



NHK Spring Group's CSR Philosophy

We understand the responsibilities of the Group as a member of society, and we aim for consensus within the Group to ensure CSR proceeds smoothly. The CSR Committee recognizes various issues in governance, compliance, risk management, respecting human rights, and social contribution as issues that need to be addressed as a Group, and as such engages in activities within the scope of corporate social responsibility.

Message from the Chairman of the CSR Committee

Enhancing Sustainable Growth and Corporate Value



Hiroyuki Kado
Chairman of the CSR Committee, Executive Vice President

NHK Spring regards its corporate philosophy of “contributing to the development of an affluent society through the realization of an attractive corporate identity,” as the basis of our management policy.

NHK Spring has a wide range of stakeholders through providing innovative products in each of our primary business fields—automobiles, data communications, industry and lifestyle. We will meet the expectations of shareholders, investors, customers, partners, employees and local communities to resolve wide-ranging social issues as a trusted company.

We are strengthening our corporate governance to ensure that we conduct our business in a proper manner, and we aim to increase our corporate value from a medium to long term perspective. We are continuously raising awareness and enhancing an effective risk management system to facilitate higher recognition about compliance throughout the entire group. We will also always respect human rights and promote diversity in our human resources. In addition, we actively

encourage global and local environmental conservation in-line with NHK Spring guidelines and action plans to co-exist and create harmony with the global environment in our corporate activities.

We updated our Employees Code of Conduct in May 2017 to encourage ethical actions by NHK Spring executives and employees and highlight actions prohibited by legal standards. Our fiscal 2018 management policy raises the promotion of thorough compliance and recognizes the importance of corporate ethics in our work to always thoroughly comply with laws and regulations in order to remain a company which continues to enjoy the trust of all its stakeholders. NHK Spring Group companies are found in various regions both in Japan and overseas. As our circle of co-existence with local communities and the world grows wider, we have endeavored to solve global social issues as a group from the perspective of medium to long term management strategies.

Corporate Governance

We have established a system of governance, to ensure that we conduct our business in a proper manner.

Basic approach to corporate governance

NHK Spring maintains sound management while aiming to heighten corporate value from a medium to long term perspective by building organizational systems and structures for management and introducing necessary measures.

Moreover, we have included the five points below to realize these objectives as basic policies.

1. We ensure the rights and equality of our shareholders while striving to put in place an environment that allows them to properly exercise those rights.
2. We work to sustain a good relationship by fulfilling our responsibility as a company to stakeholders involved in NHK Spring, including our shareholders, customers, partners, local communities, and employees.
3. We appropriately conduct disclosure based on the law while also independently striving to provide information other than that required by law.
4. We focus on evaluating agenda items according to the expert knowledge and experience of each of our directors on the Board of Directors to determine the best policies for management. We monitor the business management trends in addition to actively discussing even the management issues derived from those agenda items in an effort to execute the role of our directors and our responsibilities properly as the Board of Directors.
5. We work to conduct an appropriate dialogue with our shareholders. We also strive to raise awareness and share information according to feedback received by our managers and directors such as the opinions of our shareholders gathered through this dialogue.

Corporate Governance

NHK Spring utilizes the General Meeting of Shareholders and the Board of Directors as decision-making bodies. We adopted an executive officer system in 2005 and, as of June 27, 2018, have seven directors (including two outside directors). We also started appointing outside directors in 2015 to ensure the validity of decisions made by NHK Spring management in addition to the effectiveness in audits of that management.

NHK Spring utilizes the Board of Managing Directors and each committee as deliberative bodies. The Board of Managing Directors in particular is made up of a director, full-time corporate auditor, and the managers of each production and business division to facilitate an exchange of ideas between a small group of people.

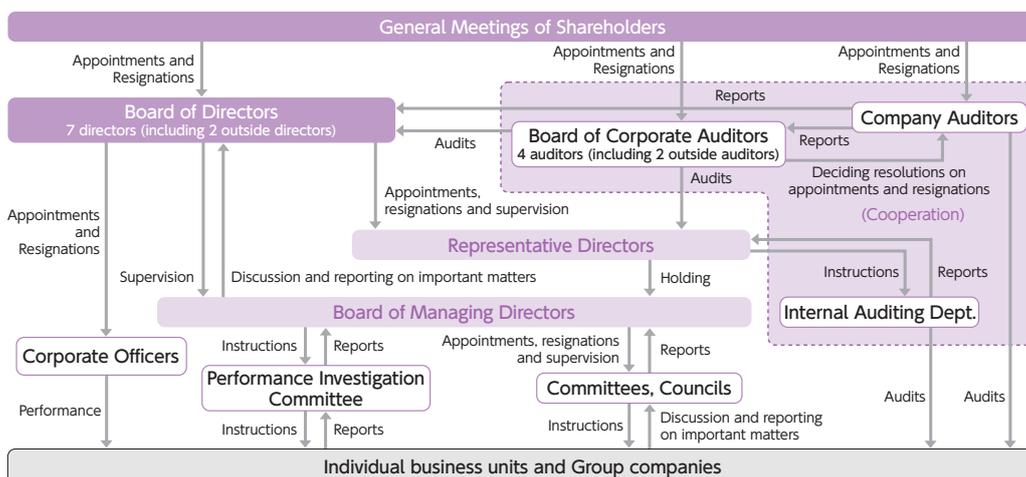
As an auditory body, the Board of Corporate Auditors has appointed four corporate auditors—two of whom are outside corporate auditors—as of June 27, 2018.

Basic Policies of the Internal Control System

Our Group established the Internal Control System around the following:

1. Build a system that defines the legal regulations and corporate ethics all of our executives and employees must follow and promote compliance.
2. Refuse to engage in antisocial behavior and clearly state that there is no relationship with any antisocial forces such as organized crime as well as educate and raise employee awareness.
3. Identify risks related to Group companies and corporate activities as well as promote the prevention of those risks in advance through defined countermeasures.
4. Adopt a corporate management system for the purpose of efficiently expanding, checking and revising important measures defined in the medium term management plan at NHK Spring as well as some Group companies.
5. Understand the state of management of Group companies as necessary by deploying directors and auditors to Group companies and put in place a system to prevent unfair and inappropriate dealings.
6. Establish a system to provide immediate reports related to important issues and issues that influence legal matters, management and business performance by having auditors attend Board of Managing Directors meetings and strategic management conferences at NHK Spring as well as Group companies.
7. Exchange opinions regularly and as necessary between the President & Chief Operating Officers, accounting auditors, the Internal Auditing Dept. and Audit & Supervisory Board Members at NHK Spring and Group companies to ensure effective auditing.

Governance system



*The number of directors and auditors is current as of June 27, 2018.

Compliance

Each individual employee strives to conduct himself in accordance with compliance.

Initiatives for Compliance

While we naturally comply with the law, we also genuinely meet the various demands society makes on us. The system is built to promote CSR under the supervision of the President with the Chief Corporate Officer of the Corporate Planning & Control Division responsible for each Compliance Officer providing guidance while the CSR Department in the Corporate Planning & Control Division acts as the promotional secretariat to realize compliance management.

Moreover, our Employees Code of Conduct defines the legal regulations and corporate ethics all of our executives and employees must follow. We thoroughly raise awareness about compliance not only in Japan but overseas via our President's messages on antitrust compliance and prohibition of bribery as well as various training for our employees, including Group companies in Japan and overseas to promote compliance activities at a global level. In addition, we regular broadcast compliance communications and distribute case files as information that play a role in preventing compliance violations.

We publish a President's message every November in the NHK Spring Ethics Monthly communication and strive to shine a light on compliance throughout the entire Group through efforts such as displaying posters and planning various events while raising awareness about compliance in the workplace.

Furthermore, we have put in place a hotline with the internal

legal department and external legal firms for both NHK Spring as well as Group companies in Japan. This establishes a system in which employees are able to consult about or report internally their concerns. We are also gradually introducing this same system at overseas Group companies, including those in North America and China.



Ryohei Mukai
CSR Department



Facilitating continued compliance awareness of each employee

Awareness of compliance in each and every employee is indispensable in achieving compliance management. In the CSR Department, we work to improve compliance awareness of our Group employees such as conducting new hands-on training in a group work format. We also regularly distribute compliance communication, issue compliance case files, broadcast information via a company magazine as well as conduct stratified training for employees such as new graduates and management as a way of fostering awareness about what actions will violate compliance on a daily basis whether part of one's work or not.

We engage in initiatives related to compliance directly related to our Group employees through a wide range of efforts, such as aligning seminars with the publishing of the NHK Spring Ethics Monthly communication by inviting outside instructors as well as distributing compliance cards. We will conduct a broad variety of ongoing initiatives in the future for the purpose of further raising compliance awareness throughout the entire Group.



Antitrust Compliance Lecture

Risk management

We have a risk management system in place to deal appropriately with the various types of risk confronting us.

Risk management organization

Company risk is not limited to natural disasters; it includes many events that could occur unexpectedly. As part of our social responsibility, we have established risk management standards and a risk management system including building organization and rules to appropriately respond during emergencies to prevent the occurrence of and minimize damage caused by unexpected risks.

We are constantly looking for ways to improve our processes so that each employee can have a deeper understanding of risks in their daily work and therefore respond quickly to the occurrence of unexpected risks as well as work toward early resolution or mitigation.

Responding to risks

In addition to disaster reduction measures, we have also formulated a Business Continuity Plan (BCP) and are conducting training so that employees know what to do after the occurrence of a natural disaster until the Business Continuity Plan (BCP) takes effect.

When an emergency occurs in Japan or overseas, a Crisis Management Team will be quickly established in the area(s) where the emergency has occurred and the Headquarters Crisis Management Team will be activated at Head Office to manage and control the situation as quickly as possible.

Basic approach to corporate governance

The NHK Group BCP Basic Policy and NHK Group BCP Guidelines are distributed to all NHK Group companies. We are also currently developing our Business Continuity Management (BCM) system.

When an emergency occurs, directly affected and related departments will convene at the countermeasure office and work together under the command of the chief officer to quickly mitigate and begin to control and recover from the emergency.

Since 2011, NHK Spring Group companies in Japan have taken part in initial response drill after a large earthquake, and training in initiating recovery. After reviewing this training, we revise our BCP and manuals to provide more practical responses to disasters and improve our risk management systems.

We have also began holding initial response drill at overseas Group companies from 2015.



Initial response team of the Headquarters Crisis Management Team at the head office



Atsushi Negishima
Assistant Manager, CSR Department



Building an effective business continuity management system

Learning the lessons of the Great East Japan Earthquake as well as other natural disasters and risks, NHK Spring, while engaging in revision of a BCP that should minimize the damage caused by unexpected situations, is also striving toward building a management system.

Specifically, all relevant persons are giving insight on how to continue the business if equipment, suppliers or employees are affected. We examine measures, formulate a plan and put it into practice. This raises the consciousness of all, climates problems in the BCP, as we strive for improvement.

I am diligent in the daily drill with the local volunteer fire corps. I believe I can support the various disaster drills within the NHK Spring Group by leveraging my experience in this activity, my knowledge and skill. In the future, we will propose systems able to construct independent training at each site while working to formulating BCP and training for the various risks our overseas Group companies face.

Ensuring information security

NHK Spring and all Group companies, based on the NHK Spring Group Security Management Policy as the standard for preventing the unauthorized disclosure of information relating to transactions with customers and suppliers and personal information that includes the Japanese social security number of our employees, aim to provide information security through the management and operation of these standards and procedures.

The guidelines apply to the executives and employees of NHK Spring and its Group companies and the employees of contractors (including loan and part-time employees). The Group assesses our intellectual property for importance, and classifies and properly manages it according to what is involved and its degree of confidentiality. We also adopt the proper technological measures such as communication log analysis as measures against targeted threats and ransom software, and we are involved in activities to prevent leaks, destruction, modification and inappropriate use of confidential information.



We have also created e-learning courses on information security to raise awareness through employee training



Motoo Yamagami
Manager, Information Systems Department



Promote information security throughout the Group

Information security is not only essential to ensure the trust of stakeholders including customers, but is also considered to be important in supporting a safe and secure social life. Our information security management is advancing based on the NHK Spring Group Security Management Policy. More specifically, we implement organizational measures such as security tool technologies and personnel measures such as e-learning education. We also have advanced persistent threats training in an effort to further strengthen and ensure information security.

The Information Systems Department conducts IT controls, informational security audits, evaluates and reduces IT risks, and continually engages in activities to sustain sound IT practices.

We are building and establishing IT governance throughout the entire NHK Spring Group, including overseas Group companies.