



NKC

中西金属工业株式会社

Nakanishi Metal Works Co., Ltd CSR Report 2018



CSR Report 2018

Activities Report

Overview of NKC	02
Company Profile, List of Sites, Lines of Business, and the History of NKC	
Greeting from the Representative	05
NKC's Mission to the Society	06
Feature: Road to a Centennial Company	07
Feature 1 Support of Employees' Active Social Participation	07
Feature 2 Respect for Individual Personality and Way of Working	09
Feature 3 Environmental Activities Beyond Borders	11
Feature 4 Creation of New Businesses: Entry to the Agricultural Business	14
Detailed Report: Together with Employees	15
Employment, training, and Activity Promotion	15
Safety and Health Management	17
Labor-management Relationship	18
Detailed Report: Together with Customers and Business Partners	19
Quality Assurance and Quality Control Responsibility for Procurement and Responsibility for Supply	21
Response to Risks	21
Detailed Report: Together with the Global Environment	23
Reduction of environmental impact and prevention of global warming	23
Environmental Business	25
Biodiversity Preservation	26
Detailed Report: Together with Local Society	27
Social Contribution Activities	27
Nurturing of Coexistence Awareness	28
Toward Greater Contributions to a Sustainable Society	29

About this Report

Editorial Policy

The NKC Group has issued the "NKC Group CSR Report" widely to inform our stakeholders both inside and outside of the company about our policy and CSR activities.

The NKC Group declares to people outside the Group that we recognize our social responsibilities as a corporate citizen and are determined to fulfill them through the NKC Group CSR Report. To people inside the Group, the Report shares information among sites inside and outside of Japan, Divisions and sectors and provides data and materials to promote the implementation of effective CSR activities.

In the preparation of this year's CSR Report, we reflected the comments and opinions gathered from the questionnaire of CSR Report 2017 issued last year to make it readable and understandable to all stakeholders.

Scope of Reporting

The Report covers the activities of the NKC Group as well as the activities related to the affiliated companies of the Group.

▪ Report Period

FY2017 (April 1, 2017, to March 31, 2018)

▪ Date of Publication

This report has been published since 2013 as our annual report. Japanese version: August 2018; English version: October 2018

▪ Format of Publication

We prepared two versions of the CSR Report. One is a full report that summarizes our major annual CSR activities, and the other is an abridged version that contains featured articles only.

Report Medium

The CSR Report is accessible on NKC's corporate website. Copies of the Report are available upon request from our staff or the contact page of our corporate website (see the following URL):




• Accessible web page to download the NKC corporate CSR Report

http://www.nkc-j.co.jp/eco_csr/csr_dl.html

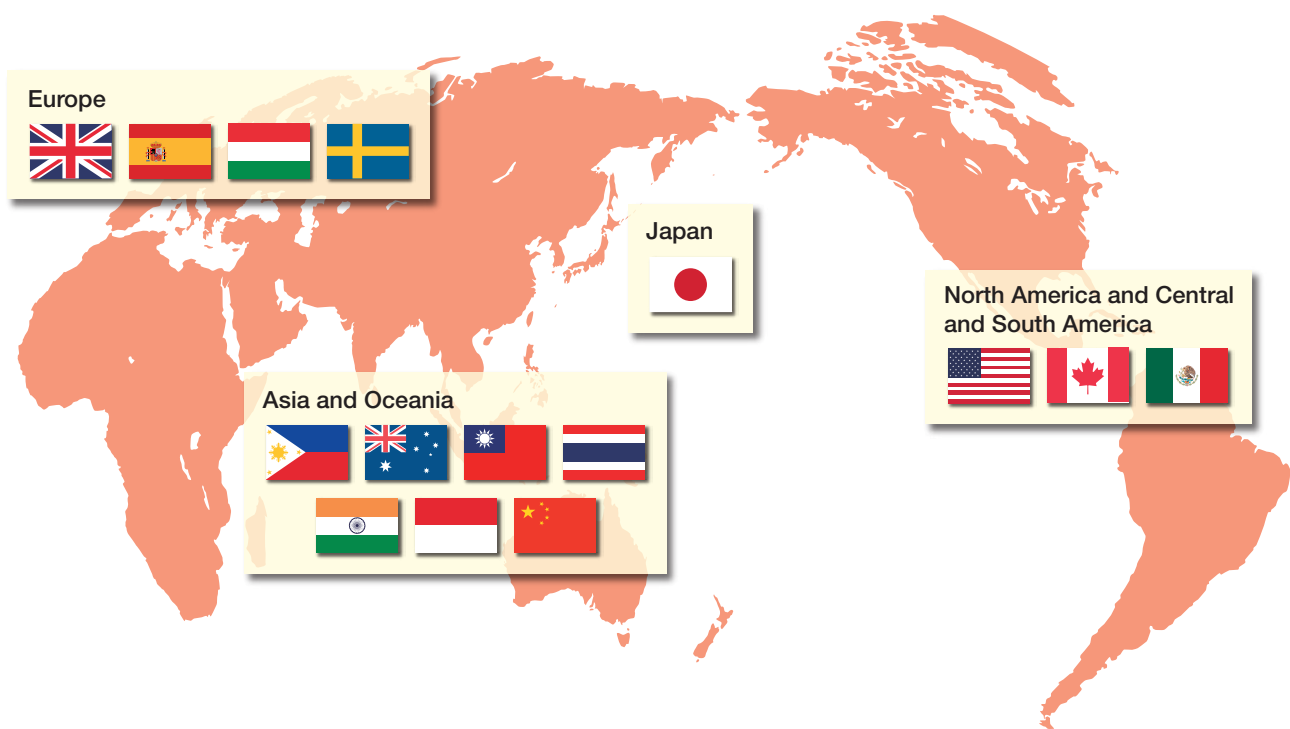
Overview of NKC

The NKC Group is a globally operating manufacturer of bearing retainers, or parts that support the mechanical movement at the core of automobiles and industrial machines that underpin the daily life and move more efficient machines, conveyors that correspond to the systems of product manufacturing lines, and housing parts including sashes that help create a comfortable housing environment, thereby contributing to the industrial development of the world and improvement of people's living. Based on the experiences and achievements so far accumulated, we continue to provide quality products and services to our customers and aim to achieve sustainable growth together with our stakeholders.

Corporate Profile

Company name: Nakanishi Metal Works Co., Ltd. Head Office : 3-3-5 Tenmabashi, Kita-ku, Osaka city 530-8566
 Trade mark :  **NKC** Employees : 4,469
 Foundation : June 19, 1941 Representative: Tatsuo Nakanishi
 Capital : JPY 2,512.50 million

List of Sites



No. of Group sites

Asia and Oceania		North America and Central and South America	
Japan	12	USA	2
China	3	Canada	1
Philippines	2	Mexico	1
Australia	1	Europe	
Taiwan	1	Sweden	1
Thailand	1	UK	1
India	1	Hungary	1
Indonesia	1	Spain	1

Group affiliated companies

Nakanishi Kosan Co., Ltd.
Neues Co., Ltd.
Banshu Nakanishi Metal Works Co., Ltd.
C.T.Machinery Co., Ltd.
E-Globaledge Corporation
Fuji Honing Industrial Co., Ltd.
Suda Corporation
ISA Co., Ltd.

Lines of business

The NKC Group manufactures bearing retainers, conveyor systems, and other housing parts as its traditional business that has continued since its foundation. Recently we have been active in entering new fields of business. We intend to cope with the drastic changes in the society and to constantly innovate in order to meet customers' demands.

Bearing Retainer Division

The Bearing Retainer Division handles a large number of bearing-related products, centering on retainers as built-in parts of bearings used in rotating elements of mechanical products, as well as automotive products. We are the world's top manufacturer of bearing retainers in terms of market share. We have gained high evaluation and trust of customers in a wide range of fields from precision machinery to aircraft.



Metal retainer



Resin retainer



Rubber products



Automotive parts

Conveyor Division

The Conveyor Division produces and provides efficient production lines, including conveyor systems that support car-making to the full satisfaction of customers' demands ranging from design and installation to maintenance. Our market share in Japan is the second greatest. Our products are operated in car-making factories all over the world. The Division also handles distribution-related products including tractors and forklifts and is now reinforcing its focus on the development of distribution systems that meet today's demands.



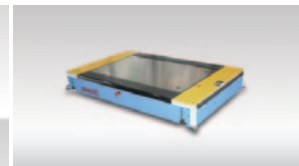
Conveyor system



Conveyor system



Distribution-related products



Distribution-related products

Sash Hardware Division

The Sash Hardware Division handles hardware used in residential window sashes and other housing parts. The market share of our sash rollers that ensure smooth movement of windows is the greatest in Japan. We are also engaged in the production and sale of products in housing renovation or pet-related products as part of our housing-related business activities.



Housing parts



Remodeling (before renovation)



Remodeling (after renovation)

New Businesses

In addition to the three major businesses listed above, NKC has actively developed new businesses. In recent years, we are more interested on new business development, such as agriculture, power generation and other fields completely different from our conventional genres. We conduct business activities in a forward-looking manner while respecting the existing businesses and technology to ensure our sustainable growth.



Steel sheet and rolling business



New power generation business



Nursing care product business



Security equipment business



Electronic equipment business



Environment-related product business



Travel and hotel business



Agriculture-related business

History of NKC

100th Anniversary of the Foundation in 2024 Since its foundation in 1924, the Company has been expanding its business while coping with drastic changes in society.

The NKC Group corporate culture puts top priority on customers' point of view in every aspect of operation, including planning, development, design and production, and is making a group-wide effort to conduct its business activities to win the trust of customers all over the world.

The Group aims to grow as an active contributor to the betterment of the environment and local community through our business activities and to help society to achieve sustainable growth.

1924

The Company was started up under the name Nakanishi Manufacturing Co., Ltd. and started production of retainers.



1945

The Company's name was changed to Nakanishi Metal Works Co., Ltd.

1952

Production of conveyors started.

1960

The Mie Plant was constructed.



1961

The Osaka Plant was constructed.



1965

Production of sash rollers started.



1973

The Shiga Plant was constructed.



1980

NKC Group started operation in the USA and constructed a conveyor factory.



1984

The Nabari Plant was constructed to commemorate the 60th anniversary of founding.



1988

A bearing factory was constructed in the USA.



1997

The Company started operation in ASEAN and constructed a bearing factory in the Philippines.



2003

A sash hardware factory was established in China.



2005

A conveyor factory was constructed in China.



2005

A bearing factory was constructed in China.



2011

The NKC Group started operation in Europe and constructed a bearing factory in Sweden.



July 1, 2018, to further improve and strengthen our brand, we renewed our traditional logo design and released a new logo.

The new logo mark was developed and introduced to show to our customers the history of efforts of NKC Group. That the Group has been steadily improving its technological excellence and enhancing the quality of its products and services for years since it was founded. Also, the Group has been expanding its business inside and outside of Japan and its commitment is to continue to grow further in the future.

Greeting from the Representative

We combine all the forces of the NKC Group and contribute to a sustainable society with our rich and innovative technology and products.

President **Tatsuo Nakanishi**



The NKC Group has been making various efforts since our foundation to contribute to social and industrial growth and development. To this end, we are committed in coping with social changes swiftly and flexibly. In particular, we are determined to fulfill our corporate social responsibility for the “creation of a better society, world and Earth.” At the same time, we reinforce our “reform of the way of working, respect for diversity, and consideration of the global environment” to not only provide technology ahead of its time and products that satisfy customers’ demands but also create new values. The NKC Group carries out its business activities toward an affluent and brilliant future together with stakeholders.

▪ Implementation of CSR activities ▪

We have so far actively conducted various CSR activities to fulfill our social responsibility. In accordance with the principles of the UN Global Compact with which we have been involved since 2015 and our Code of Conduct, we newly set up the NKC Standard as a set of action principles for our employees in FY2016. The NKC Group further promotes CSR activities by making all the employees in the Group know and comply with these principles.

▪ Promotion of work-life balance and human resource development ▪

We set a goal of further reinforcement of the ongoing measures to help our employees sufficiently show their capability and realize a variety of lifestyles through promotion of work-life balance and formation of an attractive working

environment. We aim to promote diversity from wider viewpoints including diversity of gender, nationality, age, and other characteristics of human resources, in addition to ongoing promotion for our female employees.

▪ Development of new businesses ▪

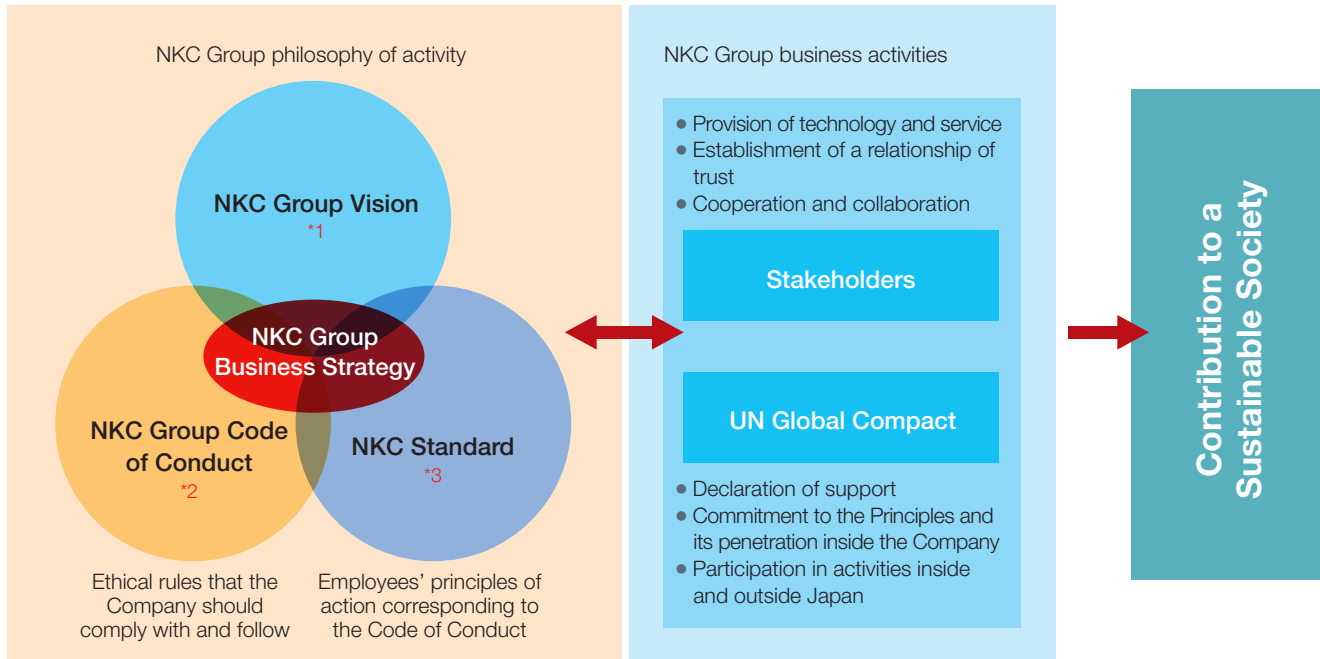
We are actively engaged in the development of new businesses aiming to establish new mainstays for the entire Group. We are working on the effective use of new technologies as represented by AI, IoT, AR, and VR in addition to reinforcement of R&D of our existing businesses and search for new markets and new products by a dedicated section assigned to new businesses. We are also active in taking on challenges of new business creation featuring our design-oriented thinking and of design management. We aim to create new businesses that can flexibly and accurately respond to changes of the environment surrounding our businesses and to varying demands of the market.

The NKC Group is always keenly aware of our vision, which is “NKC aims to be a company that constantly reinvents itself and where its employees like and want to work in, and where its employees are proud to work in.” Every one of us is determined to enthusiastically take action to tackle social problems and issues and contribute to the establishment of a sustainable society.

NKC's Mission to the Society

Principles of Activity

The NKC Group accurately understands social issues and makes an active contribution to many members of society, including our customers and business partners, our own employees, the local community as well as the global environment by promoting business activities based on the NKC Vision, NKC Group Code of Conduct, and NKC Standard.



***1 NKC Vision** Basic way of thinking and the ideal vision to aim at
NKC aims to be a company that constantly reinvents itself and where its employees like and want to work in, and where its employees are proud to work in.

***2 NKC Group Code of Conduct** Ethical rules that the Company should comply with and follow

1. Basic mission: Provision of excellent and safe products and services
2. Compliance with laws and social norms: Thorough compliance with laws and regulations, implementation of fair competition, and implementation of fair trade
3. Information disclosure and handling of information: Highly transparent disclosure of information and appropriate information management
4. Respect for human rights: Respect for human rights and prevention of human rights violations
5. Provision of a positive work environment: Providing a safe, healthy and comfortable environment.
6. Environmental protection: Active environmental activities and action to prevent environmental problems
7. Social Contribution: Active involvement in actions to solve social problems
8. Opposition to Antisocial Influences: Thoroughly shut off any relationship with antisocial influences and organizations
9. Adherence to Corporate Ethics: Establishment of an effective internal system and thorough compliance with corporate ethics
10. Problem-solving: Solving the causes of problems, prevention of the recurrence of problems, information disclosure, and accountability

***3 NKC Standard** Employees' principles of action corresponding to the Charter of the Code of Conduct

- We contribute to the social wellbeing through production and services (Monozukuri).
- We comply with the laws and regulations of foreign countries and conduct honest business activities.
- We recognize the importance of all information and handle it properly.
- We respect the human rights of all people and avoid being involved in any act that violates their rights.
- We aim to maintain and improve a safe and comfortable working environment.
- We actively engage in environmental conservation and reduce environmental impact to create a sustainable society.
- We contribute to the cultural and economic growth of local society as a good corporate citizen.
- We thoroughly avoid having any relationship with antisocial forces.
- We aim to maintain and improve the sense of ethics with our top management taking the initiative in this endeavor.
- We prevent problems from occurring and, quickly and strictly deal if any of it occurs.

Think about problems on a global scale

The NKC Group intends to make an active contribution to society not only in Japan but also to international society as a corporation with global operations. As one aspect of this contribution, we participated in the United Nations Global Compact requiring businesses to act responsibly as a member of society in April 2015. Availing ourselves of this opportunity, we will fulfill our responsibilities as a company by practicing the principles of action on the human rights and environmental considerations required by the United Nations.

WE SUPPORT



Road to a Centennial Company

100th Anniversary of Foundation in 2024 Let us show you some actions to take for us to always move forward toward another 100 years even after celebrating our first 100th anniversary.

Special
Feature 1

Support of Employees' Active Social Participation

Cooperation among employees is indispensable for a company to aim at making a better society. When the employees feel that they are active members of the society, and are engaged in communal activities, they feel that they belong somewhere. We hope that this feeling spreads widely and takes root in the company.



The mission of the company is to provide products and services useful for society and eventually to return the profit obtained from such business activities back to the society.

In addition, employees are required to make active contributions to society and actively provide value to society in addition to their engagement in business activities of the Company they work for.

The NKC Group recommends that its employees be involved in various social contribution activities including volunteer activities.

When the number of employees having a broader perspective increases, have greater interest in social issues, and feel sympathy toward other people through their experience in volunteer activities, it will surely produce positive effects on the further growth of the NKC Group.

Tackling social issues as those that can happen to anybody

I do volunteer activities at the Homedoor, a certified incorporated non-profit organization, Kita-ku, Osaka city, actively involved in homeless people's problems. We do night patrol and visit people sleeping in the open or teach homeless people how to operate PCs. When you think of this problem, you may see negative impressions such as illegal reception of welfare payment or their own lack of effort before you see the reality. However, the more you know about it, the more keenly you will realize it can happen to anybody. Actually there are a lot of people trying very hard to get back on the track. I also participate in this support activity by offering a monthly donation. Homedoor started to operate a facility with private shelters to offer the homeless people a chance to change their lives into better and to get a home. If you are interested, just check the website of the organization.

Yusuke Yamamoto, Innovation Department, Head Office

Begin doing whatever it is. That's when your circle of friends will widen.

I have continued volunteer activities, such as being a member of a local volunteer fire corps or a leader of a disaster prevention team, since I was 20 years old. Now I am a local sports promotion committee member and a gymnastic welfare committee member. I have a wide sphere of activities in my local community, including volunteering for the Osaka Marathon and putting out stalls in a local event. When people gather and work together for the same purpose and in the same position, a sense of camaraderie is cultivated, and that produces substantial results. When I come in contact with a variety of people in a way that goes beyond age or community through sports or events and jointly conducts volunteer activities, I feel pleased that is something different from the kind of joy I get from working for a company.

I recommend you join first. Once you know what it is like, I am sure you will feel your circle of friendship widening and create a rich personal relationship.

Hidetoshi Kishimoto, Osaka Plant

Value always looking around and caring about others.

For 3 years in high school, I participated in volunteer club activities

I visited children's homes, performed my own picture-story shows, played together with children, and get in touch with many cheerful children. That was a very pleasant experience. I have always been good with children, so I was involved in activities related to children. Now I am interested in activities for children inside and outside of Japan, such as UNICEF Monthly Donation, Kodomo Shokudo (Kids' Kitchen), and food banks. I have a care worker's license and am thinking of what I can do for the aging society.

I try not to forget there are many people who cannot do things that I can do as a matter of fact. I also try to be considerate of other people. This attitude is the first step to volunteer activity. When I do good things, I feel good. Caring for other people enlivens our work places and our society. I myself actively participate in Osaka Plant's social contribution activities such as cleaning. Whenever the Company informs us of any volunteering activity, I will definitely participate in it.

Chisato Tanaka, Osaka Plant

Aware of What I Do Helping Improve the Impression of My Own Company

I am involved in a volunteer activity of children with disabilities and local elementary school students playing together about five times a year, mainly using my weekend. The activity takes about 5 to 6 hours each time. I have been in this activity for about 20 years. When healthy children spend time together with children with disabilities, they can naturally learn what they can do for each other. As a grown-up, there are many things I realize anew from their common playtime activity.

Currently, I am engaged in this activity as one of the directors. I provide support so that I can hand down what I've learned to the following generations.

I donate money to a local fireworks event in Shiga. It is my voluntary action to let local community have a good and clean image on NKC. I intend to continue these activities with such kindness that elderly people or people with disabilities are offered helping hands before they realize it.

Hideaki Yamamoto, Shiga Plant

Treasure Job-related Connections and Learning and Use them in Contribution Activities

In my school days, I wanted to do something as a member of society, so I majored in international cooperation at university and joined a volunteer club. I had various social experiences through volunteer activities outside university life. For example, I was involved in a youth fostering program held by a company to provide education and training to participating students. I also participated in a field work program in Nepal, sponsored by the Asia Volunteer Center, and this experience gave me the sense of what it was like to work with people of various nationalities. I feel it helps me smoothly carry out the present job of supporting employees of foreign nationality. Since I started working in society, I participate in discussion on social issues after working hours as part of my continued study. I intend to join volunteering activities on the weekend in the future. I joined the event for promoting telework, which is one of my tasks and good work experiences in NKC, and helped fund-raising for orphans in the Philippines by collecting participation fees. I am determined to continue social contributions as an individual as well as a member of the NKC Group.

Erika Kondo, Personnel and General Affairs, Head Office

Connect with everyone through volunteer activities and expand your world.

I am a director of a gymnastic program in Utsunomiya city. When I was young, I played volleyball. At first, I joined athletic events as a volleyball player. One thing led to another, and I was promoted from a branch leader to a director. I have been involved in this program for 20 years. I am engaged in various sports events through the year, such as volleyball, softball, baseball, table tennis and other ball sports. Since athletic activities are very popular in this area, these events are often enjoyed by many participants regardless of age or gender. As part of the duty of a director, I gather branch leaders and hold a meeting, and extend cooperation with local festivals and child programs I work during 10 months in a year on these activities. I have come in contact with a lot of people in the local communities through the volunteer activities including the types of people I usually don't have a chance to be acquainted with. It is really expanding my world. I hope to continue these activities while keeping the present level of enthusiasm for years to come.

Masahiro Kikuchi, Suda Corporation

Feature 2

Respect for Individual Personality and Way of Working

It is our belief that when employees work in a lively manner, it can help improve the productivity and creativity of the entire company and ultimately return greater benefits to customers and society. To this end, we need to create an atmosphere that encourages every employee to work comfortably and conduct measures to support individual growth.



Development of Career for Female Employees

We take various measures to increase the ratio of female employees or female managers in the Company as part of our effort to promote diversity. One of the measures is the employment of female employees as many as half the total number of young employees including university graduates to be newly employed. In FY2017, 12 women newly joined the Company. Although there are relatively more male workers than female in this industry, we are enthusiastically engaged in creating the type of organization or workplace that helps female science students fully show their knowledge and capability. We also provide Female Leader Training to help women steadily develop their career after employment. With dedicated lecturers and team members assigned to this Training program, we are putting an emphasis on fostering next-generation female managers.

We set up a day-care center and revised the child-rearing holiday system to help female employees work comfortably before and after childbirth and during child rearing. These efforts have made us continuously obtain certification of the

Leading Company in Women's Advancement (Two-star Ikumen Promotion Company) in January 2018. In October 2017, we accepted a company tour for the purpose of studying the CSR activities of a company. We invited Osaka municipal Senri Senior High School, Suita city, Osaka prefecture, which is certified as a Super Global High School by the Ministry of Education, Culture, Sports, and Science and Technology. We presented to the students our actions to help women work more actively and our future vision. Some students said they felt an atmosphere in our company that helps not only women but also any worker focus on their work in a good way.



Kurumin Mark (one star)



Leading Company in Women's Advancement (Two-star Ikumen Promotion Company)



Presenting our Activities to Students Who Will Carry the Next Generation

Improvement of a Working Environment with Employees as Initiators

We started organizing the Nadeshiko Project, with employees as the main initiators, in conjunction with our support of woman employees' career development a few years ago. In FY2017, we revised the past internal questionnaire survey and tackled the issues related to child-rearing. We also held the NKC Guardians Meeting for head office employees as an opportunity to come in contact with others among child-rearing employees. Nearly 30 employees, regardless of department or gender, participated in the meeting, and the event ended successfully. This contact meeting aims to create an environment where child-rearing employees will not bear their worries alone by offering them an opportunity to share their mutual problems, such as work-life balancing, application for entry to nursery schools, or after-school care for children. We plan to continue this program and activate internal communication. We also planned publication of a guidebook that gives an easy-to-follow explanation of systems or schemes related to child-rearing. The planned process includes preparation of the table of contents in FY2017, completion of the booklet in FY2018, and distribution of the booklet to various sites in FY2019. In 2018, the project

restarted to think how we could make workplace ideal not only for women but any other employees. The project, named "NEXT NKC Project", its members consist of male and female employees of NKC.



Regular meeting of the N



Participants of the NKC Guardians Meeting

Health Event for Participation of all Employees of the Group

The NKC Group believes that each workplace shall be safe and comfortable. Therefore we take various measures to promote their mental and physical health for working actively. For example, in addition to legally required medical and stress check-ups we provide additional check-ups, provide consultation and aim to reduce prolonged working hours. In FY2017 October we held a company-wide health event called NKC Walking Event. We did this to help the employees to do sports and incorporate it into their routines. The participants measured and recorded the daily number of steps with a pedometer. The distance walked was transferred on

special map. The NKC Group walked together towards a common goal set on that map. Employee cafeterias are places where the information can be widely spread among employees. Therefore, the desktop POP ads, showing the health information about "food" (appropriate amount and salt reduction), "appropriate amount of alcohol to take," "oral care," and "exercise" were placed in the cafeterias to support employees interested in health improvement. We are considering holding health improvement events every year to improve all employees' health awareness.



POP ads placed at the cafeteria of every site

食生活改善のヒント

- 食 (Food):**
 - 食事は健康的な食生活を送るための重要な要素です。食生活の改善は、心臓病や糖尿病などの生活習慣病の予防に効果的です。食生活の改善には、食生活のバランスと適切な摂取量、適切な調理方法、適切な食事のタイミングが重要です。
 - 食生活のバランスと適切な摂取量
 - 食生活の改善には、食生活のバランスと適切な摂取量、適切な調理方法、適切な食事のタイミングが重要です。
 - 1日食べる量の目安
 - 食生活の改善には、食生活のバランスと適切な摂取量、適切な調理方法、適切な食事のタイミングが重要です。
- 塩分 (Salt):**
 - 減塩心がけがよす
 - 1日の塩分摂取量は、成人男性が約10g未満、成人女性が約8g未満（食塩相当量の目安）です。
 - 減塩心がけがよす
 - 減塩心がけがよす
 - 減塩心がけがよす
- 歯 (Teeth):**
 - 8020運動（80歳まで20本以上）
 - 歯の健康は、生活習慣病の予防に効果的です。歯の健康を維持するためには、適切な歯磨き、歯医者への定期的な通院、適切な歯のケアが重要です。
 - 歯の健康を維持するためには、適切な歯磨き、歯医者への定期的な通院、適切な歯のケアが重要です。
 - 歯の健康を維持するためには、適切な歯磨き、歯医者への定期的な通院、適切な歯のケアが重要です。
- お酒 (Alcohol):**
 - お酒は健康を維持するための重要な要素です。お酒の適量摂取は、生活習慣病の予防に効果的です。お酒の適量摂取には、お酒の適量摂取、適切なお酒の選び方、適切なお酒の飲み方、適切なお酒の飲み場所が重要です。
 - お酒の適量摂取には、お酒の適量摂取、適切なお酒の選び方、適切なお酒の飲み方、適切なお酒の飲み場所が重要です。
 - お酒の適量摂取には、お酒の適量摂取、適切なお酒の選び方、適切なお酒の飲み方、適切なお酒の飲み場所が重要です。

Feature 3

Environmental Activities Beyond Borders

As a company that develops business globally, efforts to address social issues need to be addressed not only in Japan but also in other countries all over the world. We believe that environmental problems, among various issues, to be particularly important, so we promote action at our various sites around the world.



Global environmental problems that need action include global warming, depletion of resources, destruction of the ozone layer, reduction of tropical rainforest, desertification, reduction in the number of wildlife species, marine pollution, and public pollution in developing countries.

Overseas sites of the NKC Group started to tackle these problems early on and have continued improvement activities that meet the conditions of each area.

We continue to support the precautionary principle approach, take the initiative to accept greater responsibilities, encourage the development and spread of environmentally friendly technologies.

Environmental activities at NSC, Goteborg, Sweden



Our NSC factory takes various measures to ensure preservation of the global environment. We made a large-scale investment in plant and equipment to reduce power consumption of heating equipment by 40%, thereby successfully reducing power consumption. We use

recyclable energy, or green energy, such as hydro power generation, wind power generation, biofuel, and solar power generation, to contribute to the global environment. In addition, we have a natural park near the plant. We clean the waste water from the phosphate treatment area in the production equipment by the waste water treatment system. In order to prevent leakage of wastewater to the city area, we have installed lids to cover wells linked to the waterworks, rivers and soil. We regularly check them. We installed a power charging station for electric vehicles and hybrid cars and recommend employees select EV or hybrid cars. This is because individual choice has a great impact on the environment. We intend to preserve the global environment on a personal as well as corporate level.

NKC MANUFACTURING SWEDEN AB
Anna Sjastad



Power charging station



Cover for prevention of effluent leakage

Environmental activities in NPC, Cebu, the Philippines



NPC treasures the idea that employees take the initiative in carrying out various activities. We participated in the Earth Hour Celebration, one of the world's largest class global environment events, in the first quarter (January to

March) of 2018. Our environment staff visited local elementary schools to teach global warming to children. Internal actions include power saving of about 320.5 kWh as a result of one-hour lights off from 8:30 to 9:30 p.m. of March 24, 2018, and reduction of 0.18 ton of CO₂ in MEZ II (industrial park in Cebu where NPC is located). In addition, NPC holds a recycled clothes contest and a product contest on the theme of "connecting people through global environmental preservation." We are determined to take various actions for the preservation of the global environment all throughout the year.

NKC MANUFACTURING PHILIPPINES CORPORATION
NPC's Environmental Officers



Participants in the Earth Hour Celebration



Global warming lecture held at a local elementary school

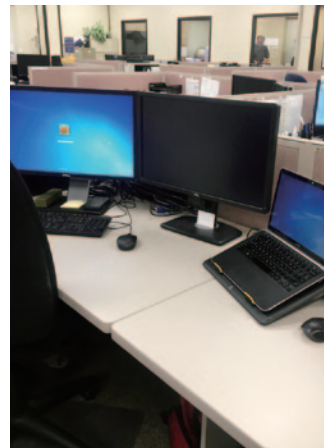
Environmental activity at NAI, Tennessee, USA



Our NAI plant aims to contribute to the preservation of the global environment through energy-saving activities at workplaces. Power consumption is reduced by changing desktop PCs to power-saving notebook PCs and promoting shifting

to LED lamps for lighting fixtures in the Company. When a single LED lamp is used instead of a fluorescent lamp, it can reduce CO₂ emission of up to about 590 kg. If all households in USA used LED lamps instead of other lamps, power consumption for lighting will be halved. We also plant trees in our compound to absorb emitted CO₂ as part of our contribution to keeping our earth green. It is said that a single tree aged 10 years, when planted, can create oxygen for two people to breathe. We expect tree planting will have a great effect.

Gene Bloodworth, NKC of America, Inc.



Shifting to power-saving type notebook PC



Planting activity in the site

Environmental activities at NMC, Georgia, USA



NMC annually recycled about 152 tons of plastic, about 11 tons of cardboard, and about 8,618 tons of iron scraps for a fee. We also promote the recycling of distribution pallets (about 1,700 pallets a month) jointly with customers as part of our contribution to forest preservation.

To further promote recycling of resources, we used the Safety Kleen Systems of Clean Harbors Co. to develop a recycling system that recycles waste oil produced from the plant and supply new oil. This system is designed to take in waste water from the plant at the same time. Therefore, use of this system serves as a very useful activity for the global environment of our plant as well as for the local community.

NAKANISHI MANUFACTURING CORPORATION
David Voyce



Waste oil recycling system

Environment activities at NFC, Foshan, China



In China, the Chinese government has become very serious about the further intensification of environmental protection. As part of our pioneering activity in this respect, our factory has already started environmental activity as we see the environment as very important. No practice of refuse separation has taken root in China yet. We once disposed of all waste without sorting. Today we do our best to separate refuse as much as possible and encourage our employees to feel keenly aware of the importance of refuse separation. We plan to reinforce refuse separation management according to the national government's environmental protection law in FY2018. We intend to employ the municipal department or government contractors to collect refuse. Although our employees are still learning the importance of refuse separation, we intend to put more focus on educating the employees so that they can fully understand the importance of sorting.

NKC CONVEYOR FOSHAN CO., LTD.
Ding Zheng

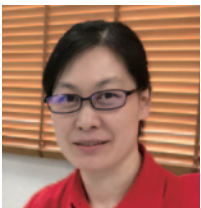


Employees seriously considering how to cope with environmental protection



Trash cans for refuse sorting and separation

Environment activities at NWC, Wuxi, China



Chinese environmental control has become very strict in recent years. In response, we focused on the reduction of CO₂ and studied the idea of reducing the number of transport services in the production management section as part of this year's activity. With the help of customers' understanding, we successfully revised the ordering procedure and were finally able to ship our products with transport trucks fully loaded as they depart. This success led to a reduction in the number of transport services, and CO₂ emissions were ultimately down as much as 20%. Currently we are considering applying this approach to other shipments. Amid intensifying environmental regulations, we are determined to continuously think up what we should do as a manufacturing company.

NKC MANUFACTURING WUXI CO., LTD.
Wang Xixi



Consultation on how to reduce transporting vehicles



Keeping transporting vehicles fully loaded as they depart

Environmental activities at NDC, Dalian, China



Our NDC factory takes various measures to ensure preservation of the global environment. For example, we changed the lighting fixtures in the factory with LED lamps to promote energy saving. To reduce the waiting time for office equipment, we decided to turn off the equipment, mainly computers, printers, copiers, and water dispensers, at closing time. We strictly keep this rule to eliminate waiting time from office equipment after work hours. We also use equipment in our workplaces properly so that we can improve its service life and reduce the wasteful use of energy. Our effort also includes saving of water resources to minimize the wasteful use of water. To be specific, we conduct strict time control of bathing water for workers to make employees feel keenly aware of usage time and water saving.

NKC MANUFACTURING DALIAN CO., LTD.
Jiang Jinhua



Shifting to LED lighting fixtures



Equipment operation standard to ensure the efficient use of energy

Feature 4 Creation of New Businesses: Entry to Agricultural Business

Some new businesses actively conducted by the company-wide effort include those born out of training for young and mid-career employees. All these businesses are intended to make the NKC Group enter a new realm of “agriculture,” a field with which the Group never had any relation.



Start of Trial Cultivation in Next-Generation Agriculture

Next-generation agriculture (featuring use of environmental control or IoT technology) has been studied from FY2015 to 2016 in the Management Human Resources Workshop, a training program for young and mid-career employees who are going to play the central role in future management of the Company. In FY2017, dedicated staff were assigned in the Company separate from the Workshop as the first step into full-scale commercialization. A cultivation greenhouse was built in Konan city, Shiga prefecture, to cultivate highly sweet tomatoes using state of the art technology. The purpose of this trial cultivation is to accumulate our own farming techniques and promote development of new agricultural technology. At the same time, we jointly work with local

governments and other people concerned to gain greater recognition and promote greater local contributions.



A dedicated cultivation greenhouse was set up for trial cultivation.

Tomato cultivation using the cutting-edge technology

Development of Products and Services for Farmers

The Partner to farmers “agbee” was born out of the young farmer training held for the theme of new business creation under the guidance of Prof. Nachito Okude, Keio University Graduate School of Media Design. Japanese agriculture produces high-quality produce, but Japanese farmers need to carry out a large volume of heavy work. We wanted to help farmers feel a new value. Out of this desire, we have promoted the development of new products and services with an intense focus on field survey. Current focuses include a function of carrying heavy crops while automatically following people and a service of helping farmers check the soil condition using soil sensors. It was decided that a trial introduction start in FY2018 with the cooperation of an Osaka farmer. The future plan is to make “agbee” a brand, create various products and services that can make contributions to society using agbee, and propose a lifestyle born out of agriculture.



Agbee transports farm products after it automatically followed and gathered them.



We participated in agriculture-related exhibitions in Tokyo and Osaka.

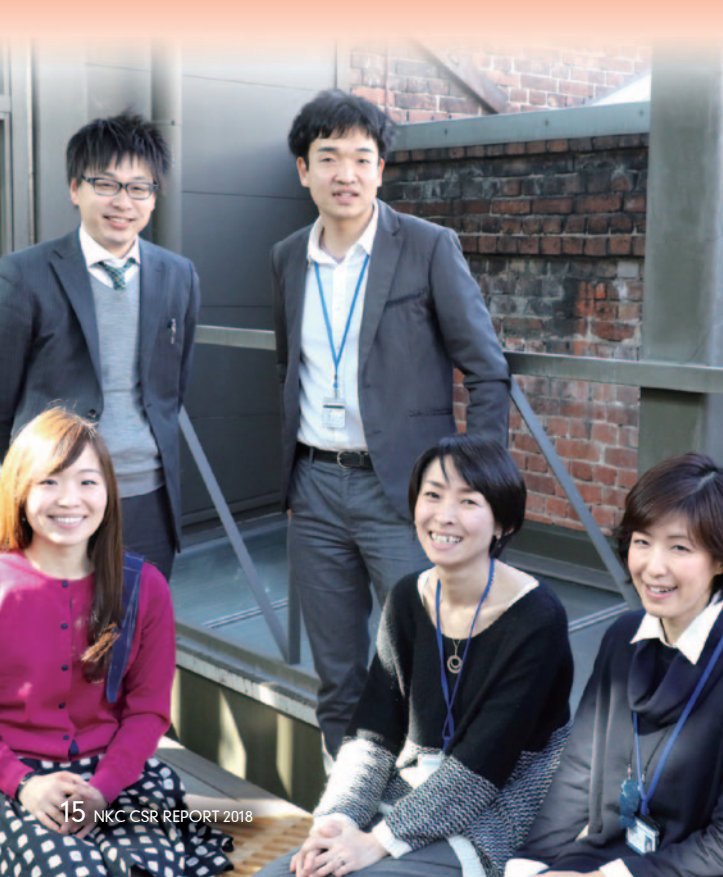


Detailed Report

Together With Employees

The Way of NKC Thinking

Under the NKC Vision, “NKC aims to be a company that constantly reinvents itself and where its employees like and want to work in, and where its employees are proud to work in.” the NKC Group promotes active employment and use of people with various characteristics, backgrounds, and talents, development of appropriate human resources, and creation of a safe and comfortable working environment so that every member of the Group can maximize their own capability and contribute to the growth of society. We also constantly maintain a fair labor-management relationship and always endeavor to create new values



FY2017 Activity Topics

Employment, training, and Activity Promotion

Toward Acquisition of Excellent Human Resources

Ratio of women to regular full-time workers

10.8%

* 10.2% up from the previous year

Aiming to acquire excellent human resources who can make future leaders, the NKC group focuses on organizational foundation that enables young generations to play important roles.

A medium-size corporation, NKC is an organization made up of a relatively small number of people. This nature enables employees willing to “take on a challenge” to take the initiative in conducting a business regardless of age, gender, nationality or career. NKC has in place a working environment where every employee can apply skills and experience they had before entering the Company into a global setting, achieve self-fulfillment or make active social contributions through business.

In recent years, we actively engaged into new fields in addition to the current major businesses. This environment allows young employees to demonstrate their capabilities and be active on a voluntary basis.



Provide opportunities for young employees to think about the company through internal projects.

Upskilling and Career Development Education

Training results

6 sites and **93** people

The NKC Group provides varying opportunities to foster human resources capable of contributing to growth of the Company and society.

In FY2017, we started and held a new training workshop composed of a program for employees of the head office and factories in Japan in addition to the regular training program.

■ Training for the newly employed

Newly employed workers visit factories and have direct knowledge of products and techniques of the NKC Group after they have joined the company. The new employee program also includes a visit to the Philippines for language training to help the employees improve their English proficiency. This program provides them with an opportunity to experience foreign culture aside from language training.

■ 2nd year training

2nd-year employees are provided with a follow-up training program to make them conscious of being working members of society as well as promising members of the NKC Group.

■ Female leader training

The Female Leader Training program was newly developed for mid-career female employees as part of the NKC Organization Development Training to nurture next-generation female managers. The training aims to raise their awareness or improve their business skills through lectures or task study.

■ FY2018 plan

In FY2018, we hold the Young Career Upgrading Training intended for young employees to provide early education to personnel expected to become future leaders in addition to the ongoing training programs mentioned above. Our training plan aims to ensure active fostering of human resources to draw the potential capability out of promising human resources and help them make greater contributions to the Company and society.

Promotion of Work-Life Balance

Stay-home work system

Administrative sites

Fully Introduced

The NKC Group promotes the way of working with a focus on good work-life balance. Various measures are being taken, including improvement of the relevant internal systems, establishment of day-care centers, and implementation of employees' work place improvement projects so that our employees, either male or female, can satisfy the needs of both work and home.

In FY2017, the stay-home work system, conducted on a trial basis in the previous year, was introduced to administrative sites in earnest. Reduction in commuting hours or availability of time in which employees can concentrate without disruption is expected to enhance business efficiency and productivity, promote mental health, and improve work-life balance. We intend to promote the teleworking scheme, centering on stay-home work system in the future.

Today, the times are supporting a what-is-called "era of one-hundred year lifespan." To effectively use the "rich time" made available from the excellent work-life balance, we should shift our interest to our own home problems as well as social issues in the capacity of a "member of society" rather than a "member of a company" and have time to think about what we, as an individual, can do. When every employee can have a good work-life balance, his or her ideas and actions born out of such balance will change society. It is our wish that every employee be engaged in various activities in and out of the Company as a responsible member of society to help them lead a spiritually affluent life.



Promoting Work-Life Balance Through Enhancement of Systems and facilities

Safety and Health Management

Overview of annual priority measures and their results

Participants in the foreman capability improvement training

6 sites 36 employees

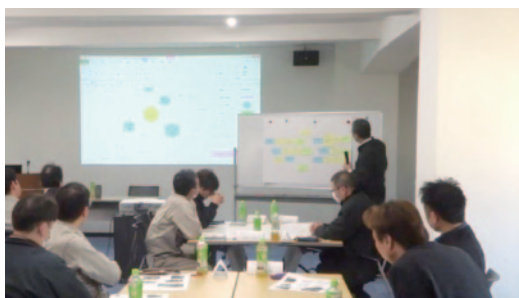
In FY2017, regular activities including safety education using morning meetings as well as KY and 5S promotion were held. In addition, a performance improvement training program meant for foremen, the safety managers at each work place, was provided to a total of 36 foremen selected from the head office and factories inside and outside Japan. The foremen training program included practical training that provided information on general case examples, case examples unique to the NKC Group and had trainees find the true causes of the sample accidents, and identify problems that can lead to accidents. We aim at zero accidents by creating “awareness” through these measures.



Foreman capability improvement training



Drill using case examples



Presentation

Raise Awareness for safety first

Revised Safety and Health Pocketbook

Distributed to employees at all sites

The NKC Group tries hard to develop safety awareness among employees to prevent work-related injuries. The Safety and Health Pocketbook has been distributed to all employees regardless of the type of employment. The Pocketbook is regularly used to keep them constantly aware of occupational safety. However, it was revised for the first time in ten years to incorporate the updated information including provisions of revised laws and regulations and recent trends. Furthermore, the initial response action in the case of an earthquake was newly added to the Pocketbook. The latest revision put a focus on the mechanism of how industrial accidents occur and provides a lot of descriptions of human error. In addition, the Priority 7 Operations, which are operations involving danger, hazard, and toxic risks specified by the NKC Group, and “dangerous work” of a similar nature was renewed. With this revision, addition, and improvement, the Pocketbook is made as an effective tool for daily safety and health education.



Revised Safety and Health Pocketbook



Physical and mental health management

Walking event participants

12 sites 998 people

Aiming to achieve “health-based management,” the NKC Group takes various measures to ensure health improvement of employees and their appropriate health management. From 2016, October during National Health Week, we distribute Health Pocketbook and hold health activities intended for all employees. This is to promote healthy lifestyle and to raise employees' awareness about health management at work as well as at home. So far, our efforts have been recognized. In FY 2017, we received an award during the 3rd Osaka Health Award

In FY2017, we held "NKC Walking Event" in October for 1 month and the Smart Stay event in December and March at a Japanese style inn operated by one of the our Group companies (an overnight stay event for the theme of fitness, health instructions, and physical and mental recuperation in a hot bath).

998 people (about 50% of the Group employees) participated in the Walking Event. In particular, factory employees made up nearly 70% of all participants. During these periods, posters and POP were put up in the head office and factories to educate employees about health management.

Utilizing the characteristics of the Japanese inn in Arima Hot Spa, the Smart Stay is an event for a healthy mind and body. Professional staffs provide exercises instructions, fitness and health guidance and offered healthy foods using local ingredients. The participants enjoyed a relaxing hot bath.

Under the Vision of the NKC Group, we are aiming for health management that enables employees to demonstrate higher performance in the workplace. We intend to hold these events and many other similar events in the future.



Osaka Prefecture Health Award Recommendation Prize

Labor-management Relationship

Labor-management communication

Working arrangements for re-employed retirees

Agreed with the basic rule of full-time employment

A labor-management council is regularly held to improve the employment and working environment for employees and ensure smooth and appropriate communication between labor and management. The sessions of the Subcommittee for Review of Retiree Re-employment System with members composed of labor and management staffs were held, and both sides agreed with the implementation of this system in 2017. Employees themselves are now entitled to choose how to work after retirement.

We continue labor-management discussion toward improvement of employee satisfaction including reduction in the total working hours, not to mention further promotion of work-life balance.

Action toward effective use of paid holidays and reduction in working hours

Subcommittee for Official Working Hours Reduction

Launched in FY2018

The NKC Group constantly promotes a way of working that emphasizes work-life balance. The current tasks to achieve include reduction in total working hours and increase in the number of paid holidays employees take. In those joint labor-management efforts, the Subcommittee for Official Working Hours Reduction was launched together with the labor union. In the back-office section with the management sector as the central player, the management people take measures to ensure appropriate business and time management of their own sector. In the direct section composed of factories, realization of highly productive operation helps employees efficiently work at each work site. These company-wide efforts are intended to allow employees to lead an affluent life at work and at home.



Detailed Report

Together with Customers and Business Partners

The Way of NKC Thinking

Quality assurance and improvement is the important promise we make to customers who use our products, techniques, and services.

The NKC Group has consistently strived to provide all our customers with quality and reliable products, techniques, and services since our foundation. We have a quality control system in place based on our quality assurance and control policy. Under this system, every department and sector takes various measures to maintain the quality of products, techniques and services and ensure their further improvement.

We are determined to constantly conduct quality control and maintain high quality at an enhanced level to meet every demand of our globally located customers through collaboration with our production sites inside and outside Japan, our contractors, subcontractors, and suppliers. In addition to the provision of quality products, techniques and services that satisfy customers' demands, we are always refining our own skills and technical expertise to achieve the level of quality beyond the reach of any competitor using our own quality standard.

FY2017 Activity Topics

Quality Assurance and Quality Control

Toward Quality Maintenance and Improvement

■ Bearing Retainer Division

Under the slogan "Achieve the market's highest quality in an economic manner," the Quality Assurance Group of Technical Headquarters, Bearing Retainer Division, and the quality assurance sector of a total of 7 production sites inside and outside Japan make a combined effort to maintain a high level of product quality and improve it. The Division focuses on quality assurance of our standard products, or bearing retainers, as well as automobile parts, wind turbines, Shinkansen products, and others that support and move the mechanism of our daily life. In addition, quality control based on our management system that complies with international quality management standards ISO9001^{*1} and IATF16949^{*2} is thoroughly followed through practical activities including internal audit.

The monthly Quality Meeting and the annual Global Quality Meeting are held to exchange information and share basic rules of quality control to ensure constant reinforcement of our global quality control and quality assurance system. In addition to such regular communication among production sites inside and outside Japan, production sites in Japan conduct graded training on quality assurance and control, with the Quality Assurance Group of the head office playing the central role in this training, so that every employee at each production floor can be constantly aware of the importance of quality assurance and control.

The achievements of quality assurance and control so far made by the Division have been acknowledged by many customers. However, we still need to put lot of effort in human resources to sustainably provide higher quality and more reliable products to the market and the society.



Members participating in the Global Quality Meeting



*1 ISO9001 is an international business standard that requires a company to establish a quality management system (QMS) and continuously improve it while keeping it effective.

*2 IATF16949 is an international quality management system standard for the automobile industry prepared by IATF (International Automotive Task Force).

■ Conveyor Division

We are always working on quality improvement and maintenance according to the Slogan “Conveyors that never stop or that can immediately recover even if it stops.” The Division has a total of three production sites inside and outside Japan. The Division collects information from all sites through regular management class meetings and other opportunities, integrates the collected information, and provides it to all sites so that the head office and all sites always share the same information. This information sharing practice allows us to quickly and accurately take action whenever the occasion arises.

The Shiga Plant, one of the production sites in Japan, serves as the “mother factory” for the entire world. Quality control is thoroughly conducted at the production floor of the Shiga Plant. The head office applies the feedback from customers, factories and production floor to design drawings to ultimately achieve further quality improvement.

The Shiga Plant puts in place the operation matrix evaluation criteria for each sector and has a skill distribution diagram for each employee. The Plant uses its own “meister system” that sets the technical standard for the front line operation to “visualize” the skills. The “meister system” provides work instructions and education to employees depending on their skill grade to help them maintain and improve quality.

The Division takes various measures, including those activities, to earn high esteem from customers and create products that can contribute to society.

■ Sash Hardware Division

The Division acts to the Slogan “Achieve the market’s highest quality in an economic manner.” The action continues, involving workers themselves, toward establishment of a management system of three sites inside and outside Japan. The quality activity policy is annually determined based on the performance of the previous year and customer requests. With the help of our own production factories and cooperating factories inside and outside Japan, the Division successfully ensures a high level of stability and safety in production of parts and finished products.

The production factories identify what worries workers and improve poorly operating processes as part of voluntary improvement activities and obtain successful results. The achieved improvement is shared among production sites inside and outside Japan and disseminated throughout all sites in the world.

The Division is looking for new management methods to realize further improvement of quality control and ensure quality stabilization.

The Quality Assurance Group of the Sash Hardware Division conducts human resource development (in and out of the Company) to establish a system that eliminates the occurrence of quality problems and ultimately improve management level. The effort continues to realize “monozukuri” (manufacturing) that can obtain higher esteem from customers through these constant actions.



Regular meeting with overseas sites



Quality briefing session in a factory



Employees in a process improvement review meeting

As a Responsible Supplier

Responsibility for Procurement and Responsibility for Supply

We conduct procurement and supply with the Company's social responsibility fully taken into consideration.

■ Fair Trading

The NKC Group always remembers compliance with laws and regulations related to procurement, centering on the Subcontract Act and Antimonopoly Act, and conducts business activities so that no conduct that disturbs free trade or no illegal competitive conduct occurs. Personnel dedicated to handling matters related to such trading conduct, including doubts or questions one may have during the process of transactions, are assigned inside the Company to ensure thorough compliance with fair trading.

■ Respect for intellectual property rights

We have dedicated staff in charge of intellectual property. They properly handle and manage matters related to intellectual property rights so as to comply with laws, regulations, and social norms of any country or region in which our sites are located or we have business connections or to prevent any of our development or production activities from violating third-party's intellectual property rights. Intellectual property rights are important management resources for a company. The NKC Group continues to do its very best to protect its rights and respect intellectual property rights of other parties.

■ Conflict minerals

Some minerals produced in Democratic Republic of the Congo and its surrounding countries are said to be used as funds for armed forces. It is the duty of a responsible company not to procure or use "conflict minerals" that may be involved in such human right violations or environmental destruction through complicated supply chain processes. The NKC Group clearly declares that we never procure conflict minerals or supply products produced from such minerals and clarifies how subject minerals are handled through questionnaires received from customers.

Response to Risks

We conduct risk response activities at all sites in Japan to ensure business continuity.

■ BCP based on scenario earthquake damage

The head office of the NKC Group established the BCP¹ in 2012 in preparation for a large-scale earthquake. This BCP has already been applied to all sites in Japan and some sites outside Japan.

In FY2017, drills for saving people based on the BCP and establishing the operation system at the HQ were intensively conducted. The HQ operation drill conducted at the head office in the previous year was applied to factories. The earthquake scenario was newly added to the program of the evacuation drill, which was formerly based on the case of fire alone. A total evacuation drill was also conducted at the head office, in which some 600 employees simultaneously evacuated from inside the buildings to outdoors. Emergency contact information is being compiled in case a major earthquake occurs during business trips or outside working hours. We continue to gather such information from employees every year to raise the registration ratio of employees.



A total evacuation drill in the case of earthquake conducted at the head office



Outdoor emergency cabinet installed

Since reserves are immediately necessary after the occurrence of a major earthquake, items stored at each factory were rechecked anew, their expiration date was checked, and new items were stored to replace old ones, if necessary. This reserve inventory was conducted at the same time at all factories. Since there are some stock foods whose expiration date is within the year, those with some time still left before that date were distributed to employees to encourage their awareness raising about disaster prevention at home as well as at work. Emergency cabinets were placed at each site for use in emergency situations where employees have to take shelter outside.

The appropriate action procedure necessary just after the occurrence of a major earthquake was prepared with easy-to-understand texts and illustrations and was newly added to the Safety and Health Pocketbook to be distributed to all employees. Since a large number of people find it difficult to return home in the event of a disaster, we plan to prepare a new warning card about returning home, as a revised version of the safety confirmation card distributed to employees in the past, in and after FY2018.



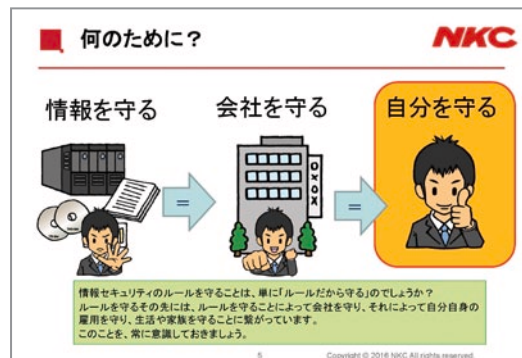
Disaster control HQ operation drill conducted at a factory



Various drills planned and conducted at each factory

■ Information Security

The Security Safety Management Regulation has been delivered to the head office and our sites inside and outside Japan to make sure that the company's classified information will not be lost, damaged, leaked, or abused by various internal and external factors. The procedure of information handling using manual, physical, and electromagnetic means or methods such as storage of data and materials, access control, and contractor management is put in place. Since it is important to check how the procedure is actually used, internal audit is conducted sequentially at sites where the Regulation is applied. At the same time, we provide instructions to the sites for improvement of information management. We plan to continue activities to strengthen information security measures for the entire NKC Group.



Information Security Handbook delivered to employees



Employees are notified of the importance of information security through briefing sessions and the Handbook.



*1 BCP stands for business continuity plan and is an advance plan to minimize damage to the Company and ensure business continuation and restoration in case of emergency situations that affects business continuity such as disaster or the spread of an epidemic or plague.



Detailed Report

Together with the Global Environment

The Way of NKC Thinking

The NKC Group has been actively involved in environmental conservation in our production activities. In addition, each employee also conducts their work while being aware of “global environmental conservation.” We also contribute to the prevention of global warming by not only conducting various energy-saving activities but also creating recyclable energy through our environmental businesses.

The NKC Group has production sites in USA, Sweden, the Philippines and China, and each site is actively involved in global environmental conservation. We conduct appropriate environmental management in compliance with the laws and regulations of each country and by considering the local customs and practice.

FY2017 Activity Topics

Reduction of environmental impact and

Promotion of environmental activities and fostering of environmental awareness

Environmental policy was revised.

The NKC Group formulated

a new policy for the Group.

In April 2017, the NKC Group Environmental Policy was revised. In response to the changes to the requirements of ISO14001^{*1}, we clearly stated to implement “improvement of environmental performance” through promotion of resource-saving activities at offices and production sites and education to employees. The NKC Group will use this environmental policy as a group-wide standard to thoroughly manage the environment and contribute to preservation of the global environment.

In response to this revision, we conducted enlightenment activities for preservation of the global environment at morning meetings for all employees and general meetings and held briefing sessions using our original educational materials.

We collected proposals for “environmental slogan” from employees and prepared posters as part of the enlightenment activities in timing with the Environmental Month in June.



^{*1} ISO4001 is an international environmental management system standard prepared by the International Organization for Standardization (ISO). The NKC Group completed transition examination of ISO14001 for three bearing factories in Japan, Tenma Sheet Metal, EPD (Environmental Product Development), and Fuji Honing Industrial by January 2018. These sites are kept certified by the new standard of 2015 version.

Environmental Policy

“The NKC Group helps realize sustainable society by reducing the environmental impact that our products and services may have in all of our businesses and engage in global environmental conservation according to the Code of Conduct.”

- ① We aim to improve environmental performance by continuously improving the environmental management system.
- ② We comply with laws, regulations and ordinances related to business activities and other requirements the NKC Group agreed with.
- ③ We promote education and enlightenment activities related to the environment to improve awareness and knowledge about environmental preservation.
- ④ We endeavor to prevent environmental pollution and reduce environmental impacts such as resources and energy.
- ⑤ We will actively participate in environmental conservation activities conducted by the national or local governments.

prevention of global warming

Energy-saving activities

Use of eco cars as company cars

* Domestic production sites

Introduction ratio **98%**

The NKC Group promotes energy saving at workplaces and production sites inside and outside Japan as part of its effort to prevent global warming.

We actively introduce energy-saving types of equipment such as production equipment, air-conditioners, and lighting fixtures and provide thermal insulation to roofs and walls.

Almost all the Company cars used at the head office and domestic production sites are eco cars.

We participate in various energy-saving activities initiated by the Ministry of the Environment such as Fun to Share², COOL BIZ³, WARM BIZ⁴, and COOL CHOICE⁵ to provide our employees opportunities to casually participate in energy-saving activities. Every one of us does what we can do as an individual for global environmental conservation.



- *2 Fun to Share is a climate change campaign that shares and communicates environmental efforts towards the creation of low-carbon society. The actions taken by companies that declared their participation in this campaign are checked at its website.
- *3 COOLBIZ is a movement to recommend business people be lightly dressed in summer so as to promote power saving. (The COOLBIZ period is from May to September.)
- *4 WARM BIZ is the winter version of COOL BIZ. It recommends that we do not excessively rely on heating and be thickly dressed so that we feel comfortable even in rooms with a temperature of 20°C. (The WARM BIZ period is from November to March.)
- *5 COOL CHOICE is a movement to take action for climate change and reduce greenhouse effect gas emission at home and at work.

Practice Items

1. I do the following to reduce carbon dioxide:
 - ① Turn off lights at places not in use.
 - ② Turn off lights during lunch break.
 - ③ Turn off the power of a PC or turn it to sleep mode when it is not used for 30 min or more.
 - ④ Set the air-conditioner to 28°C or more for cooling and 20°C or less for heating as a rough guideline.
2. To reduce the volume of waste landfill, I:
 - Separate waste according to the refuse separation chart.
 - “Waste turns to resources when separated but remains as waste when mixed.”

Environmental Slogan

“Leave a Clean Earth for the Next Generation.”

Resource-saving activities

Zero emission

Continuing to the **11**th Year

Like energy-saving activity, resource-saving activity is also one of the Group-wide actions for global environment.

In addition to energy conservation activities, we are also implementing resource conservation activities that are cited the NKC group efforts. 3Rs (reduce, reuse and recycling) of waste is promoted to reduce waste at each office, establishment, and production site. Zero emission⁶ has been achieved consecutively for 11 years.

We also regularly conduct a questionnaire survey on the environment to contractors and subcontractors to promote reduction in environmental impact as part of our appropriate environmental management activities.



*6 Zero emission This is the concept of ultimately eliminating generation of waste by thorough use of recycling and using up waste in all of society through collaboration with businesses in various fields rather than a single company.



Environmental slogan poster

Environmental Business

History of Power Generation Business

CO₂emission reduction through business

3,950 tons

■ Solar power generation business

The power output in FY2017 (result) is as follows:

● Nabari Solar Power Plant:
520,405 kW·CO₂emission reduction effect → about 250 tons

* It is calculated based on the emission factor of 0.485 kg/kWh of Chubu Electric Power Company.

● Murayama Solar Power Plant:
1,917,920 kW·CO₂emission reduction effect → about 1,100 tons

* It is calculated based on the emission factor of 0.572 kg/kWh of Tohoku Electric Power Company.

Both Nabari and Murayama Power Plants are operated to generate power as planned. Regular inspection and repair is conducted to cope with aging and deterioration of solar panels and related equipment. In FY2018, the 5th year inspection is to be conducted at the Nabari Power Plant. Appropriate repair is conducted to continue operating the plant according to the plan.



Murayama Solar Power Plant

■ Biomass power generation business*¹

The power output (result) of FY2017 at the Nagai Green Power, Nagai city, Yamagata prefecture, is as follows:

● Nagai Wooden Biomass Power Plant:
4,532,090 kW·CO₂emission reduction effect → about 2,600 tons

* It is calculated based on the emission factor of 0.572 kg/kWh of Tohoku Electric Power Company.

The Nagai Power Plant started operation of its equipment according to the original plan, and power sale started. Nagai Power Plant generates power using the updraft gasifier method employed by only a few companies in Japan. In the Nagai power Plant, we use only chips produced from thinned wood of 100% domestically produced timber to generate electricity, so unlike the "direct combustion type" which uses all usual wood materials, it is precisely an environmentally friendly Power Plant. It is evaluated as a renewable energy power plant.

In the future, we intend to conduct the power generation business that can make more contributions to the local community by, for example, supplying warm water to nearby welfare facilities using waste heat produced from power generation.



Nagai Wooden Biomass Power Plant



*¹ Biomass power generation project is an undertaking of generating electricity using a biological fuel, "biomass," which is a recyclable resource produced from organisms, other than fossil fuel.

Biodiversity Preservation

Carbon offset^{*2}

Total offset volume by FY2017

281 tons

We adopted the carbon offset system in conjunction with reduction of CO₂ emission at workplaces and production sites. 60 tons of CO₂ were reduced in FY2017. The following items are subject to carbon offset.

- C.T.Machinery Co., Ltd.:
Part of power consumption by energy-saving lighting fixtures → 29 tons
- Head office:
Fossil fuel consumption reduction by company cars in CO₂ → 31 tons

The effort of the NKC Group appeared in the 4th and 6th compilation of case examples in the Carbon Offset Grand Prize organized by the Carbon Offset Promotion Network and sponsored by the Ministry of the Environment, the Ministry of Economy, Trade and Industry, and the Ministry of Agriculture, Forestry and Fisheries.

The NKC Group continues to reduce CO₂ emission as part of the biodiversity preservation.



^{*2} Carbon offset is the concept of using afforestation, forest preservation, or other clean energy businesses (purchase of emission credits) to compensate for the portion of greenhouse effect gas emission associated with business activities that cannot be reduced despite the maximum effort

NKC Group Eternal Forest

Employees participating in a tree nurturing event

46 persons

The NKC Group started participating in the Corporate Forest promoted by the prefectural government of Wakayama in 2016. We borrow a forest near Nakahechi-cho, Tanabe city, near the World Heritage Kumano Kodo, and named it the "NKC Group Eternal Forest" for planting and arboricultural activities.

On the arboricultural event day in FY2017, it unfortunately rained. Therefore, we had a program of indoor activities with the cooperation of a local forest union, and 46 employees from various sites participated in the program and spent a fun time feeling nature close to them. We plan to continue our activities in the future so that seedlings planted in the first year will grow tall and will create a rich nature.



Experiencing Christmas tree making with local residents serving as lecturers



Highly popular log cutting competition



Detailed Report

Together with Local Society

The Way of NKC Thinking

The NKC Group aims to establish a good relationship with local society through various contribution activities for the sake of the present and future and that both the Company and the society will survive and develop together. The NKC Group respects communication with beneficiaries and continues contributions truly necessary for local society by returning the knowledge, technology and management resources we have to local society.



FY2017 Activity Topics

Social Contribution Activities

Development of the social contribution policy

Social Contribution Policy

Newly established

The NKC Group newly prepared the social contribution policy, which clarifies the purposes, subjects, and means with respect to social contribution activities conducted by the Group, to ensure more systematic and effective implementation of the activities.

● Basic concept and attitude toward social contribution

NKC Vision	
NKC aims to become a company that constantly reinvents itself and one that its employees are proud to be a part of.	
Code of Conduct	NKC Standard
We actively pursue solutions to social issues through our business practices and shall contribute to the realization of a society committed to sustainability.	We contribute to the cultural and economic growth of local society as a good corporate citizen.

● Local social contribution activities conducted by the NKC Group (priority fields)

Support for development of the youth	Protection of the natural environment
We provide various opportunities and experiences for learning to help children grow with a bright future and maximize their potentials.	We conduct activities for environmental preservation including the provision of environmental education so that we can protect the rich natural environment and build a local society where both people and nature can coexist.
Improvement of disaster prevention capabilities and support of restoration from disaster damage	Local participation
We improve local disaster prevention capabilities and actively cooperate with the restoration of areas afflicted by natural disasters.	We contribute to creation of a lively local community by conducting activities that meet the requests of local residents as a member of the community.
Support of social welfare improvement	Support of employees (volunteer activities)
We will support various aspects such as health care, eating habits and social participation so that everyone can live a healthy and prosperous life.	We provide support mainly to institutional aspects to develop an environment that allows employees to actively participate in volunteer activities.

Domestic activities

Results of social contribution activities in Japan

13 sites **128** cases

For many years, the NKC Group has been actively engaged in social contribution activities at each site. The head office began summarizing social contribution activities conducted by all sites in FY2013 and uses the data to ensure systematic implementation of those activities.

■ Reception of company visits by junior high and high school students

The head office and each factory accepts visits of students. In FY2017, we accepted visits of many junior high and high school students for various purposes such as visits to potential employers, as part of their field trips or thematic research.



Group accepts company visits by students

■ Granting of scholarship and research subsidy

In FY2017, we provided scholarship to 50 students and research subsidy to five organizations by means of the Nakanishi Scholarship Foundation, which started this activity in 1971. In August 2017, a friendly gathering was held for undergraduate and graduate scholarship students at the head office of Nakanishi Metal Works Co., Ltd. Scholarship students were presented the overview of the Foundation and the NKC Group and toured around the Company.



Friendship gathering held for university scholarship students

Nurturing a Symbiotic Awareness

Support of employees' volunteer activities

Questionnaire survey on volunteering

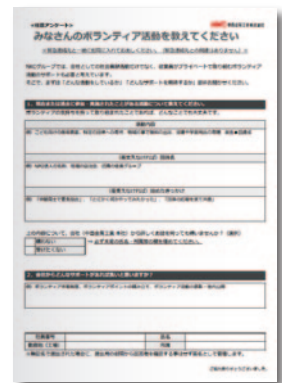
Questionnaire survey conducted to **7** factories in Japan.

The NKC Group encourages its employees to participate in social contribution activities in the capacity of Group members and intends to support their participation in volunteer activities as individuals using their private time.

Since it was necessary for the Company to know how many employees participate in volunteer activities and what kind of support they expect from the Company, we conducted a questionnaire survey. The responses to the questionnaire revealed that NKC employees are involved in a large variety of volunteer activities, centering on participation in local activities, including participation in organizations supporting children, the elderly people, and people with disabilities. It is indicated that many of them expect the Company to develop appropriate institutional systems such as the volunteer vacation system.

Based on the responses to the questionnaire, we intend to introduce various support tools including the incentive scheme or vacation system.

Of 228 case examples reported in the questionnaire responses, a few people were picked up and presented in the featured pages of this report.



Questionnaire survey to employees

● Result of the questionnaire survey (major comments selected from 228 respondents)

Description of Activity

- Participation in volunteer fire corps activities
- Cooperation with holding of local events
- Voluntary trash-picking
- Cooperation with blood donation
- Volunteer staff in a marathon
- Education and guidance to youth such as in Boy Scouts activities

Expectation for the Company

- Development of the volunteer vacation system
- Depositing volunteer points
- Awarding of volunteer activities

Toward Greater Contributions to a Sustainable

The NKC Group promotes workplace diversity and work-life balance, with “Monozukuri” treated by the Group since its foundation as the core of action, creates rich and innovative techniques, products, and services, endeavor to fulfill its corporate social responsibility, and continues to make an active social contribution toward sustainable community.

Osaka Tenma Plant
“Monozukuri” (manufacturing)
treated by the NKC Group



Fitness

Physical and mental health
is the key to successful results
at work.



Day-care center
Family members of our
employees are also important
stakeholders.



Cross Park



Society



Cross Park

As a doorway to new thinking, the Cross Park opened in the Tenma head office in June 2018 as a space where we and our stakeholders jointly create innovative products and services. It is one of the new attempts of the NKC Group that celebrates the 100th anniversary of its foundation in 2024.

NKC logo mark
July 2018, the creation
of a new logo.



Rooftop vegetable garden
Greenery at work places and in
the neighborhood



Diversity
Together with
Foreign Employees





中西金属工業株式会社

<http://www.nkc-j.co.jp/>

WE SUPPORT



UN GLOBAL COMPACT
COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.



くるみんマーク(一つ星)
2016年4月に取得しました。



Fun to Share
環境省が推進する気候変動対策への活動に賛同しています。