

Contributing to the Development of a Sustainable Society as an Attractive Corporate Group



T. Kayamoto

Takashi Kayamoto
President and COO

K. Tamamura

Kazumi Tamamura
Chairman & Chief Executive Officer

We would like to share our deep appreciation to all stakeholders, from our shareholders and investors to our customers, suppliers and everyone in the local communities where we do business, who have given their ongoing support to our Group activities.

The Japanese economy gradually recovered in light of improved corporate profits, rising stock prices, and a better employment environment. The world economy continued to show economic growth with personal consumption and capital investment increasing in the United States. Asian regions showed ongoing economic growth due to improved exports and the effectiveness of economic policies in China. Thailand and India have also seen recovery.

The supply of automotive parts, our Group's primary field of business, as well as the supply of information technology products are both greatly affected by cyclical changes in the global economy. The effect of the United States' trade policies on Europe and China is a matter of concern. In addition to the need to be sufficiently cautious about shifts in exchange rates, price fluctuations of raw materials, and other trends, we must also put in place measures to respond to a short supply of raw materials and goods due to events such as unexpected accidents at the source of the supply and unprecedented natural disasters.

This type of environment comes with various risks and unpredictable economic shifts, but a basic policy of our Group will always be to provide attractive products and services to our customers as part of our corporate philosophy to foster healthy growth.

Guiding Principles of NHK Spring	Corporate Philosophy	<p>We, the people of NHK Spring, follow our Corporate Philosophy, in the spirit of our Guiding Principles, and build a better world by building innovative products.</p>
Continuous progress Ceaseless excellence Caring teamwork	To contribute to an affluent society through an attractive corporate identity by applying innovative ideas and practices, based on a global perspective, that bring about corporate growth.	

These efforts aim to build a corporate group always recognized as the best by all of our stakeholders.

Our goal is to maximize corporate value and foster a long-lasting company through our strength in providing key parts to the automotive and data communication fields. We aim to do this by driving next generation technology encompassing new core competencies such as "precision and micro-fabrication technologies" in data communications, as well as "spring behavior analysis", "expertise in metal materials" and "metal heat treatment and plastic fabrication technologies" which were developed for automotive components. The new Electrification Business Promotion Dept. established in April 2018 has been positioned to take advantage of the technology and strengths unique to NHK Spring during a transformation in the automotive industry said to come once a century. We are determined to take on the challenge of next-generation product development and create new technology and products in the hope of always being recognized as a leading engineering company.

In the future, we will continue to build a strong reputation as a global supplier with superior customer response capabilities while continuing to maintain and improve good relationships with all of our stakeholders.

In fiscal 2017, our Group started the 2020 Midterm Plan, which is a medium-term management plan with the final year of the plan set as fiscal 2020. This 2020 Midterm Plan continues active capital investment into new products and new corporate bases and aims to surpass any previous profit levels by increasing sales through greater profitability at existing sites, enhancing overseas sites and expanding existing products.

2020 Midterm Plan Targets	
Net sales/profit-loss targets	Financial indicator targets
● Net sales ¥710 billion	● Ordinary income 8% or higher
● Operating income ¥54 billion (Profitability 7.6%)	● ROE 10% or higher
● Ordinary income ¥57 billion (Profitability 8.0%)	● Payout ratio Target approx. 30%
● Net income ¥38 billion (Profitability 5.4%)	

2020 Midterm Plan Business Strategies		
① Strengthen competitiveness that aims for sales expansion	② Develop new products and open avenues to new businesses	③ Promote CSR activities
Toward steady achievements in sales expansion goals ● Strengthen and accelerate design development capabilities ● Strengthen global sales capabilities ● Promote further unit cost reduction	Build innovative products chosen by customers ● Promote development and commercialization of more competitive products ● Develop new products to support the next generation ● Deepen production technologies even further	Become a company continually trusted ● Conduct highly transparent management that emphasizes compliance ● Promote work-style innovation ● Willfully educate and attain human resources and promote diversity

Incidentally, 30% of companies which have been in business for a century or more are Japanese. This is because the longevity of a company depends on society. Next year, NHK Spring will celebrate its 80th anniversary. Maintaining the trust of all of our stakeholders is essential in our goal to reach a century in business. Trust is earned by enhancing the corporate value of the Group in the medium and long term. We will promote stronger corporate governance and active information disclosure, strengthen initiatives toward solutions to global environmental issues, promote diversity of human resources, engage in active efforts to solve social issues such as co-existing with local communities, and contribute to a sustainable society.

We hope this report will act as one facet to bring understanding about our thoughts and activities toward the social responsibilities we should fulfill as a corporate group. We ask for your continued support for our activities.

CONTENTS

Our commitment	2	NHK Spring Profile
Business overview	4	
Value to Society Provided by NHK Spring Group	6	
Financial highlights 2017	8	
Business activity highlights 2017	12	
Global Group Network	14	
		CSR Management Report
NHK Spring Group's CSR Philosophy	16	
Corporate Governance	17	
Compliance / Risk management	18	
		Social Report
Customers	20	
Shareholders and investors	21	
Employees	22	
Suppliers	25	
Local communities	26	
		Environmental Report
Environmental management	29	
Environmental performance	32	

*Information about business activities, the flow of the life cycle, support of the ISO 14001, environmental accounting and management and reduction of substances of concern have been migrated to the environmental data on our homepage as of this fiscal year.
<https://www.nhkspg.co.jp/eng/csr/env/index.html>