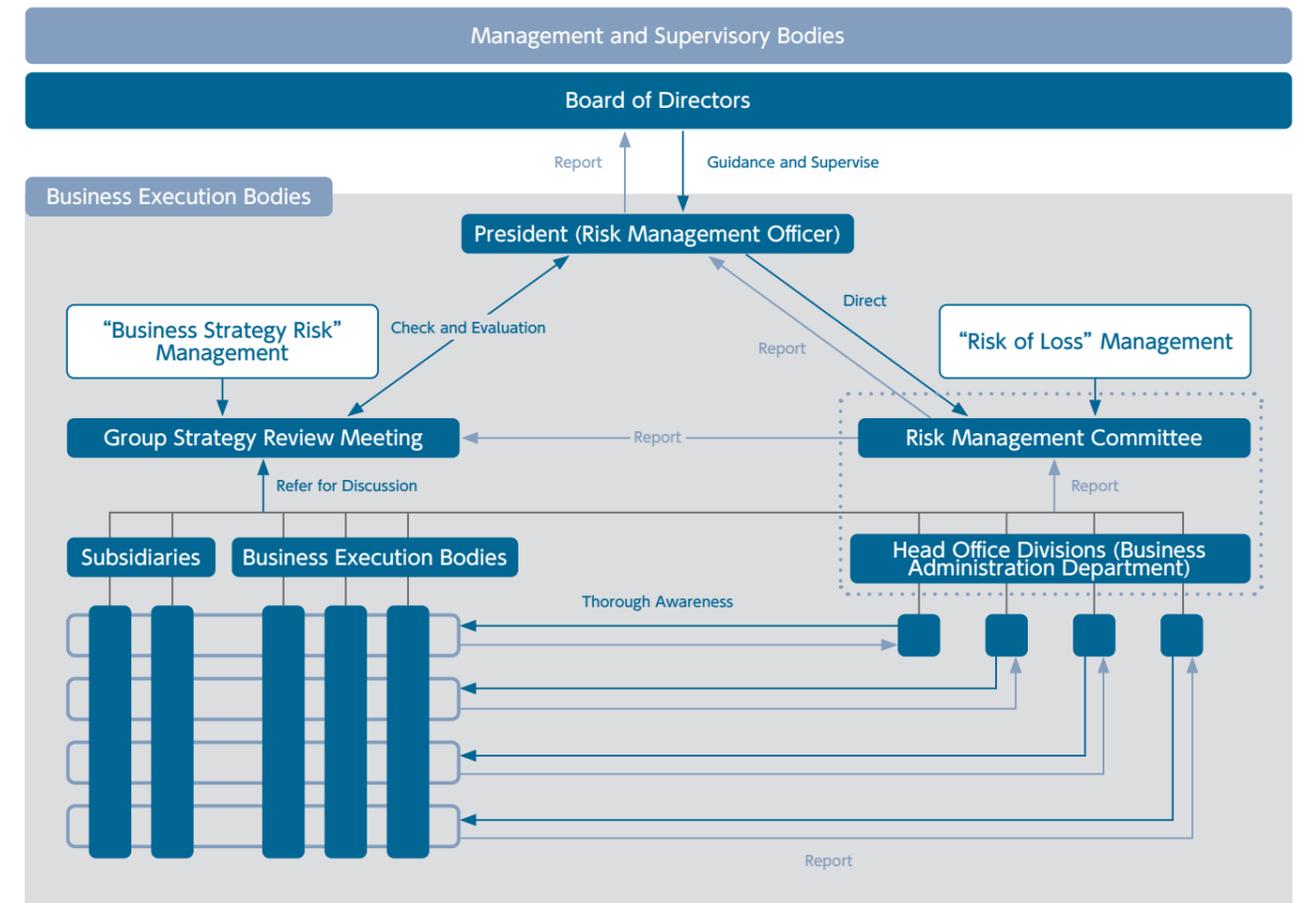
#### Whistle-Blowing Hotline



## Risk Management

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

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





# Environmental Report

UNGC Principle 8

## Environmental Management

### Response to Disaster Risks

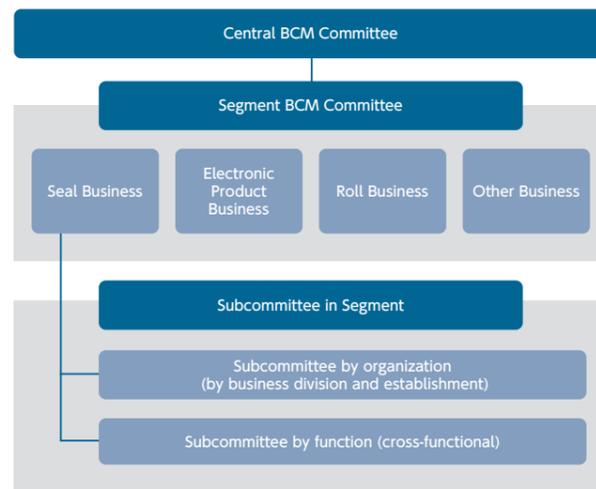
#### 1. Business Continuity Management (BCM) System

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 system composed of the BCM Committee is used to formulate, maintain, and update the business continuity plan (BCP), secure budgets and resources to implement them, implement preventative measures, conduct education and training, conduct inspections, and engage in continuous activities.

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

#### NOK Group Business Continuity Management System



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

#### 2. Planning and promoting business continuity plan (BCP)

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

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

Each business site, including domestic and overseas group companies, has a plan that outlines policies, systems, and procedures to ensure that important business operations are not interrupted or are restored as quickly as possible if an unforeseen event should occur. At the same time, the company is verifying the effectiveness of the plan through training and responding to identified issues. It is also continuing to implement measures to minimize damage, im-

prove emergency communication methods and reporting systems, and reinforce the earthquake resistance of our IT infrastructure.

### Information Security

To appropriately manage and utilize information provided by customers, personal information, and such information as the company's unique technology, the NOK Group established the NOK Group Information Security Basic Policy. The company also established a Group-wide Information Security Committee to systematically promote activities. We also have a system in place to handle information leaks related to important information, including customer information and personal information, as an information security incident.

In FY 2020, in response to the rapid expansion of telecommuting in line with the Emergency Situation Declaration, we took measures focusing on the risk of information leaks when using the system from outside the company. In response to increasingly sophisticated cyberattacks, we have established a system that enables us to immediately receive support services from experts so that we can respond swiftly in the event of actual damage. In FY 2020, there were no major information security incidents to be announced or reported.

We will place further focus on responding to increasingly advanced and sophisticated cyberattacks, and will continue to implement a PDCA cycle to maintain and improve our information security measures.

### Protection of Intellectual Property

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

To protect NOK's brands, we combat counterfeiting, even outside Japan, through our Anti-Counterfeit Committee. During FY 2020, the company uncovered three cases of counterfeit factories in China and removed web pages selling counterfeit products from online sales sites in 664 cases.

### Social Background

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

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

## NOK's Policy

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

### Basic Policies on Environmental Conservation

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

Enacted: September 17, 2001  
Revised: April 1, 2021

President of NOK CORPORATION  
Chairman of Central Environmental Conservation Committee

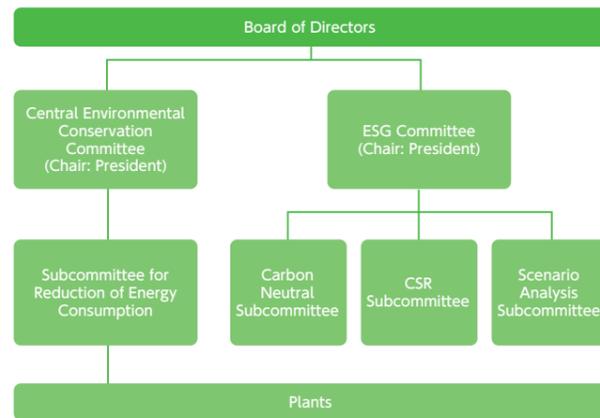
Masao Tsuru

### Environmental Management System

To promote our environmental management activities smoothly and steadily, company-wide efforts are made under the following system.

The Central Environmental Conservation Committee, chaired by the President and Representative Director, meets twice a year to determine risks and opportunities in environmental management and company-wide business policies. The Board of Directors is informed of important matters such as priority tasks of identified

risks and opportunities and results by the ESG Committee. Under the supervision of the company-wide environmental conservation supervisor, the company-wide environmental secretariat and the Subcommittee for Reduction of Energy Consumption are leading actual environmental conservation activities, with each workplace carrying out environmental conservation activities in accordance with the environmental targets and policies. In fiscal 2021, we set up a subcommittee for carbon neutrality. The subcommittee will determine a roadmap for carbon neutrality and specific measures for CO<sub>2</sub> reduction to promote our carbon neutral initiatives.



Environmental Management of the NOK Group

With the Paris Agreement adopted in 2015 and the SDGs agreement towards 2030, society's perception of environmental issues is changing. As activities to realize a sustainable society become more active, companies are strongly urged to carry out "environmental management," which is a business activity that takes the environment into account. This includes "companies' disclosure of climate-related financial disclosure" recommended by the Task Force on Climate-related Financial Disclosures (TCFD) and the Science Based Targets (SBTs), which is scientific CO<sub>2</sub> emission reduction targets in conformity with the realization of the Paris Agreement. The NOK Group established the NOK Twin Green Plan 2030, a long-term environmental vision for the year 2030 as its environmental management, and has been engaged in environmental conservation activities such as measures against climate change, resource conservation and recycling, conservation of water resources, measures on substances of concern, development of environmentally friendly products, and conservation of biodiversity. To realize a sustainable society, we will continue to fulfill our social responsibility by promoting environmentally friendly business activities and provide environmental value to society by providing products that contribute to the environment.

Formulation of Long-term Environmental Vision for 2030

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

which further requires measures against climate change, the NOK Group has decided to review its total CO<sub>2</sub> emissions targets and promote environmental conservation activities in light of international environmental conditions such as the Paris Agreement, TCFD, and SBT.

NOK Twin Green Plan 2030

Green Factory

Through measures for environmentally friendly production, we will reduce CO<sub>2</sub> emissions from factories by 30% from the FY 2018 level.

Initiatives

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

Relevant SDGs



Green Product

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

Initiatives

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

Relevant SDGs



NOK's Mid-Term Goals and Progress



The NOK Group established the Eighth Corporate Environmental Conservation Targets (FY 2020 to FY 2022) for the following categories: environmental management, measures against climate change, resource conservation and recycling, water resource conservation, measures against environmentally hazardous substances, and development of environmentally friendly products. In FY 2020, we have established a department for environmental risk assessment and environmental improvement. The department has conducted and completed environmental risk surveys

at all our plants. Our CO<sub>2</sub> emissions and electricity consumption are being steadily reduced to reach our targets. However, due to the significant impact of a decrease in our production due to the novel coronavirus pandemic, we were unable to achieve our target for CO<sub>2</sub> emissions intensity. On the other hand, we are able to meet the target levels for waste recycling rate, control of increase in water withdrawals, and reduction of VOC emissions. For details, see the values of the results.

The Eighth Corporate Environmental Conservation Targets (FY 2020 to FY 2022)

Slogan: Creating Corporate Value by Increasing Environmental Value

Category	Initiatives and Goals				Evaluation	Result
	Item	Scope of Coverage	Baseline Fiscal Year	Target		
Environmental Management	<b>Fostering and establishing an environmental climate</b> Promoting environmental contribution activities tailored to the characteristics of each region				○	P.58
	<b>Improving the management level of the environmental management system</b> Promoting and expanding education by rank and developing environmental human resources Reducing environmental protection risks through a steady PDCA cycle					
	<b>Strengthening the prevention of environmental nonconformity</b> Promoting the environmental risk assessment of equipment and facilities					
Measures against Climate Change	<b>Reducing CO<sub>2</sub> emissions</b> Developing energy-saving equipment for production processes Reducing CO <sub>2</sub> emissions in logistics processes Actively introducing renewable energy				○	P.60
	Electricity Consumption	Japan	FY 2018	Reduced by 10%		
	CO <sub>2</sub> emissions	Global	FY 2018	Reduced by 10%		
	CO <sub>2</sub> emissions intensity	Japan	Previous year	Average intensity change reduced by 1% or more over the past five years		
Resource Conservation and Waste Recycling	<b>Resource conservation</b> Promoting resource conservation through design and process changes, optimization of material input, etc.				○	P.63
	<b>Waste reduction</b> Promoting product non-conformity measures and recycling, reducing the amount of waste disposal in landfills by converting waste to recyclable materials, and improving the recycling rate					
	Waste Recycling Rate	Japan	-	Maintaining at rate of more than 98%	○	
Conservation of Water Resources	Checking the volume of water withdrawals and wastewater in and outside Japan Controlling the increase in total water withdrawals				○	P.65
	Total water withdrawals	Global	Previous year	Controlling an increase		
Measures on Substances of Concern	<b>Reducing environmental burden</b> Reducing VOC emissions				○	P.67
	<b>Strengthening the chemical substance management system</b> Promoting green procurement (thorough management of chemical substances by suppliers)					
	VOC emissions	Global	FY 2010	Less than FY 2010 results	○	
Environmentally friendly products	Developing environmentally friendly products				○	P.68
	Improving the level of environmental conservation assessment in products					

## Material Flow

### Input materials and industrial waste associated with business activities

INPUT		
<b>Raw Materials</b>		
<b>Total raw material input</b>	<b>81</b>	<b>1,000 tons</b>
Rubber	12	1,000 tons
Additives & Adhesives	10	1,000 tons
Plastics	1	1,000 tons
Metals	58	1,000 tons
<b>Energy</b>		
<b>Total energy input</b>	<b>11,899</b>	<b>TJ</b>
Purchased power	11,273	TJ
Gasoline	12	TJ
Kerosene	7	TJ
Heavy Oil A	137	TJ
Light Oil	150	TJ
Liquefied Petroleum Gas (LPG)	109	TJ
City Gas	212	TJ
<b>Water</b>		
<b>Total water withdrawals</b>	<b>8,254</b>	<b>1,000 m<sup>3</sup></b>
City Water	4,488	1,000 m <sup>3</sup>
Industrial Water	3,509	1,000 m <sup>3</sup>
Ground Water	257	1,000 m <sup>3</sup>
<b>Environmentally hazardous substances</b>		
<b>Chemical substances subject to the Pollutant Release and Transfer Register (PRTR) system</b>	<b>5.6</b>	<b>1,000 tons</b>

### FY 2020 NOK Group

**Design**

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

**Procurement**

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

**Production**

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

**Logistics**

- Efficient Transportation
- Promotion of Modal Shift

**Customers**

OUTPUT		
<b>Gas emissions</b>		
<b>Total CO<sub>2</sub> emissions (Scope 1 + Scope 2)*1</b>	<b>640</b>	<b>1,000 tons-CO<sub>2</sub></b>
Scope 1 (Fuel)	38	1,000 tons-CO <sub>2</sub>
Scope 2 (Electricity/heat)	602	1,000 tons-CO <sub>2</sub>
Scope 3 (Indirect Emissions)	268,547	1,000 tons-CO <sub>2</sub>
NO <sub>x</sub> (Nitrogen Oxides) *2	23	t
SO <sub>x</sub> (Sulfur Oxides) *2	3	t
VOC (Volatile Organic Compounds)	3	1,000 tons
<b>Wastewater</b>		
<b>Total wastewater</b>	<b>6,484</b>	<b>1,000 m<sup>3</sup></b>
River / Lake	2,602	1,000 m <sup>3</sup>
sawage system	3,881	1,000 m <sup>3</sup>
BOD load *3	5.4	t
<b>Industrial waste, etc.</b>		
<b>By-product generation</b>	<b>83</b>	<b>1,000 tons</b>
Industrial Waste	46	1,000 tons
Amount of waste recycled	41	1,000 tons
Final disposal	5	1,000 tons
Valuable waste	37	1,000 tons
<b>Environmentally hazardous substances</b>		
<b>Chemical substances subject to the Pollutant Release and Transfer Register (PRTR) system (discharge volume)</b>	<b>127</b>	<b>tons</b>
<b>Chemical substances subjected to the Pollutant Release and Transfer Register (PRTR) system (amount of movement)</b>	<b>323</b>	<b>tons</b>

\* 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.

\* 2 NO<sub>x</sub> (nitrogen oxides) and SO<sub>x</sub> (sulfur oxides): Total amount of NO<sub>x</sub> and SO<sub>x</sub> 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 to rivers.

## Environmental Management System



NOK establishes a system in accordance with the ISO 14001 standard, promotes environmental management, and strives to implement environmental management with the next generation in mind, thereby reducing environmental burden. The current percentage of the NOK Group establishments with ISO 14001 certification is 98.5%.

### Environmental audit

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



Environmental audit by the Environmental Management Office staff

### External Inspection

NOK has a third-party organization inspect mainly the company's production sites involving in environmental burden and have them acquire and maintain the ISO 14001 certification. In fiscal 2020, there were no significant findings and the company received an evaluation that the management system is operating properly and undergoing continuous improvement. In addition, the president attends the annual meeting where inspectors report on the results of their inspections, so that the valuable opinions of the third party on NOK's environmental management can be reflected in management.

### Environmental Education

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

### FY 2020 results

	Item	Contents	Number of attendees
Level-specific education	New employee training	Basic education on environmental conditions and corporate environmental protection activities	97
	General employee education	Environmental conditions and the status of NOK, environmental protection activities, etc.	7,038
	Education for management position	Environmental conditions and the status of NOK, environmental protection activities, etc.	553
Specialized education	Emergency-related education	Education for environmental accidents and emergency response	1,973
	Education for internal auditors	Education for ISO 14001 auditors	4,286
	Waste-related education	Proper waste disposal	5,991
	Energy-related course	Course for energy managers	120
	Chlorofluorocarbon-related course	Act on Rational Use and Appropriate Management of Fluorocarbons etc.	15
	Chemical substances-related education	Education on the management of toxic and hazardous materials	3,273

Environmental Communication

Environmental Award System

In FY 2020, the NOK Group established the Environmental Award System, aiming to revitalize internal environmental activities and raise the environmental awareness of each and every employee. Through the Environmental Award System, we are sharing information on outstanding environmental efforts to raise our environmental awareness.

In FY 2020, Thai NOK Co., Ltd., which promoted energy conservation, CO<sub>2</sub> reduction, efficient use of water resources, and tree-planting activities under "Total ESG," won the Gold Award. Their environmental activities and community contribution activities, such as cashing in valuable resources obtained from picking up trash and donating the money to local schools and hospitals, were admired.

Through the Environmental Award System, we will continue to contribute to the realization of a sustainable society by raising our environmental awareness and promoting better environmental activities.



The staff of Thai NOK, the Gold Award winner

Environmental Improvement in Collaboration among Group Companies

In addition to the environmental improvement activities our respective bases carried out, NOK established a dedicated department for environmental risk assessment and improvement in 2020. The staff members of the department visit our 48 bases in Japan and carry out risk assessments and environmental improvement activities together with the staff members of the base to promote energy conservation and prevent environmental accidents. By conducting risk assessments and improvement activities across boundaries between bases, we are striving to share environmental information, encourage other bases to adopt efficient improvement activities, and bring up the levels of the environmental improvement activities at the NOK Group. NOK will continue to contribute to reducing the environmental burden caused by the group through our group-wide environmental improvement activities.

External Awards / Commendations

The Fukushima Plant received the highest award in the manufacturing industry category of the Fukushima Protocol compliant project commendation for their daily environmental activities to reduce CO<sub>2</sub> emissions, waste, and water usage.

MYK Corporation has been evaluated as Rank S for the fifth consecutive year under the business classification system of the Ministry of Economy, Trade and Industry. In addition, we received the Chubu Electricity Use Rationalization Committee Chairman's Award as an excellent energy management company for developing an injection molding machine with high energy-saving performance through use of a subsidy.

We will continue to actively develop environmental activities to contribute to local communities and the environment and increase our corporate value.



Commendation ceremony for Fukushima Protocol compliant projects



MYK Corporation

Status of compliance with environmental laws and regulations

During FY 2020, the NOK Group was involved in no fines, penalties or lawsuits related to environmental incidents or complaints.

Efforts to reduce the environmental load in our supply chain

Since FY 2020, NOK has been conducting a survey with our suppliers regarding their environmental efforts in order to work together in the supply chain to reduce the environmental load. Through the survey, we confirm the status of their efforts to deal with climate change and water risk, reduction of CO<sub>2</sub> emissions, and water risk assessment. Also, we are working to raise environmental awareness in our supply chain with supplementary materials on such topics as environmental trends and risk assessment methods. We will continue to promote the survey to raise environmental awareness in our supply chain, and cooperate in promoting activities for environmental load reduction.

Measures against Climate Change

Social Background

In recent years, there has been concern that typhoons, heavy rains, droughts, heat waves, and other abnormal weather will occur more frequently around the world, threatening the survival of humanity in the future. In 2016, the Paris Agreement came into force at the United Nations, and efforts to reduce greenhouse gases such as CO<sub>2</sub> and energy conservation have been gradually increasing. The number of countries proclaiming that they are aiming to achieve carbon neutrality by 2050 has started to increase, and the world is getting ready to move toward carbon neutrality together. In Japan, the government declared "Carbon Neutral 2050" in October 2020, and other countries have started promoting their efforts for decarbonization. Efforts for decarbonization are becoming important for companies as a factor that influences their operations. It is necessary for companies to conduct active efforts for the reduction of greenhouse gases, such as energy saving and the introduction of renewable energy based on long-term strategies, and disclosure of information about the activities.

NOK Group Policy

The NOK Group will work to reduce emissions of CO<sub>2</sub>, which is a major greenhouse gas, for the prevention of global warming. Our manufacturing departments have developed energy-saving equipment to reduce production-related energy, and the logistics department has been reducing fuel consumption for transportation equipment. We take measures to reduce CO<sub>2</sub> emissions across the lifecycle of our products, including the introduction of renewable energy throughout the company. In addition, we regard climate change as an important issue in our business management, and the NOK Group is planning a management strategy against climate change in line with the TCFD recommendations.

Targets and Results

In FY 2020, the CO<sub>2</sub> emissions of the NOK Group were reduced by 17.2% from the FY 2018 level, and it meets the target of a "30%

reduction in CO<sub>2</sub> emissions from the FY 2018 level" stated in the NOK Twin Green Plan 2030. The reduction achieved this year is, however, considered to be caused by the decrease in production due to the novel coronavirus pandemic. For the CO<sub>2</sub> emissions intensity, NOK was unable to meet its target, or the average intensity change reduced by 1% or more over the past five years, which resulted in reduction by 0.12%. NOK keeps striving to reduce CO<sub>2</sub> emissions on a global basis and aims to reduce our CO<sub>2</sub> emissions intensity through improvement in production efficiency and other measures.

**General**

- Switching to LED lighting
- Frequently turning off lights, automatic light activation

**Logistics**

- Promotion of idle stop
- Optimization of distribution routes
- Improvement of vehicle fuel efficiency
- Reducing fuel consumption by improving loading rates

**Production**

**Factory building**

- Upgrading to high efficiency equipment
- Optimization of air conditioning operation
- Introduction of renewable energy

**Production facilities**

- Improvement of production efficiency
- Retrofit
- Power saving of facilities
- Control and reuse of heat dissipation and waste heat
- Shifting motors and pumps, etc. to inverter type

**Motor**

- Repair of air leak
- Optimization of operating conditions
- Upgrading to high efficiency equipment

**Process monitoring**

- Visualization of power consumption
- Visualization of operational status

Target	Baseline Fiscal Year	Baseline Figure	Target Fiscal Year	Target Figure	This fiscal year's results	Evaluation
CO <sub>2</sub> emissions Reduction Target (Global)	2018	774 [1,000 tons-CO <sub>2</sub> ]	2030	Reduction by 30% CO <sub>2</sub> emissions 542 [1,000 tons-CO <sub>2</sub> ] or below	Reduced by 17.2% CO <sub>2</sub> emissions 640 [1,000 tons-CO <sub>2</sub> ]	○ CO <sub>2</sub> emissions Achieved 2.5% or more/year
CO <sub>2</sub> emissions Intensity Reduction Target (Japan)	2019	1,330 [ton-CO <sub>2</sub> /1 million yen]	2022	Average change reduced by 1% or more over the past five years (CO <sub>2</sub> emissions intensity) 1,161 [ton-CO <sub>2</sub> /1 million yen]	Average change reduced by 0.12% or more over the past five years (CO <sub>2</sub> emissions intensity) 1,220 [ton-CO <sub>2</sub> /1 million yen]	× CO <sub>2</sub> emissions intensity Average intensity change reduced over the past five years 1% reduction not achieved

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Concrete Activities

Measures for Energy Conservation (Japan)

The NOK Group is replacing fluorescent lamps with LED lamps, repairing air leaks, and taking other minor energy-saving measures. Kyushu Plant of NOK Fugaku Engineering, one of our group companies, replaced fluorescent lamps in the manufacturing buildings with LED lamps, and successfully reduced the amount of electricity consumption by 1,493 kWh/month. Also, we have repaired all air leaks in all plants, started power cutoffs on weekday nights and holidays at the headquarters plant, and stopped the unnecessary operation of air conditioners. These efforts reduced the operating load of the compressors, causing the amount of electricity consumption to be reduced by 132 thousand kWh (a 25.1% reduction from the previous year) and the energy used for air conditioners to be reduced by 30.3% from the previous year.

Improvement for Air Conditioning (China)

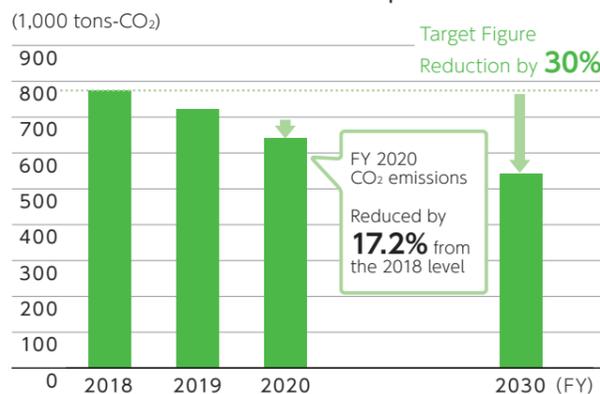
Wuxi NOK-Freudenberg Oilseal Co., Ltd. set air conditioner air outlets 1.8 meters closer to the floor at their production site to save energy on air conditioning. Through the lowered air outlets, cold air can get to the workers without loss, and the on-site temperature during summer was successfully lowered by 3°C. The improvement resulted in annual energy savings of 15,120 kWh and the reduction of CO<sub>2</sub> emissions by 141.52 t-CO<sub>2</sub>.



Utilization of Waste Heat (China)

Mekttec Manufacturing Corporation (Zhuhai) Ltd. makes effective use of waste heat generated in their plant. The waste heat generated by the air compressors is recycled in the dormitory's hot water supply system, and it is expected to save 146,760 kWh annually. We will continue to promote effective use of energy through the recovery of waste heat as one of our energy saving measures.

Total CO<sub>2</sub> emissions of the NOK Group

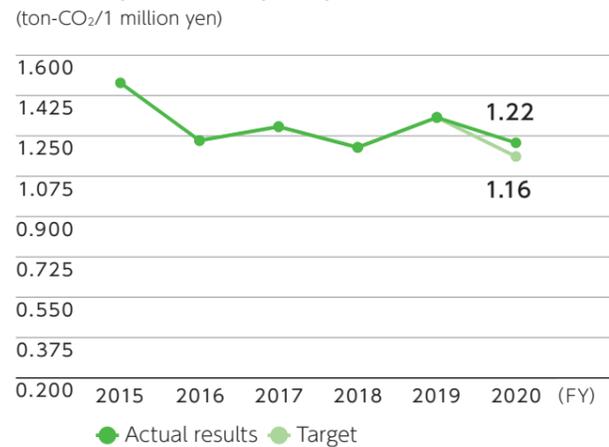


FY 2020 Scope 3 Breakdown

Category	CO <sub>2</sub> emissions (1,000 tons-CO <sub>2</sub> )
Purchased goods and services 168	204
Capital goods	22
Fuel- and energy-related activities (not included in Scope 1 and 2)	0
Upstream transportation and distribution	10
Waste generated from operation	14
Business travel	5
Employee commuting	15
Upstream leased assets	0
Downstream transportation and distribution	—
Processing of sold products	—
Use of sold products	—
End-of-life treatment of sold products	—
Downstream leased assets	0
Franchises	0
Investments	—
<b>Total</b>	<b>269</b>

\* Categories 9, 10, 11, 12, and 15 fall outside the aggregation range because of the current difficulty in calculating.

NOK Group CO<sub>2</sub> Intensity in Japan



Greenhouse Gas Breakdown

Greenhouse gas	CO <sub>2</sub> emissions	GWP reference
CO <sub>2</sub> emissions not from energy sources	33	IPCC Fourth Assessment Report (AR4 value for 100-year time horizon)
CH <sub>4</sub>	291	IPCC Fourth Assessment Report (AR4 value for 100-year time horizon)
N <sub>2</sub> O	85	IPCC Fourth Assessment Report (AR4 value for 100-year time horizon)
HFCs	481	IPCC Fourth Assessment Report (AR4 value for 100-year time horizon)
PFCs	0	IPCC Fourth Assessment Report (AR4 value for 100-year time horizon)
SF <sub>6</sub>	89	IPCC Fourth Assessment Report (AR4 value for 100-year time horizon)
NF <sub>3</sub>	0	IPCC Fourth Assessment Report (AR4 value for 100-year time horizon)

Subcommittee for Reduction of Energy Consumption

Activities of Subcommittee for Reduction of Energy Consumption

Based on the NOK Twin Green Plan 2030, NOK engages in continuous and strategic energy conservation activities with the goal of reducing CO<sub>2</sub> emissions from plants by 30% from FY 2018 through environment-friendly manufacturing initiatives. Last year, the Japanese government declared "Carbon Neutral by 2050," and announced a target of a 46% reduction from the 2013 level by 2030 this year. Therefore, we must engage in more aggressive activities.

Regarding our electricity usage last year, the ratio of the electricity consumption that fluctuates according to the production volume to the fixed electricity consumption was 60:40. With the tool, we found that most of the former was character-

Development of an Analysis Technique for Vulcanization Equipment

We developed an analysis technique for the heat in the material loading, vulcanization, and removal processes in rubber vulcanization equipment. It is aimed at finding points that lead to energy saving in vulcanization equipment and predicting the effects of possible measures for the points.

Figure 1 illustrates a vulcanization mold model. The materials are put into the cavities in the mold and vulcanized. Figure 2 shows an analysis of how the mold cools while the molded product is taken out of the mold after the mold containing the vulcanized materials is removed from the equipment. Figure 3 shows the temperature changes in the mold cavities identified with the analysis technique. One point for saving energy is finding a way to suppress the temperature drop when taking out the product in the heating and cooling cycle in which the material loading, vulcanization, and removal processes are continuously performed. To find an energy saving measure, we analyzed a way to remove the product with a mold heating plate attached. Figure 4 shows the measurements. We found that the measure helps keep the mold temperature in the cycle. We assume that this measure will save energy by requiring less heating by a heater.

Visualization of Power Consumption

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

The visualization tool is now in operation at all business units and is becoming an aid for energy management activities. In parallel with the horizontal deployment of the tool to satellite companies, we have developed an application that enables advanced analysis. The application is aimed to help daily energy management. Specifically, the application allows visualization of changes in the power consumption by equipment model and by production process and the power consumption during non-production hours (preheating time, etc.) with the identical time axis for the electric energy and the equipment operation, and it helps to make improvements.

ized by being used as heat energy in the manufacturing process. Therefore, we have been developing construction methods and equipment for low energy consumption. For fixed power usage, NOK has continued to increase the use of measures already determined effective and introduced them at its plants. Such measures include the replacement and maintenance of LED lighting and top-runner motors and the introduction of renewable energy. We also have been promoting the establishment of a system for more robust energy conservation management by adopting IoT technology to visualize power consumption at our facilities. We will continue improving our activities through the expansion and new development of energy conservation measures.

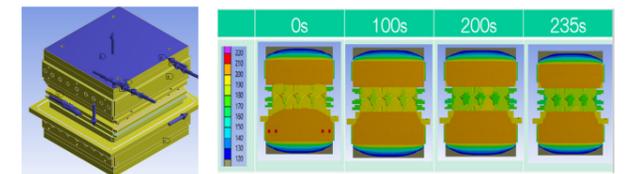


Figure 1. Mold model Figure 2. Change of mold temperatures when product is removed

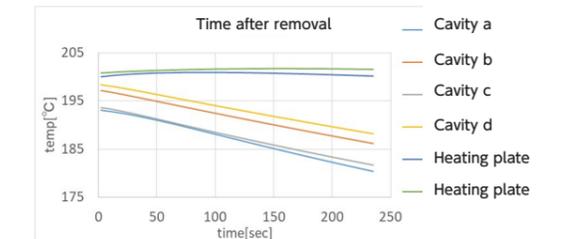


Figure 3. Change of mold cavity temperatures when product is removed

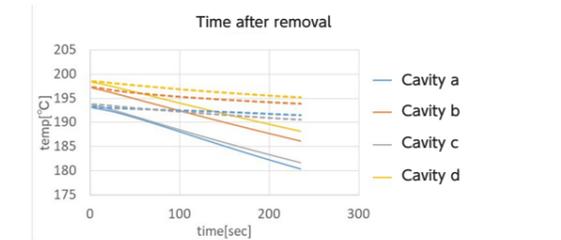


Figure 4. Change of cavity temperatures Solid line: Before improvement, Dashed line: After improvement

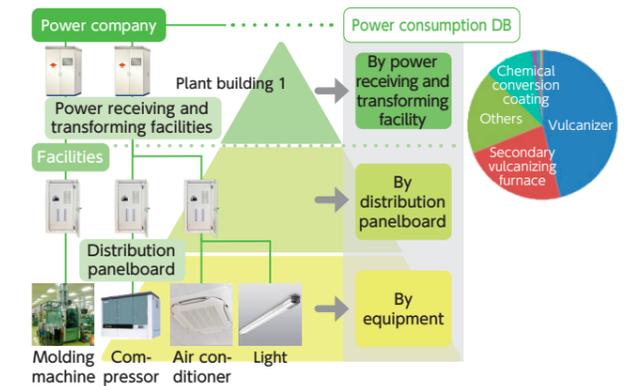


Figure 5. Visualization of power consumption

# Resource Conservation and Waste Recycling

## Social Background

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

## NOK Group Policy

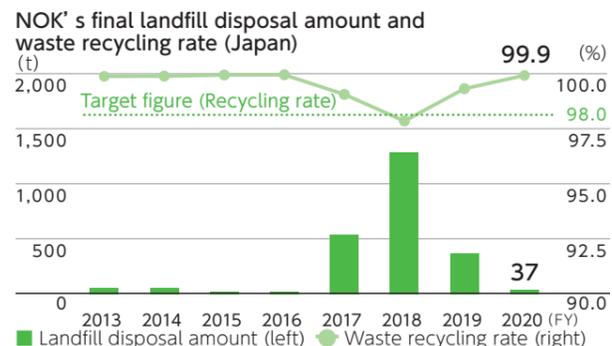
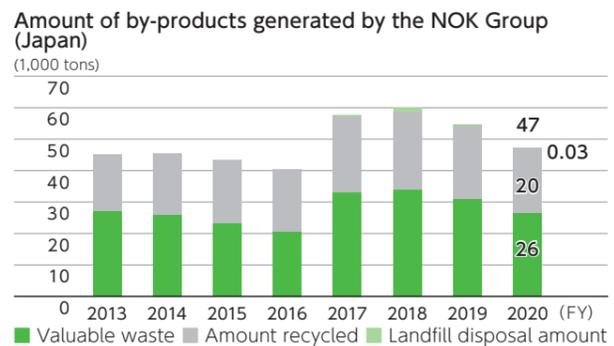
The NOK Group has been promoting the 3R initiative (reuse, reduce, and recycle) to realize a recycling-oriented society. The Group strives to contribute to a sustainable society and to enhance our corporate value through a range of measures throughout the product life cycle, including the efficient use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

## Targets and Results

The NOK Group's recycling rate for FY 2020 was 99.9%, achieving more than 98 percent of its goal. Due to waste (disposed of in landfills) from the foundry in Tottori Prefecture, which started operating in the second half of FY 2017, the amount of waste disposed of in landfill in FY 2018 was 1,241 tons. But in FY 2020, the amount of waste disposed of in landfills was reduced to 37 tons because we were able to recycle it, and the recycling rate was improved to 99.9% of the level recorded before the foundry started operating. The NOK Group will continue to reduce the amount of waste by taking measures to conserve resources, such as reviewing the shape of molds and the appropriate weight of rubber fabric, as well as measures to prevent product non-conformity, promote recycling, and turn waste into valuable resources. Thereby, we will promote the NOK Twin Green Plan 2030 to achieve a 100% recycling rate.

Target Items	Target Fiscal Year	Target Figure	This fiscal year's results	Evaluation
Continuous efforts to conserve resources	-	-	-	-
Industrial waste landfill disposal amount (Japan)	2030	0 t	37 t	Achieved a recycling rate of more than 98%
By-product recycling rate (Japan)	2020	More than 98%	99.9%	

\* By-product: General term for industrial waste and valuable resources  
 \* Recycling rate: "Recycling rate = 1 - amount of landfill disposal / amount of by-product generated × 100"



## Concrete Activities

### Reduction of industrial liquid (Japan)

UNIMATEC CO., LTD. has launched a project to move the out-sourced treatment of waste liquid containing fluorine ions (industrial waste) in-house. Through research and development of a system for fluorine ion removal, we found an effective adsorption method and set it with the optimum operating conditions in practical tests to enable in-house treatment. Through our in-house treatment, we have successfully reduced the amount of waste liquid.



### Promotion of recycling (Japan, China)

The NOK Group is actively promoting recycling. At Isshin Industries Corporation, they were able to reduce industrial waste by 240 liters annually by recycling the hydraulic oil used in compression molding machines (recycled hydraulic oil). Mekttec Manufacturing Corporation (Suzhou) Ltd. has started purification treatment because copper plating solutions containing impurities are unusable. The treatment allows copper plating solutions to be reused, and 19 tons of copper plating waste solutions were reduced annually.

### Recycling of waste solvents as valuable resources (Japan)

NOK KLUEBER CO., LTD. is recycling waste solvents such as post-cleaning solvents and raw material-containing solvents into valuable resources through cleaning. By distilling and recovering DMF / NMP / IPA / NS Clean (hydrocarbon-based cleaning agent), approximately eight tons of industrial waste were reduced in four months.

Also, NIPPON MEKTRON, LTD. has reduced 500 tons of industrial waste by recycling acidic waste liquid as a valuable resource.

### Going paperless (company-wide)

NOK is promoting digitalization company-wide, and one of its goals is to go paperless. We have selected types of paper documents that are printed regularly, such as pay slips, and are aiming to reduce them by 50% by 2022. Of the 220 selected types of printed matter, we have converted 55 types into digital formats. We have successfully reduced the amount of paper consumption by 25%, and the number of paper sheets purchased has been steadily reduced at the respective bases. We will continue to strive to go paperless in order to further reduce waste.

### Reduction in food loss (Fujisawa)

The Shonan R&D Center has begun an activity to reduce food loss in collaboration with an external company operating a cafeteria inside the Center. We investigated the amount and breakdown of daily food waste in the cafeteria, called for adjustment of the amount of rice served, created bulletin boards to raise awareness

of food loss reduction, and checked the change in the amount of waste. The check found that the amount of food waste was reduced by 34% compared to before the activity. We will continue to carry out the activity, and expand and promote the activity so that it is carried out at other bases.



## Conservation of Water Resources

### Social Background

Currently, the global shortage of water resources is becoming an issue due to the increase in water use caused by population growth and the development of developing countries. Moreover, intensifying climate change has led to different precipitation patterns as well as unusual intensity and frequency of rain, which may result in the destabilization of water resources, such as the expansion of drought areas and worsening flood damage. To address these water risks and create a sustainable society, it is becoming more and more important for businesses to make effective use of water resources.

### NOK Group Policy

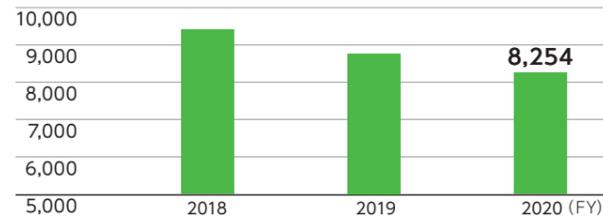
The NOK Group works to protect water resources by identifying and reducing the amount of water used in the manufacturing process of our products and by taking thorough measures to clean wastewater. In addition, the NOK Group assesses the water risks in each country and region to respond to different water risks depending on the country and region, and promote water resource conservation activities tailored to the characteristics of each country and region.

### Targets and Results

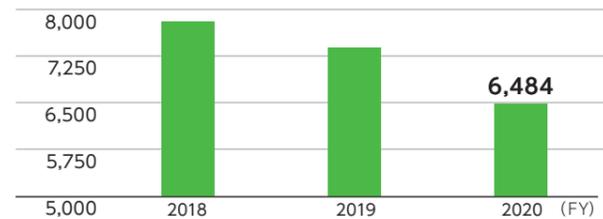
The NOK Group has been promoting the monitoring of water withdrawals and wastewater volume at each plant globally to reduce water withdrawals. The actual water intake and wastewater volume during FY 2020 were 8,254,000 m<sup>3</sup> and 6,484,000 m<sup>3</sup>, respectively. In the production process, the NOK Group reduced water intake by changing the number of cooling towers used that use water by introducing water-saving and water circulation equipment and optimizing the use of cleaning water. The amount of water intake in FY 2020 has decreased from FY 2019 along with the reduction in our production due to the novel coronavirus pandemic. However, due to growing concerns about water risks globally, the NOK Group has set a clear three-year (FY 2020-2022) goal of "controlling the increase of water intake globally." To achieve the goal, the NOK Group is actively promoting internal water intake reduction activities and participating in external water resource conservation activities, such as groundwater recharge activities, to conserve water resources both in and outside the company.

Target	FY	Results of Water Withdrawals Volume	Results of Wastewater Volume
Monitoring the water withdrawals and increase-controlled wastewater volume (Global)	2019 (baseline year)	8,768 [1,000 m <sup>3</sup> ]	7,386 [1,000 m <sup>3</sup> ]
	2020	8,254 [1,000 m <sup>3</sup> ]	6,484 [1,000 m <sup>3</sup> ]

NOK Group's total water withdrawals (1,000 m<sup>3</sup>)



NOK Group's wastewater (1,000 m<sup>3</sup>)



### Wastewater Control

While complying with the laws and regulations regarding wastewater, NOK has been using voluntary standard values that are about 20% higher than standard values stated in the laws and regulations. In addition, NOK is working to maintain a database system that allows measurements at the factories to be shared and checked. NOK Group factories and the environmental risk assessment department are working together to prevent wastewater accidents and problems.

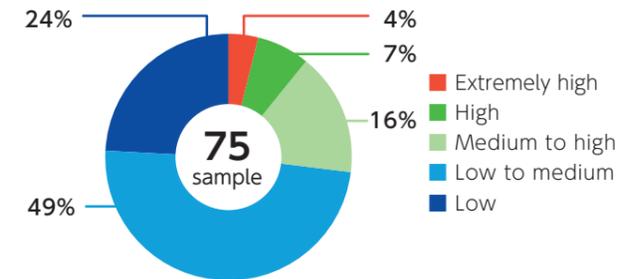


### Water Risk Assessment

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

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

### Water stress



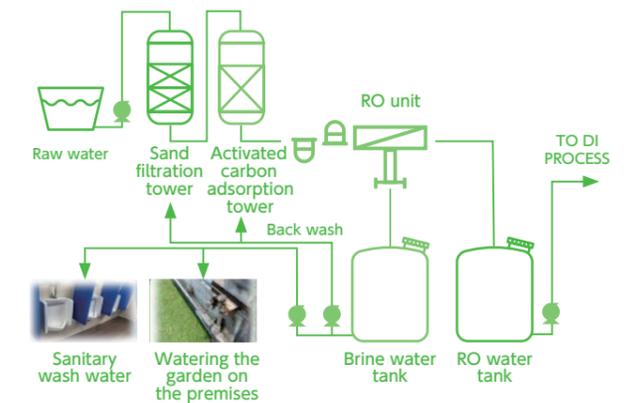
The survey revealed that high water stress was observed at six plants in Thailand and China and two plants in Germany out of all our 75 plants. NOK will continue to globally monitor and control water withdrawals on a group basis and promote activities to reduce water withdrawals in areas with high water risks to conserve water resources. When building a new plant, NOK conducts water risk assessments and promote production that takes into account water withdrawals and wastewater.

### Concrete Activities

#### Efficient utilization of water resources (Thailand)

Raw water supplied from the industrial park to the Thai NOK Co., Ltd. factory cannot be used in the production process. The raw water is treated to make it pure through reverse osmosis (RO) membranes and deionization (DI) in the factory and supplied to the production process. Some water that cannot be purified is usually discarded, but Thai NOK Co., Ltd. uses it for the sewage of toilets. The raw water is also sprayed to maintain the green area (30,000 m<sup>2</sup>) in the factory site.

#### RO-deionized water system



#### Reduction of Water Consumption and Reuse of Water (Japan, China)

Changchun NOK-Freudenberg Oil Seal Co., Ltd. treats industrial wastewater and reuses it in the company's cooling systems. The treatment helps reduce the amount of water consumption by 2,831 tons.

In Japan, we are making efforts to reduce water consumption. Mi-yagi NOK Corporation has successfully reduced their water consumption by 51.6 tons per month by changing the water feed to the hot water washing tank for mold cleaning from a constant water feed to a supplementary water feed.

#### Groundwater conservation (Japan)

As an initiative to protect water resources, the Kumamoto Plant has sponsored in a groundwater recharge project in the Kumamoto region promoted by the Kumamoto Groundwater Foundation. In the project, farmers who own paddy fields in a groundwater recharge area and companies and organizations that sign an ownership agreement with them grow rice together. The water stored in the fields percolates into the ground and promotes the groundwater recharge. In 2020, due to the novel coronavirus pandemic, the farmers were asked to plant rice on our behalf, but in addition to the contribution to the conservation of water resources, we donated 300 kg of harvested rice to food banks and actively engaged in other social contribution activities. We will continue to promote our activities in collaboration with external organizations and strive to conserve water resources.

## Measures on Substances of Concern

### Social Background

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

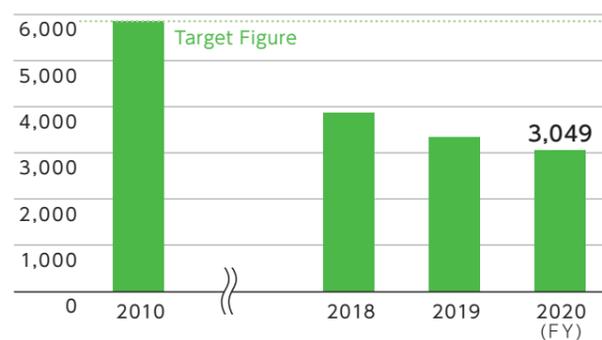
### NOK Group Policy

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

### Targets and Results

The NOK Group's VOC emissions during FY 2020 were 3,049 tons, keeping its VOC emissions below the group's target of 5,855 tons. NOK will continue to seek ways to reduce emissions from adhesives and paints at each stage of production so that the company can maintain or reduce VOC emissions. The company will also study the development of technologies to prevent an increase in VOC emissions when the use of organic solvents increases due to increased production.

Total VOC emissions of the NOK Group (t)



### VOC emissions targets and FY 2020 results

Target Items	Baseline Fiscal Year	Baseline Figure	Target	This fiscal year's results	Evaluation
Target VOC Emissions (Global)	2010	5,855 [t]	VOC emissions Less than FY 2010 results	3,049[t]	VOC emissions less than FY 2010 results

### FY 2020 PRTR Results

	Emissions (t)				Transfers (t)	
	Atmosphere	River/Lake	Landfill	Soil	sawage system	Off-site
Pollutant Release and Transfer Register (PRTR)	126	1	0	0	0	323

### Concrete Activities

#### VOC Reduction by Switching to Water-soluble Paints (Japan)

The Tottori Plant is promoting the switch to water-soluble paints for the paints used in their products. As a result, VOC emissions in fiscal 2020 were 116 tons, which was below the target of 130 tons. Some products have not been switched yet, but the Plant plans to complete the switch in FY 2021 and reduce VOC emissions by basing the centralized paint supply system on water-soluble paint specifications.

#### Use of Eco-friendly Auxiliary Materials (Japan)

Kumamoto NOK Corporation was able to reduce VOC emissions by 0.042 tons per year by replacing the methyl ethyl ketone used for cleaning equipment in the material process with another solvent. NOK Elastomers Processing Co., Ltd. used lacquer thinner for some types of cleaning, but by replacing it with eco-friendly thinner, they have successfully reduced their environmental load.

#### Improvement of Exhaust Treatment Process (China)

Our group companies located in China are focusing on the treatment of exhaust gas in their manufacturing process. Wuxi NOK-Freudenberg Oil Seal Co., Ltd. used to treat non-methane hydrocarbons (NMHC) with activated carbon adsorption and catalytic oxidizer (CO), but by using a regenerative catalytic oxidizer (RCO) device in place of the substances, they were able to reduce the NMHC emission concentration to less than 15 mg/m<sup>3</sup> and reduce the total NMHC emission by 28.26 tons. Changchun NOK-Freudenberg Oil Seal Co., Ltd. was able to reduce VOC emissions by 0.373 tons by using an air collection cover, oil smoke purifier, and activated carbon adsorption for exhaust treatment in the molding process.

#### Promotion of Green Procurement

Please refer to p. 39 for our promotion of green procurement.

## Environmentally friendly products

UNGC Principle9

### Social Background

Recently, environmental risks have been recognized and causing increasing concern across the world, including those related to climate change, resource depletion, waste treatment, and growing demand for water resources. In order to reduce those risks and create a sustainable society, we cannot ignore the environmental burden of the products we use on a daily basis. Accordingly, companies are required to develop products and technologies that contribute to environmental conservation in consideration of the entire life cycles of their products, from the procurement of raw materials to manufacturing, transportation, use, and disposal. Companies also need to make better use of renewable energy, thereby contributing to the solution of environmental issues, such as climate change and resource depletion.

### NOK Group Policy

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

### Environmentally friendly NOK products

All NOK products contribute to the environment by supporting our customers' products behind the scenes. The functions of NOK products, backed by technology, range broadly from sealing, liquid control, and vibration and sound isolation to low friction, membrane separation and more. These NOK products are integrated into our customers' products and are used in a variety of end products to perform functions to protect the environment, such as preventing emissions or leaking, transferring efficiently, reducing burden, and extending the life of the product. The NOK Group is committed to providing products and developing new technologies that help realize a sustainable society.

### Not generating and emitting substances that impact the environment



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

### Efficient energy transfer



The Le-μ's series, iron rubber (polyurethane elastomer) products, accumulators, solenoid valves, actuators, thermally conductive rubber, etc.

### Reducing burden on products and the environment



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

### Extending the life of products



Le-μ's series, special lubricant grease, special coating, RUSTECTOR series, etc.

### Product development related to new energy (fuel cell)

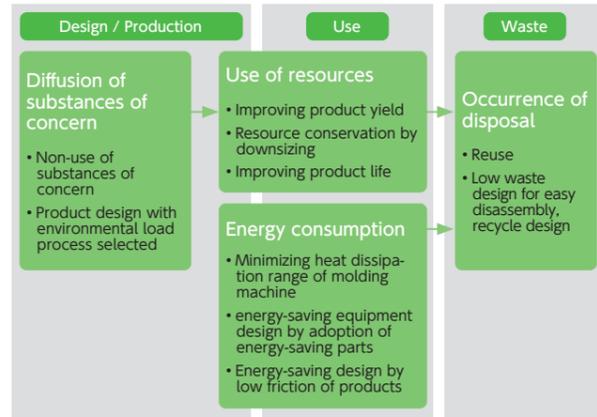


Cell seal for fuel cell, humidifying membrane modules, etc.

Environmental Impact Assessment for Design

We assess the environmental impact of designs of new products, new materials and new production machines in accordance with NOK's Standard of Environmental Impact Assessment for Design. Taking the entire product life cycle into account, NOK is working on various designs including ending the use of substances of concern, energy-saving designs, improved product yields, downsizing, longer service life, low friction and low wear performance, reuse of products, and low waste and recycling.

Standard of Environmental Impact Assessment for Design



Application of the Standard of Environmental Impact Assessment for Design in FY 2020

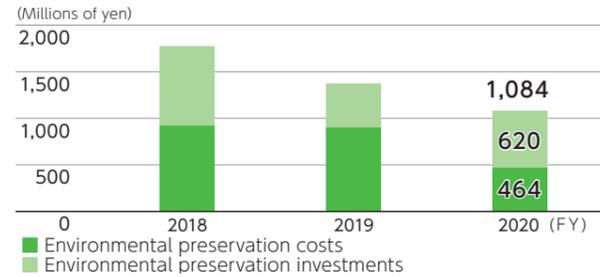
Plants	Application (cases)	Number of improvements (cases)
Fukushima	612	149
Kitaibaraki	1,080	13
Shonan R&D Center	164	96
Shizuoka	810	18
Tokai	55	22
Tottori	84	66
Kumamoto	101	3
Total	2,906	367

FY 2020 NOK Environmental Accounting

Category	Main Contents	Investments	Costs
<b>Business Area Costs</b>	Environmental conservation costs to control environmental burden caused by business activities within business area	176.0	293.3
Pollution Prevention Costs	Investments in and maintenance and management costs related to pollution prevention activities	40.0	146.2
Global Environmental Conservation Costs	Investments and maintenance and management costs related to global warming countermeasures including energy conservation	136.0	63.9
Resource Circulation Costs	Investments and maintenance and management costs related to resource recycling activities including waste disposal and recycling	0	83.2
Upstream and Downstream Costs	Costs of controlling environmental burden that occurs in upstream and downstream such as green procurement, etc.	0	0
Management Activity Costs	Costs associated with management activities such as ISO14001 maintenance and operation	0	182.8
Research and Development Costs	Costs of research and development that contributes to the environment such as the development of environmentally friendly products	288.0	135.0
Social Activity Costs	Costs related to greening of business establishments and support for the activities of environmental conservation groups	0	0.4
Costs involved in dealing with environmental damage	Costs associated with the removal of environmental burdens such as special equipment and facilities	0	8.1
Fines, penalties and/or legal costs associated with the settlement of environmental accidents and complaints			0
<b>Total</b>		<b>464.0</b>	<b>619.6</b>
<b>Aggregate total</b>		<b>1,083.6</b>	

Trend of Environmental Investments and Costs (Millions of yen)

FY	2018	2019	2020
Environmental preservation investments	923	899	464
Environmental preservation costs	850	473	620
<b>Total</b>	<b>1,773</b>	<b>1,372</b>	<b>1,084</b>



Effects of Environmental Conservation and Economic Effect

NOK tracks the amount of investments and costs required for environmental conservation in its business activities each year with the aim of efficiently and effectively promoting environmental conservation efforts, aiming to achieve sustainable development. In FY 2020, carried out energy-saving measures such as developing energy-saving manufacturing equipment, introducing demand control systems for air conditioners, and switching lights to LED lights, with a focus on measures that can be conducted at a low cost. In addition to energy-saving measures, we focused on the improvement of wastewater treatment facilities, such as the installation of wastewater basin alarm devices and renewal of tanks and pipes. NOK is also introducing solar panels, which also serve the purpose of business continuity management (BCM).

Effects of Environmental Conservation

Reduction of CO<sub>2</sub> emissions..... 2,033 t-CO<sub>2</sub>  
Reduction of landfill disposal volume ..... 335 t

Economic Effect of Environmental Conservation Measures

Energy saving effect ..... 61.3 million yen  
Gain on sales of recyclable materials ..... 143 million yen

Conservation of Biodiversity

Social Background

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

NOK Group Policy

We at NOK Group assessed the impact and dependence of our business activities on biodiversity and ecosystem services. Based on the results, we identified our course of action from the perspective of biodiversity conservation and established a uniform internal regulation NOK Standards for Biodiversity Conservation in FY 2011. This standard defines the biodiversity-related efforts we should make in our business activities and emphasizes the necessity to promote biodiversity conservation activities based on the characteristics of the region.

Concrete Activities

NOK promotes biodiversity activities based on the characteristics of the region in cooperation with local governments and residents, including environmental cleanup and tree planting activities in the neighborhood of its factories. We are also developing products, taking biodiversity into consideration, and will continue to contribute to biodiversity conservation through our business activities and products.

Biodiversity-friendly products (Japan)

NOK KLUEBER CO., LTD. is promoting sales activities for biodegradable lubricants. Biodegradable lubricants are decomposed into carbon dioxide and water by microorganisms, and help make products that have a low environmental impact in case of a leak due to an unexpected accident. Biodegradable lubricants are used in equipment and machinery from which they may be released into the environment, such as port cranes, ships, amusement equipment, construction machinery, and dental lubricants.

Umigomi Zero Week (Japan)

The Fukushima Plant and TSK Corporation participate in the Umigomi Zero Week campaign promoted by the Ministry of the Environment and other organizations to prevent marine pollution caused by plastic and marine debris. In FY 2020, a total of 74 employees participated in the initiative. They cleaned the area around the factory twice to contribute to the beautification of the nearby environment.



Support for eco-supporters (Japan)

Continuing on from FY 2020, NOK is providing support for the "Enosui eco" program for ecology and ecological actions sponsored by Enoshima Aquarium (Enosui). As a supporter, NOK assists in conservation efforts, including survey research into the diversity of living organisms and habitats in Sagami Bay, as well as beautification and waste reduction in the region. Also, we are actively participating in the Beach Clean activity. In FY 2020, 140 people participated, picking up garbage on the beach. By building a relationship with the local community, NOK is contributing to biodiversity conservation.



Tree planting (Vietnam, Thailand)

Synztec Vietnam Co., Ltd. has continued to plant trees, and the planting area is now 2,110 m<sup>2</sup>. Thai NOK Co., Ltd. has also continued to plant trees twice a year as one of its environmental conservation activities. Every year, they continue to implement the activity in collaboration with residents of the target area and government agencies (IEAT). In FY 2020, they planted a total of 80 trees in mangrove forests that are shrinking. In order to protect the environment and raise awareness toward conservation, we will continue to make efforts to protect the local environment with plans to allow children and adults to have a closer relationship with the nature.



# Third-Party Opinion on CSR Report 2021

## opinion

Congratulations on the 80th anniversary of the founding. The CSR Report 2021 marks this occasion and continues to fulfill the role of extensively disclosing NOK's initiatives to a wide range of readers as part of management that resonates with all stakeholders, as outlined in the NOK Charter of Corporate Behavior. As I stated in the CSR Report 2020, the report is in the completion stages as a communication tool of a B-to-B company for multiple stakeholders. However, in this year's report, various groundworks for future initiatives were introduced, and both continuous improvement efforts and the direction NOK is aiming for were well communicated.

There was a strong recognition of the integration of CSR with business activities. The substantial disclosure regarding unique value creation also stood out. In FY 2020, the various activities of the NOK Group were organized within the framework of the SDGs. However, the "NOK Group Business Overview and SDGs" section of this year's report lists the relationship between various products including oil seals and which social issues they contribute to solving in relation to the SDGs. These initiatives can be said to further embody value creation by solving social issues through business activities. I think this is valuable information for understanding "Green Product," which is the main pillar of the environmental vision, NOK Twin Green Plan 2030.

I was also impressed by the urgency communicated in the top message of the newly appointed president, Mr. Tsuru. Amid increasing uncertainty, a strong awareness of the value creation story was conveyed by focusing on flexible response to change and the importance of corporate sustainability. As part of these efforts, it is worth noting that the upper management has emphasized the need to further strengthen the link between environmental activities and business, including Q&A sessions, by focusing on the rapid environmental changes at the root of climate change.

Progress in infrastructure improvements to promote sustainability was also a focal point that supported the top message. The establishment of an ESG committee directly controlled by the president, a carbon-neutral subcommittee, and a scenario analysis subcommittee under the ESG committee will be considered as the creation of a system for examining strategy in line with the TCFD framework mentioned in the report. This increases expectations that long-term responses to carbon neutrality will be disclosed as concrete strategies in the future. Along with developing these systems, robust environmental management initiatives have been further enhanced, including the completion of environment risk surveys at all business sites, the establishment of an environmental commendation sys-

tem, and the commencement of environmental questionnaires for suppliers. This can be said to be a display of NOK's qualities.

As such, while showing one destination as a CSR report, I was able to get a strong feeling of how NOK will aspire to move forward to the next stages, and this is what I want to see more of in the future.

Firstly, content should be restructured in terms of improving the clarity of the value creation story. As mentioned above, in line with how the direction has been clarified in terms of environmental factors, it is desirable to have a structure that organically shows the connection with value creation for other factors. In light of NOK becoming a signatory to the UN Global Compact under the management principle of "the Management has to run the Company based on feelings of love and trust in its employees," one option could be to show the positive aspects of the human capital that was introduced from various perspectives in this year's report. The need for human resource development and skill transfer was mentioned as an element to support the principle of manufacturing that "quality is built in at the production process." However, if this strength were positioned as an intangible asset in the value creation story, the new direction would become significantly clearer. At the same time, the orthodox approach of clarifying NOK's long-term vision and key issues to reach this vision could also be effective as this can also be said to be the foundation that supports the value creation story.

I look forward to NOK's further progress in the new direction you have shown in this year's report.

Development Bank of Japan  
Research Institute of  
Capital Formation Executive Fellow  
**Keisuke Takegahara**



## Response to Third-Party Opinion

Most of the products we have produced in the 79 years since NOK's founding are very small, and typically people do not notice them. Even some employees do not have a good understanding of how these products are utilized in society. This was one area of focus for this year's report, so we included content to help stakeholders, including employees, understand the relationship between the NOK Group's product lineup and social issues.

This time we were advised to "restructure content from the perspective of the value creation story." At the NOK Group, under the management principle of "respecting human dignity," we have responded to the changes of the times by focusing on human resources to improve corporate value. However, as was pointed out by Mr. Takegahara, organizing our human resource competencies

and positioning them within the value creation story would make it easier to understand for our stakeholders. We extend our gratitude to Mr. Takegahara for his valuable advice.

We will promote our CSR activities in response to changes of the times and create a report that communicates this message.

Senior Operating Officer  
General Manager of Corporate  
Administration Office  
**Noriyuki Takahashi**