



NOK CORPORATION

# SUSTAINABILITY REPORT 2022





We are “the savior”, for the sealing & circuit technologies

## Company Profile

Company Name	NOK CORPORATION
Head Office	1-12-15 Shiba Daimon, Minato-ku, Tokyo 105-8585, Japan
Established	December 2, 1939
Founded	July 9, 1941
Capital	23,335 million yen (as of March 31, 2021)
Number of Employees	37,613 (Consolidated, as of March 31, 2022) / 3,489 (Non-consolidated, as of March 31, 2022)
Net sales	682.5 billion yen (Consolidated, FY 2021) / 226.3 billion yen (Non-consolidated, FY 2021)
Security Code	7240
Business Lines	Manufacturing, importing, and selling seal products, industrial mechanical parts, hydraulic equipment, plant equipment, nuclear power equipment, synthetic chemical products, and electronic and various other products; installation work and others.

## Contact

### About the Sustainability Report in general

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### About the Environment part of the report

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### Editorial Policy

This report is designed to provide stakeholders with an understanding of NOK's approach to sustainability and its initiatives. To help you understand the overall picture regarding sustainability, we have organized the data in terms of ESG (Environmental, Social and Governance), and compiled related numerical data into an ESG Data Book. We expect this report as an important means of improving communication with you. We would appreciate your candid opinions and thoughts about it.

- Period Covered  
Most of the activities described in this report took place in fiscal 2021 (April 1, 2021, to March 31, 2022)  
\*Some activities are initiatives that began before the target period, as well very recent activities
- Covered Organizations  
NOK Corporation and 110 domestic and overseas Group Companies
- Date of issue  
October 2022 (Previous report: September 2021, Next report: October 2023)
- Referenced Guidelines and Initiatives
  - ISO 26000:2010 - Guidance on social responsibility
  - Global Reporting Initiative (GRI) Standards
  - United Nations Global Compact
  - Task Force on Climate-related Financial Disclosures

NOK Corporation has been listed on FTSE4Good Index Series, FTSE Blossom Japan Index, FTSE Blossom Japan Sector Relative Index.



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# Contribution to Society through Products and Technologies

The functions of the NOK Group's products are as diverse, such as sealing, fluid control, vibration and sound proofing, low friction, and membrane separation. These are incorporated into our customers' products to conserve the environment by "preventing emission or leakage," "conveying efficiently," "reducing load," and "extending service life." The NOK Group is committed to providing products and developing new technologies to help realize a sustainable society.

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

3 GOOD HEALTH AND WELL-BEING

6 CLEAN WATER AND SANITATION

7 AFFORDABLE AND CLEAN ENERGY

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

11 SUSTAINABLE CITIES AND COMMUNITIES

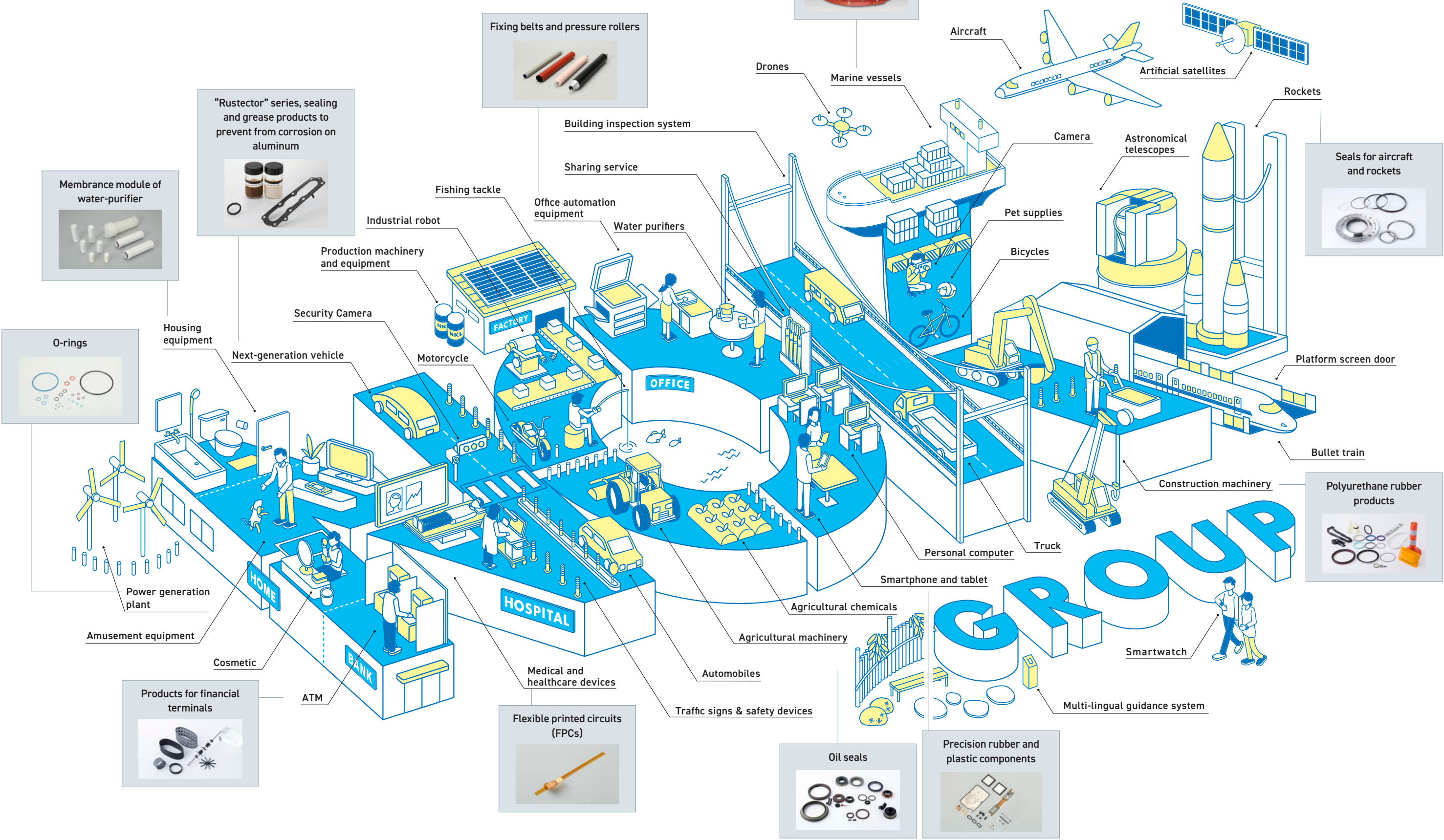
12 RESPONSIBLE CONSUMPTION AND PRODUCTION

13 CLIMATE ACTION

14 LIFE BELOW WATER

15 LIFE ON LAND

17 PARTNERSHIPS FOR THE GOALS





# Message from the President



## We will accelerate our growth toward 100 year anniversary in 2041

Representative Director, Chief Executive Officer,  
NOK CORPORATION

**Masao Tsuru**

### We provide safety and comfort with our technologies to the world

NOK celebrated its 80-year anniversary in July 2021. We are truly grateful to our customers, shareholders, suppliers, local communities, and employees for helping us reach this milestone of 80 years since our founding in 1941.

Since April 2021, when I became president, I have engaged in a series of dialogues with employees and other stakeholders to deepen discussions about the value and purpose of the NOK Group. I was once again reminded that we at the NOK Group is a company that provides "safety" and "comfort" to the world through our proprietary technology, and we want to grow further by pursuing it. We are proud of our history of supporting society by providing unique and useful products, such as oil seals and O-rings that deliver high safety, vibration and sound insulation products that provide comfort, and flexible printed circuits (FPCs) that raise the reliability and functionality of electronic devices.

### Implementing a management spirit that respects human dignity

At the NOK Group, which believes that people are the foundation of both the Company and society, we emphasize the practice of humane management above all else. Human-oriented management refers to management that respects the lives and values of individuals. Now that we have experienced the pandemic, I feel that the way people approach their work, how they position their work as part of their life, and what they look for in a company at each life stage has changed. To further entrench the practice of people-oriented management, we are currently reviewing our personnel system so as to provide a workplace environment where each employee can shine. In addition to promoting the design of systems to implement diverse work styles and introducing a personnel system in which work performance and challenges are evaluated, we will focus on creating a workplace where psychological safety is ensured so that everyone can freely express their opinions and ideas. In addition, we will implement measures to promote diversity and inclusion that attract a diverse range of people and encourage them to demonstrate their strengths, as well as lift employee engagement.

### A human rights policy developed

As a precondition for management that respects people, we have a philosophy of respect for basic human rights. Based on this philosophy, we signed the United Nations Global Compact (UNGC) when I assumed the presidency in April 2021. We also formulated the NOK Group Human Rights Policy in December 2021 to familiarize all internal and external stakeholders with the Group's basic stance on human rights. We will further reinforce our efforts to protect human rights to ensure that the NOK Group does not overlook forced labor and discrimination, both internally and externally. In the future, we will communicate and disseminate the NOK Group Human Rights Policy throughout the company, and establish and implement a human rights due diligence system based on this policy.

### On the progress of the three-year plan

#### Responding flexibly to change and renewing our quest to be a sustainable company

In April 2020, we launched a three-year plan under the slogan "Responding flexibly to change and renewing the quest to become a sustainable company." Since April 2021, in view of the ongoing pandemic, we have been promoting a two-year revival plan that includes revised numerical targets for the fiscal years ended March 31, 2022 and March 31, 2023. In addition, we will introduce return on assets (ROA), which represents the overall profitability of a company, as an indicator to strengthen our constitution, aiming for a state that can maintain a ratio of at least 5%.

In the Fiscal year ended March 31, 2022, the second year of the three-year medium-term management plan, net sales were 682.507 billion yen, operating income was 31.337 billion yen, and ordinary income was 46.168 billion yen. Although the outlook remains uncertain and unpredictable due to the spread of COVID-19, shortages in the supply of semiconductors and other components, soaring raw-material prices, and the impact of the situation in Russia and Ukraine, we will make every effort to achieve the three-year plan.

#### Making electrification one of the pillars of our business

Since its founding, the NOK Group has continued to develop and provide products that are useful and safe for society. Our strengths lie in our achievements, as well as the material technology, evaluation and analysis technology, and manufacturing technology that we have developed along the way. We will further refine these advantages and position electrification as one of the pillars of our business, enabling us to make the most of the NOK Group's expertise and resources.

In addition, as one of the policies of our three-year plan, we have been promoting "weaning ourselves off the dependence on specific customers," and in the electronic products business, which was primarily used for smartphones, we are steadily expanding our sales channels for automotive applications. In addition, we are pursuing industry-academia collaborations, collaborations with other companies, and initiatives to create new businesses, and will further accelerate these activities.

#### Making NOK renowned for quality

For us as a manufacturer, high quality is essential for our customers to trust us. Perpetual quality improvement is crucial for the NOK Group to continue providing a high level of "safety" to the world, and we must maintain our effort without being satisfied with short-term success. In addition, we will continue to promote quality improvement activities, not only by following in the footsteps of our predecessors, but also by taking advantage of digital technologies that are evolving with the times.

### Operating effective BCM

We have built a Business Continuity Management System (BCM) to prepare for natural disasters, fires and explosions, serious accidents and pandemics. Through this system, we were able to resume production quickly despite the fact that the Fukushima plant and six affiliated companies were affected by the earthquakes that occurred off the coast of Fukushima in February 2021 and March 2022.

In addition, with regard to the pandemic, we have long considered issues and measures to address the risk of losses. Although we have often struggled to respond to the current outbreak of COVID-19 through conventional risk management, we believe the fact that we were able to prepare a manual for COVID-19 response before the government established its own guidelines for preventing the spread of COVID-19, and that we were able to take appropriate actions in line with the manual, was a result of our prior consideration. We could overcome these difficult conditions, such as the lockdowns in Southeast Asia and China, without halting production. We will continue to take measures to ensure the safety of our employees and to ensure the continuation of our corporate activities, including thorough infection prevention measures, encouraging employees to work from home, and revising our rules for dealing with affected persons as well as our attendance system and rules, to avoid inconveniencing our customers.

### Promoting digitalization

The NOK Group has positioned fiscal 2021 as the "first year of digitalization," and has formulated policies and promoted digitalization activities. First of all, to raise awareness within the Company, management has actively sent out messages and organized study sessions and events. As a result, there is growing momentum across the NOK Group for the concept of "We want to improve customer service, improve operational efficiency, and reform work styles through digitalization, and build an 'unrivaled QCD.'" The ground is being laid for a concerted digital push. The next step is to draw up a specific vision and plan, and implement the plan to advance digitalization throughout the NOK Group.

\* Quality, Cost, Delivery

### ESG management to increase corporate value

#### Toward a structure that promotes sustained growth and responsible initiatives

In May 2021, the ESG Committee was established directly under the Board of Directors in order to incorporate ESG into corporate management. The ESG Committee, which is chaired by the president, comprises each general manager and establishes NOK's environmental, social and governance policies and goals, and also checks progress toward those goals. The initiatives discussed here are reviewed by the Board of Directors and developed as management measures. In fiscal 2021, the ESG Committee facilitated discussions with relevant departments to deepen mutual understanding, and the NOK Group as a whole was able to raise its awareness of ESG.

#### Initiatives for carbon neutrality

In April 2022, the NOK Group expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), stating that climate change is an important issue to address. In the future, we will analyze the impacts of climate change in accordance with TCFD recommendations and incorporate measures against climate change into our management strategies.

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

Message from the President

carbon neutrality by 2050.The Plan is a long-term environmental vision for 2030, consisting of "Green Factories," which stipulates the reduction of CO<sub>2</sub> emissions and waste at factories, and a "Green Products," which contributes to CO<sub>2</sub> reduction through products such as adopting electrification of vehicles. Under this long-term environmental vision, the NOK Group will work as a team to realize a sustainable society through its business activities, including the electrification of automobiles and the provision of carbon-neutral products.

Strengthening corporate governance

We view the strengthening of corporate governance as one of the most important management issues and continue to work on it. At NOK, directors who also serve as executive officers cooperate with each other to carry out business operations, while the Board of Directors, including outside directors, supervises the operations and the corporate auditors, including outside corporate auditors, audit the management. In May 2022, the Board of Directors passed a resolution to revise the Operating Officer Regulations, making the functions of the directors more specialized than ever in the supervision of business execution, and shifting the authority for individual business execution to the operating officers to clarify the supervisory and business execution functions.

Identifying materiality

As mentioned above, the NOK Group is addressing measures against climate change as one of its key management issues. We are currently preparing for the identification of materiality, and will continue to deepen discussions and disclose relevant information in the next three years.

Realizing what we want to be

As a medium- to long-term goal for the NOK Group, we have set a target of an equity ratio of 50% or higher and, as mentioned above, a group ROA of 5% on a consolidated basis. In fiscal 2021, we established the ROA 5% Steering Committee, consisting mainly of directors, with the mission of shifting our management focus to capital efficiency to achieve an ROA of 5%. After much discussion, the KPIs for the entire NOK Group were determined and quantitative targets for each business segment were set, upon which the Steering Committee was dissolved. The numbers set here will be incorporated into the next three-year plan.

The next Medium-Term Management Plan, which begins in fiscal 2023, will form an important part of the Company's efforts to achieve its vision for fiscal 2031, the 90-year anniversary of its founding. In fiscal 2022, it is essential to first achieve the goals of the three-year plan that is currently underway.

Although the journey of the NOK Group from its founding to the present has never been smooth, we feel that we are now facing a wave of major social change. However, I am confident that our 80-year history of repeatedly taking on challenges without fear of failure and continued pursuit of our dreams spur us onward and upward. As we approach our 100th anniversary in 2041, the NOK Group is taking a new step forward for growth as we chase even bigger dreams.

The NOK Group's Three-Year Plan  
(Fiscal years ended March 31, 2020 to March 31, 2022)

Slogan [Key Corporate Objective]  
Flexible response to changes and Re-challenge  
to be a Sustainable Company

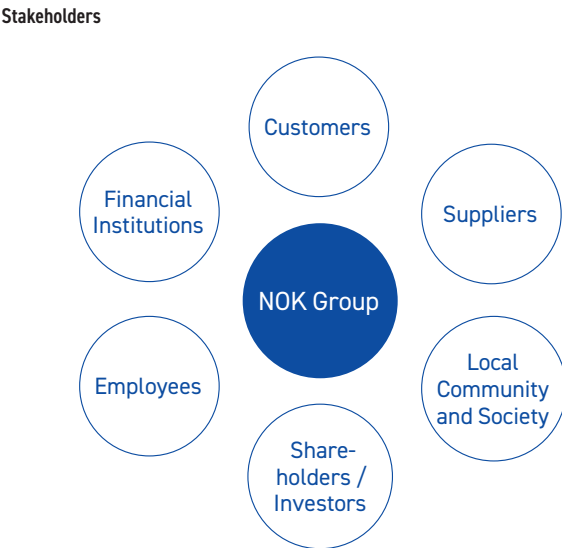
- Chairman's Initiatives
- 1. Moving away from dependence on specific customers  
—Expansion of sales across businesses and creation of new businesses for a well-balanced mix of customers
  - 2. Return to the Basics of Quality
  - 3. Operating practical and effective BCM
  - 4. Advancing digitalization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

Concept of Sustainability, Information Disclosure,  
and the Promotion Structure

Sustainability concept and information disclosure

The NOK Group's Charter of Corporate Behavior stipulates that "Make everyone connected to the Group—the so-called stakeholders—proud, promote management that enables them to pursue their dreams together, and strive to be a driving force in realizing a sustainable society." All business activities are conducted based on the NOK Charter of Corporate Behavior (Management Philosophy, Management Policy and Principles of Corporate Behavior).We believe that fulfilling corporate social responsibility in the areas of the environment, society, and governance is integral to the continuation of our business activities.

We also believe that communication with our stakeholders is crucial in examining a wide range of backgrounds and circumstances and identifying risks and opportunities in our business. Information is disclosed with reference to the ISO 26000: 2010 Guide to Social Responsibility and the Global Reporting Initiative (GRI) Standards, and efforts are being made to enhance the content of these disclosures, with the aim of publishing an integrated report.



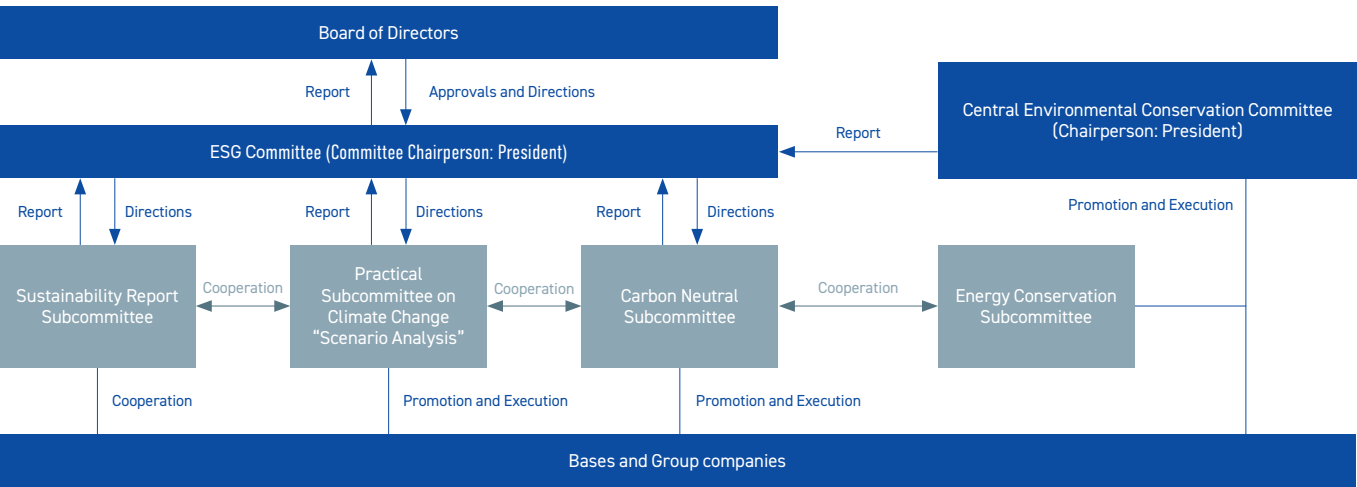
Sustainability promotion structure

The NOK Group has established an ESG Committee under the Board of Directors to formulate various management policies from a medium- to long-term perspective. The ESG Committee, which is chaired by the Chief Executive Officer, is composed of each general manager and is responsible for formulating policies and goals related to NOK's environmental, social, and governance, as well as confirming progress toward goals. Initiatives discussed by the ESG Committee are subject to review by the Board of Directors.

Under the ESG Committee, we have established the Climate Change Scenario Analysis Practice Subcommittee and the Carbon Neutral

Subcommittee as professional organizations for responding to climate change. The Climate Change Scenario Analysis Practice Subcommittee estimates the impacts caused by climate change, and the Carbon Neutral Subcommittee plans and promotes concrete measures against climate change. In addition, we have established the Sustainability Report Subcommittee as an organization responsible for publishing sustainability reports and disclosing information.

These subcommittees take the lead and work with related internal organizations, locations, and group companies regularly report on the progress of these initiatives at ESG Committee meetings.





# Corporate History of NOK Group

Our company celebrated its 80-year anniversary on July 9, 2021. Since its founding as the first oil seal manufacturer in Japan, the Company has expanded its business as the market has grown and contributed to the development of motorization. In addition, we have been working closely with customers not only in the automotive industry but also in a wide range of other industries, including electronics and industrial machinery, to refine our technical capabilities and provide products that are useful to society. As we approach our centenary in 2041, we will continue to strive to provide safety and comfort.

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



### From foundation to the 1950s

- 1939** Edogawa Seiki Co., Ltd. is established (The company was renamed Tokyo Yushi Industry Co., Ltd. in 1942 and Tokyo Oil Seal Industry Co., Ltd. in 1948.)
- 1941** Nippon Bearing Manufacturing Co., Ltd. is established (The company changed its name to Nippon Yushi Industry Co., Ltd. in 1942)
- 1951** Tokyo Oil Seal Industry Co., Ltd. and Nippon Yushi Industry Co., Ltd. merged and renamed Japan Oil Seal Industry Co., Ltd.

### 1960s

- 1960** Capital alliance with Carl Freudenberg of Germany
- 1961** Listed on the Tokyo Stock Exchange
- 1964** Nippon Sealol Co., Ltd. is established (presently Eagle Industries, Inc.)
- 1967** Shizuoka Plant is built
- 1968** NOK-USA, Inc. (currently known as NOK Inc.) is established in the USA  
Fukushima Plant (now the Fukushima Plant) is built
- 1969** Subsidiary Nippon Mektron Co., Ltd. is established

### 1970s

- 1970** Kumamoto Plant (now the Kumamoto Plant) is built
- 1973** Singapore Oilseal Co., Pte. Ltd. is established in Singapore
- 1974** Tokai Plant (now the Tokai Plant) is built
- 1976** Subsidiary NOK Klueber Co., Ltd. is established

### 1980s

- 1985** Company name changed from Nippon Oil Seal Industry Co., Ltd. to NOK CORPORATION
- 1986** Subsidiary Mektec Corporation is established in Taiwan
- 1987** Nihonmatsu Plant is built
- 1988** Subsidiary Thai NOK Co., Ltd. is established in Thailand
- 1989** Freudenberg-NOK General Partnership is established in the USA

### 1990s

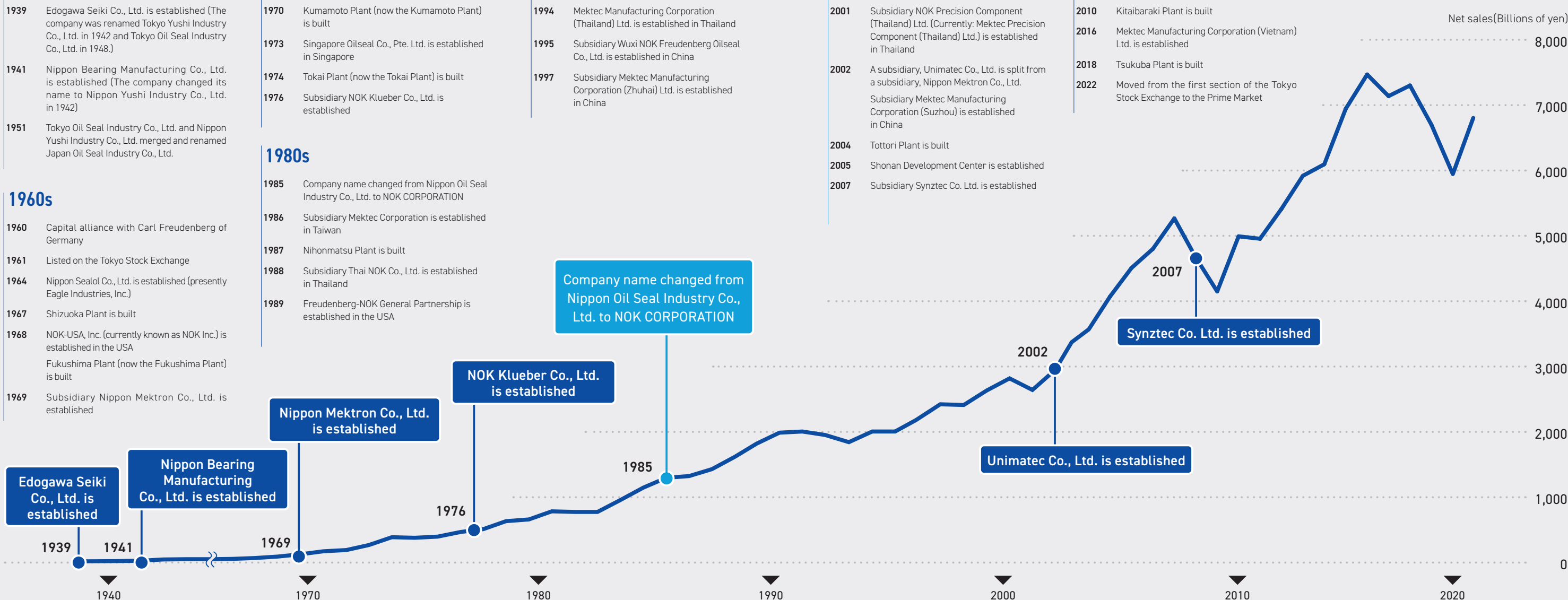
- 1994** Mektec Manufacturing Corporation (Thailand) Ltd. is established in Thailand
- 1995** Subsidiary Wuxi NOK Freudenberg Oilseal Co., Ltd. is established in China
- 1997** Subsidiary Mektec Manufacturing Corporation (Zhuhai) Ltd. is established in China

### 2000s

- 2001** Subsidiary NOK Precision Component (Thailand) Ltd. (Currently: Mektec Precision Component (Thailand) Ltd.) is established in Thailand
- 2002** A subsidiary, Unimatec Co., Ltd. is split from a subsidiary, Nippon Mektron Co., Ltd.  
Subsidiary Mektec Manufacturing Corporation (Suzhou) is established in China
- 2004** Tottori Plant is built
- 2005** Shonan Development Center is established
- 2007** Subsidiary Synztec Co. Ltd. is established

### From 2010

- 2010** Kitaibaraki Plant is built
- 2016** Mektec Manufacturing Corporation (Vietnam) Ltd. is established
- 2018** Tsukuba Plant is built
- 2022** Moved from the first section of the Tokyo Stock Exchange to the Prime Market





Products

Seal Business



Net sales **336.2 billion yen**    Operating income **35.5 billion yen**  
Major operating companies: NOK CORPORATION, Unimatec Co., Ltd.

Oil seals

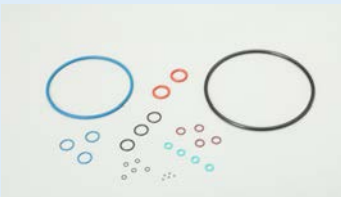


Oil seals are functional parts used to seal oil. Composed of synthetic rubber, metal rings, and springs, they prevent oil from leaking from gaps in machine shafts. They also prevent the entry of dust from the outside.

Main Application

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 Application

Automobiles, construction machinery, agricultural machinery, piping joints, water-resistant 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 Application

Automobile suspension and steering, housing equipment, etc.

Rubber vibration / sound isolators



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

Main Application

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

Polyurethane 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 signs & safety devices that require superior durability.

Main Application

Construction machinery, automobiles, semiconductor manufacturing equipment, food manufacturing machinery, traffic signs & safety devices, etc.

NOXTITE

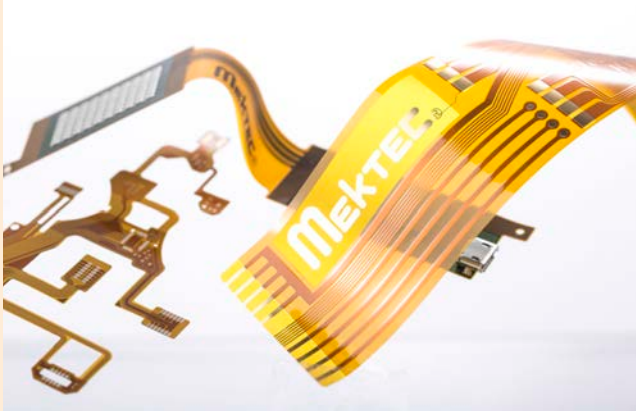


The NOXTITE acrylic elastomer has a number of well-balanced functions, including oil resistance, heat resistance, high strength, and resistance to permanent compression set. In addition to use as a material for oil seals and O-rings, it is used in devices that require heat resistance and oil resistance,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

Main Application

Special rubber materials

Electronic Products Business



Net sales **320.9 billion yen**    Operating income **(5 billion yen)**  
Major operating company: Nippon Mektron, Ltd.

Single-sided FPCs



The above is a photo of an FPC (flexible printed circuit board) with circuits on one side. They are structured to best exhibit the thin and flexible characteristics of FPCs. They are durable against repetitive bending and can be mounted on moving parts while taking up little space. They are also suitable for multi-dimensional wiring in narrow gaps.

Main Application

Automobiles, HDDs, digital cameras, media players, game consoles, medical and healthcare devices, etc.

Double-sided FPCs

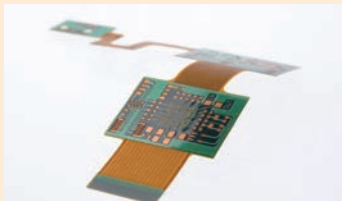


These have circuits on both sides. Compared to the single-sided FPCs, they allow for more complex wiring, and contribute to downsizing and weight reduction through the mounting of parts on both sides. They can also be used for a variety of designs because they are freely bendable.

Main Application

Smartphones, automobiles, digital cameras, medical and healthcare 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 Application

Smartphones, digital cameras, automobiles, medical and healthcare 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 fulfills requests for FPC module units by mounting semiconductors, microchip components, and connectors on them.

Main Application

Smartphones, HDDs, automobiles, digital cameras, medical and healthcare devices, etc.

Precision rubber and plastic components



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

Main Application

HDDs, smartphones, automobiles, etc.

CHEMINOX

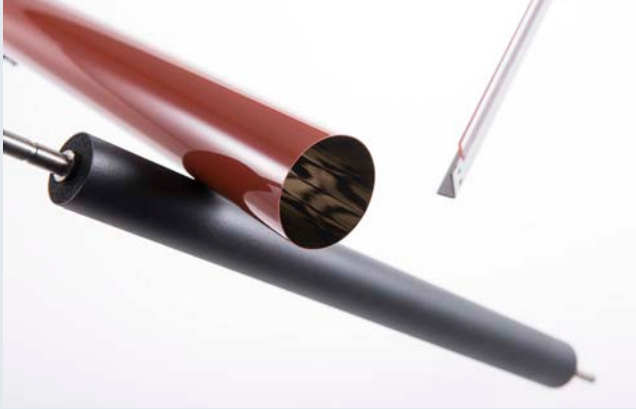


This is a fluorine chemistry-based compound with rubber additive, available in various forms such as powder, liquid, and gas. It is used as a material and a modifier for rubbers and resins, and provides new possibilities for materials.

Main Application

Surface treatment agents, synthetic chemical products

Other Business



Net sales **25.4 billion yen**    Operating income **900 million yen**  
Major operating company: Synztec Co., Ltd., NOK Klueber Co., Ltd.

Development rollers and charge rollers



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

Main Application

Area surrounding the office machinery photoreceptors

Fixing belts and pressure rollers



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

Main Application

Fixing parts of office machinery

Products for financial terminals



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

Main Application

ATMs, cash dispensers, etc.

Oil



Our high-performance oil provides outstanding 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.

Coatings



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

Grease



Our grease features high reliability and long operating life even in severe environments such as extremes in temperature, high-speed machinery, and high-load applications. 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



- Synztec Co., Ltd.**
  - Synztec (Malaysia) Sdn. Bhd. / Malaysia
  - Synztec Vietnam Co., Ltd. / Vietnam
  - Synztec Precision Parts (Shenzhen) Co., Ltd. / China
  - Synztec Precision Parts (Hong Kong) Co., Ltd. / China
- Unimatec Co., Ltd.**
  - Unimatec Singapore Pte. Ltd. / Singapore

- NOK CORPORATION**
  - Freudenberg NOK Pvt., Ltd. / India
  - Thai NOK Co., Ltd. / Thailand
  - NOK Asia Company Pte. Ltd. / Singapore
  - PT. NOK Indonesia / Indonesia
  - PT. NOK Freudenberg Sealing Technologies / Indonesia
  - PT. NOK Precision Component Batam / 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-Freudenberg 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) / China
  - Mektec Corporation / Taiwan
  - Mektec Manufacturing Corporation (Vietnam) Ltd. / Vietnam



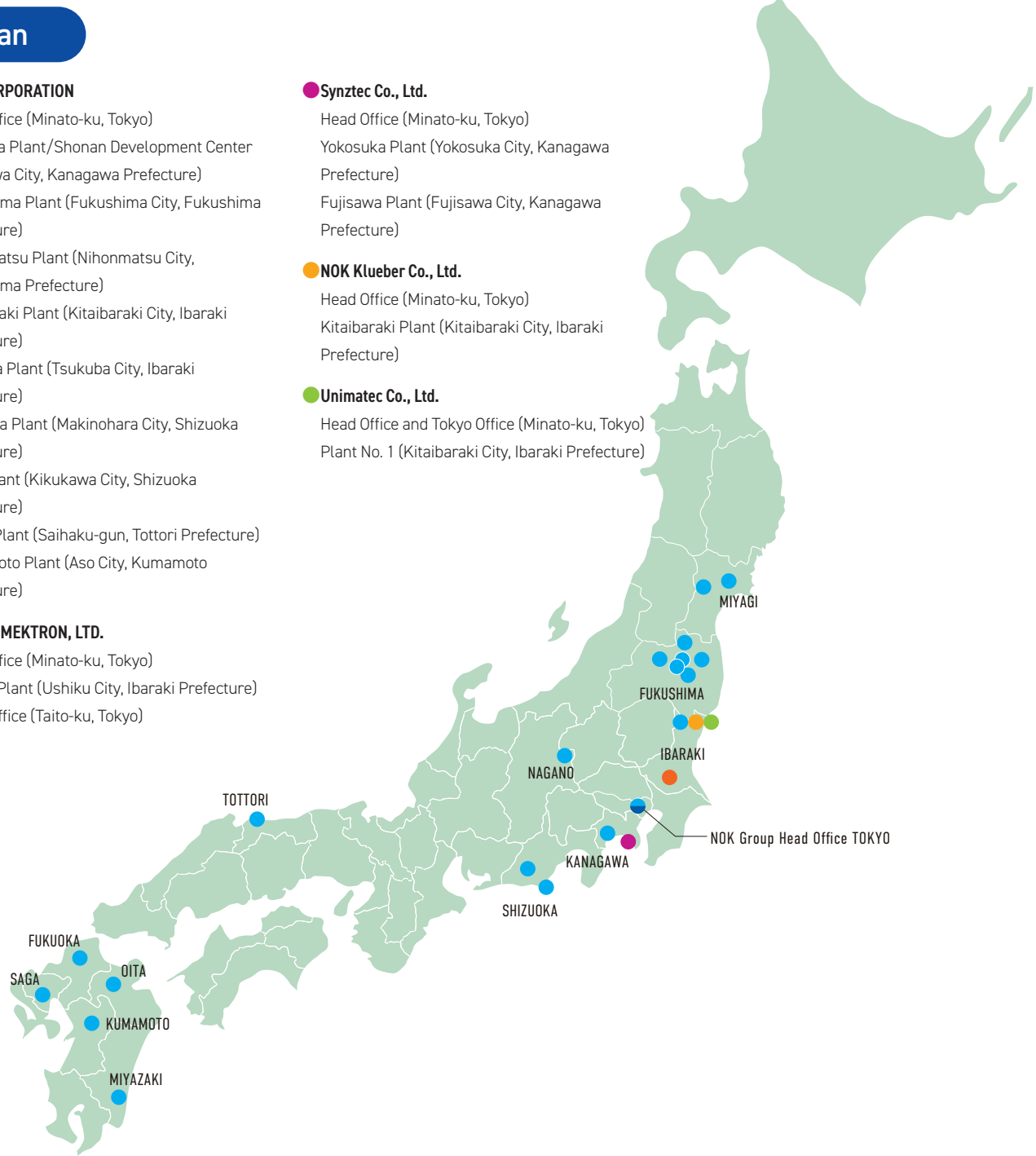
- NOK CORPORATION**
  - Freudenberg-NOK General Partnership / USA



- 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 Development 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)
- Synztec Co., Ltd.**
  - Head Office (Minato-ku, Tokyo)
  - Yokosuka Plant (Yokosuka City, Kanagawa Prefecture)
  - Fujisawa Plant (Fujisawa City, Kanagawa Prefecture)
- NOK Klueber Co., Ltd.**
  - Head Office (Minato-ku, Tokyo)
  - Kitaibaraki Plant (Kitaibaraki City, Ibaraki Prefecture)
- Unimatec Co., Ltd.**
  - Head Office and Tokyo Office (Minato-ku, Tokyo)
  - Plant No. 1 (Kitaibaraki City, Ibaraki Prefecture)
- NIPPON MEKTRON, LTD.**
  - Head Office (Minato-ku, Tokyo)
  - Ushiku Plant (Ushiku City, Ibaraki Prefecture)
  - Tokyo Office (Taito-ku, Tokyo)



## Group Company

- Japan**
  - Miyagi NOK Corporation (Kami-gun, Miyagi Prefecture)
  - NOK Metal Co., Ltd. (Toda-gun, Miyagi Prefecture)
  - Tenei Seal Industry Corporation (Iwase-gun, Fukushima Prefecture)
  - Miharu Industry Corporation (Tamura-gun, Fukushima Prefecture)
  - Tohoku Seal Industry Corporation (Yama-gun, Fukushima Prefecture)
  - Nihonmatsu NOK Corporation (Nihonmatsu City, Fukushima Prefecture)
  - Ishihara Polyurethane Industry Corporation (Kitaibaraki City, Ibaraki Prefecture)
  - Isshin Industries Corporation (Kitasaku-gun, Nagano Prefecture)
  - Kanasei Corporation (Motomiya City, Fukushima 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)



# 2021 Financial Highlights

## Financial highlights (consolidated) over the last six years

		Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net sales	Millions of yen	713,138	729,341	669,482	626,815	596,369	682,507
Operating income	Millions of yen	39,776	44,934	23,140	12,028	14,467	31,337
Operating income to net sales ratio	%	5.6	6.2	3.5	1.9	2.4	4.6
Ordinary income	Millions of yen	45,709	56,291	31,135	17,373	18,339	46,168
Ordinary income to net sales ratio	%	6.4	7.7	4.7	2.8	3.1	6.8
Profit (loss) attributable to owners of parent	Millions of yen	27,328	35,281	3,419	(2,218)	(1,361)	25,835
Net income to net sales ratio	%	3.8	4.8	0.5	-	-	3.8

### Profitability

ROE (Return on Equity)	%	6.7	8.0	0.8	(0.5)	(0.3)	5.4
ROA (Return on Assets)	%	3.8	4.6	0.4	(0.3)	(0.2)	3.1
EPS (Earnings per Share)	yen	158.4	204.2	19.8	(12.8)	(7.9)	149.4
PER (Price Earnings Ratio)	times	16.3	10.1	87.2	(93.0)	(190.7)	7.7

### Financial position

Total assets	Millions of yen	751,797	793,314	785,133	728,695	803,000	857,324
Owner's equity	Millions of yen	418,666	459,655	444,177	407,092	457,352	502,262
Equity ratio	%	55.7	57.9	56.6	55.9	57.0	58.6
Capital expenditure	Millions of yen	65,135	58,388	70,118	47,669	25,728	41,030
Depreciation	Millions of yen	40,391	43,970	46,829	43,312	40,664	42,591
Net R&D expenditure	Millions of yen	8,274	9,443	10,459	11,298	10,053	10,410

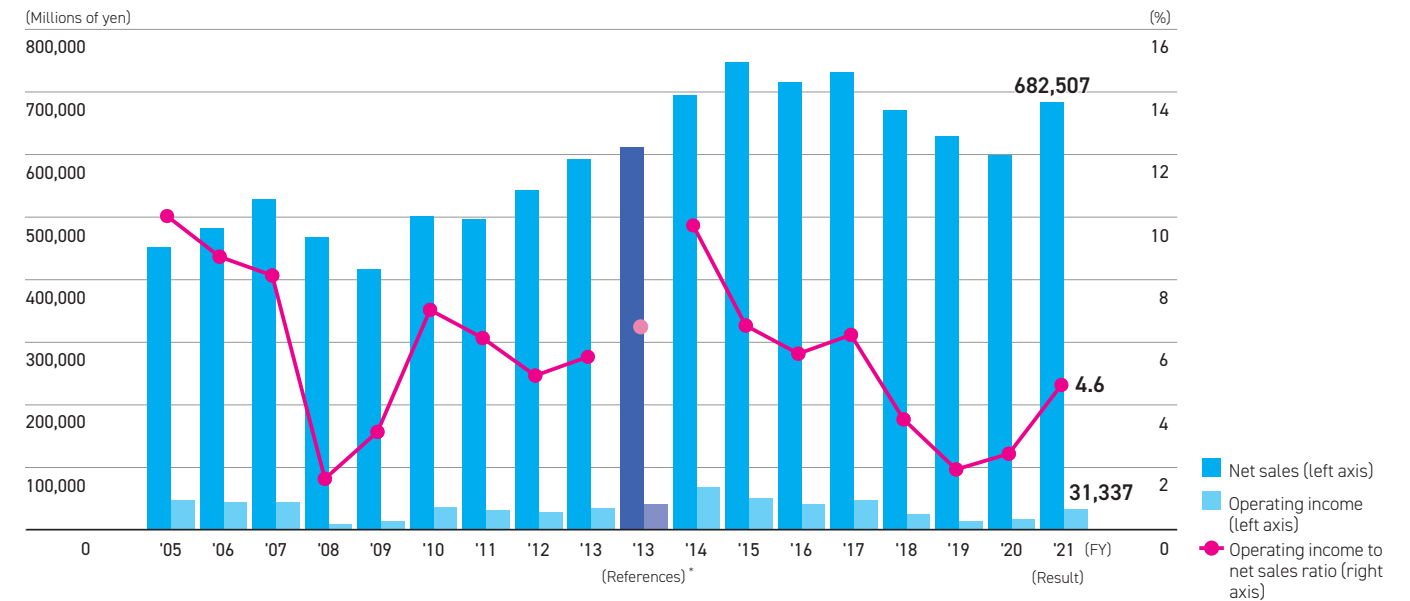
### Shareholder return

Dividend	yen	50	50	50	37.5	25	60
Payout ratio	%	31.6	24.5	252.9	-	-	40.2

### Cash flows

Operating activities	Millions of yen	68,038	69,526	63,854	71,370	45,824	54,999
Investing activities	Millions of yen	(62,035)	(58,681)	(79,259)	(50,425)	(18,719)	(37,972)
Financing activities	Millions of yen	(7,327)	(13,010)	6,633	(17,497)	5,884	(32,070)
Cash and cash equivalents, end of period	Millions of yen	90,629	89,420	80,761	82,366	120,385	111,247

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



\*Since fiscal year ended March 31, 2015, 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 2021 operating results

The business environment surrounding our Group during this fiscal year fluctuated significantly due to the repeated stagnation and resumption of economic activities resulting from the declaration of a state of emergency and the repeated issuance of priority measures to prevent the spread of COVID-19. While there are signs of economic recovery amid the vaccination drive, the outlook is more uncertain due to the impact of the lockdown in China and the situation in Russia and Ukraine. This is in addition to the shortage of supplies of semiconductors and other components and the soaring cost of raw materials.

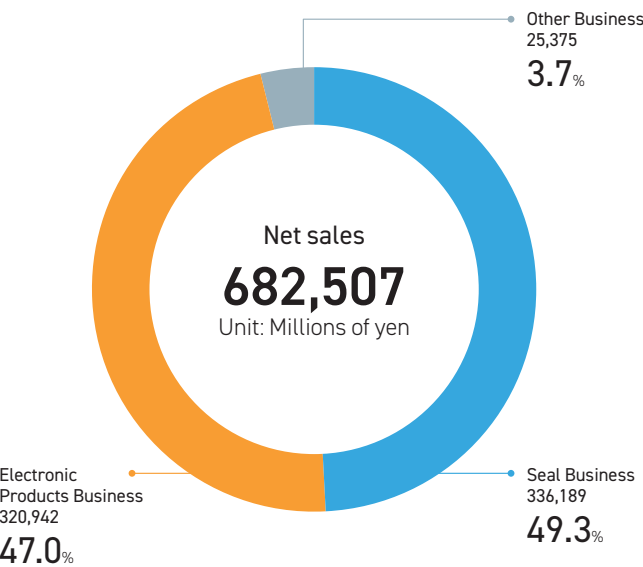
In the automotive industry, domestic and international demand declined in fiscal 2020 due to the impact of COVID-19, but the recovery trend continued throughout the year. On the other hand, the supply shortage of semiconductors and other components became more severe, coupled with the lockdown caused by the resurgence of COVID-19 in the Southeast Asian region, and the production of automobiles in Japan and overseas has contracted recently.

In the electronics industry, production of smartphones and hard-disk drives remained steady despite the impact of the semiconductor shortage in some sectors.

In this circumstance, our Group reported net sales of 682.507 billion yen (up 14.4% year on year), operating income of 31.337 billion yen (up 116.6% year on year), ordinary income of 46.168 billion yen (up 151.8% year on year), and net income attributable to owners of the parent of 25.835 billion yen (compared with a net loss attributable to owners of the parent of 1.361 billion yen in the same period of the previous year).

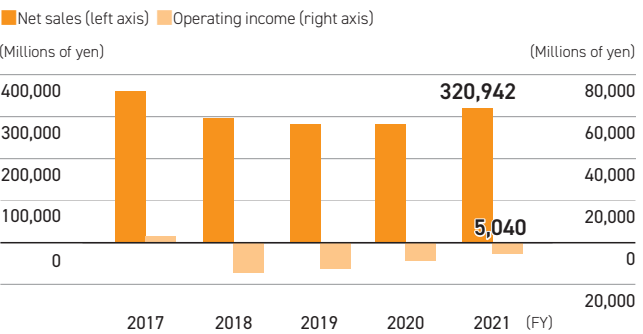


Fiscal 2021 overview by business segment



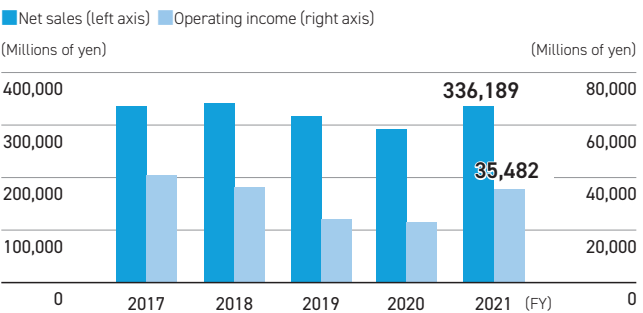
Electronic Products Business

Sales for high-performance smartphones and hard-disk drives increased due to a recovery in demand, partially offset by production cuts due to a shortage in the supply of semiconductors and other components. In the automotive segment, sales increased due to the recovery of demand and the expansion in sales of products for electric vehicles. As a result, net sales increased by 13.9% year-on-year to 320.942 billion yen. The operating loss was 5.04 billion yen (compared with an operating loss of 8.371 billion yen in the same period of the previous fiscal year) due to the effect of higher sales, despite an increase in personnel and expenses.



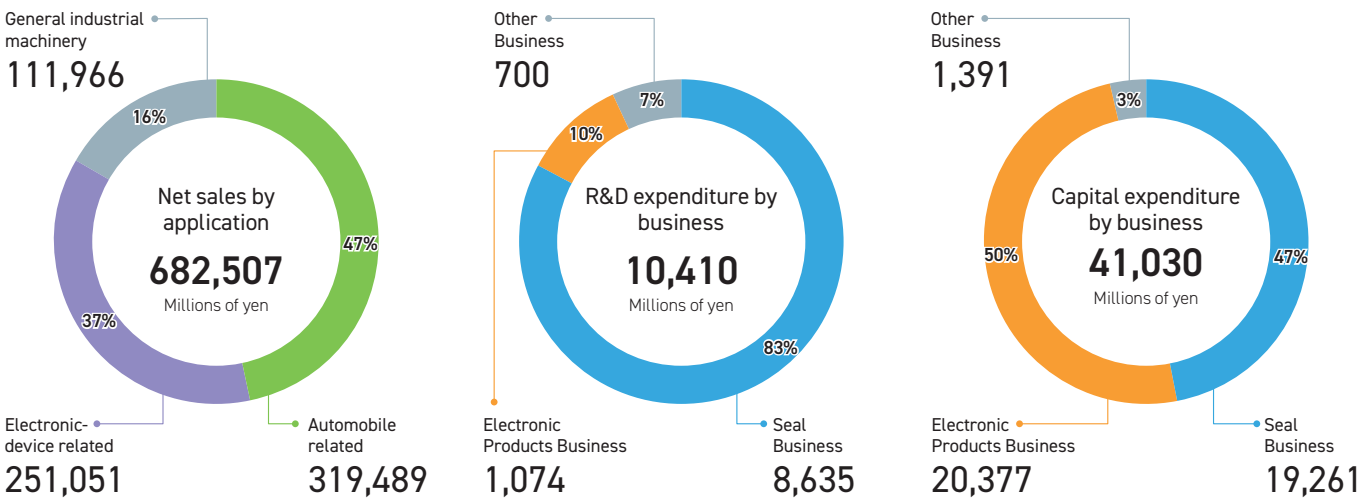
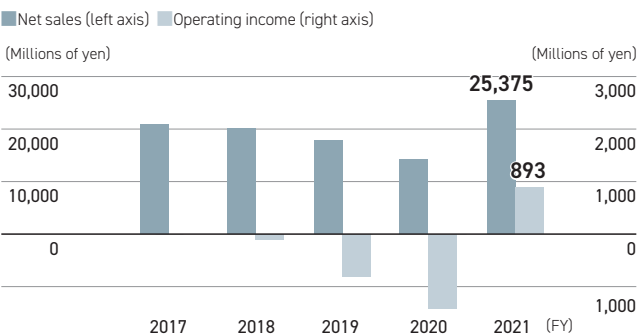
Seal Business

In the automotive sector, sales increased due to a significant recovery in demand, despite a shortage in the supply of components such as semiconductors and the spread of COVID-19 in Southeast Asia. Sales for general industrial machinery also increased as the markets for construction machinery, machine tools, and robots strengthened. As a result, net sales increased by 14.7% year on year to 336.189 billion yen. Operating income increased by 53.0% year on year to 35.482 billion yen due to the effect of higher sales, despite higher raw-material prices and higher personnel and overhead costs.



Other Business

In the roll business, sales increased due to a recovery in demand for multifunction devices and repair parts, which had been depressed due to the impact of COVID-19. Sales of specialty lubricants also increased due to strong demand for general industrial machinery and other products. As a result, net sales increased by 17.6% year on year to 25.375 billion yen. Operating income was 893 million yen (compared with an operating loss of 361 million yen in the same period of the previous fiscal year).



Key Risks and Opportunities by Business

Seal Business

In the automotive sector, sales are expected to increase as demand for automobiles increases both domestic and overseas against the backdrop of the elimination of shortages in the supply of components such as semiconductors, as well as economic stimulus measures in various countries. Sales for general industrial machinery are also expected to increase as demand for construction and agricultural machinery, machine tools and robots remains strong. On the other hand, as the external environment is expected to be highly uncertain, including the impact of persistently high global raw-material prices, supply concerns, and geopolitical risks, we will swiftly address these changes. In addition, we will establish a production system that will enable us to achieve more stable quality and product supply than ever before. Moreover, we will work to develop new businesses and new products to deal with mid- to long-term changes in the business environment, such as the electrification of automobiles.

Electronic Products Business

Sales are expected to increase as a result of further expansion of sales of products for electric vehicles, but as with the sealing business, the external environment is expected to be highly uncertain. At the same time, there are challenges in meeting the fluctuating demand for high-performance smartphones and the growing demand for electric vehicles. To address these issues, we will continue to build a structure that is less susceptible to fluctuations by expanding business areas that experience low demand fluctuations, and will respond to the rising demand for electric vehicles around the world by manufacturing in the most suitable locations based on the concept of local production for local consumption.

Other Business

In the specialty lubricants business, demand for general industrial machinery is expected to remain strong. In the roll business, there is concern that demand for printers and consumables will continue to decline due to changes in work styles caused by the impact of COVID-19, in addition to the previous slowdown in the growth of the office equipment market. Therefore, the challenge is to change our corporate structure to one that is appropriate and in line with demand. In response, we will coordinate sales, technology and production to improve productivity, improve competitiveness in terms of quality and cost, and further enhance management efficiency to improve profitability.



# 2021 Business Highlights

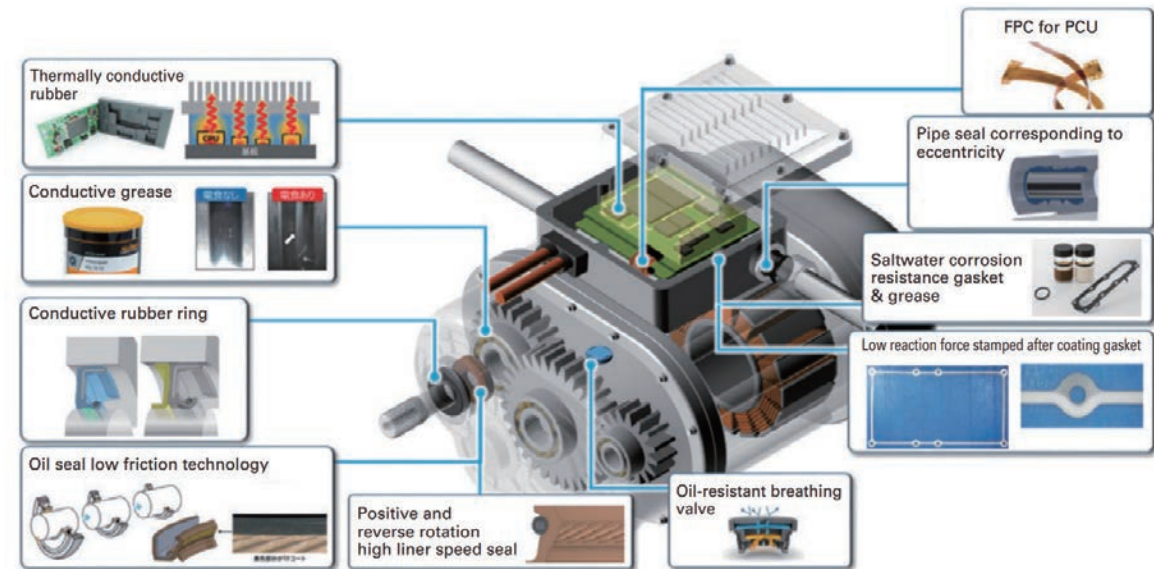
## Focus on the Electrification of Automobiles

In response to global coalition for carbon neutrality, the auto industry is moving toward eco-friendly e-Mobility. At NOK, we see this once-in-a-century period of change as a business opportunity, and continue to develop products that contribute to conserving the environment.

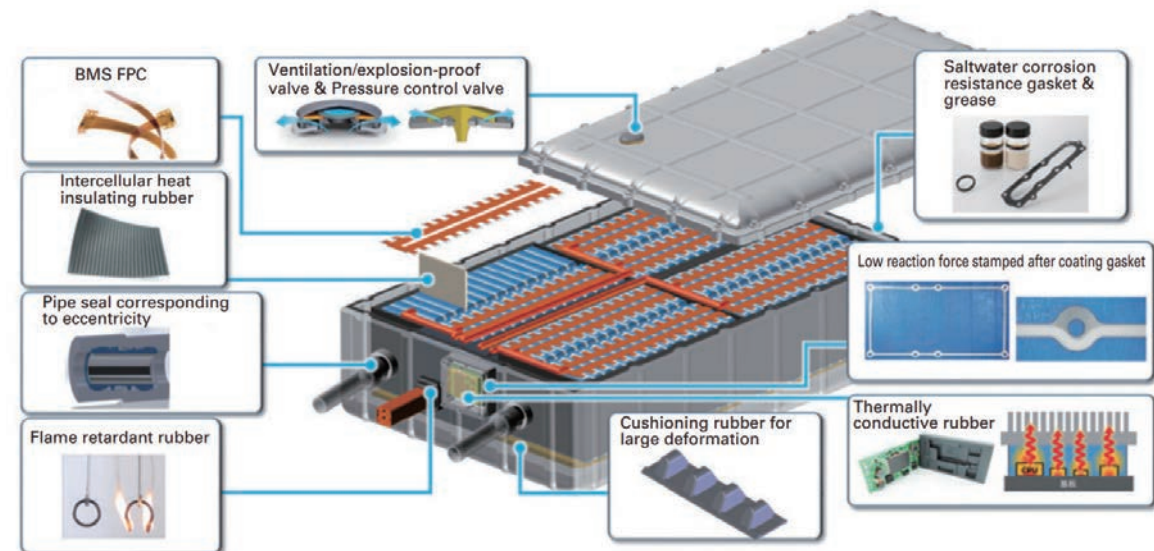
Demand for existing sealed products is expected to apply to e-Mobility as well, including Battery Electric Vehicles (BEV). In addition, the use of developed products by customers in newly installed batteries, drive motors, and control devices will help to solve environmental problems.

In addition to new product lines, we will continue to develop new products backed by technology based on customer feedback and needs around the world. The Group will also contribute to a carbon-neutral era by satisfying our customers and expanding sales within the e-Mobility industry.

### Items for motors and PCUs



### Items for batteries



## Disposable Urination-detection Sensor Developed

NOK and Nippon Mektron, Ltd. (MEK), a group company have jointly developed a disposable urination detection sensor, C-Letter proprietary technology turns traditional RFID tags into moisture-sensitive devices, and by inserting the devices between thin, soft nonwoven fabric, they can be used without any discomfort to the wearer. In addition, by linking with the monitoring and recording systems used in nursing homes, it is possible to automatically record the timing of a user's excretion.

In Japan, where the birthrate is declining and the population is aging, the nursing care industry is experiencing a serious labor shortage, and one of the solutions is expected to be the use of technology to support the independence of the elderly and provide high-quality nursing care. Excretion care, among other things, is frequently performed in daily life and is a sensitive matter that concerns the dignity and privacy of the elderly. Since independence for excretion greatly affects the quality of life of the elderly and their caregivers, there is a need for tools that can efficiently obtain and analyze excretion records and utilize them effectively for excretion care.

In the future, we will aim to commercialize the developed product not only by conducting demonstration experiments at nursing care sites and expanding nursing care systems linked to the product, but also by promoting the development of solutions for effective analysis and utilization of collected and accumulated recorded data for excretion care.



C-Letter, a disposable urination detection sensor

## Celebrating 80 Years anniversary

NOK celebrated its 80-year anniversary on July 9, 2021. We held the following 80-year anniversary events as an opportunity to express our gratitude to all the stakeholders who have supported us to date.

### Major initiatives to celebrate 80 years of business

#### Creation of company anniversary logo

We created an anniversary logo to commemorate our 80-year anniversary. The 80 silhouettes are named the "Rainbow Bridge to the Future" and the "Trajectory of Value Reflected on the Water Surface," expressing the image of many dreams being connected and drawn from the past to the present and the future.



80-year anniversary logo

#### Launching a special website

A special 80-year anniversary site was established within the NOK corporate website, featuring content such as a video showing NOK's progress and a message from employees expressing their appreciation to all our stakeholders.



Special website for the 80-year anniversary



# NOK Group's Activities and SDGs

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

		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
The Environment	The 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: Advance female employees Goals 8 and 10: Respect and commit to basic human rights related to employees	Participation in Communities and Community Development	Goal 2: Conduct activities such as distributing food to needy families in need Goal 3: Sponsorship for sports events and school sports activities, rent facilities as playgrounds Goal 4: Provide educational support for elementary schools and internship program for universities and technical colleges students Goal 9: Pursue activities to cultivate an environment that can form the foundation of innovation, such as the robot contest, Kid Engineers, and the Student Formula Japan Tournament Goal 11: Participation in activities such as the preservation of traditional culture and temples, road safety program, and local fire brigades Goal 14: Conduct cleaning activities at the seaside Goal 17: Cooperate with various organizations
Labor Practices	Goal 3: Promote welfare benefits and the health of employees Goal 4: Provide education and training programs and develop human resources Goal 5: Promote active social participation by women and maintenance of work-life balance Goal 8: Undertake the task of providing a safe and comfortable working environment for employees, and employment of people with disabilities	Corporate Governance	Goal 16: Build a compliance/governance system and pursuing initiatives against corruption Goal 17: Create corporate management commitments and initiatives that take into account the interest of all stakeholders
Fair Operating Practices	Goal 10: Formulate and implement a fair procurement policy Goal 12: Implement Green Procurement Goal 16: Implement CSR-based procurement Goal 17: Create new partnerships with external organizations, companies, etc. in the supply chain	The Environment	Goal 6: Clean up lakeshores and waterways, prevent water pollution and respond to water-stressed areas Goal 7: Enhance energy efficiency and introduce renewable forms of energy Goal 9: Improve resource efficiency, introduce anti-pollution technology, and develop environmentally friendly products Goal 11: Manage hazardous substances and waste Goal 12: Reduce input energy (natural resources), manage of input resources and emissions in the course of business operations, and disclose these in the relevant CSR report at regular intervals
Quality Assurance	Goal 9: Promote innovation by setting forth the improvement of our unique technologies in our basic policy, centered around "product quality and Goal 12: safety"Promote reduction of loss due to waste by declaring to that effect in the Group Quality Assurance Policy Goal 17: Create new partnerships with external organizations, companies, etc. in the supply chain and delivery destinations		Goal 13: Respond to climate change Goal 14: Manage water discharge effluent and cleaning activities at the seaside Goal 15: Establish the NOK Biodiversity Conservation Policy and implement activities such as tree planting and open burning Goal 17: Implement environmental programs in coordination with significant participants in the supply chain, including Kyoeikai and Kyoryokukai

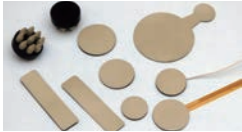


# NOK Group's Business and SDGs

NOK Group is helping to solve environmental and social problems by providing products, and our customers using these products. The products of the NOK Group are built into our customers' products and then become the end product, so it is difficult to see what kind of issues our products are contributing to. Therefore, we would like to introduce the specific targets of the SDGs to which NOK Group products are contributing. By being integrated with the products themselves and with the products of our customers, we are helping to solve each problem in various fields, including in automobiles. We will continue to help solve environmental and social issues through providing products and developing new technologies.

### SDGs Our Products are Helping to Attain



Contribution to SDGs achieved by NOK Group businesses		Product type	Products and technology that are particularly helping to improve environmental and social issues	
1	Not generating and emitting substances that affect the environment	 Oil seals	Dust-resistance improvement technology	Technology that prevents sand and dust from entering an engine while maintaining stable seal performance in demanding environments such as in deserts and very cold regions, and the rough and dirty roads seen in developing countries.
			Space-saving baked gasket	To keep up with the ever-advancing and ever-evolving trend toward more compact and lighter in-vehicle units as vehicles become more fuel-efficient, we have developed a space-saving design for seal products, plus the ability to keep up with dimensional variations (tolerance expansion) and creep associated with changes in housing materials.
2	Efficient energy transfer	 The Le-μ's series	TF Coat oil seals	Oil seals treated with a special coating called "TF Coat" achieve 30% torque reduction than existing oil seals. In addition to saving energy and reducing heat caused by sliding, the effect lasts for a long time because the coating is highly durable.
3	Reducing environmental impact	 Industrial membrane modules	Industrial membrane modules	Industrial membrane modules are used to remove fine particles from water at various kinds of sites, including water purification and recovered water treatment. NOK's industrial membrane module uses polysulfone, a membrane material with excellent pore size and flow rate balance, to achieve high filtration performance and contribute to the effective use of water, a global issue.
			Toothed surface cloth-lined belt with reduced friction coefficient	Has the exceptional properties of high mechanical strength, high wear resistance, low noise and low vibration. Used as next-generation power transmission belts and transfer belts in the production lines of various industries.
4	Extending product life	 Special lubricant grease	Rustector specification soft metal gaskets and special lubricant greases	We have developed soft metal gaskets and greases resistant to saltwater 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 achieved by NOK Group businesses		Product type	Products and technology that are particularly helping to improve environmental and social issues	
5	Stable supply of necessary parts for devices that protect people's health	 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, we expect to contribute new R&D related to promoting people's health and wellness.
			Pipette packing	A gasket that is attached to pipette tips and enables reagents to be injected into small devices. This contributes to cell culturing and the automation of testing.
6	Recycling of raw materials	 Median strip blocks	Median strip blocks	We produced a recycling system for median strip blocks used on roads whereby 98% of the raw materials are recycled. The blocks are highly durable, which extends their service life.
7	Provision of parts for electric vehicles  Products used in electric vehicles  <a href="https://www.nok.co.jp/product/ev.html">https://www.nok.co.jp/product/ev.html</a>	 Tran-Q Rubber	Tran-Q Clay Fluoride Tran-Q Rubber	This is a soft clay-like heat-conducting member. Insulation allows it to be used in electronics. It has a high degree of deformation freedom and can be easily embedded in solid, curved, or complex spaces.
			High-damping anti-vibration rubber, high-damping rubber	High-level quietness requirements for electric vehicles with our high-damping anti-vibration rubber, which features significantly improved damping characteristics.
			FPC	Regarding 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 helping to spread the adoption of electric vehicles through downsized and lighter batteries.

## UN Global Compact

NOK is developing businesses globally in regions such as China and Southeast Asia. In April 2021, we became a signatory of the UN Global Compact (hereinafter, the UNGC) to 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 also support the Ten Principles of the UNGC and implement them in our business activities to contribute to the development of a sustainable society. The details of our initiatives will be disclosed to our stakeholders in a timely manner.

Human Rights			
Principle 1	Support and protect human rights	Respect for Human Rights	P. 46
		Respect for Fundamental Rights and Dialogue	P. 47
		Diversity	P. 49
		Occupational Safety and Healthcare	P. 51
Principle 2	To not be complicit in human rights abuses	Respect for Human Rights	P. 46
Labor Standards			
Principle 3	Recognize the freedom of association and the right to collective bargaining	Respect for Fundamental Rights and Dialogue	P. 47
Principle 4	Eliminate forced labor	Respect for Human Rights	P. 46
Principle 5	Effectively abolish child labor	Respect for Human Rights	P. 46
Principle 6	Eliminate discrimination with respect to employment and occupation	Diversity	P. 49
The Environment			
Principle 7	Take a precautionary approach to environmental challenges	Environmental Management System	P. 32
		Environmental Management	P. 28
Principle 8	Undertake initiatives to promote greater environmental responsibility	NOK's Mid-Term Goals and Progress	P. 30
Principle 9	Develop and disseminate environmentally friendly technologies	Environmentally friendly products	P. 42
Anti-Corruption			
Principle 10	Embrace all forms of anti-corruption initiatives, including extortion and bribery	Corporate Governance	P. 44



# Information Disclosure Based on TCFD Recommendations

## The NOK Group's approach to climate change

Recognizing that climate change is an important issue that must be addressed so as to create a sustainable society, the NOK Group expressed its support for the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board (FSB), in April 2022. The NOK Group had been promoting initiatives on climate change under the NOK Twin Green Plan 2030, its environmental vision for 2030, and now, based on its endorsement of TCFD, the Group intends to further strengthen its efforts. Based on the TCFD's recommendations, we will identify the risks and opportunities that climate change poses to our business activities, reflect them in our business strategies, and actively disclose information to enhance our corporate value.

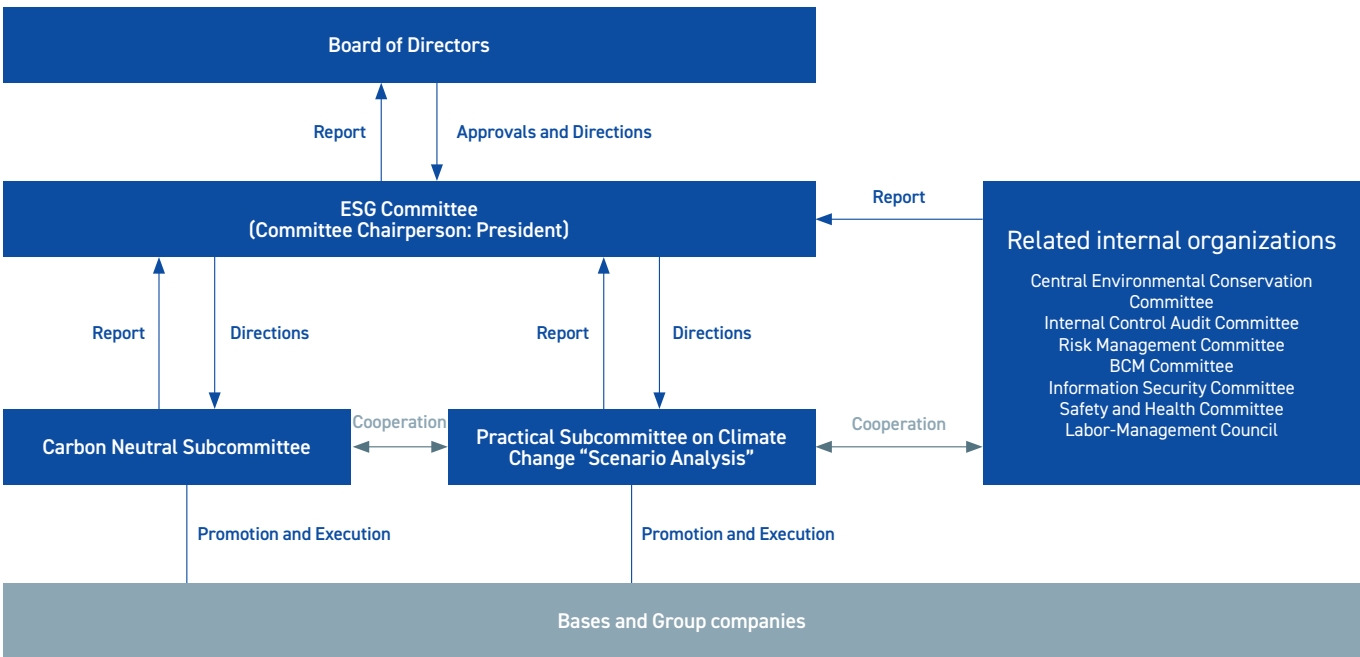


## Governance structure for initiatives

The NOK Group has established an ESG Committee under its Board of Directors as an organization responsible for formulating various management policies, including our climate change actions, based on medium- to long-term perspectives. Initiatives discussed by the ESG Committee are subject to review by the Board of Directors.

In addition, the Climate Change Scenario Analysis Subcommittee and the Carbon Neutral Subcommittee have been established under the ESG Committee as specialized bodies for climate change actions. The Climate Change Scenario Analysis Subcommittee estimates the potential impacts of climate change, while the Carbon Neutral Subcommittee formulates and promotes specific climate change actions. These subcommittees take the lead and work with related

internal organizations, locations, and group companies to promote climate change initiatives, and regularly report on the progress of these initiatives at ESG Committee meetings.



## Results of scenario analysis (4°C and 2°C)

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

Scenario definition Period covered: 2030 Scope of coverage: NOK Consolidated Global Referenced scenarios: IEA WEO (Stated Policies Scenario, Sustainable Development Scenario), RCP2.6, RCP4.5, RCP6.0, RCP8.5, etc.

## Risks and opportunities

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

Information Disclosure Based on TCFD Recommendations

Strategies, indicators and targets

Strategy

We recognize that climate change is an important management issue that will affect our finances into the future. As such, we have carried out scenario analyses in accordance with TCFD recommendations in order to assess the impact and reflect measures against climate change in our management strategy. Based on data from sources such as the International Energy Agency (IEA), we assessed the impact of climate change on our businesses under two scenarios, the 4°C and 2°C scenarios. Based on the results of these scenario analyses, we will be reviewing and promoting actions to address the identified risks and opportunities as outlined on the right. We will also continue to expand our scenario analyses and incorporate their results into our business strategies and management plans. The goal is to improve the resilience of our management strategy.

Target

As part of our climate change actions, the NOK Group has formulated the NOK Twin Green Plan 2030, and has been promoting the reduction of CO<sub>2</sub> emissions and development of next-generation eco-technologies. To strengthen our climate change actions, we have recently raised the CO<sub>2</sub> emission reduction targets set in the NOK Twin Green Plan 2030 based on results from our TCFD scenario analyses. With the aim of achieving carbon neutrality by 2050, we will continue to promote efforts to address climate change and consider revisions to our targets from time to time based on the results of scenario analyses and social conditions.

Environmental Report



Environmental Management

UNGC  
Principle 8

Social Background

In recent years, a variety of environmental problems have emerged and are affecting our lives. To solve them 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 set 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 help realize a sustainable society by taking the environment into account in their overall corporate activities.

NOK's Policy

Based on the notion that the Company is a member of society, we strive to ensure that all our employees understand that our business activities, products, and services have a complex relationship with environmental impacts on a global scale. We have set and implement the Basic Policies on Environmental Conservation from a longitudinal perspective in order to help realize sustainable development of a society for 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 our environmental burden.
- 2 We will promote energy conservation to prevent global warming, reuse and recycle resources, and reduce waste for 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 our 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 endeavor to meet the expectations of our stakeholders in regard to environmental issues.
- 6 We disclose information on environmental conservation and social contribution activities, and proactively communicate with local and broader society.
- 7 As a good corporate citizen, all our 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: June 24, 2022

Representative Director, Chief Executive Officer, NOK CORPORATION  
Committee chairperson of the NOK Central Environmental Conservation Committee

Masao Tsuru

Environmental Management System

To promote our environmental management activities smoothly and consistently, Company-wide efforts are made under the following frame.

The ESG Committee has been established directly under the Board of Directors as an organization that formulates various management policies, including measures to address climate change, from a medium- to long-term perspective. Initiatives discussed by the ESG Committee are subject to review by the Board of Directors. As specialized organizations for responding to climate change, we have established the Climate Change Scenario Analysis Practice Subcommittee and the Carbon Neutral Subcommittee to estimate the impact of climate change and to consider and promote specific measures. In addition,

the Central Environmental Conservation Committee, chaired by the president, meets twice a year to determine risks and opportunities in environmental conservation management and Company-wide business policies. Key issues such as identified risk and opportunity priorities and outcomes are reported to the Board through the ESG Committee. Substantial environmental protection activities are promoted mainly by the Corporate Environmental Secretariat and the Energy Conservation Subcommittee under the supervision of the Corporate Environmental Protection Supervisor, and environmental protection activities are conducted at each business site in accordance with environmental goals and policies.

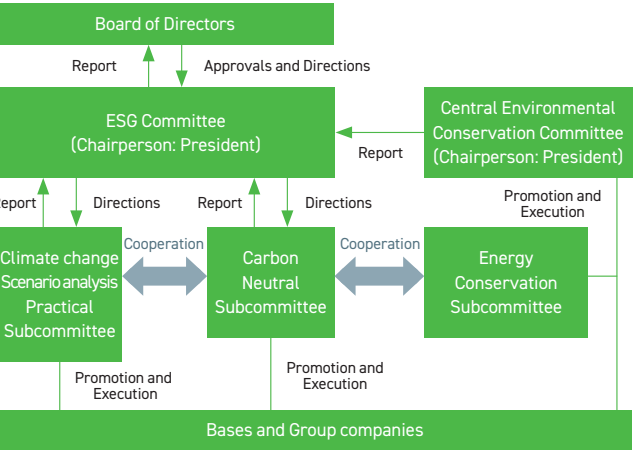


Environmental Management of the NOK Group

With the Paris Agreement adopted in 2015 and the SDGs agreement for 2030, society's perception of environmental issues is also changing. The Task Force on Climate-related Financial Disclosures (TCFD) has proposed "climate-related disclosures that have an impact on corporate finances" and scientific CO<sub>2</sub> emission reduction targets (SBT) consistent with the levels required by the Paris Agreement have stimulated activities aimed at realizing a sustainable society, and corporations are being urged to implement "environmental management," which is a business activity that takes the environment into account.

The NOK Group established the NOK Twin Green Plan 2030, a long-term environmental vision for the year 2030 as its environmental management plan. Under this plan, we have been engaged in environmental protection 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 the Long-term Environmental Vision for 2030

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

Under this long-term vision, the Group will work together to realize a sustainable society through the provision of eco-friendly products

and business activities in response to electrification of automobiles and carbon neutrality.

### NOK Twin Green Plan 2030

#### Green Factory

##### Climate change

- We aim to achieve carbon neutrality by 2050.
- As a milestone toward achieving carbon neutrality, reduce domestic CO<sub>2</sub> emissions by 50% by 2030 (compared to 2018) and overseas CO<sub>2</sub> emissions intensity by 30% (compared to 2018) to promote.
- Introduce internal carbon pricing to help reduce CO<sub>2</sub> emissions.
- We will actively promote the use of renewable energy.
- We will develop production facilities that reduce energy consumption by 20% compared to conventional facilities.

##### Resource circulation

- We aim to conserve resources, reduce waste, and achieve a recycling rate of 100%.

##### Water risk

- We will work on reducing water use and ensuring cleaner water discharge.

#### Green Product

##### Climate change

- We will respond to the electrification of automobiles and offer products that contribute to carbon neutrality through various approaches.
- Contributing to CO<sub>2</sub> reduction through our products by developing low-friction technology that helps to reduce fuel consumption.
- A sustainable company that provides products which contribute to the spread of renewable energy and promote the formation of a sustainable society.
- We will provide products that contribute to the spread of next-generation energy technologies such as fuel cells.

##### Resource circulation

- Thorough control of chemical substances in products improves environmental quality.

##### Water risk

- We will supply products that contribute to the effective use of water (sanitary water supply and water circulation).

#### Biodiversity

- We will promote biodiversity conservation activities tailored to local characteristics.

#### Supply chain

- We will work with suppliers to revitalize our efforts to address climate change, resource recycling, water risk, and biodiversity.

#### Relevant SDGs

NOK's Mid-Term Goals and Results

UNGC Principle 8

The NOK Group has set goals related to environmental management, measures against climate change, resource conservation and waste recycling, conservation of water resources, measures on substances of concern, and environmentally friendly products as its 8th Company-wide environmental conservation goals for fiscal years 2020 to 2022.The progress has already met the target level, except for the targets for CO<sub>2</sub> emissions and water withdrawals. In addition, although we are making steady progress in reducing our CO<sub>2</sub> emissions and water withdrawals targets, we will continue

to work hard to reduce them because of the significant impact of fluctuations in production trends arising from COVID-19 situation.  
In fiscal 2021, we launched the Carbon Neutral Subcommittee, a specialized organization for measures against climate change , to prepare a roadmap for reducing CO<sub>2</sub> emissions for 2030 and to consider specific measures to reduce CO<sub>2</sub> emissions. Details are provided in the results of each item.

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	Base Year	Target		
Environmental management	[Fostering and establishing an environmental spirit] Promoting activities that contribute to a better environment, tailored to the characteristics of each region [Improving the management level of the environmental management system] Promoting and expanding education by rank and developing environmental human resources Reducing environmental protection risks through a steady PDCA cycle [Strengthening the prevention of environmental non-compliance] Promoting environmental risk assessments for equipment and facilities				○	P. 32
Measures against climate change	[Reducing CO <sub>2</sub> emissions] Developing energy-saving equipment for production processes Reducing CO <sub>2</sub> emissions in logistics processes Actively introducing renewable energy					P. 34
	Electricity consumption	Domestic	FY 2018	Reduced by 10%	○	
	CO <sub>2</sub> emissions	Global	FY 2018	Reduced by 10%	△	
Resource conservation and waste recycling	CO <sub>2</sub> emissions Intensity	Domestic	Previous fiscal year	Average intensity change over the past five years 1% or more reduction	○	P. 37
	[Resource conservation] Promoting resource conservation through design and process changes, optimization of material INPUT, etc. [Waste reduction] Promoting recycling and countermeasures for product non-conformity, reducing the amount of waste disposal in landfills by converting waste to recyclable materials, and improving the recycling rate					
	Waste recycling rate	Domestic	-	Maintaining a rate of more than 98%	○	
Conservation of water resources	Checking the volume of water withdrawals and water discharge in and outside Japan Controlling the increase in water withdrawals					P. 39
	Water withdrawals	Global	Previous fiscal year	Controlling an increase	△	
Measures on substances of concern	[Reducing the environmental burden] Reducing VOC emissions [Strengthening the chemical substance management system] Promoting green procurement (thorough management of chemical substances by suppliers)					P. 41
	VOC emissions	Global	FY 2010	Less than FY 2010 results	○	
Environmentally friendly products	Developing environmentally friendly products Improving the level of environmental conservation assessment in products				○	P. 42

Material Flow

INPUT materials and industrial waste associated with business activities



\*1 Total CO<sub>2</sub> emissions: Calculated based on the "Greenhouse gas emissions accounting and reporting manual." The emission factor is based on the national emission factor by country published by the International Energy Agency (IEA).

\*2 NOX (nitrogen oxides) and SOX (sulfur oxides): Total amount of NOX and SOX generated from specified facilities under the Air Pollution Control Act.

\*3 BOD load: Biochemical oxygen demand (BOD) is one of the indicators of water pollution, and represents the amount of oxygen used by microorganisms to decompose pollutant organic material in water. The figure for BOD load was obtained by multiplying the BOD measurement by the amount of effluent entering rivers.

Environmental Management System

UNGC  
Principle 7

NOK has established 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 its environmental burden. The current percentage of 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.

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 2021, there were no significant findings and the company received an evaluation that the management system is operating properly and undergoing continuous improvement.

Environmental Education

The NOK Group conducts a variety of education programs to foster a company-wide environmental spirit. The NOK Group conducts education by rank for its employees as well as specialized education that covers ISO 14001 management, energy, waste, and chemical substance management, as well as education to prepare for emergency situations. The result is raising the environmental awareness of every employee.

Results of environmental education in FY 2021

Item		Contents	Number of attendees
Level-specific education	New employee training	Basic education on environmental conditions and corporate environmental protection activities	344
	General employee education	Environmental conditions and the status of NOK's environmental protection activities, etc.	9,310
	Education for management positions	Environmental conditions and the status of NOK's environmental protection activities, etc.	1,201
Specialized education	Emergency-related education	Education for environmental accidents and emergency response	2,080
	Education for internal auditors	Education for ISO 14001 auditors	146
	Waste-related education	Proper waste disposal	1,140
	Energy-related course	Course for energy managers	286
	Chemical substances-related education	Education on the management of toxic and hazardous materials	3,005



Environmental Communication

**Environmental activities in collaboration with the government**  
The Tokai Plant is participating in the Shizuoka Prefecture River Friendship System, a collaborative project between the prefecture, municipality, and businesses and local residents. Our Company has exchanged letters of agreement with the prefecture and Kikukawa City to act as a river friend, and has been engaged in the action of cleaning up a river, such as mowing and cleaning up about 250 m of the banks of the Egawa River bordering our site, in an effort to conserve the local environment.



The action of cleaning up a river

**External Awards/Commendations**  
Under the philosophy of “green development,” NOK (Wuxi) Vibration Control China Co., Ltd. has made significant reductions in VOC emissions by prioritizing the use of green materials, making improvements using green technology, and reviewing the treatment of environmentally hazardous substances released to the outside. These achievements received high praise and the company was commended as a model green development enterprise at the Wuxi City 1st Green Development Company Evaluations in fiscal 2021.From among 10 outstanding businesses out of 10,000 companies in Wuxi, we have also been selected as an even more prestigious Model 4 company.  
TVC Corporation received the Director of the Chugoku Bureau of Economy, Trade and Industry Award as an excellent energy manager in recognition of its efforts to significantly reduce electricity consumption and its steady energy-saving efforts by promoting the visualization of electricity usage in its factories.



TVC Corporation honored by the Director of the Chugoku Bureau of Economy, Trade and Industry

NOK Elastomer Co., Ltd. received the Director of the Kyushu Bureau of Economy, Trade and Industry Award in recognition of its continued environmental activities, including ISO 14001 activities, over a decade, and has maintained the S rank in the industry classification evaluation system of the Ministry of Economy, Trade and Industry for five consecutive years.



NOK Elastomer Co., Ltd., winner of the Director of the Kyushu Bureau of Economy, Trade and Industry Award

**Status of compliance with environmental laws and regulations**  
During FY 2021, the NOK Group was not involved in any fines, penalties or lawsuits related to environmental incidents or complaints.

**Efforts to reduce the environmental load in our supply chain**  
NOK conducts an environmental survey for its suppliers in order to work together in the supply chain to reduce environmental impact. Through this initiative, we have been able to ascertain up to 76% of suppliers’ CO<sub>2</sub> emissions from NOK alone. In addition, we have confirmed our water risk assessment initiatives, and 79% of the suppliers who responded to our survey have conducted water risk assessments. We will continue our efforts to promote environmental awareness among our suppliers, and will expand the scope of our efforts to include consolidated companies so that we can promote the reduction of environmental impact in the value chain.

Measures against climate change

Social Background

In recent years, extreme weather events such as typhoons, heavy rains, droughts and heat waves have increased in frequency around the world, and there is concern that they may threaten the survival of the human race. In 2016, the Paris Agreement came into effect at the United Nations, spurring efforts to reduce CO<sub>2</sub> and other greenhouse gases and to conserve energy. In addition, a growing number of countries have declared their intention to be carbon neutral by 2050, setting the world on a path toward carbon neutrality in unison. In October 2020, Japan declared that it too would be carbon neutral by 2050, and in April 2021, it significantly raised its 2030 CO<sub>2</sub> reduction target from the previous one. The trend toward decarbonization is accelerating both in Japan and abroad, and it is becoming increasingly important for companies to pursue decarbonization as a factor that will influence their management. We are required to actively reduce greenhouse gas emissions and disclose information, including energy conservation and the introduction of renewable energy based on long-term management strategies.

The policy of NOK Group

Recognizing that climate change is an important global issue that must be addressed in order to create a sustainable society, the NOK Group is working to achieve carbon neutrality by 2050.In line with TCFD recommendations, we are analyzing the impact of climate change on our Company and promoting the incorporation of measures against climate change into our management strategies. We are also working to reduce CO<sub>2</sub> emissions throughout the product life cycle, including through energy-saving activities, the active introduction of renewable energy, and the reduction of fuel used in logistics.

Targets and Results

In terms of progress toward the current three-year (FY 2020 to FY 2022) targets, we have achieved a 4.4% reduction in CO<sub>2</sub> emissions from FY 2018, which is below the target level, and a 4.0% reduction in CO<sub>2</sub> emissions intensity. The impact of production fluctuations caused by COVID-19 has been significant, with the spread of the disease subsiding and production recovering, resulting in an increase in CO<sub>2</sub> emissions. We will continue to promote production efficiency and energy-saving measures, as well as expand efforts to reduce our CO<sub>2</sub> emissions globally.

Concrete Activities

**Energy conservation measures (Japan)**  
The NOK Group is promoting energy-saving measures for “It all adds up.”  
At the Shizuoka Plant, we reduced CO<sub>2</sub> emissions by approximately 133.2 tons per year by adopting LED lighting in the laboratory building, tent storage, and exterior lighting, as well as changing the air-blowing method and taking measures against air leaks at all business units, including at other Group companies. At the Fukushima Plant, we have reduced CO<sub>2</sub> emissions by as much as 644 tons per year by improving the efficiency of air conditioners and promoting energy-saving measures such as the use of LED lights for experimental areas in the office building. The Kitaibaraki Plant owns seven large compressors, one of which was always in operation on holidays. Therefore, even on holidays, we switched to supply from new small compressors only for equipment that requires air supply, and stopped all large compressors from operating on holidays. As a result, we were able to reduce CO<sub>2</sub> emissions by 35 tons per year and, in turn, environmental costs by 1.1 million yen per year.

CO<sub>2</sub> emissions targets for fiscal 2022 and results for fiscal 2021

Target	Base Year	Baseline figure	Target Fiscal Year	Target figure	FY 2021 results	Evaluation
CO <sub>2</sub> emissions reduction target (global)	2018	776 [1,000 tons-CO <sub>2</sub> ]	2022	Reduced by 10% CO <sub>2</sub> emissions 698 [1,000 tons-CO <sub>2</sub> ] or below	4.4% reduction from baseline CO <sub>2</sub> emissions 741 [1,000 tons-CO <sub>2</sub> ]	△ CO <sub>2</sub> emissions Did not achieve reduction of 2.5% or more per year
CO <sub>2</sub> emissions intensity reduction target (domestic)	Previous fiscal year (2020)	1.225 [ton-CO <sub>2</sub> /million yen]	2022	Average change reduced by 1% or more over the past five years CO <sub>2</sub> emission intensity 1.201 [ton-CO <sub>2</sub> /million yen]	Average change reduced by 4.0% or more over the past five years CO <sub>2</sub> emission intensity 1.160 [ton-CO <sub>2</sub> /million yen]	○ CO <sub>2</sub> emission intensity 5-year average change 1% reduction achieved

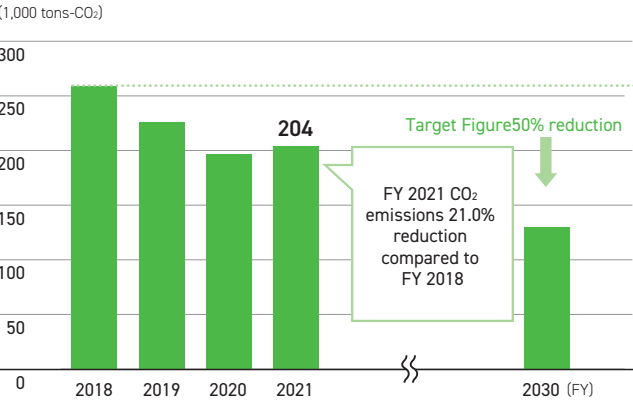
\*CO<sub>2</sub> emissions are the sum of fuel and electricity consumption multiplied by the conversion factor. Fuel CO<sub>2</sub> conversion factors are calculated using emission factors based on the Law Concerning the Promotion of Measures to Cope with Global Warming.  
The CO<sub>2</sub> conversion factor for electric power is “CO<sub>2</sub> Emissions from Fuel Combustion” from the International Energy Agency (IEA) (based on location criteria).

NOK Group Medium- to Long-Term Targets

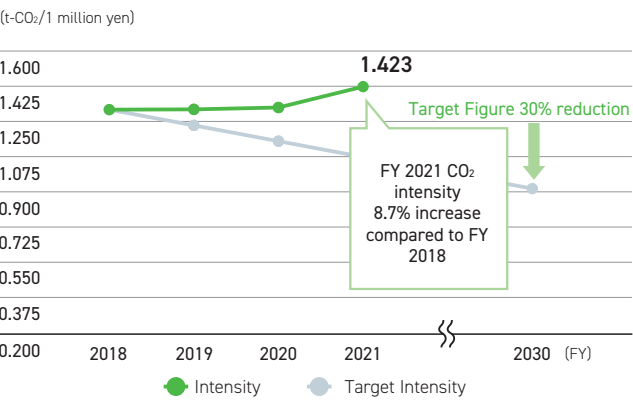
Target	Base Year	Baseline figure	Target Fiscal Year	Target figure	FY 2021 results
CO <sub>2</sub> emissions reduction targets (Domestic)	2018	258 [1,000 tons-CO <sub>2</sub> ]	2030	50% reduction CO <sub>2</sub> emissions 129[1,000 tons-CO <sub>2</sub> ]以下	21% reduction CO <sub>2</sub> emissions 204[1,000 tons-CO <sub>2</sub> ]
CO <sub>2</sub> emissions intensity reduction target (overseas)	2018	1.309 [t-CO <sub>2</sub> /million yen]	2030	30% reduction CO <sub>2</sub> emission intensity 0.916 [t-CO <sub>2</sub> /million yen]	Up 8.7% from the base year CO <sub>2</sub> intensity 1.423 [t-CO <sub>2</sub> /million yen]
CO <sub>2</sub> emissions reduction target (global)	2018	759 [1,000 tons-CO <sub>2</sub> ]	2050	Carbon neutral	4.5% reduction from the base year CO <sub>2</sub> emissions 725[1,000 tons-CO <sub>2</sub> ]

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

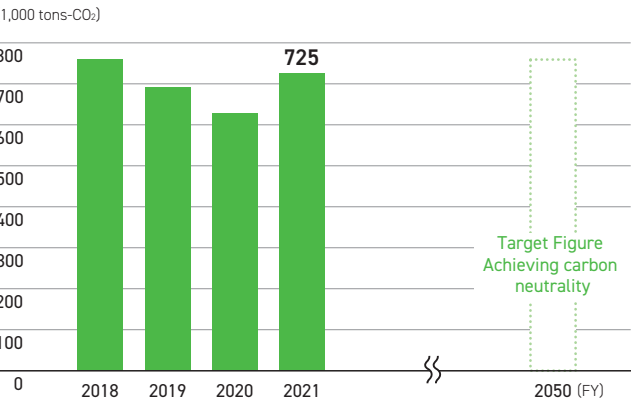
CO<sub>2</sub> emissions reduction targets (Domestic)



CO<sub>2</sub> intensity of the NOK Group (overseas)



CO<sub>2</sub> emissions Reduction Target (Global)



Greenhouse gas breakdown (Domestic)

Greenhouse gas	CO <sub>2</sub> emissions	GWP reference
CO <sub>2</sub> emissions not from energy sources	150	IPCC Fourth Assessment Report (AR4 value for a 100-year time horizon)
CH <sub>4</sub>	267	IPCC Fourth Assessment Report (AR4 value for a 100-year time horizon)
N <sub>2</sub> O	99	IPCC Fourth Assessment Report (AR4 value for a 100-year time horizon)
HFCs	256	IPCC Fourth Assessment Report (AR4 value for a 100-year time horizon)
PFCs	0	IPCC Fourth Assessment Report (AR4 value for a 100-year time horizon)
SF <sub>6</sub>	64	IPCC Fourth Assessment Report (AR4 value for a 100-year time horizon)
NF <sub>3</sub>	0	IPCC Fourth Assessment Report (AR4 value for a 100-year time horizon)

FY 2021 Scope 3 breakdown (global)

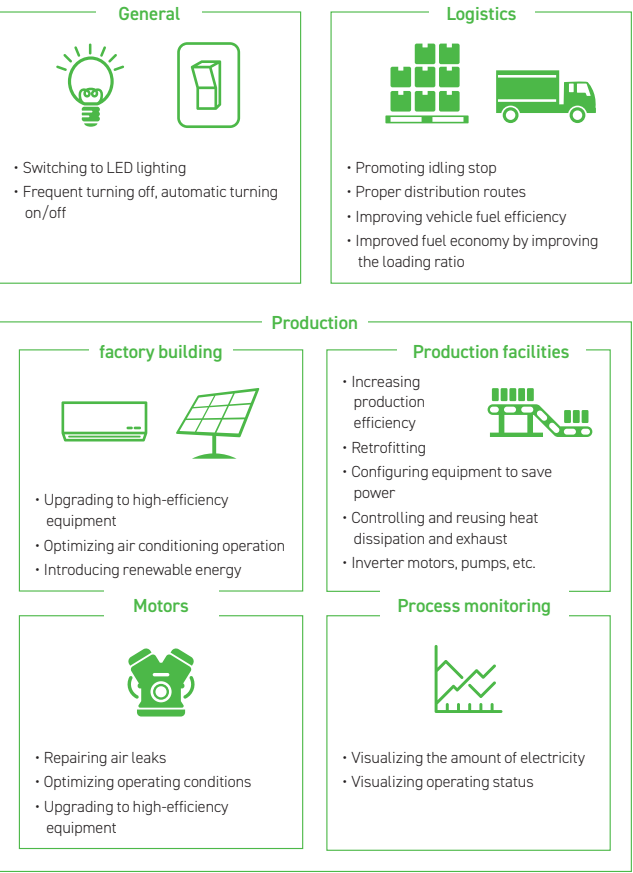
Category	CO <sub>2</sub> emissions
1 Purchased goods and services	2,012
2 Capital goods	16
3 Fuel- and energy-related activities (not included in Scopes 1 and 2)	87
4 Upstream transportaion and distribution	10
5 Waste generated from operations	23
6 Business travel	5
7 Employee commuting	16
8 Upstream leased assets	0
9 Downstream transportation and distribution	-
10 Processing of sold products	-
11 Use of sold products	-
12 End-of-life treatment of sold products	-
13 Downstream leased assets	0
14 Franchises	0
15 Investments	0
Total	2,169

\*Categories 9, 10, 11 and 12 are not included in the calculation because it is difficult to calculate their current status.

Energy Conservation Subcommittee

Activities of the Energy Conservation Subcommittee

As a Green Factory initiative in the NOK Twin Green Plan 2030, the NOK Group is aiming to reduce domestic CO<sub>2</sub> emissions by 50% from the 2018 level by 2030.To this end, we are working to develop low-energy production methods and utilize renewable energy as our main reduction activities. In the “Development of a Low-Energy Production Methods,” we set out a plan to reduce domestic energy use by 18%.To promote the plan, the Energy Conservation Subcommittee is introducing and sharing low-energy technologies developed at each site, and developing effective technologies at many sites. We have also promoted the establishment of a robust low-energy management system through applying IoT technology to “visualize” the amount of electricity consumed. The Energy Conservation Subcommittee will continue its improvement efforts to reduce CO<sub>2</sub> emissions by 50%.



Development of an analysis technique for vulcanizing equipment

After the rubber material is molded into the shape of the product by vulcanizing heat pressing, there is a process called secondary vulcanization to stabilize the rubber properties. In this process, products are put into a furnace controlled to a specified temperature for a certain time to stimulate the vulcanization reaction, and the equipment used is called a secondary vulcanization furnace.

In the furnace component of the secondary vulcanization furnace, the supplied air is heated by an electric heater, and the temperature is raised by sending hot air into the furnace. The temperature sensor in the furnace is used to control the electric heater to keep the furnace temperature constant. Because hot air is constantly sent in to regulate the temperature, the air in the furnace is discharged into the atmosphere. We are examining the possibility of using this waste heat energy as follows.

A heat exchanger was installed in the exhaust duct from the furnace to enable the supplied air to pass through (a schematic diagram of the

structure is shown in Figure 1).The purpose is to reduce the load on electric heaters by preheating the air at room temperature with waste heat from a heat exchanger. As a result, energy savings of about 30% have been obtained in experiments, depending on the model and operating conditions.

Many secondary vulcanizing furnaces operate within the NOK Group, and this new design is expected to have a significant ripple effect.

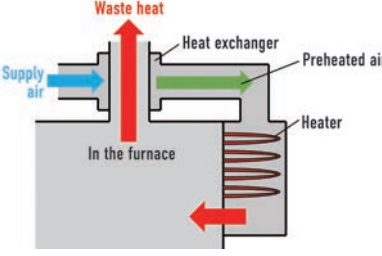


Figure 1

Visualization of Power Consumption

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

Figure 2 shows an example of improving energy conservation by combining plant equipment with tools that collect equipment operating information. We analyzed the combination of equipment operation and the amount of electricity used, and turned our attention to the preheating process during standby when the amount of electricity used was high. Changing this operation is expected to save about 9,000 kWh annually.

We also post the current electricity usage of our plants to raise employee awareness of energy conservation.

Visualization of Power Consumption

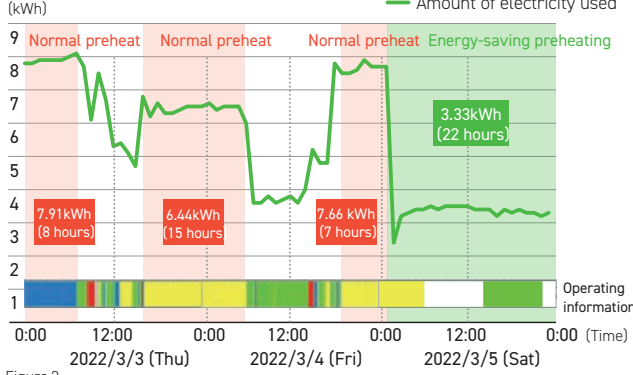


Figure 2



Displaying the amount of electricity used to employees



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 large amounts of the Earth's finite resources and energy, as well as generating enormous volumes of waste, and we are facing various problems such as the depletion of natural resources and environmental destruction. Today, many around the world are calling for a shift from a mass-production, mass-consumption, mass-waste society to a recycling society and requiring that businesses 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).

The policy of NOK Group

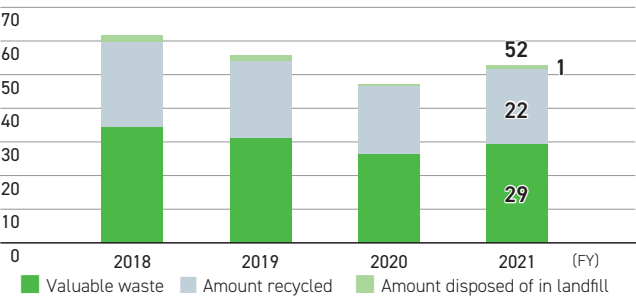
The NOK Group has been promoting the 3R initiative to realize a recycling-oriented society. The Group strives to contribute to a sustainable society and to enhance our corporate value through a range of measures throughout the product life cycle, including the efficient use of raw materials, water, and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

Resource conservation and waste-related targets, and FY 2021 results

Target Items	Target Fiscal Year	Target figure	FY 2021 results	Evaluation
Continuous efforts to conserve resources	-	-	-	-
Amount of industrial waste disposed of in landfill (domestic)	2030	0 t	1,112 t	○
By-product recycling rate (domestic)	2020	More than 98%	98%	○

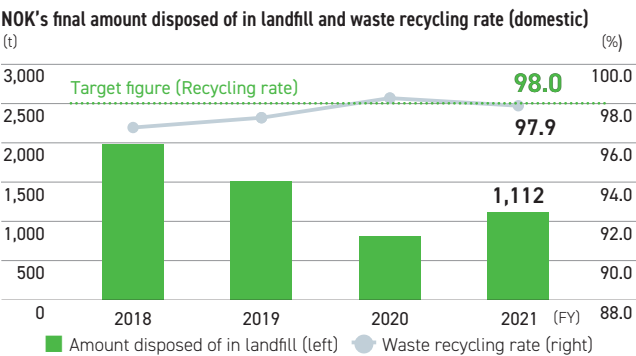
\*By-product: General term for industrial waste and valuable resources \*Recycling rate: "Recycling rate = 1 - amount of landfill disposal / amount of by-product generated × 100"

Amount of by-products generated by the NOK Group (domestic)  
(1,000 tons)



Targets and Results

In fiscal 2021, the amount of waste sent to domestic landfill was 1,112 tons, a significant reduction from the 1,986 tons of waste sent to landfill in fiscal 2018, when the foundry began operations. The recycling rate has also improved to 98%, meeting the target level. Going forward, we will continue to reduce the amount of waste by taking measures to conserve resources and prevent non-conforming products, such as checking mold shapes and reviewing the proper weight of rubber fabric, promoting recycling, and converting waste into valuable resources, in order to achieve the NOK Twin Green Plan 2030 target of a 100% recycling rate. In addition, the NOK Twin Green Plan 2030, which was revised in fiscal 2022, clarifies our vision for resource recycling, and we aim to realize a recycling-oriented society through activities such as waste plastic reduction.



Concrete Activities

Promotion of waste reduction (China)

Mektec Manufacturing Corporation (Zhuhai) Ltd. is actively promoting waste reduction activities. In addition to the reduction of acid, alkaline effluent, and nickel from the plant, the reduction of slag and sludge and the recycling of empty chemical containers have resulted in cutting 1,900 tons of effluent and 229 tons of solid industrial waste per year. We were able to reduce general waste by 42 tons per year through reusing internal and external resources. Regarding outsourced waste disposal, we use resource recycling to recycle up to 80% of plastic waste and 95% of metal waste.

Turning waste solvents into valuable resources (Japan)

NOK Klueber Co., Ltd. converts waste solvents such as post-wash solvents and solvents containing raw materials into valuable materials. In fiscal 2020, we began material recycling to recover DMF, IPA, and hydrocarbon detergents by distillation, and in fiscal 2021, we began additional NMP recycling. As a result, we were able to reduce industrial waste by about 22 tons annually.

Nippon Mektron, Ltd. is reducing industrial waste by 685 tons annually by converting acidic water discharge into valuable resources and converting wooden pallets into valuable resources for biomass power generation fuel.



Wooden pallets reused as fuel for biomass power generation

Sponsoring the Aikasa Project (Japan)

NOK is participating in the 2030 Disposable Umbrellas 0 Project of Aikasa, an umbrella-sharing service sponsored by Nature Innovation Group, Inc. The annual consumption of vinyl umbrellas in Japan is said to be about 60 million, and most of them are not recyclable, causing problems such as a lack of landfill space. NOK agrees with the company's goal of zero disposable umbrellas, and by participating in this initiative, NOK will raise awareness of the issue of waste and help to solve the problem of plastic waste.



NOK's original designed umbrella

Conservation of water resources

Social Background

Currently, the global shortage of water resources is a problem arising from the increase in water use due to 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.

The policy of NOK Group

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 water discharge. In addition, the NOK Group assesses the water risks in each country and region to respond to different water risks according to the country and region, and promotes conservation of water resources activities tailored to the characteristics of each country and region.

Targets and Results

As a result of global efforts to grasp the volume of water withdrawals and water discharge at each plant and to reduce the volume of water withdrawals, the volume of water withdrawals and water discharge was 9,027,000 m<sup>3</sup> and 6,189,000 m<sup>3</sup>, respectively, in fiscal 2021. In the production process, efforts were made to reduce water withdrawals by optimizing water circulation facilities in cooling towers that use water, and reusing water discharge. The actual amount of water taken in fiscal 2021 was higher than in fiscal 2020 due to COVID-19 subsiding and increased production activities.

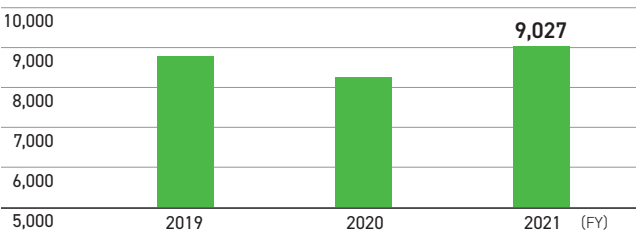
In light of growing concerns about water risks worldwide, the NOK Group has set a clear three-year (FY 2020 to FY 2022) goal of curbing increases in water withdrawals globally. To attain this goal, we are promoting activities to reduce water withdrawals within the Company, and also participating in external conservation of water resources activities such as groundwater recharge activities to conserve water resources both internally and externally.

Water resource targets and FY 2021 performance

Target	FY	Volume of water withdrawals	Volume of water discharge
Increase-controlled water withdrawals Monitoring the volume of water discharge (Global)	2019 (Base Year)	8,768 [1,000 m <sup>3</sup> ]	7,386 [1,000 m <sup>3</sup> ]
	2021	9,027 [1,000 m <sup>3</sup> ]	6,189 [1,000 m <sup>3</sup> ]

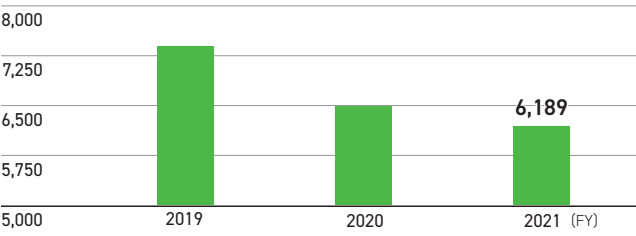
NOK Group's total water withdrawals

(1,000 m<sup>3</sup>)



NOK Group's water discharge

(1,000 m<sup>3</sup>)



Water discharge Control

While complying with the laws and regulations regarding water discharge, NOK has been using voluntary standard values that are about 20% stricter than standard values stated in the laws and regulations. In addition, NOK is working to maintain a database system that enables measurements at the factories to be shared and checked. NOK Group factories and the Environmental Risk Assessment Department are working together to prevent water discharge accidents/problems.



Wastewater treatment equipment installed at a plant

Water Risk Assessment

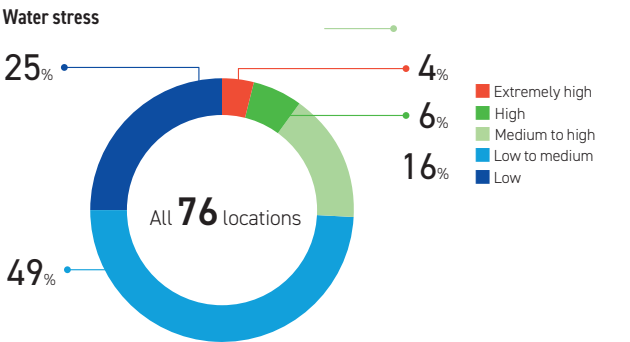
The NOK Group uses high-quality water in the manufacturing processes of our products. A stable supply of high-quality water is important in conducting our business activities, so if a natural disaster or other event prevents a stable supply of high-quality water, we expect this to impact a variety of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

Moreover, since water discharge after use in the manufacturing process may contain harmful substances, there is a concern that if water discharge exceeding the effluent standard prescribed by law is discharged, it may cause environmental pollution and harm to the local community. For this reason, we regularly carry out thorough

water discharge treatment control, run emergency drills, and check response procedures.

The NOK Group conducts water risk assessments across the Group to efficiently promote response measures to water risks. The results of the study on water stress at global production locations 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.



The survey revealed that of the total 76 sites, 6 sites in Thailand and China and 2 sites in Germany are production sites with high water stress. The NOK Group is currently working to grasp and control water withdrawals on a consolidated global basis. In addition, we will conduct water risk assessments when new facilities are established, and we will strive to produce and conserve water resources with consideration for water withdrawals and water discharge.

Concrete Activities

Improvement of water discharge treatment facilities (Japan)

Unimatec Co., Ltd. is upgrading its water discharge treatment facilities for better water discharge treatment and to ensure stable water quality. In addition to cleaning up the aeration tank by drawing out sediment and sludge, the fixed bed inside the tank was removed in an attempt to improve fluidity. In addition, the air vent in the aeration tank was updated to a high-efficiency ejector, and the inside of the tank has been arranged so the entire contents would be in a state of total flow. As a result, water discharge treatment has improved by 10 m<sup>3</sup>/h, and the BOD removal rate has improved by 10 to 15%."



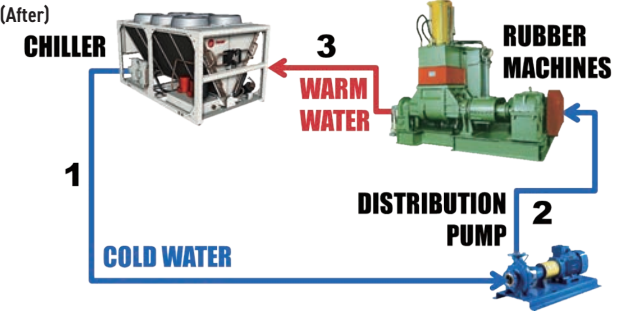
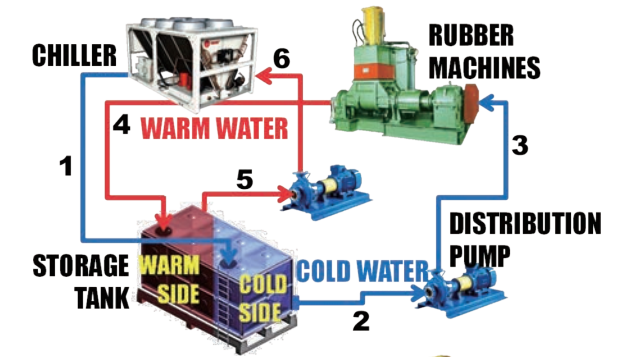
Cleaning of wastewater treatment facilities

Refurbishing the cold water system (Indonesia)

PT. NOK Indonesia's cold-water system was a semi-open system supplied from a cooling water circulator (chiller) to the factory via a storage tank, turned into hot water that was stored in the storage tank, and circulated again by chiller cooling.

From here, we removed the storage tank and the distribution pump for the hot water, and adopted a closed system that has become a cycle for chillers, distribution pumps, and rubber factories. The refurbishment is expected to reduce the amount of water supplied supply water to the plant by 60 m<sup>3</sup>/month, as well as the blowdown by 10 m<sup>3</sup>/month by removing the storage tank and the drain pump for hot water.

Chilled Water System Rubber (Before)



Groundwater recharge (Japan)

In an effort to protect water resources, the Kumamoto Plant supports a project to recharge groundwater in the Kumamoto area promoted by the Kumamoto Groundwater Foundation. This is an activity in which farmers with rice paddies in groundwater recharge areas and companies and organizations that have signed owner agreements grow rice together, so that the water stored in the paddies penetrates underground and promotes groundwater recharge. Continuing from fiscal 2020, in fiscal 2021, rice planting was conducted on behalf of farmers due to the spread of COVID-19. In addition, by donating 180 kilograms of harvested rice to food banks, we not only conserve water resources, but also actively contribute to society. We will continue to promote proactive activities in cooperation with external organizations to conserve water resources.



Measures on substances of concern

Social Background

Chemical substances are essential to our lives, but they may also cause problems such as destruction of ecosystems and damage to people. And regulations on substances of concern are becoming stricter year by year in every country. To protect the Earth's ecosystems and guard 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, taking the entire life cycles of their products into consideration.

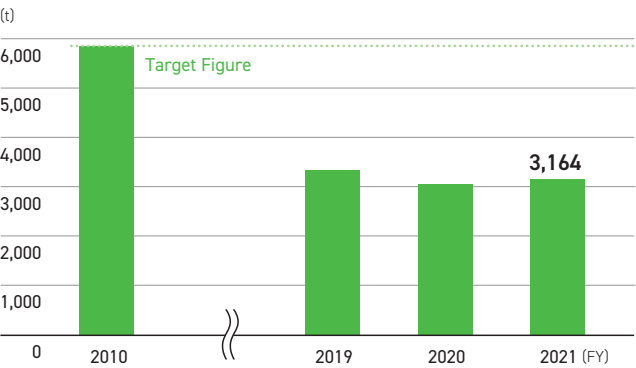
The policy of NOK Group

NOK believes that it is the social responsibility of a business 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, identify 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 fiscal 2021 were 3,164 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 we can maintain or reduce VOC emissions. We 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



VOC emission targets and FY 2021 results

Target Items	Base Year	Baseline figure	Target	FY 2021 results	Evaluation
Target VOC emissions (global)	2010	5,855 [t]	VOC emissions less than FY 2010 results	3,164 [t]	○

FY 2021 PRTR Results

	Emissions (132 t)				Transfers (231 t)	
	Atmosphere	Public waterways	Landfill	Soil	Sewage system	Off-site
Pollutant Release and Transfer Register (PRTR)	129	3	0	0	0	231

Concrete Activities

VOC reduction by switching to water-soluble paints (China)

NOK (Wuxi) Vibration Control China Co., Ltd. began switching to water-soluble paints for its products in fiscal 2020, and completed the full switch in December 2021. Efforts to improve the cleaning process and exhaust treatment also helped reduce VOC emissions by approximately 85% from the start of the switch to completion.

In addition, with the increased use of painted exhaust treatment equipment introduced in 2014, we improved the exhaust combustion efficiency in 2021 by increasing the air volume of the exhaust treatment system and other measures, and we were able to stabilize the concentration of hydrocarbon emissions to meet the legal requirements.

Since the exhaust from the alkaline cleaner was discharged directly to the outside, we were able to reduce VOC concentration by 63% by installing more condensers and performing combustion treatment.

VOC reduction through process changes (Japan)

Unimatec Co., Ltd. has been able to reduce VOC emissions by 2,448 kg (2.4 t) annually by replacing the organic solvent (toluene) used to react products with water. By establishing a way to eliminate the drying process for organic solvents, we were able to reduce energy consumption not only by using organic solvents but also by omitting the process, contributing to a reduction in electricity consumption of 7,338 kWh per year.

Promotion of green procurement

Please refer to p. 56 for details on our promotion of green procurement.

Environmentally friendly products

UNGC  
Principle 9

Social Background

Recently, environmental risks have been recognized and are causing increasing concern across the world, including those related to climate change, resource depletion, waste treatment, and growing demand for water resources. 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 must develop products and technologies that contribute to environmental protection in ways that consider the entire life cycles of their products, from the procurement of raw materials to the products' manufacture, transportation, use, and disposal. Companies also need to make better use of renewable energy, thereby helping to solve environmental issues such as climate change and resource depletion.

The policy of NOK Group

To help reduce the 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 help to conserve 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 incorporated into our customers' products, and in a variety of end products, performing environmental protection functions such as "Don't let it out, don't leak it," "communicate efficiently," "reduce load," and "extend life." The NOK Group is committed to providing products and developing new technologies that help realize a sustainable society.



Not generating and emitting substances that affect 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.



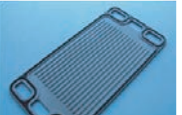
Reducing the burden on products and the environment

Noise and Vibration control product special lubricant products, coating products, water discharge treatment membrane modules, separation membrane modules, etc.



Extending product life

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



Product development related to new energy (fuel cells)

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

Products the Help to Conserve the Environment

NOK has developed ethylene propylene rubber (EPDM) using biomass-derived raw materials. This material reduces CO<sub>2</sub> emissions during the manufacturing process of raw materials (polymers) by approximately 40% compared to conventional general-purpose EPDM, helping to achieve carbon neutrality.

NOK Klueber Co., Ltd. is promoting sales of biodegradable lubricants. Biodegradable lubricants are physical lubricants that break down into CO<sub>2</sub> and water by microorganisms, and are products that will have a low environmental impact even if they leak in an unexpected accident. They are used in equipment and machinery that may come into direct contact with the environment, such as port cranes, amusement facilities, construction machinery, and dental lubricants.



Development of ethylene propylene rubber (EPDM) using biomass-derived raw materials



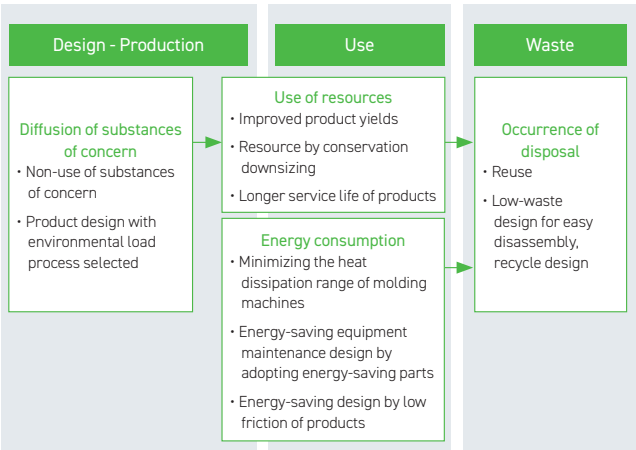
Biodegradable lubricants on display

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 on Environmental Impact Assessment for Design



Application of the Standard on Environmental Impact Assessment for Design in FY 2021

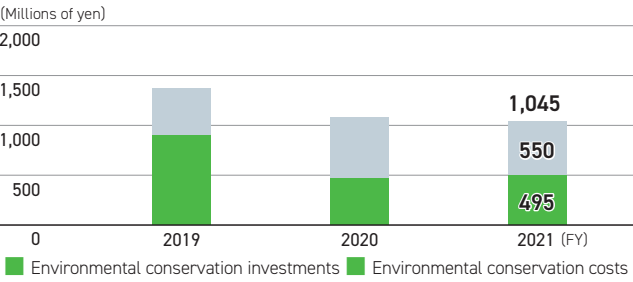
Plants	Applicable cases	Number of improvements (cases)
Fukushima	651	116
Kitaibaraki	776	56
Shonan Development Center	170	143
Shizuoka	372	372
Tokai	33	12
Tottori	92	57
Kumamoto	179	10
Total	2,273	766

FY 2021 NOK environmental accounting

Category		Main Contents	Investments	Costs
Business area costs		Environmental conservation costs to control environmental burden caused by business activities within business areas	224.0	310.0
	Pollution prevention costs	Investment in and maintenance and management costs related to pollution prevention activities	93.0	112.0
	Global environmental conservation costs	Investment and maintenance and management costs related to global warming countermeasures, including energy conservation	131.0	16.0
	Resource circulation costs	Investment and maintenance and management costs related to resource recycling activities, including waste disposal and recycling	0	182.0
Upstream and downstream costs		Costs of controlling the environmental burden that occurs in upstream and downstream processes, such as green procurement, etc.	0	0
Management activity costs		Costs associated with management activities such as ISO14001 maintenance and operation	0	116.0
Research and development costs		Costs of research and development that contributes to the environment, such as the development of environmentally friendly products	272.0	121.0
Social activity costs		Costs related to greening of business establishments and support for the activities of environmental conservation groups	0	1.0
Costs involved in dealing with environmental damage		Costs associated with the removal of environmental burdens, such as special equipment and facilities	0	2.0
Fines, penalties and/or legal costs associated with the settlement of environmental accidents and complaints				0
Total			496.0	550.0
Aggregate total			1,046.0	

Trends in environmental investments and costs

FY	2019	2020	2021
Environmental conservation investments	899	464	495
Environmental conservation costs	473	620	550
Total	1,372	1,084	1,045



Effects of Environmental Conservation and Economic Effects

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

In fiscal 2021, we took energy-saving measures that focused on the development of energy-saving manufacturing equipment, the renewal of energy-saving equipment, the introduction of a demand control system for air conditioners, and the use of LEDs for lighting. We have also been promoting the installation of solar power generation facilities that serve the purpose of BCM.

Effects of environmental conservation

Reduction of CO<sub>2</sub> emissions ..... 4,258 t-CO<sub>2</sub>  
Reduction of landfill disposal volume ..... 10 t

Economic effect of environmental conservation measures

Energy-saving effect ..... 107 million yen  
Gain on sales of recyclable materials ..... 1,256 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 become 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 conserving biodiversity and the natural environment.

The policy of NOK Group

Based on the results of a survey of the impacts on and dependence on biodiversity and ecosystem services, the NOK Group is confirming which direction to take in its biodiversity response. We have supported the Keidanren Declaration on Biodiversity and Guidelines for Action since December 2019, and in fiscal 2021, we reviewed our internal standards and established a new guideline, the Guidelines for Natural Environment Conservation Activities. The standards clarify the relationship between business activities and biodiversity, and promote biodiversity conservation activities at each business site.

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 that take biodiversity into consideration, and will continue to help conserve biodiversity through our business activities and products.

Volunteers cleaning Suizenji Ezuko Park (Japan)

As part of its environmental conservation activities, the Kumamoto Plant participated in volunteer activities to remove alien waterweeds that breed on the surface of Lake Ezu. This initiative was sponsored by Kumamoto Prefecture's Environmental Conservation Council. To prevent the decline of native species, they were able to enter the lake and use sickles to drag the spreading waterweeds on the surface of the water to land, where they were carried out in bucket relays and collected until one garbage truck was full. We will continue to help conserve the local environment so that the area can remain a place where people can come in contact with nature, including valuable aquatic life and birds.

Local environmental protection activities (Japan)

The Tokai Plant cleans up Kuniyasu Beach, where the Egawa River in the Kikukawa River system flows. About 30% of the employees at the business site took part in the activities, picking up garbage ranging from small plastic waste to a large fishing float more than 1 m long, collecting the equivalent of three light trucks (approximately 180 kg) of trash and bringing it to the administrative resource recovery site. We will continue to help protect the local environment through our efforts to conserve biodiversity.



Clean-up of Kuniyasu Beach

Reforestation activities (Thailand, Indonesia)

Thai NOK Co., Ltd. conducts tree planting activities on the factory grounds. Plantation is planned over a period of three years, with a total area of 7,200 m<sup>2</sup>. In fiscal 2021, 100 employees participated in planting 320 trees. Planting trees is expected to contribute to carbon neutrality by absorbing CO<sub>2</sub> in the future.

In addition, PT. NOK Precision Component Batam is participating in the Go Green initiative, which involves planting mangroves in partnership with NGOs. We sowed 100 mangrove seeds on a beach in Tanjung Piai.

To protect the environment and raise awareness of conservation, we will continue to strive to provide children and adults alike with enjoyable contact with nature.



Mangrove tree planting activities





Formulation of the NOK Group Human Rights Policy

NOK Group Human Rights Policy

Basic views on human rights

Based on the NOK Group's management principle of "Respectful management of people based on love and trust," we at the NOK Group are committed to valuing the lives of each and every employee and respecting their humanity. As a signatory of the United Nations Global Compact, we also respect human rights set forth in international norms such as the International Bill of Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, and the Ten Principles of the United Nations Global Compact.

NOK Group supports the United Nations Guiding Principles on Business and Human Rights, has established this policy based on these principles, and follows the principles of corporate behavior - "Conduct business in a manner that not only respects the laws of the countries and regions in which it operates and international norms, including human rights, but also considers culture, customs and the interests of stakeholders." - to respect human rights in all countries and regions where we operate.

Scope of application

This policy applies to officers and employees of the NOK Group. We will also ask our suppliers and those involved in the NOK Group's business to respect human rights so as not to be complicit in human rights violations throughout the supply chain.

Human rights due diligence

The NOK Group has established and implements the necessary human rights due diligence mechanisms in accordance with this policy. We expect our suppliers to respect human rights in accordance with the NOK Group Procurement Policy and the CSR Procurement Guidelines.

Remedies and corrections

We have established a contact point for non-compliance and consultation regarding human rights. If it is found that we have caused or encouraged a negative impact on human rights, we will take steps to remedy and correct it.

Education and training

To ensure that each and every executive and employee properly understands and practices the Policy, we will continue to raise awareness and provide training and education on the themes of human rights and harassment.

Key implementation themes and information disclosure

In our endeavors to respect human rights in accordance with this policy, we will focus our efforts on the priority implementation themes specified separately, and report on the results of our activities through our corporate website, etc.

December 16, 2021  
Representative Director, Chief Executive Officer, NOK CORPORATION

Masao Tsuru

Background and Thoughts on Policy Formulation

NOK's principles of corporate behavior include management that respects human rights. To more specifically address respect for human rights, we have formulated our Human Rights Policy with the aim of making our basic stance on human rights known to people inside and outside the Company, gaining their understanding and cooperation, and promoting respect for human rights.

Future Actions

Based on the NOK Group Human Rights Policy, we will carry out human rights due diligence and work to constantly evolve resting on our laurels.

Future Penetration Through the Group

We have made our human rights policy well known throughout the Group, and will further promote respect for human rights by providing basic education on human rights in general education, new employee training, management training, and other training at different levels.

Respect for Human Rights



Basic Concept

Our management principle is "Respectful management of people based on love and trust." We value the life of each employee and respect their humanity, and at the same time, we strive to maximize the potential of each employee. This is a key way we 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 Principles of Corporate Behavior features the following declaration: "We will carry out management that respects the human rights of all people," and develop our business in accordance with this declaration.

Review of Human Rights Compliance

Regarding respect for human rights and compliance with labor laws at overseas subsidiaries, every year we check 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 established an internal reporting service at our overseas subsidiaries. Every year several consultations are received, and we take corrective action for those in which non-compliance has been confirmed.

In the supply chain, we conduct human rights due diligence as stipulated in our human rights policy, and when human rights violations are identified, we take corrective action.

Respect for Basic Human Rights in Relation 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 on Employee Compliance stipulate as follows:

1. 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 physical or mental disabilities. Moreover, such discrimination shall not be tolerated.
2. We must not conduct acts of harassment that have adverse effects on the workplace environment, such as impairing the dignity of individuals and causing disadvantage to or posing threats to them. In addition, such acts of harassment shall not be tolerated.

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 taking advantage of 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.

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 management that respects human dignity, we comply with Principles 1 to 6 of the UN Global Compact. Moreover, practicing one of NOK’s Management Principles, “a company with open communication,” leads to the active promotion of dialogue among employees and dialogue between the Company and employees. Under these Management Principles, NOK is striving to create a workplace where employees can work with vitality and peace of mind.

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 country corresponding to these labor-related laws.

Domestic business establishments that accept foreign technical interns have been checked for compliance with the Immigration Control Act, working environment, living environment, and working conditions to ensure that there were no problems overall.

Establishment of a Healthy Labor-Management Relationship based on Dialogue

Dialogue between management and employees is essential for “management that respects people based on love and trust” and promoting healthy development. Through 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 do we carry out negotiations on working conditions, but also explain business conditions and present management issues. Also, discussions on the Company’s important policies and measures take place so that both the labor side and the management side can cooperate in realizing business development and employee wellbeing. Measures that have a significant impact on employees are explained and discussed in advance.

The Company explains the business environment and management plan for the next fiscal year to the labor union and holds consultations about them. With that in mind, the union submits a demand for consensus-based compensation and working conditions for its members. In the spring of 2022’s negotiations, the request was fully discussed and concluded.

Development of Human Resources

Basic Concept

It is in the respective workplaces where employees can feel that the management is carrying out “management that respects people based on love and trust” as stipulated in the Management Principles. Under the Basic Principle of Employees education program and the Vision for Employees education program NOK aims to create workplaces where employees can find satisfaction in their jobs and feel that they are growing. To this end, we are working hard to develop human resources who can contribute to the creation such workplaces through various programs.

**Basic Principle of Employees education program**  
“Employees grow with their jobs, and workplaces grow with them”

**Vision for Employees education program**  
“Development of employees who take pride in their work and respect their colleagues”

Employees education program of NOK

Employees education program of NOK consists of level-specific education and development/specialized education. The level-specific education is intended to enable attendees to correctly understand their own roles and the expectations from the Company, 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 carry out their jobs, how to interact with people in and outside the Company, and the need to improve their linguistic abilities and other skills. This training provides participants 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. Education that could not be provided in fiscal 2020 due to the spread of COVID-19 was shifted to fiscal 2021.

Development/specialized education

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

As part of our Business Skills training, we held a seminar to improve logical writing skills for more than 300 applicants in order to raise the level of logical communication skills in the workplace. After participants take the course, we conduct an assessment to measure its effectiveness, and by objectively assessing the participants’ own abilities, we use this assessment to promote efficient work in the future and to continue self-improvement.

The goal of the Global Human Resource Development program is to develop people who can work in English, not people who can just speak English. Practical training has been difficult due to the spread

of COVID-19, but to improve overall English communication skills, in addition to regular language training, we provide opportunities to experience as many different cultures as possible while still in Japan, and we are nurturing human resources who will be active globally.

Special-purpose training is targeted at employees who need focused education or development from time to time. Usually, the program is implemented under the themes of active participation of reemployed retirees and of strengthening workplaces.

As the points above demonstrate, NOK endeavors to develop and energize employees by increasing opportunities for them to undertake various kinds of training. Such training is done not only to provide employees with opportunities for simple capacity building, but also opportunities to establish solid relationships with their seniors and peers, which will be very helpful for ensuring smooth communication at each workplace.

Training records of programs are managed and monitored in the in-house training management system. In FY 2021, 1,524 employees received training through the above programs, and the total training time was 17,512 hours.

Number of participants

FY	2018	2019	2020	2021
Number of participants	736	1,103	1,027	1,524

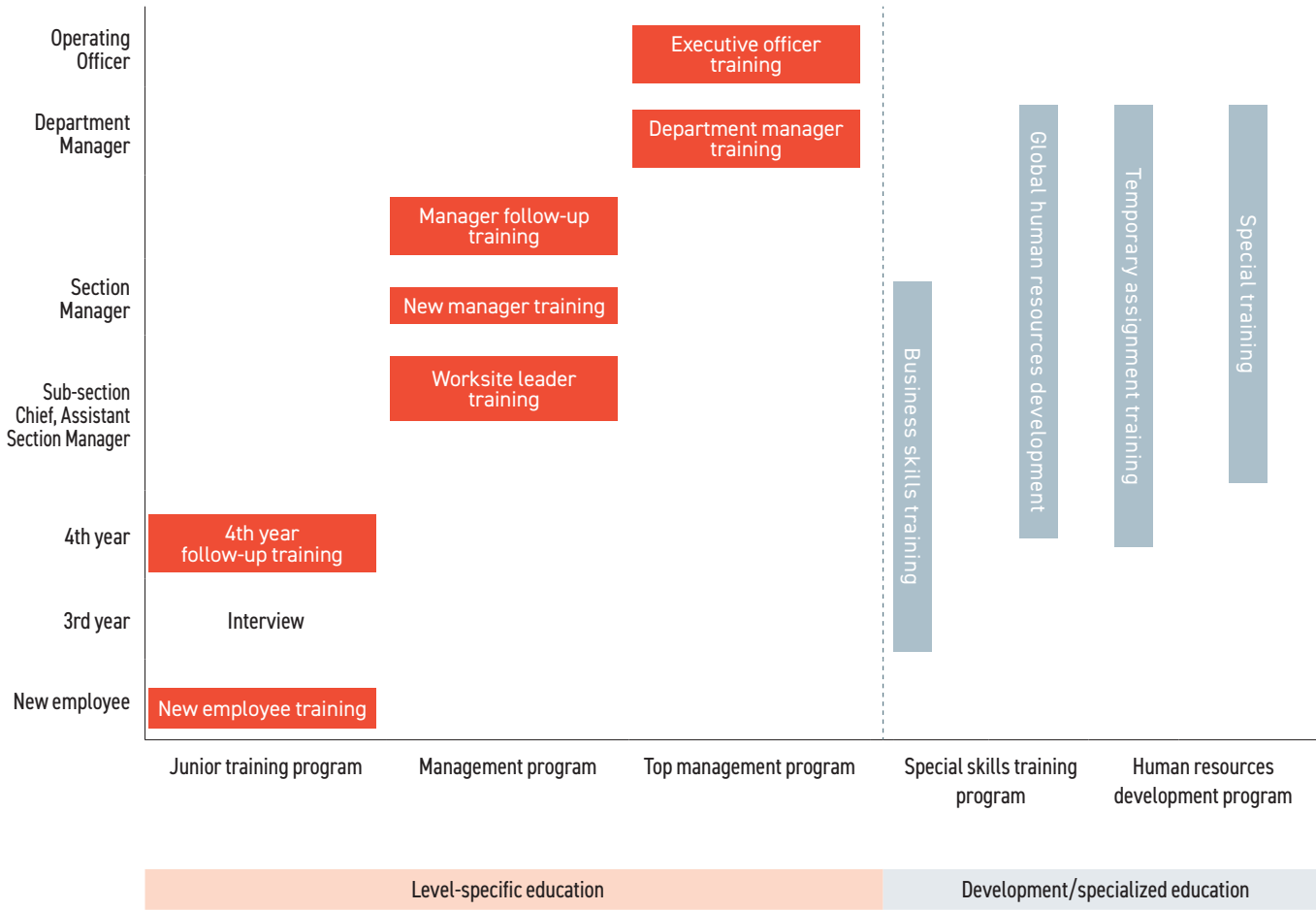
\*Including Group companies from FY 2019

Training time results

FY	2018	2019	2020	2021
Training time	12,866 hours	13,992 hours	15,762 hours	17,512 hours

\*Including Group companies

System of NOK’s human resources development program





Diversity

UNGC	UNGC
Principle 1	Principle 6

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 at both domestic and overseas bases understand management based on respect for human dignity, which is the basic principle of the NOK Group, and promote the practice of such management in accordance with the circumstances in each region.

We are working to ensure that the percentage of women, foreign nationals and mid-career hires who are promoted to management positions is at the same level as that of regular hires, and there is no discrimination regarding promotion.

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

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

Advancement of Female Employees

NOK takes various measures to increase the number of females recruited for management-track positions. We also provide 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 ten percent 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.

Although we have achieved a target of increasing the percentage of women among the total number of general managers hired in FY 2021 to ten percent, we will continue to work on this target because the number of managers is still short of the target.

Enhancing the Employment and Support System for People with Disabilities

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

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 abundant 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 patterns were introduced, and working conditions were revised. While revising working conditions from time to time since then, we have established an internal job posting system and a human resources registration system for senior employees. Moreover, through providing seminars on life planning for livelihood support after retirement and training prior to retirement as initiatives toward maintaining the will to work, we continue to help senior employees to take on more active roles and enhance their job satisfaction after retirement.

Human Resource and Welfare System

Basic Concept and Initiatives for Work-style Reform

As part of management based on respect for human dignity, NOK is making efforts to create a working environment where employees can balance their job satisfaction with a comfortable lifestyle. 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 are also working on implementing and improving a flextime system, childcare leave, nursing care leave and other employee benefit systems, lowering the upper limit on overtime work hours to shorten working hours, and improving the rate of paid leave taken by employees.

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

To ensure that each and every employee can work in a way that suits them, we have in place support systems that go beyond the legally required minimum, such as the system of shorter working hours for employees with children up to the fourth grade and the family care leave system, which allows employees to take up to one year of leave. To make it easier for employees to use these resources, we are working to ensure the system works properly by disseminating information and providing advice about it.

In addition, to create a more pleasant workplace, we have eased restrictions on using flexible working hours (no core time), working from home, and taking half a day of paid leave. In FY 2022, to further promote support for balancing work and family life, we introduced a special leave system that enables employees to take special leave for treatment and recuperation related to personal injury, pregnancy and childbirth, and nursing and care for family members.

Strengthening Efforts to Shorten Working Hours and Encouragement Towards Employees to Take Paid Leave

NOK has endeavored to shorten the total actual working hours to help employees to pursue comfortable and prosperous lifestyles. The labor-management committee annually develops a plan for new initiatives and review the performance of previous initiatives. Specifically, we check the record of overtime work hours and paid leave actually taken on both a departmental and individual basis by using the relevant data, and thereby identify problems and develop a plan for countermeasures.

At the Central Labor-Management Council, we review the problems and the plan to establish medium- to long-term targets.

The current targets are as follows:

- 1. In principle, the total of overtime work and work on a holiday is to be within 45 hours in a month and 360 hours in a year
- 2. 17 days or more of paid leave is to be taken in a year.

To achieve these goals, we have adopted a policy of promoting digitization to improve operational efficiency, and are making active efforts to this end. The use of Web conferencing and the paperless system have taken root, and we will continue to promote digitization of business operations.

Initiatives by Business Type and Theme, and Cooperation

By participating in regular meetings and working-group activities related to human resource policies of industry associations of auto parts companies, we are able to obtain information on industry trends related to diverse work styles and revisions of labor-related laws and regulations, which helps us to consider better human resource systems.

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 for employees to communicate with their supervisor. The results of self-reporting are used to develop and utilize human resources effectively to ensure that the right people are appointed to the right positions, thereby improving the workplace environment.

Other Welfare Systems

- 1. **Workplace communication**  
The NOK Group strives to always be an open and comfortable workplace. Managers and managers take the initiative to achieve and maintain a level of communication between superiors and subordinates, colleagues and workplaces. For example, in addition to holding monthly departmental meetings, supervisors and subordinates are required to meet at least once every six months. An IT environment is also in place that enables employees to easily communicate with superiors, colleagues and subordinates even when working from home.
- 2. **Support for retiree associations**  
To help employees enrich their lives after retirement, NOK established retiree associations around Japan (eight regional blocks), and supports each association through holding regional gatherings and other events for retirees to interact with each other.

Occupational Safety and Healthcare

UNGC  
Principle 1

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 a principle. Safety represents both a mission for management and a desire of all employees. We have always operated our business according to the principle that safety is a top priority in everything we do. 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 through a unified effort.

NOK Group Safety Principles

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



NOK Group's Basic Safety Principles posted in a factory

Occupational Health and Safety Promotion System

Although the NOK Group does not have a certified occupational health and safety management system, it has established a health and safety management organization headed by the president to promote health and safety activities in accordance with the Company's management system.

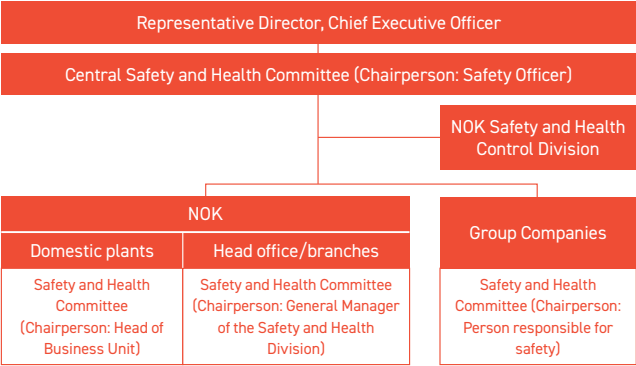
A Company-wide policy on activities is determined through the Central Safety and Health Committee, whose members are representatives of labor and management. The policy is distributed to each business site, head office, branches, and Group Companies, where an annual plan for health and safety management is formulated.

The health and safety management plan is verified and reviewed quarterly based on the PDCA cycle, and a radar chart diagnosis is conducted once a year to strengthen the weaknesses.

Business units that have prepared improvement plans are designated as "specified management business units," and the Safety and Health Promotion Department follows up on their individual improvement plans.

In addition, the Safety and Health Promotion Department, which oversees the entire Company, collaborates with the safety and health secretariats of each business site, head office, branches, and Group Companies to actively support the creation of a system that can maintain and improve the level of safety and health management.

Occupational Health and Safety Promotion System



Activities during FY 2021

Development of the medium-term occupational safety and health plan

The NOK Group established and has been continuously implementing 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 president to all employees**

To ensure that each and every employee fully understands that safety is paramount in the conduct of business, as in the previous year, top executives repeatedly watched videos of themselves talking about safety at each workplace to foster and establish a culture of safety.

**(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 promoting safety activities in each division. Furthermore, we have a designated Safety Day every month, on which all employees at each workplace work on improving their awareness of safety, mutual enlightenment, identifying risks at our own workplaces and the countermeasures.

**(3) Measures for securing facility safety**

To reduce work-related risks, we continuously implement measures to ensure the safety of equipment, such as by installing safety devices and safety covers, based on the risk assessment of equipment and work. We are working to ensure the safety of our workers and reduce the workload, and are promoting the development of a safer and more comfortable work environment. These activities will continue until the number of work-related injuries caused by equipment is reduced to zero.

**(4) Zero explosions/fires**

Regarding fire management, we focus on preventing fire disasters/ small fires and so have established and utilize a system that enables us to share company-wide information on near miss incidents and take preventive measures against their recurrence in a unified manner.

(5) Safety and health education

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

For line managers, health and safety education is offered at the time of their new appointment and in their fourth year to ensure a unified awareness. They also receive practical training using our in-house danger experience training machine.

In terms of education, training, and equipment safety, we have established Company-wide "safety and health related standards," which are managed and implemented by the relevant departments.

With the aim of raising the level of safety awareness and mutual enlightenment among safety secretariats, training workshops take place periodically with the participation of the secretariats at domestic Group Companies and plants.

To secure the safety of contractors doing work on NOK premises, we share near-miss incident information and conduct risk prediction training before they start their work.



Safety and Health Guidelines



Denger experience training

Lost-time injury frequency rate\*

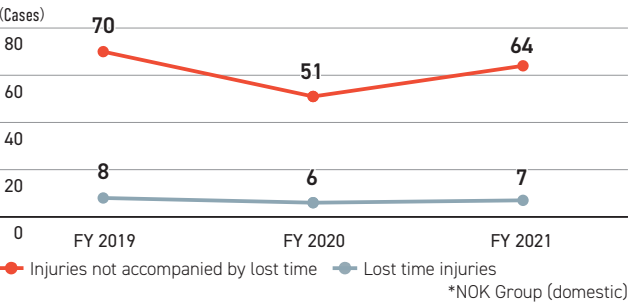
	FY 2019	FY 2020	FY 2021
Average among manufacturers	1.20	1.21	—
NOK Group (domestic)	0.27	0.21	0.28

Lost-time injury severity rate\*

	FY 2019	FY 2020	FY 2021
Average among manufacturers	0.10	0.07	—
NOK Group (domestic)	0.004	0.004	0.004

Major safety activities	FY 2019	FY 2020	FY 2021
Line manager Safety, hygiene and health training for line managers	129	161	150
Facility safety training (simulation/safety standard training)	59	146	102
No. of units undergoing facility safety improvements	1,131	994	646
Investment in facilities and equipment for safety measures	320 million yen	68 million yen	170 million yen

Number of Industrial Accidents





Mental and Physical Health

In FY 2019, NOK launched activities to analyze employees' health data, seeking to help improve their health. Meetings with 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. As such, we can offer counseling, in addition to efforts realizing self-care, line care and care provided by in-house occupational health staff. We have also made it possible for industrial physicians and public health nurses to conduct Web interviews so they could respond even while working from home, which made it easier for them to consult with us and helped strengthen primary prevention.

Also available is 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 a smooth return to work.

As part of our efforts to promote physical health, in addition to providing guidance on preventing lifestyle-related diseases in collaboration with industrial physicians (at our head office) and holding training sessions on preventing lower-back pain and stiff shoulders (at our workplaces), we are also promoting activities to encourage people to get into the habit of exercising while having fun by holding "remote workouts." These include walking rallies (at our workplaces) and online muscle training with aerobic exercise taught by our company athlete employees and members of the Safety and Health Promotion Department.

In particular, as in the previous year, the "Remote Workout" program was held five times, with a total of 281 participants.



Remote workouts by our athlete employees

In addition, in response to COVID-19 infection, we believe that we were able to control the spread of the infection within the company by revising and implementing the manual for infection prevention and initial response in the event of an outbreak in line with the actual situation.

Major mental and physical health initiatives	FY 2019	FY 2020	FY 2021
Number of health consultation calls	850	715	581
Rate of receiving comprehensive a health examination	99.9%	99.8%	99.9%
Rate of receiving a secondary examination	89.9%	91.9%	91.1%

Activities to improve the workplace environment

The NOK Group first launched activities to improve our work environments in 1993. Since then, we implemented work environment controls (noise, heat and cold), safe work practices (working posture and the handling of heavy objects), and support systems (providing facilities for relaxation).In the Medium-Term Safety and Health Plan from FY 2019, we have reinforced endeavors to improve our working environments with an emphasis on Group companies.

In FY 2021, we focused on improving the work environment in workplaces where temperatures are high, and improved the temperature and humidity environment of 22 workplaces.

Traffic Safety Initiatives

The NOK Group is committed to creating a climate of traffic safety as a company involved in the transportation community through its products. To eliminate traffic accidents and violations, the Group has been implementing safe-driving management and education and guidance throughout the Group for many years. For example, since the 1970s, before the Road Traffic Act made it mandatory to wear seatbelts, we have been working to ensure that all occupants of our vehicles, not just drivers, are wearing a seatbelt.

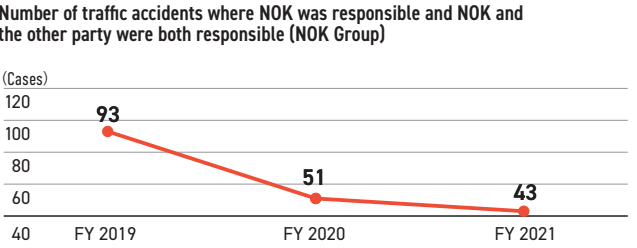
In addition, in an effort to maintain and improve road safety awareness among employees, excellent drivers who continue to drive safely are awarded according to the number of years they have not had an accident or committed a violation.

In addition, as part of each workplace's own safe-driving activities, traffic safety seminars are held in cooperation with the Japan Automobile Federation (JAF) and local police stations, in addition to using traffic safety sentries to raise awareness.



The Fukushima Plant received a certificate of appreciation for its traffic-accident prevention activities

	FY 2019	FY 2020	FY 2021
Total number of employees commended for safe driving (Those commended for 30 years or longer)	910 (124)	908 (139)	963 (158)



Fair Operating Practices

Compliance with Fair Operating Practices

Basic Concept

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

In addition, today's society faces many problems such as environmental and human rights issues, and companies are expected to help solve them in order to build a sustainable society. To this end,

we established the NOK Group Procurement Policy for conducting our procurement activities with suppliers.

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

Supply Chain Management

NOK Group Procurement Policy

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

CSR Procurement Guidelines

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

- 1

**Compliance with laws and regulations**

We will comply with laws and social norms in each country, including competition laws, trade-related laws, and environment-related laws.
- 2

**Respect for human rights**

  - We will not deal with business entities that use forced or child labor, that engage in unlawful employment of foreign nationals or any other illegal employment, and that do not satisfy occupational safety and health regulations.
  - We will 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 will 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 will communicate and engage in discussions with employees directly or with their representatives in good faith. 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.
  - We do not accept any form of harassment, including power harassment and sexual harassment.
- 3

**Safety**

We will prioritize the safety of customers and consumers, and purchase products that satisfy safety regulations.
- 4

**Green procurement**

We will carry out procurement activities based on the NOK Group Green Procurement Guidelines with consideration for conserving the global environment.
- 5

**Confidentiality**

We will 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 will not deal with any organized crime groups, any of their members and related individuals, any other antisocial forces, or any business entities associated with them.
- 7

**Activities regarding conflict minerals**

We will strive to avoid purchasing minerals and their processed products sourced from countries where inhumane armed forces are active and mining minerals for their financial resources.
- 8

**Contribution to local community and society**

We will contribute to the development of the local community and society by proactively doing business with local suppliers.
- 9

**Information disclosure**

We will disclose business information related to management and finance, product handling and safety, quality, environment information, etc., to all stakeholders in a timely and appropriate manner, and develop and maintain mutual understanding and trust through open and fair communication.
- 10

**Deployment of CSR into suppliers' own supply chain**

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

In November 2020, the NOK Group revised the basic principle and rights on labor stipulated in the Guidelines in line with the UN Global Compact. We request our suppliers to take action in line with the revised Guidelines, and then, based on the fundamental principle that the working environment is adequately safe, to treat workers with respect and dignity, and to conduct work ethically and responsibly toward the environment.

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

We believe that mutual development with our suppliers is important, and are committed to building strong relationships of trust and long-term cooperation.

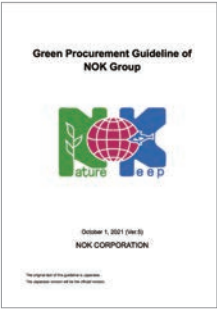
In September 2016, the Minister of Economy, Trade and Industry announced the "Toward Future-Oriented Trading Practices," aimed at "proper trading" and "enhancing added value" for both parent and subcontractors, as well as improving the trading environment throughout the supply chain. In December of the same year, amendments were made to the Operational Standards in relation to the Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors (the Subcontract Act) and the Promotion Standards in accordance with the Act on the Promotion of Subcontracting Small and Medium-sized Enterprises (the Subcontract Promotion Act), and the Notice on Means of Payment of Subcontract Proceeds was issued. Furthermore, the framework of the Declaration on Building Partnerships was established in July 2020 based on the Conference on Building Partnerships for the Future, which was organized by government ministers and representatives from the business and labor sectors.

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 light of these trends in government and industry, the NOK Group joined the Declaration on Building Partnerships in April 2022, and has held training sessions on topics for those involved in procurement operations to keep in mind, as well as guidelines for dealing with types of conduct that are likely to be seen as problematic.

Promotion of Green Procurement

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



NOK Group Green Procurement Guidelines

Efforts to Deal with Conflict Minerals

We at the NOK Group conduct procurement activities throughout the supply chain 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 Regulatory Response Working Group in the Procurement and Production Sub-committee 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, in addition to natural disasters and accidents that affect our stable production and procurement activities, various problems such as an infectious disease pandemic and even international conflicts have occurred. However, we have established a system by which we can quickly obtain information on the status and impact of disasters and take appropriate measures in collaboration with our suppliers.

Since FY 2019, we have been sending a BCM Check Sheet to our suppliers and clarifying problems through self-checks. Since FY 2020, we have been working had to build a resilient supply chain while providing guidance on effective measures.

These efforts have been successful and have not impacted our supply to our customers.

We will continue to consider measures to ensure that our supply responsibilities are met when problems arise, and will take various measures to strengthen our supply chain BCP and BCM.



# Quality Assurance



## Product Quality and Safety

### Basic Concept

The NOK Group has maintained workmanship in manufacturing processes 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 who have confidence in our technology and quality.

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

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

While communication between departments has not been easy amid the COVID-19 pandemic, we will strive to return to the basics of quality by flexibly responding to a crisis the we regard as an opportunity.

### Basic policy

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

### Behavioral guidelines

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

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

### Return to the Basics of Quality

#### Priority Action Items

Under the Chairman’s initiative of “Return to the Basics of Quality,” we will be getting back to basics, with the following four points in place for three years of making a fresh start toward ensuring NOK Group quality that customers can rely on.

#### 1.Thorough adherence to basics

To earn customers’ trust, our top priority is to stick to the basics. More specifically, we will aim to educate our employees in quality assurance against correct standards and have them comply with them, thereby continuously improving their skills 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 demand for product safety and quality increases, and with increasingly sophisticated demands from 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 processes ranging from development to production sites to prevent such defects from occurring.

#### 3.Non-conformance reduction activities

From the perspectives of environmental conservation and contribution to the bottom line of an organization, we need to reduce non-conformity loss arising at production sites. Items with a high number of non-conformities will receive top priority, and each department will support and promote these activities. Non-conforming products can also be the cause of complaints that inconvenience customers. Therefore, we have introduced and deployed an AI-based failure resolution method to identify the causes of non-conformities and ensure that measures are taken to prevent them.

#### 4.Quality control improvement by utilizing IT

By promoting the digitization of operations, we will streamline tasks 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

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

► For details, please see p. 8 of the ESG Data Book.

### Quality Assurance System

At NOK, the Quality Officer also acts as a supervisor for the functions associated with quality assurance, such as planning, coordination and promotion for Group Companies’ products. We develop Quality Assurance Activity Plans (QA Activity Plans) in line with the NOK Quality Assurance Policy, and conduct Quality Assurance Review (QA review) on site in a systematic manner.

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

### To have all departments conduct quality activities 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 own QA Activity Plan. In the QA Activity 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 review and management reviews of business divisions, which leads to effective and continuous improvement.

### To diagnose the Quality Assurance System Quality Assurance Review (QA Review)

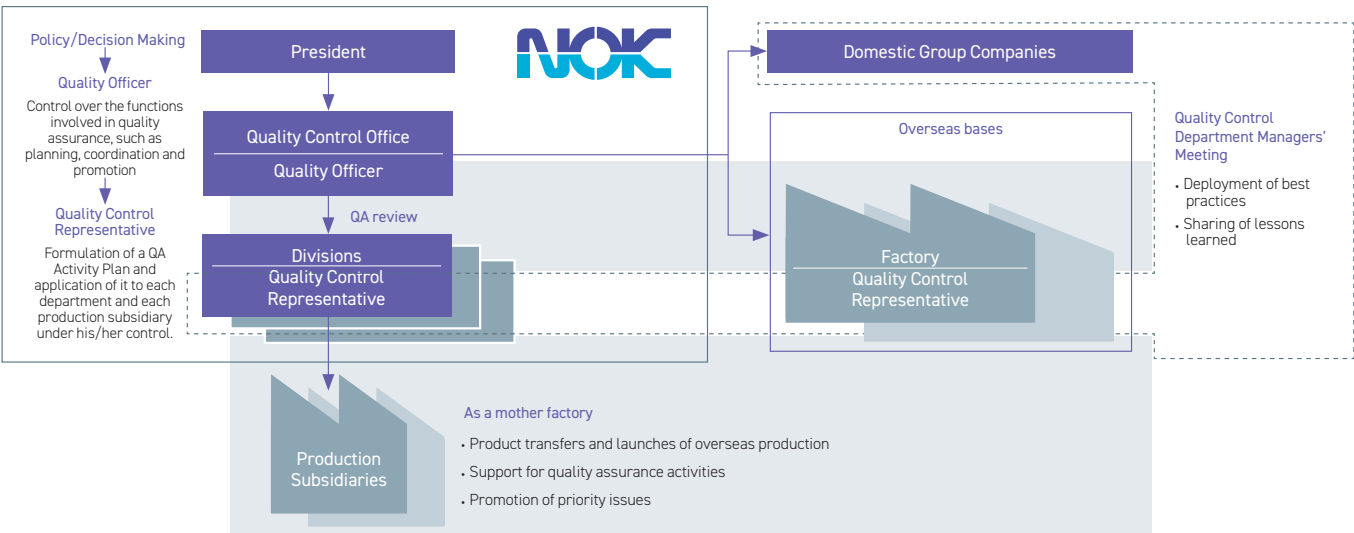
NOK’s Quality Officers conduct on-site QA reviews. Specifically, we diagnose whether an implementation plan has been formulated based on an understanding of the policy’s intent and whether quality improvement activities are being effectively implemented. However, in recent years, we have been working on weaknesses by conducting production-site-driven diagnoses.

### Horizontal connections within the 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 status of activities at each site. This occasion provides the participating managers 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 have been doing these meetings online due to the COVID-19 pandemic.

In this way, Group Companies in and outside Japan can easily 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 Assurance System Overview

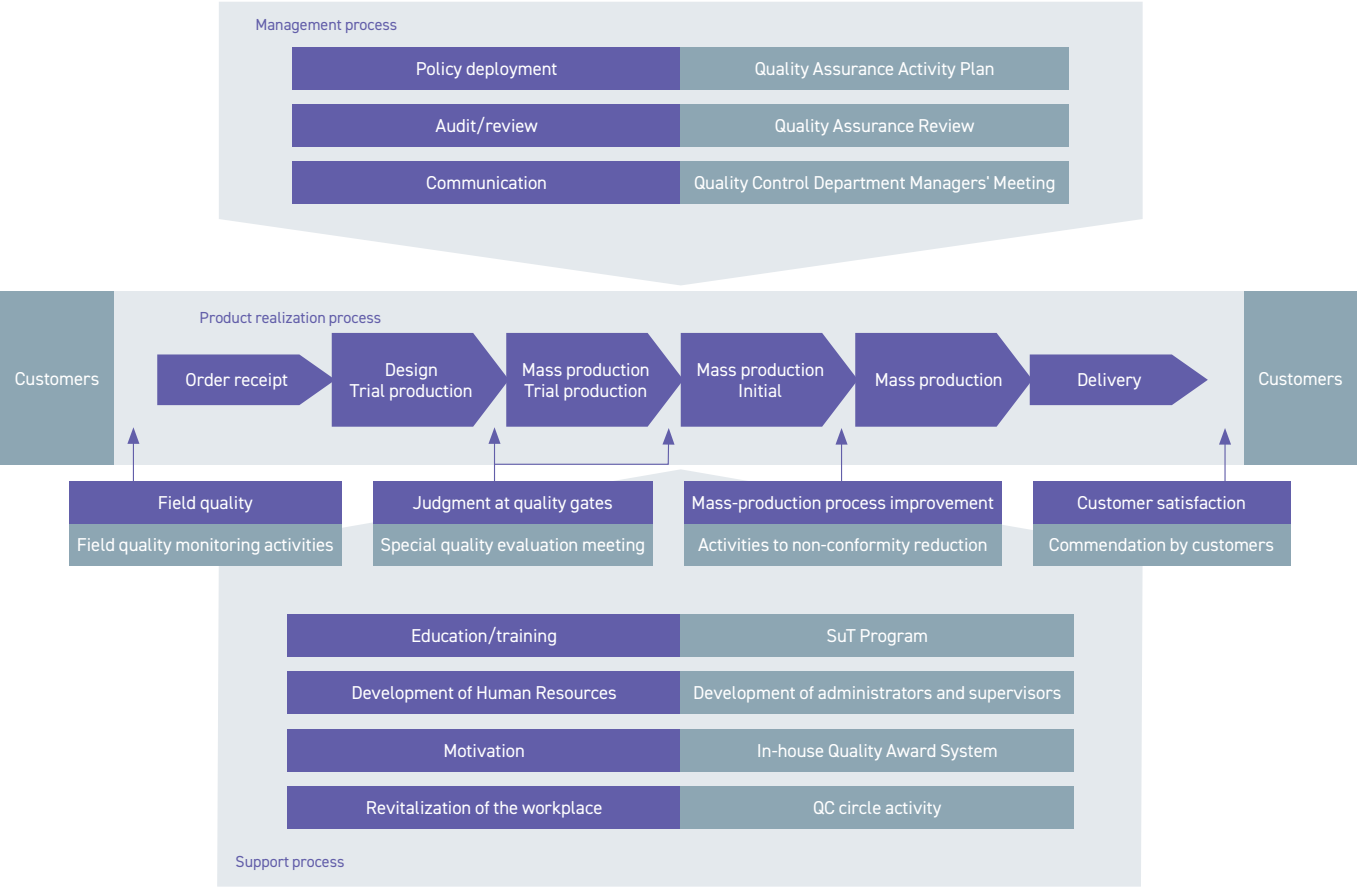


Quality Assurance

Quality improvement activities

NOK is taking unique initiatives to improve quality in each process, from order receipt up to delivery.

Overview of quality improvement activities



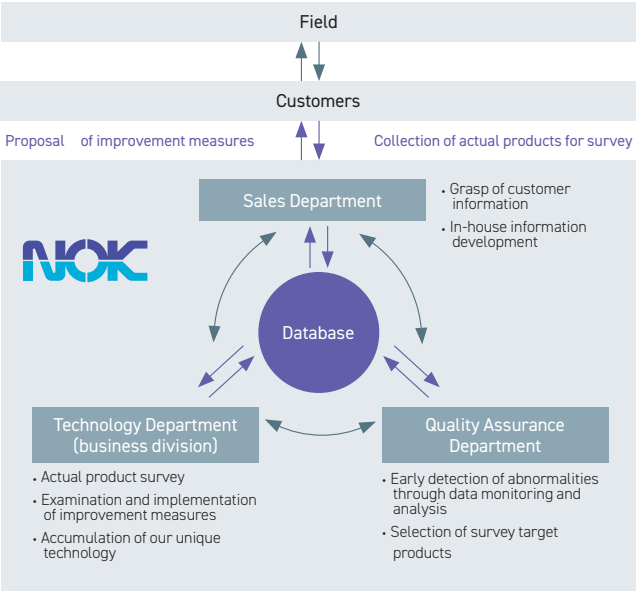
Taking advantage of field quality data  
Field quality monitoring activities

NOK uses field quality data to regularly monitor for anything that could lead to significant complaints from the market. This activity is called MFQ\* activity, which is managed in a database and performs market quality data analysis. 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.

There were no violations of various regulations or voluntary codes in FY 2021.

\*MFQ: Monitoring Field product Quality

Overview of field quality monitoring activities



The Quality Officer judges whether to put a newly developed product into mass production.  
Special quality evaluation meeting

To ensure the delivery of consistent-quality products to customers, NOK engages in activities that prevent problems. This involves dividing the development of a new product from design to production into three stages: 1) prototype design; 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 on moving to the next stage.

Activities to prevent non-conforming products  
Activities to reduce non-conforming products in conjunction with elucidation of mechanisms

NOK promotes activities to non-conformity reduction for the purpose of improving quality and cut back on waste. To avoid causing trouble to customers, we need to take care to avoid the production of non-conforming products in relevant processes. To this end, we carry out a series of actions where we, from the outset, act against one single phenomenon of non-conformity until the product becomes free of it. Then, we replicate the process for another phenomena until they phenomenon no longer occurs for the product, either. In this way, we conduct a one-by-one check until non-conformities are precluded at all stages. The Zero Non-conformity Initiative is promoted annually for a multitude of themes at operation sites. It has gained a foothold and is now run independently 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, the results of the verification are represented in an FTA\* to be managed as proprietary technology for use in the future.

\* Represents 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 other things, 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 of QC-oriented way of thinking.

Recently, in the field of problem solving, quick 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.

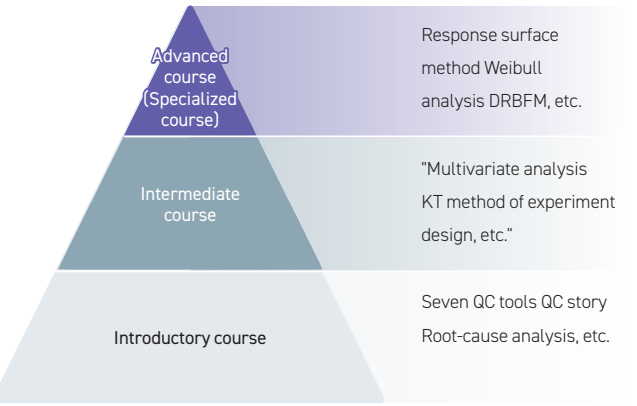
In the early days of its launch in 2001, we had only eight courses for the Technology Department. Since then, the program coverage has expanded to include people from the Manufacturing Department and Group Companies. During that time, we have come to learn about peoples' educational needs for more fundamental knowledge as well as advanced techniques. At present we have more than 20 courses, ranging from the "Seven QC tools" to "Multivariate analysis" and "How to design an experiment." We have also organized a curriculum so that advanced methods can be learned through practical exercises.

In FY 2020, we introduced quality education using web lectures in response to the restrictions on human flow caused by the pandemic. In FY 2021, video materials were developed to provide an environment in which people who want to learn can take classes anytime, anywhere.

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

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

Overview of the SuT Program





Passing down "quality-first thinking"  
Quality Dojo initiatives

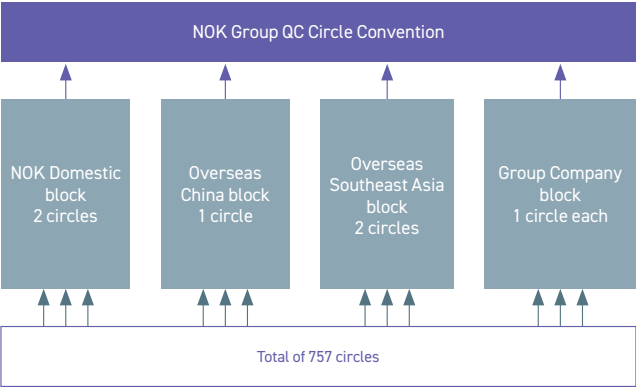
At NOK, we are working on the Quality Dojo as a place to develop people who can convey, practice and instill quality-first thinking in their daily work. Each division has quality trainers (Quality Dojo Masters) who run the Quality Dojo training center and provide students with training and education. Students who have graduated from the Dojo are responsible for providing guidance and training to their subordinates as part of their daily work in addition to their own quality improvement activities. In recent years we have strengthened our training, with a particular focus on managers and supervisors.

Growing activity overseas  
QC circle activity

The NOK Group encourages employees to form quality control (QC) circles. These are 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. Each year, NOK Group companies hold presentations on their activities, but since FY 2021, the presentations have been made online to prevent the spread of COVID-19. In FY 2021, 757 domestic and overseas clubs participated. Circles selected at each company's activity presentations participated in the NOK Group QC Circle Convention, which determines the top circle, and presented their results in their respective QC stories. The competition first took place in 1963, and has been held 69 times as of 2021. In the NOK Group, QC circle activities are extensively conducted at many of our operation sites and Group Companies in Japan and abroad.



Road to Qualify for the Group Convention(FY 2021)



Which 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 to raise their awareness of quality. Once a year, 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 not only the Production Department but also the Logistics Departments. This 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.

Publication of best practices awarded for quality in company newsletters



Articles published in the NOK Group's in-house magazine, Tanetomato

Commendation by customers

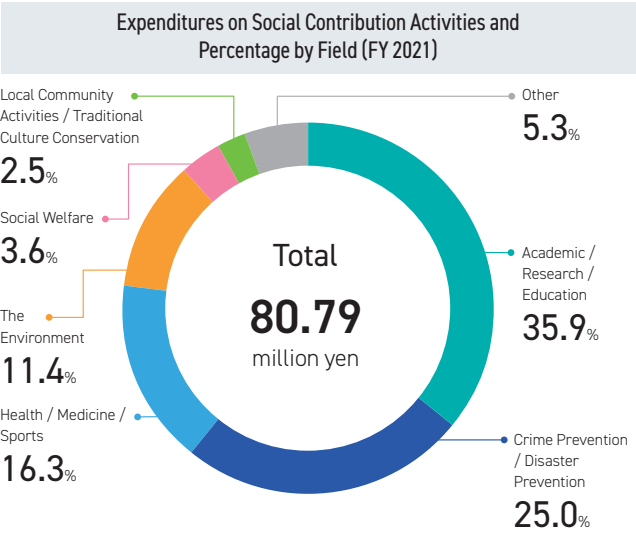
We have received favorable evaluations from our customers in terms of actual quality achievement and improvement activities. In FY 2021, we received 15 commendations concerning quality.



Participation in Communities and Community Development



Social / Local Area Activities



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 that encourages 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. In addition, since FY 2019, we have supported the Nikkei Education Challenge, a career education event for high school students sponsored by Nikkei Inc.



NHK Student Robocon

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, supporting and donating school sports events
Crime Prevention / Disaster Prevention	Participating in and donating to crime prevention and traffic safety activities, participating in disaster prevention activities, and visiting victims after disasters
Social Welfare	Donations and donations to the Red Cross and social welfare organizations
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
The Environment	Participating in local cleanup activities, tree planting activities, and activities for water purification by utilizing paddy fields, and recycling

In addition, the Company conducts community-based activities such as hosting company visits and factory tours for local junior high school students, and holding sales events for high school students to learn about the sales experience. **Accepting interns from universities and technical colleges**  
From the perspective of human resource development through collaboration between industry and academia, we actively provide work experience opportunities for students in various workplaces within the Company. Due to an increase in the number of new cases of COVID-19, only a few internships were accepted in FY 2021.



A sales event for farm products held by students of Fukushima Prefectural Fukushima Meisei High School on the premises of the Fukushima Plant

Participation in Communities and Community Development

Health / Medicine / Sports

NOK helps athletes out of our string desire to contribute to society through the dreams and inspiration that sports can provide to people. In April 2019, the company hired competitive swimmer Rintaro Okubo 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, swimmer Yukina Hirayama was recruited, followed by Junya Tozawa in April 2022. While athletes devote themselves to athletic activities, they also organize and conduct remote workouts and training sessions for employees to promote employee health.

We also support the activities of professional sports teams, as we share in their vision of achieving a prosperous coexistence with their local communities and society. Moreover, the NOK Group's plants in Japan and overseas Group 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 grounds.

In addition, we support the activities of local elementary, junior high and senior high schools and sports clubs by opening gymnasiums and grounds at the NOK Group's domestic business sites and overseas Group Companies.



"Dream Caravan," a basketball class held at a gymnasium at the Kumamoto Plant, inviting players and coaches from the Kumamoto Volters

Crime Prevention / Disaster Prevention

As a company that manufactures automotive parts, NOK is focusing on activities that promote safe driving and prevent accidents. The company promotes its own traffic safety activities throughout the year and cooperates with the activities of the Safe Driving and Traffic Education Association.

We also support local disaster prevention efforts by opening our facilities as sites for disaster prevention warehouses and cooperating with firefighting efforts as a firefighting squad.



SYNZTEC Co., Ltd. received a certificate of appreciation from the mayor of Yokosuka for its outstanding fire prevention management.

Local Community Activities / Traditional Culture Conservation

NOK Group's domestic plants and overseas Group Companies regularly conduct cleaning activities in the areas around those plants or company sites. We also sponsor local festivals and invite local residents to workplace festivals, among other community-oriented activities.

Every year at the Kumamoto Plant, employees volunteer for open burning to preserve and restore the grasslands of Aso.



The open burning of the grasslands of Aso, which are home to a wide variety of plants and animals.

The Environment

The environmental situation is changing dramatically with various problems arising around the world, such as the ecological effects brought on by climate change and the increase in marine plastic waste. The NOK Group is implementing a range of initiatives, both in and outside of Japan, to pass on our beautiful natural environment to future generations.

Since FY 2019, the Shonan Development Center has sponsored the "Enosui eco" program promoted by Enoshima Aquarium (Enosui) for ecology under EcoAction 21. NOK actively participates in beach cleanup activities, in addition to assisting in conservation efforts including investigation and research into the biological and ecological diversity of Sagami Bay, community cleanup, and waste reduction.

Furthermore, staff members from the Fukushima Plant volunteered in the Umigomi Zero Week activities held to reduce marine debris, and also did volunteer work to gather Lake Inawashiro shore cleanup activities. At the Tokai Plant, cleanup activities were also conducted on the Kuniyasu Beach and waterways.

In addition, we make donations to the Keidanren Nature Conservation Fund, a charitable trust, and support the activities of the National Land Afforestation Promotion Organization (umigomi is a combination of the Japanese words for ocean (umi) and waste or trash (gomi)).



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

Employees clean up beaches

Social Welfare

NOK is a sponsor of the World Food Day campaign "Zero Hunger Challenge: Food Loss x Zero Hunger" organized by the WFP (United Nations World Food Programme).

We also support the activities of Palette, an NPO that helps to arrange employment for people with disabilities, and hold a confectionery and miscellaneous goods sales event in the Company building.

In addition, the organization donates canned food, new rice and masks for stockpiling to children's cafeterias and food banks.



Donation of canned food from the Fukushima Plant to Children's Cafeteria NET, a group of children's cafeteria operators in Fukushima City



Readings by employees of Changchun NOK-Freudenberg Oil Seal Co., Ltd. with hearing-impaired children

Governance Report

Governance

Corporate Governance



Corporate Governance



Basic Concept

The NOK Group aims not only to contribute to the development of economic society by creating added value through fair competition, but also to become a company that benefits society at large by promoting management that can make all stakeholders proud of the company and continue pursuing their dreams together. We are also promoting a management plan to secure economic growth with stability and strong increases in revenue over the medium to long term.

For this reason, the NOK Group considers continuously strengthening the corporate governance 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. 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 operating a business 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. 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

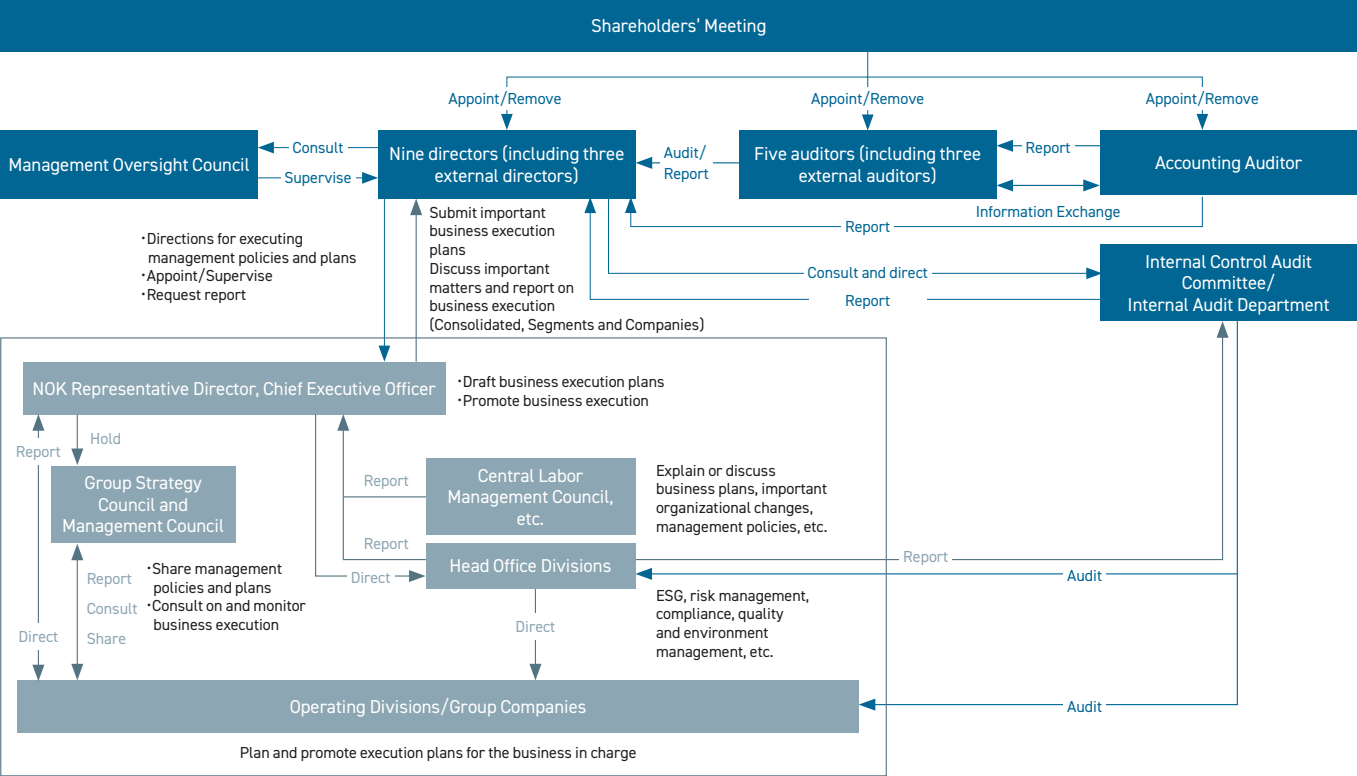
the Management Oversight Council with key members from outside the company as an advisory body to the Board of Directors, which regularly confirms important matters such as nomination and remuneration and provides appropriate advice to the Board of Directors. In addition, significant management risks are checked and assessed at the Management Oversight Council periodically.

In terms of the internal audit function, the Internal Control Audit Committee, an advisory body to the Board of Directors, regularly audits the systems to ensure the proper operation of NOK and its subsidiaries in accordance with the Internal Control Regulations, and reports the results to the Board of Directors and the Board of Corporate Auditors.

In an attempt to further strengthen the functions of the Board of Directors, the Board of Directors of our company resolved at its meeting held on May 20, 2022 to revise the Executive Officer Regulations, and since June 24 of the same year, the functions of the Board of Directors have been further specialized to supervise the execution of business. With regard to individual business execution, authority has been delegated to executive officers, and a system has been established to clarify supervisory and business execution functions. Specifically, the functions of the Board of Directors have been shifted to a management agenda-oriented structure (focusing on supervising business execution), and the Board of Directors is dedicated to making decisions on important management policies and plans and overseeing business execution. The President, who is at the top of the executive team, has appointed several people who are suitably qualified in our company's management and business operations from the perspectives of sales, technology, production, overseas operations, financial accounting, general affairs and human resources. In addition, the Management Oversight Council consists of the Chair of the Board of Directors, Representative Director and Chief Executive Officer, and three outside directors, the majority of whom are independent outside directors.



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, 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 them.

Steps to enhance corporate governance

Year and month		Policy	Purpose
2004	Apr.	Established the Crisis Management Office	Prevent and minimize negative impacts on business continuity
	Jul.	Established the Accounting and Audit Division	Established as the Internal Audit Unit
2006	May	Established the Basic Policy for the Internal Control System	Formulate basic policies for the internal control system
		Enacted the NOK Charter of Corporate Behavior	Enacted and declared Management Principles, Management Policies, and Principles of Corporate Behavior
	Aug.	Enacted the Behavioral Guidelines on Employee Compliance	Enacted and disseminated guidelines on matters for employees to comply with
		Compliance Rules established	Provisions on the handling of compliance with laws and regulations and company rules and regulations
2007	Mar.	Established the Risk Management Rules	Provisions on responses to the occurrence of business risks and emergencies
	Oct.	Established the internal control subsidiary management rules	Prescribes instructions to subsidiaries and compliance by subsidiaries
		Established the internal control rules for financial reporting	Prescribes methods for developing and evaluating internal controls over financial reporting
2008	Jan.	Established the Internal Control Audit Committee	Audit and maintain the state of the internal control system
2009	Jun.	Introduced the Operating Officer System	Separate management oversight and executive functions, and establish an agile management system.
		Changed the term of office of directors to one year	Separate management oversight and executive functions, and establish an agile management system.
		Revised the executive compensation system	Introduce a long-term performance-based and performance-linked compensation system
2013	Jul.	Established internal control rules	Consolidate Internal Control Subsidiary Management Rules and other internal control-related rules
2015	Jun.	Established the Risk Management Committee	Minimize risk probability and losses through cross-organizational verification and evaluation
		One external director took office	Strengthen the management oversight function.
2016	Apr.	Installed a whistle-blowing system (that covers domestic Group Companies)	Created a whistle-blowing system by establishing the Whistle-Blowing Hotline (in and outside of the company)
	May	Started assessing the effectiveness of the Board of Directors	Improve the effectiveness of the Board of Directors
	Jun.	Increased the number of external directors to two	Strengthen the management oversight function.
		Established the CSR Committee	Raise the awareness of CSR throughout the company and promote effective CSR activities
		Established the Central BCM Committee	Increase the effectiveness of the business continuity plan and help to improve corporate value
2017	Jan.	Seal Segment BCM Committee established	Build and maintain the BCM within the segment as a sub-organization of the Central BCM Committee
	Mar.	Electronic segment BCM committee established	Build and maintain the BCM within the segment as a sub-organization of the Central BCM Committee
2019	Jan.	Established the Business Continuity Management Rules	Provides a business continuity management system
	Jul.	Established the Management Oversight Council (composed of the President and Representative Director, external directors and auditors).	Check, assess, and advise on key management issues and serious risks
2020	Oct.	Expanded the internal reporting system (China Group companies excluding Taiwan and Hong Kong)	Strengthen the reporting system by expanding the establishment of some whistle-blowing desks at overseas bases
2021	May	Established the ESG Committee	Promote the company's continued sustainable growth and the implementation of responsible initiatives
2022	Mar.	Expanded and introduced a whistle-blowing system (Asian Group Companies outside mainland China)	Strengthen the reporting system by expanding the establishment of some whistle-blowing desks at overseas bases

List of Directors and Corporate Auditors

Director



Masato Tsuru



Junichi Orita



Masao Tsuru



Kensaku Hogen



Jiro Iida



Makoto Fujioka



Yasuhiko Kuroki



Naoki Shimada



Akira Watanabe

Auditors



Nozomu Maehara



Hideki Watanabe



Osamu Kobayashi



Hideki Ogawa



Atsushi Kajitani

Skill Map

	Name		Corporate management	Business and technology strategy	Sales strategy	Financial, accounting and capital policies	Global management	New business	ESG (Environmental, Social, Governance)
Director	Masato Tsuru		○	○					
	Masao Tsuru		○	○					
	Jiro Iida			○			○		
	Yasuhiko Kuroki			○	○				
	Akira Watanabe		○			○			
	Junichi Orita			○				○	
	Kensaku Hogen	External	○				○		
	Makoto Fujioka	External	○						○
	Naoki Shimada	External	○					○	
Auditors	Nozomu Maehara				○				○
	Hideki Watanabe					○	○		
	Osamu Kobayashi	External				○			○
	Hideki Ogawa	External	○	○					
	Atsushi Kajitani	External	○						○

(Note) The above list contains up to two items that are particularly expected of each person, and does not represent all the knowledge and experience that each person has.



External Directors and External Auditors

We have appointed outside directors who have a wealth of experience and insight in industrial policy and diplomacy, as well as tracks record of corporate management. They provide advice on our company's business activities from an objective, broad, 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 director and external auditors materials on agendas for the Board of Directors meetings prior to such meetings.

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 for directors who execute business operations to be 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 auditor positions are nominated in accordance with the external requirements set forth in the Companies Act and the independence criteria of the Tokyo Stock Exchange.

With respect to the remuneration of directors and auditors, the company has established 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 Board of Directors meetings 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 NOK Group aims to become a strong company with high profitability by producing unique, technology-backed products that are useful to society at reasonable prices around the world. We believe that pursuing this policy as a group with a medium- to long-term perspective will help to enhance the NOK Group's medium- to long-term corporate value and raise stakeholder satisfaction.

In carrying out this policy, we believe it is necessary to encourage management, including the directors of the core companies of the NOK

Group, to achieve their goals and to improve the satisfaction of their stakeholders through compensation. For this reason, we have introduced a new stock-based compensation plan for the management of the NOK Group's core companies, in which a certain percentage varies according to the level of achievement of KPIs related to the priority implementation measures in the NOK Group's medium-term management plan. The goal is to increase corporate value over the medium to long term and to enhance stakeholder satisfaction through monetary and stock-based compensation, which varies according to the degree to which performance targets are achieved in a single fiscal year.

Policy on remuneration for directors

Compensation for directors is divided into three categories: basic compensation (money), short-term performance-linked compensation (money), and medium- to long-term performance-linked compensation (stock). Thus, compensation comprises a fixed component, a short-term performance expectation component, and a long-term performance expectation component, to ensure that directors take responsibility for improving performance in each fiscal year and increase the medium- to long-term corporate value. On the other hand, outside directors are paid only basic compensation (money). This is because we expect them to provide objective opinions and suggestions from an external perspective, independent of the execution of business.

Policy on remuneration for auditors

As auditors are responsible for auditing the execution of duties across our Group, they are paid only basic compensation (money) according to their position.

Advisory body on nomination and remuneration (Management Oversight Council)

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 primarily comprises external officers with members including the Chair 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.

Effective June 24, 2022, the Management Oversight Council consists of the Chairperson of the Board of Directors, Representative Director and Chief Executive Officer, and three outside directors, with independent outside directors forming a majority.

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 2021, the analysis and assessment indicated that the Board of Directors as a whole was effective.

Internal Control

The NOK Group has implemented an appropriate "System for Ensuring the Propriety of Operations (Basic Policy for the Internal Control System)" established in accordance with the provisions of the Companies Act, and is committed to establishing this 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 the 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 2021, 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, the Act against Delay in Payment of Subcontract Proceeds, etc., to Subcontractors, and the Unfair Competition Prevention Act

Based on the Principles of Corporate Behavior, the NOK Group stipulates in the "Behavioral Guidelines on Employee Compliance" its stance and relationship with agencies, distributors, competitors and suppliers, and complies with the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade, the 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 has established "Fair Trade Regulations," which 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, the 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 2021, 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 governments and administrative agencies."

Pursuant to the Principles, the Behavioral Guidelines on 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. Specific prohibitions and legal and proper handling of gifts with business partners are stipulated in the Fair Trade Rules and the Internal and External Rules for the Handling of Congratulations and Condolence. 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 also conducts an annual anti-corruption audit of all domestic and international business sites and all Group subsidiaries, and reports the results to the Board of Directors. During FY 2021, there were no violations in the NOK Group.

Communication with Shareholders and Investors

NOK stipulates in its Principles of Corporate Behavior to "Disclose accurate corporate information in a timely and appropriate manner, engage in constructive dialogue with a wide range of corporate stakeholders, and enhance corporate value." We also practice this in our investor relations activities, where senior executives and executives, led by the department in charge of investor relations, engage in dialogue 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 the representative director or other directors answer questions. During the question-and-answer session, questions about next-generation vehicles were asked, and the sales status and future prospects of products for electric vehicles were explained in detail. Presentation materials used for financial results briefings are available on NOK's website. In addition, from the standpoint of fair disclosure, NOK participates in events for individual investors every year. In FY 2021, we participated in online events.

Compliance

The NOK Group established the “Compliance Regulations” in 2006, based on the “NOK Charter of Corporate Behavior,” which stipulates compliance with laws and regulations as well as the company’s various rules and regulations. The company established the “Behavioral Guidelines on Employee Compliance” as a guide for specific details of the regulations. This document specifies the items that employees must comply with in their business activities, and we ensure that all Group employees familiarize themselves with the Guidelines.

Behavioral Guidelines on 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. Reporting 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 the “Compliance Regulations,” the NOK Group designates departments in charge of individual laws and regulations to promote compliance activities in their respective operations. These departments act as contact points for reports and consultations on related laws, internal regulations, and rules.

The NOK Group has designated October of every year as the compliance promotion month to regularly inform employees of NOK’s compliance initiatives and to help raise their awareness of compliance, such as by 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

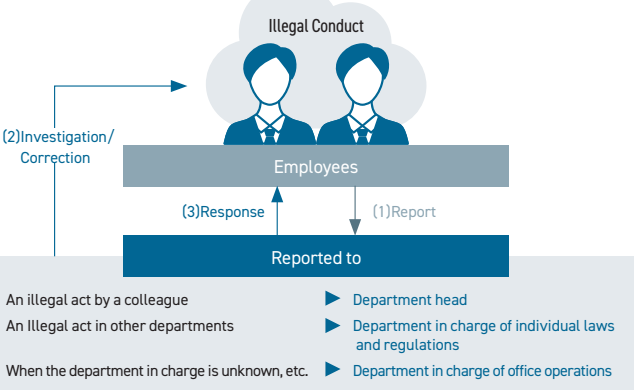
The NOK Group has established the NOK Group Reporting Desk and Whistle-Blowing Hotline to detect and correct illegal conduct that violates the Compliance Rules at an early stage.

Any employee who has noticed a violation can contact the Reporting Hotline. If the violation continues even after the report to the Reporting Desk or the employee finds it difficult to report the case, he or she can contact the Whistle-Blowing Hotline.

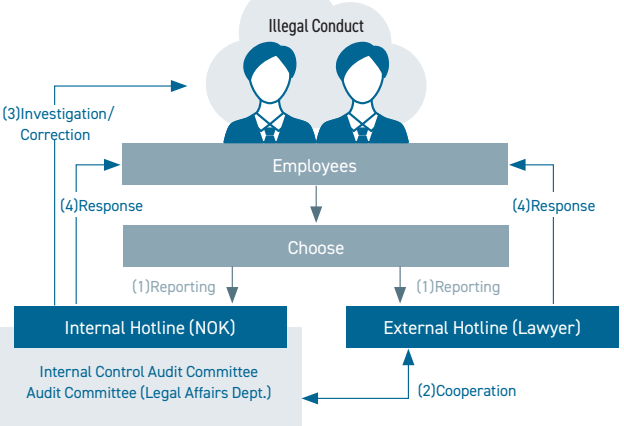
The Whistle-Blowing Hotline consists of the Internal Control Audit Committee and independent lawyers. Reports can be made anonymously, provided that they are objective and specific. Moreover, the whistle-blower is protected against disadvantageous treatment under compliance regulations. Whenever a report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

Regarding overseas bases, in FY 2019 and 2020, the Whistle-Blowing Hotline was set up (in and outside of the company) at our Group Companies in China. Furthermore, in FY 2021, we expanded and established whistle-blowing hotlines at 22 Group Companies in the rest of Asia to strengthen our whistle-blower system.

Reporting Desk



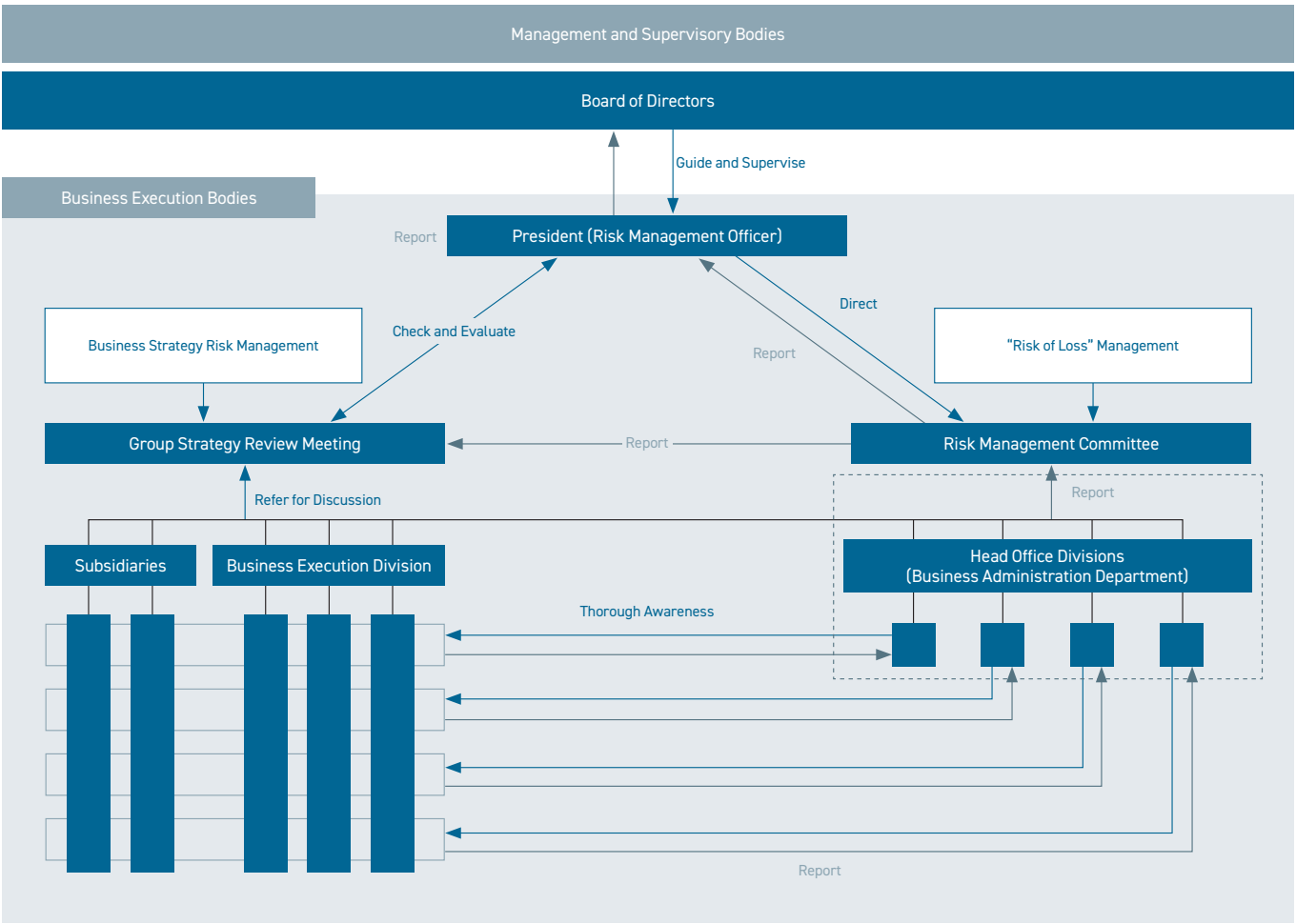
Whistle-Blowing Hotline



Risk Management

NOK’s “Risk Management Regulations” stipulate the basic policy and management system for risk management across the entire Group. Based on these regulations, the Company has established 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 a balance with the risks of increasing corporate value; and “risk of loss,” in which we seek to prevent or minimize the probability of losses occurring 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, who 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, the Risk Management Committee examines issues and response measures by prioritizing their importance and urgency.



Responding to Disaster Risk

1. Business Continuity Management (BCM) System

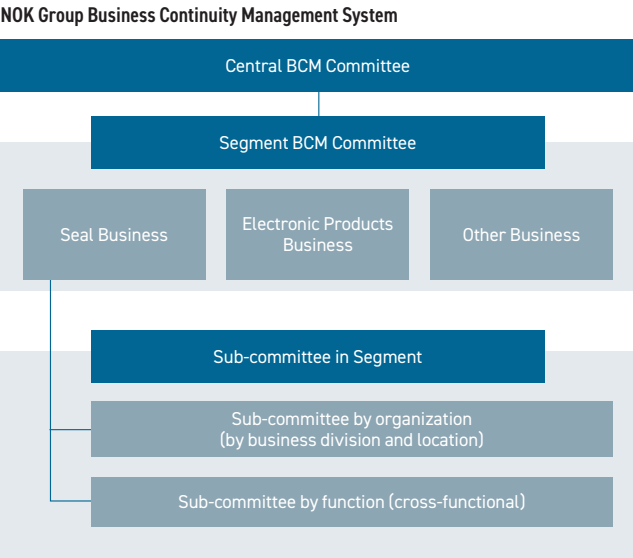
Regarding business risks and emergencies, NOK defines natural disasters, fires, explosions, serious accidents and epidemics of infectious disease as “events that interfere with business continuity.” The company established the Business Continuity Management System to ensure business continuity and to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

Specifically, the NOK Group BCM Committee was established as a standing committee to promote business continuity management activities. The management system, which consists of the BCM Committee, is responsible for formulating, maintaining, and updating the business continuity plan (BCP), securing budgets and resources to implement them, implementing preventative measures, conducting education and training, conducting inspections, and engaging in ongoing activities.

In the event of an emergency, the Company must immediately set up an emergency response headquarters at the head office and on-site



response headquarters at local business establishments. Depending on the situation, relevant departments and divisions will work together to deal with the situation promptly and appropriately.



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

- 2. Planning and promoting business continuity plans (BCP)**  
NOK will proceed with business continuity measures based on the following basic policy:
1. Give top priority to 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 verifies the plan's effectiveness through training and responding to identified issues. It also continues to implement measures to minimize damage, improve emergency communication methods and reporting systems, and reinforce the earthquake resistance of our IT infrastructure.

We are also working with suppliers to strengthen the business continuity of our supply chain BCM\*.

\*We report on our supply chain BCM in the aforementioned "Strengthening Fair Operating Practices and Supply Chain BCP and BCM." (p. 56)

Cybersecurity

IT utilization is an essential component of today's corporate activities. However, the threat of cyber-attacks, which are becoming increasingly sophisticated every year, is causing serious damage not only to companies but also to the general public. The NOK Group also recognizes that dealing with cybersecurity risks is one of the most important management issues, and has therefore taken systematic steps to address it. Unfortunately, in FY 2021, a cyber-attack took its toll, but fortunately there were no major information leaks and the impact on our performance was minor. Based on this experience, in addition to the NOK Group Basic Policy on Information Security, which had previously been established for internal use in general, we established the Cybersecurity Response Policy at the end of FY 2021, focusing on the IT field.

In future, based on these policies, we will make even stronger efforts to identify risks and take measures in a planned and continuous manner. We will also be actively involved in strengthening measures not only in our Group but also throughout the supply chain via industry associations.

Protection of Intellectual Property

The NOK Group has put together important points regarding intellectual property-related laws in the Behavioral Guidelines on 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 our 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 belonging to other companies.

To protect NOK's brands, we combat counterfeiting, even outside Japan, through our Anti-Counterfeit Committee. During FY 2021, the company uncovered 9 cases of counterfeit factories in China, and removed web pages selling counterfeit products from online sales sites in 5,093 cases.

Dealing with COVID-19

With regard to pandemics, we have previously considered issues and measures to address them under the heading of "risk of loss occurrence." However, COVID-19 has spread at an unprecedented scale and rapidly around the world, and conventional risk management has not been able to cope with it. We have responded to it with a variety of measures, focusing on "thorough prevention of infection and spread."

On the other hand, from the perspective of business continuity, infectious diseases are different from sudden events such as natural disasters that are difficult to control after the fact, and it has been difficult to restore operations without interrupting them or in the shortest time possible. Based on our experience in responding to a sharp decline in our operating capacity through implementing countermeasures and measures to prevent mass infections, as well as to the declaration of a state of emergency and the response to lockdowns, we are now considering the formulation of a business continuity plan (BCP) in response to infectious diseases.

Third-Party Opinion on Sustainability Report 2022

Opinion

The new title of this issue, Sustainability Report 2022, gives the impression that the Company has taken a step in the new direction proposed in last year's report, which marks the 80-year anniversary of its founding. While maintaining its basic character as a multi-stakeholder communication tool by a B-to-B corporation, the number of descriptions related to long-term corporate value has increased, indicating a strong awareness of the sustainability perspective.

The Message from the President clearly expresses this point. A clear message of "A company that provides "safety" and "comfort" to the world through its proprietary technology, and we want to grow by mastering it" have been presented, and the focus themes of the ongoing three-year plan, such as electrification, quality, business continuity (BCM), and digitization, have been explained. The report has also covered the management stance toward the sustained enhancement of corporate value, including "management that respects people," which forms the basis of the series of initiatives. We can see that the sustainability promotion system put in place last year is operating consistently.

In terms of specific content, two points in particular stand out. First, the composition has changed, and "environment" has been brought to the forefront, replacing "society" in the past. As announced in last year's CSR report, scenario analysis was conducted in accordance with TCFD recommendations and disclosed along with risk and opportunity analysis. Based on this analysis, the NOK Twin Green Plan 2030, our long-term environmental vision, was revised to include a significant increase in the 2030 milestone target and the introduction of internal carbon pricing to achieve carbon neutrality by 2050. One of the highlights of the Company's business is the electrification of automobiles. Many readers will be interested in these topics, including how the seal business and other existing businesses will be used for electric vehicles, and where new business opportunities lie. Putting the environment at the center of the reporting theme suggests that the aspect of creating corporate value through solving social problems has gained weight, and this is a major change from the CSR Report to the Sustainability Report.

Next is the formulation of the NOK Group's Human Rights Policy. This initiative embodies "management that respects human beings," as stated in the Principles of Corporate Behavior, and the speed with which the Company signed the United Nations Global Compact (UNGC) last year is astonishing. This is a very meaningful development for the Company as it expands its business globally, and I look forward to further initiatives such as the implementation of due diligence. This initiative can be seen as an extension of the "people are the foundation" tradition of valuing employees, as well as part of ESG management in response to capital market demands.

As steady progress is made in this new direction, future expectations are naturally an extension of this. In terms of details, I expect to see some sort of launch, including the downstream portion of Scope 3, to take advantage of the features of the Company's long-term environmental vision, which states that it contributes to the environment through its products. As a major theme, I would like to ask you to continue presenting your value creation story as you did last year. The story of simultaneously pursuing solutions to social problems and growth through providing original technologies can be read from individual efforts, but now that all the major parts have been assembled, I think it is time to present them in concrete terms.

This is symbolic of the response to TCFD, but I think the characteristic of your company report is the willingness to communicate not only the results but also the processes underlying your efforts. In this regard, even though it is not the right time to launch a major new initiative in the run-up to the next medium-term management plan, this issue gives a preview of what discussions are currently underway for the next phase, including consideration of "what we want to be" for 2031 (the 90-year anniversary) and identification of materiality. Expectations are high that the next issue will present your Company's value creation story in a more vivid way. I look forward to the steady evolution that is unique to you.

Development Bank of Japan  
Research Institute of Capital Formation  
Executive Fellow

Keisuke Takegahara



**Response to the Third-Party Opinion**  
We would like to thank Mr. Takegahara for his valuable opinions and suggestions, which we have received continuously since FY 2020.

We established the ESG Committee last fiscal year to strengthen our sustainability promotion structure. In this report, we have changed the name from "CSR Report" to "Sustainability Report" and have organized the report in terms of ESG (Environmental, Social and Governance) factors so that readers can understand the overall sustainability picture in terms of sustainability. In addition, in the Message from the President,

we expressed our corporate value and the vision of what we want to be, and our strong desire to strive for sustainable growth and help bring about a sustainable society.

We aim to publish an integrated report in the future. We will further deepen our ESG initiatives and actively communicate our efforts to address social issues through our business, including presenting the value creation story of the NOK Group that you have pointed out, to build our corporate value.

Operating OfficerDirector, Corporate Affairs Office **Yuko Furukawa**