

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.

● Basic Policies for Corporate Governance ●

- 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 disseminate and share such information gathered through this dialog by providing feedback to our managers and directors.

Corporate governance framework

NHK Spring utilizes the General Meeting of Shareholders and the Board of Directors as decision-making bodies. In order to achieve prompt decision-making, we adopted a corporate officer system in fiscal 2005. In doing so, we separated the officerships (corporate officers) from the corporate oversight positions (Board of Directors), thus enhancing the effectiveness of oversight and the efficiency of management. During the annual General Meeting of Shareholders held on June 25, 2020, the number of outside directors was

increased by one, for a total of eight directors of three are highly independent external directors (two of whom are women). By establishing a 1/3 ratio of external directors, we ensured the ability to provide appropriate advice on management and fair supervision.

Our deliberative bodies include the Board of Managing Directors and various other committees and councils. The Board of Managing Directors in particular is made up of a full-time director, a corporate officer at the executive level or higher, and senior corporate officers serving concurrently as division presidents to facilitate an exchange of ideas between a small group of people.

As an auditing body, the Audit & Supervisory Board has appointed four corporate auditors, —two of whom are external corporate auditors (one of them female)—as of June 25, 2020. Candidates with a wealth of company-internal experience, as well as finance and accounting knowledge and experience are appointed to full-time corporate auditorships. Highly independent candidates who also have extensive experience and high-level expertise in corporate management and finance are appointed to external corporate auditorships.



At least 1/3 consists from highly independent external directors

Board of Directors effectiveness evaluation

NHK Spring regularly conducts self-evaluations of the Board of Directors in the form of questionnaires administered to each member of the Board of Directors and of the Audit & Supervisory Board.

Questionnaire survey items

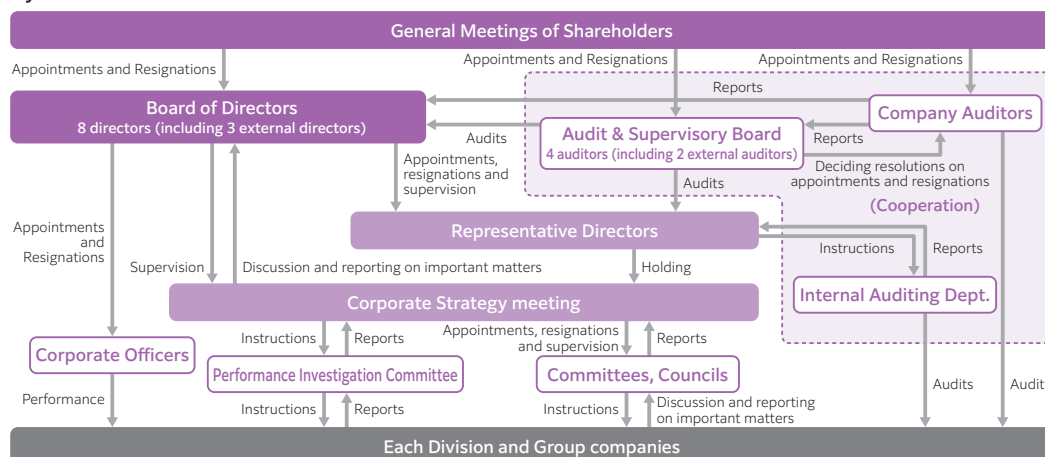
1. Board of Directors composition, 2. Board of Directors operation, 3. Completeness of deliberations by the Board of Directors, 4. Communication with shareholders and investors, 5. Fulfillment by the Board of Directors of its role and the expectations placed on it (responses from auditors only), 6. Support and information provided to external directors (responses from external directors only).

Overview of self-evaluation results

The questionnaire survey results and vigorous debate among directors with diverse knowledge and experience led to debate and deliberation of individual agenda items from diverse perspectives. We determined from these results that the Board of Directors as a whole is effectively fulfilling its role and duties.

Points indicated for improvement have been appropriately remedied, and we will continue to conduct self-evaluations in the future as we work to improve the Board of Directors and heighten its effectiveness.

● Governance system



*The number of directors and auditors is current as of June 25, 2020.

Management Organization (June 25, 2020)

Director

Kazumi Tamamura

Chairman & Representative Member of the Board
 In office 14 years
D 13/13 meetings



Apr. 1972 Joined the Company
 Jun. 2003 Member of the Board and Vice President of Seating Division
 Jun. 2005 Corporate Officer and Vice President of Sales Division
 Jun. 2006 Member of the Board, Senior Corporate Officer and President of Sales Division
 Jun. 2009 Member of the Board and Executive Corporate Officer
 Jun. 2010 President & CEO and Representative Member of the Board
 Apr. 2017 Chairman & Representative Member of the Board (present)

Takashi Kayamoto

President & CEO and Representative Member of the Board
 In office 5 years
D 13/13 meetings



Apr. 1979 Joined the Company
 Jun. 2010 Corporate Officer, Vice President of Research and Development Division and Director of Development Department
 Apr. 2013 Senior Corporate Officer and President of Suspension Spring Division
 Jun. 2015 Member of the Board, Senior Corporate Officer and President of Sales Division
 Apr. 2016 Member of the Board, Executive Corporate Officer and President of Sales Division
 Apr. 2017 President & CEO and Representative Member of the Board (present)

Toru Sugiyama

Executive Vice President & CFO, Member of the Board and President of Procurement Division
 In office 2 years
D 13/13 meetings



Dec. 1980 Joined the Company
 Jun. 2001 President & CEO of NHK International Corporation
 Jun. 2010 Corporate Officer, Vice President of Suspension Spring Division and Director of Administration Department
 Apr. 2014 Senior Corporate Officer, Director of Corporate Planning Department, Corporate Planning and Control Division
 Apr. 2017 Executive Corporate Officer, President of Procurement Division
 Jun. 2018 Member of the Board, Executive Corporate Officer, President of Corporate Planning and Control Division and President of Procurement Division
 Apr. 2019 Executive Vice President & CFO, Member of the Board, President of Corporate Planning and Control Division and President of Procurement Division
 Apr. 2020 Executive Vice President & CFO, Member of the Board and President of Procurement Division (present)

Kiyohiko Kanmei

Executive Vice President & CQO and Representative Member of the Board
 In office 1 year
D 10/10 meetings



Apr. 1980 Joined the Company
 Jun. 2011 Corporate Officer, Vice President of Seating Division and Director of Global Business Promotion Department
 Apr. 2015 Senior Corporate Officer and President of Seating Division
 Apr. 2018 Executive Corporate Officer, President of Engineering Division
 Jun. 2019 Member of the Board, Executive Corporate Officer, President of Engineering Division
 Director of Takano Co., Ltd. (non-executive) (present)
 Apr. 2020 Executive Vice President & CQO and Representative Member of the Board (present)

Kazuhisa Uemura

Member of the Board, Senior Corporate Officer and President of Sales Division
 In office 2 years
D 13/13 meetings



Apr. 1983 Joined the Company
 Apr. 2014 Corporate Officer, Vice President of Sales Division and Director of Seating & Component Sales Department
 Apr. 2018 Senior Corporate Officer, President of Sales Division
 Jun. 2018 Member of the Board, Senior Corporate Officer and President of Sales Division (present)

Keiichiro Sue

Member of the Board (External)
External Independent
 In office 5 years
D 12/13 meetings



Apr. 1984 Registered as Attorney at Law (a member of Dai-Ichi Tokyo Bar Association)
 Joined the Nobuo Takai Law Firm
 Jan. 1989 Joined Matsuo & Kosugi
 Oct. 1995 Registered as Attorney at Law in New York State, USA
 Jun. 2009 Partner, Blakemore & Mitsuki (present)
 Jun. 2014 Audit & Supervisory Board Member (External) of the Company
 External Director of METAWATER Co., Ltd. (present)
 Jun. 2015 Member of the Board (External) of the Company (present)

Katsuko Tanaka

Member of the Board (External)
External Independent
 In office 4 years
D 13/13 meetings



Apr. 1970 Researcher, hygiene class, Okayama University Medical School (Worked in the local hospital.)
 Jul. 1970 Medical license registration (No. 207731)
 May 1976 Worked at Yokohama City Hall
 May 1998 Mayor, Sakae Ward, Yokohama City
 Apr. 2000 Director General, Social Welfare Bureau, Yokohama City
 Apr. 2004 Director General, Civic Affairs Bureau, Yokohama City
 Apr. 2006 Trustee and Secretary General, Yokohama City University
 Apr. 2013 Trustee and Secretary General, Yokohama City University
 Jun. 2016 Member of the Board (External) of the Company (present)

Hiromi Tamakoshi

Member of the Board (External)
External Independent
 New



Oct. 1987 Joined Chuo Audit Corporation
 Apr. 1999 Registered as Attorney at Law (Kanagawa Bar Association)
 Joined Ryoji Kimura Law Office (present)
 Apr. 2017 Auditor of Yokohama City University (present)
 Jun. 2020 Member of the Board (External) of the Company (present)

D Attendance at Board of Directors meetings A Attendance at Audit & Supervisory Board

Audit & Supervisory Board Member

Kenji Shimizu

Audit & Supervisory Board Member

In office 8 years

D 13/13 meetings

A 13/13 meetings



Apr. 1979 Joined the Company
 Mar. 2005 Director of Administration Department, Precision Spring and Components Div.
 Jun. 2008 Director of Internal Auditing Department
 Jun. 2012 Audit & Supervisory Board Member of the Company (present)

Masakazu Toyoda

Audit & Supervisory Board Member

In office 1 year

D 10/10 meetings

A 10/10 meetings



Apr. 1982 Joined Dai-Ichi Kangyo Bank (now Mizuho Bank)
 Jan. 2013 Joined the Company
 Apr. 2013 Member of the Board (Vice-President) of NHK International Corporation
 May 2017 Director of Corporate Planning Department, Corporate Planning and Control Division
 Jun. 2019 Audit & Supervisory Board Member of the Company (present)

Ichiro Ebihara

External Independent

Audit & Supervisory Board Member (External)

New



Sep. 1985 Joined Tohatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
 Oct. 2013 Executive Officer in charge of finance and administration
 Nov. 2015 Group CFO of Deloitte Tohmatsu LLC
 Aug. 2016 Managing Partner of Deloitte Tohmatsu Services Co., Ltd.
 Jun. 2019 Ichiro Ebihara Certified Public Tax Accountant Office (present)
 Jun. 2020 Audit & Supervisory Board Member (External) of the Company (present)

Michiko Ashizawa

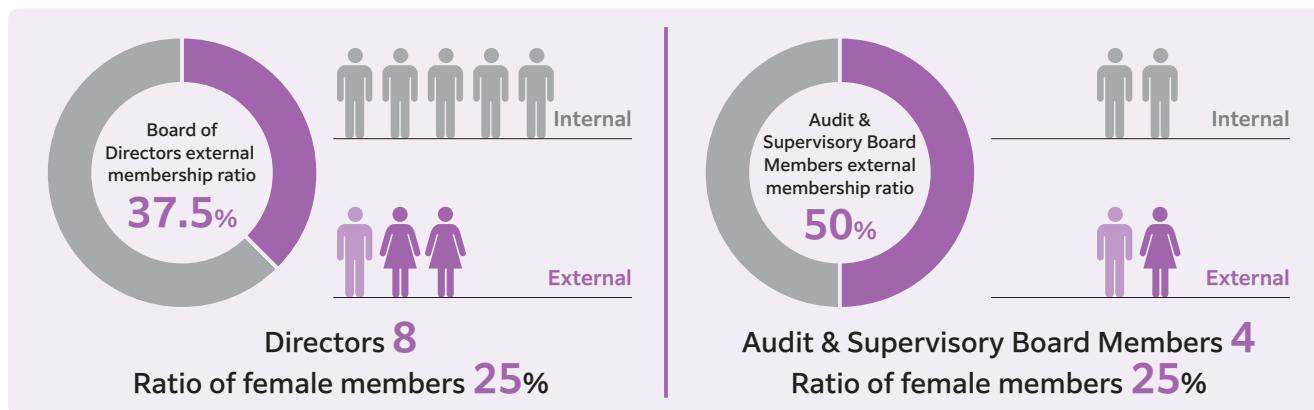
External Independent

Audit & Supervisory Board Member (External)

New



Oct. 1996 Joined Century Audit Corporation (currently KPMG AZSA LLC), International Department
 Sep. 2003 Joined Industrial Revitalization Corporation of Japan
 Feb. 2006 Joined Advantage Partners, LLP (currently Advantage Partners Inc.)
 Apr. 2013 Associate Professor of International College of Arts and Science (currently School of Economics and Business Administration), Yokohama City University (present)
 Jun. 2016 Outside Director of Netyear Group Corporation (present)
 Jun. 2018 Outside Director of NEC Networks & System Integration Corporation (present)
 Jun. 2020 Audit & Supervisory Board Member (External) of the Company (present)



Corporate Officers (excluding Directors serving concurrently)

Executive Corporate Officer	Ryuichi Shibata	Senior Corporate Officer	Hidefumi Yoshimura	Senior Corporate Officer	Yuji Shibuya	Corporate Officer	Shunsuke Sasaki
Executive Corporate Officer	Toshio Kazama	Senior Corporate Officer	Tetsuya Fujiwara	Corporate Officer	Junichi Suzuki	Corporate Officer	Takeshi Kamisaku
Executive Corporate Officer	Hidekazu Hoshino	Senior Corporate Officer	Tatsuro Ono	Corporate Officer	Yoshiyuki Shindo	Corporate Officer	Yoji Ito
Executive Corporate Officer	Hideto Enomoto	Senior Corporate Officer	Noritoshi Takamura	Corporate Officer	Masayuki Horie	Corporate Officer	Seiichi Saito
Executive Corporate Officer	Jiro Oyama	Senior Corporate Officer	Takahiro Okawara	Corporate Officer	Jun Umeno	Corporate Officer	Shinichi Kozawa
Executive Corporate Officer	Toshinori Saeki	Senior Corporate Officer	Toshiyuki Aoyagi	Corporate Officer	Morihiro Ichisugi	Corporate Officer	Masayoshi Yamaguchi
Senior Corporate Officer	Kazuhiko Otake	Senior Corporate Officer	Yukihiko Seki	Corporate Officer	Osamu Ikejiri		
Senior Corporate Officer	Hironobu Sugiura	Senior Corporate Officer	Toshihiro Tachikawa	Corporate Officer	Hajime Okajima		

Compliance

Each and every employee strives to conduct in accordance with compliance.

Initiatives for compliance

At NHK Spring, we affirm at the very top of our Group management policy that "Compliance and trust are the root of survival." While we naturally comply with the law, we also respond in earnest to the various demands society places on us, making compliance a major element of how we do business.

Specifically, the company president himself visits our plants regularly, working to foster awareness in all opportunities for conversation by directly impressing upon our employees the crucial nature of compliance.

Our Employees Code of Conduct stipulates that all corporate officers and employees are to comply with laws, regulations and corporate ethics. In order to spread this ethical knowledge, we administer various forms of training for employees of both domestic and overseas Group companies, including addresses by the company President regarding compliance with antitrust laws and bribery prevention, etc. We regularly distribute compliance news and publish a message from the President every November in the NHK Spring Ethics Monthly as part of our overall endeavor to shine a light on compliance throughout the entire Group. We engage in this work not just at our Japanese affiliates, but worldwide, through efforts such as displaying posters and planning various events to raise compliance awareness in the workplace.

Compliance promotion framework

Under the supervision of the President & Chief Executive Officer, who bears ultimate responsibility, the Chief Corporate Officer of the Corporate Planning & Control Division serves as CSR Committee Chairperson, while the leader of each department serves as a departmental Compliance Officer. A CSR Department established within the Corporate Planning & Control Division acts as the promotional secretariat to realize compliance management.

Framework with respect to antitrust laws

In 2016, NHK Spring underwent an on-site search by the Fair Trade Commission on suspicion of violation of the Antimonopoly Act. In order to apply the lessons learned from this experience to our global compliance with antitrust laws, we administer annual antitrust law training for all sales department employees.

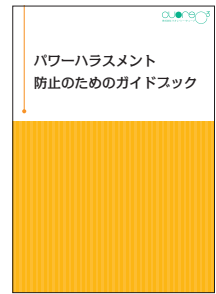
In fiscal 2019, we held a total of 15 in-person antitrust law training sessions at domestic business sites, while also administering comparable training at group companies in the United States and Europe. We also hold e-learning courses for employees at NHK Spring and our domestic Group companies.



In-person antitrust law training sessions at NHK Spring

Anti-harassment measures

To help create workfriendly work environments, we administered e-learning with regards to harassment in fiscal 2019. We also distributed a "Guidebook on Preventing Abuse of Authority" to all employees as part of our efforts to create workplaces free of harassment.



Fiscal 2019 e-learning course attendance rate: **100%**
[Total attendees: 3,146]

Whistleblowing system (Compliance Hotline) / Supplier Reporting Contact Point

We have established a system for employees of NHK Spring as well as Group companies in Japan to consult about and whistleblowing their concerns. We have put in place a Compliance Hotline to handle reports anonymously with the internal legal department and external legal firms with no conflicts of interest with the company. As part of our efforts to disseminate existence about our internal reporting system, we distribute compliance cards that include the contact information for this hotline, while including the contact information in various compliance training sessions and in compliance news distributed on a monthly basis.

We are also introducing this same system at overseas Group companies, including those in North America, China, and Mexico.

Our company website includes on its top page a "Reporting Contact Point for Suppliers," enabling suppliers to make a report in the event that any compliance violation were to occur in a transaction with our company.



Fiscal 2019 Compliance Hotline case count: **42**
[NHK Spring Group]

Voice



To heighten compliance awareness of each employee

Azusa Kayamoto
CSR Department

Awareness of compliance in each and every employee is indispensable in achieving compliance management. In the CSR Department, we work continually to improve awareness of the kinds of actions that could constitute violations. Our regularly distributed Compliance Journal covers relatable themes, as does our internal company newsletter and other sources of information we provide. In addition, we are working to raise awareness of compliance for the employees of NHK Spring and its Group companies through taking up more specific cases in training sessions by job class, such as for new employees or managers, and by job categories, such as sales or technical section, to deepen their understanding. We will continue to make efforts in various ways so that the employees can be compliant even at home.

Risk Management

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

Risk management organization

Corporations face a wide range of risks (potential crises), including that of natural disaster. In fulfilling our social responsibilities, we address such risks through preventive efforts. In addition to working to minimize any damage, we also help prevent recurrence by instituting risk management rules, and by building risk management framework, including the organization and rule formation that enable us to aptly respond when an emergency occurs. 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

Our responses to emergent risk are laid down in our Risk Management Manual, in which various risks are anticipated, and a system for prompt reporting of emergent risk to top management is established. In the event that 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.

Business Continuity Management (BCM)

The NHK Group BCP Basic Policy and NHK Group BCP Guidelines are distributed to all NHK Group companies worldwide. We are also currently developing our Business Continuity Management (BCM) system. When a risk materializes, the framework calls for a Crisis Management Team to convene, whereupon the departments directly affected or otherwise related will unify in their efforts under direction of the Crisis Management Team leader. They will respond to the crisis immediately and under the basic policy of placing top priority on human life, taking responsibility for supply to customers, and fulfilling social responsibilities.

NHK Spring headquarters, each of its plants and each domestic Group company begins by establishing a disaster prevention framework, which serves as a foundation upon which to formulate a Business Continuity Plan (BCP) capable of coping with a variety of risks. On an annual basis, we also conduct initial response drills assuming a massive earthquake, as well as training for BCP to ensure business can rapidly recover and continue. These training programs enhance our initial response and business continuity capabilities. We review our disaster prevention framework and revise our manuals based on our reflection on this training so that we can achieve a more practical crisis response, thereby improving our risk management framework. In recent years, our overseas Group companies have also been making gradual progress in undertaking initial response drills and BCP training, each assuming disasters as appropriate to the circumstances of their local region. In tandem with this effort, each plant and domestic Group company has been performing once-a-year BCM framework self-evaluations.

Problem areas within disaster prevention, BCP and initial response systems, as well as BCM promotion systems, are exposed and improved in order to enhance the overall BCM framework.



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

Ensuring information security

Corporate utilization of IT is a prerequisite for competing globally. At the same time, if a security incident occurs due to cyberattack or other event, it could have a severe impact on stakeholders including customers.

NHK Spring Group has conventionally maintained security countermeasures against cyberattacks such as guarding against illicit transmissions, adopting antivirus software and protecting against.

We have adopted EDR software* as a measure against the advanced targeted attacks that have been on the increase recently. While strengthening measures from a defense-in-depth perspective, including monitoring for suspicious transmissions or behaviors, we undertake efforts through a Groupwide framework that includes enhancement of response manuals, as well as systems and methodologies enabling rapid recovery in the event that a cyberattack were to cause any damage. These are some of the ways in which we work every day to elevate our level of security.

*A software tool that monitors behavior after incursion by a virus in order to enable more rapid post-infection response.



Preventive action includes monitoring of networks for illicit transmissions, etc., to prevent system shut-down or crash.

Voice



Promote information security throughout the Group

Motoo Yamagami
Manager
Information Systems Department

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, maintenance of regulations, 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.

Shareholders and Investors

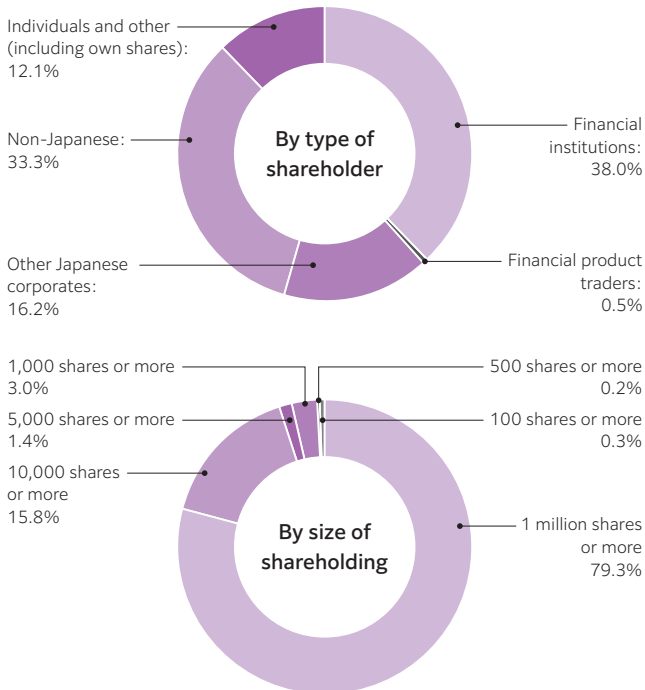
We believe that timely information disclosure of the conditions and finances of NHK Spring is the key to be given long-term support from shareholders and investors, and we strive to implement this.

Shareholder information and breakdown of shareholdings

Inquiries from shareholders are handled by the General Affairs Department. (Shareholder Register Custodian is Mitsubishi UFJ Trust Bank)

The graph below shows the breakdown of shareholders.

Breakdown of shareholdings (As of March 31, 2020)



Dissemination of IR information

NHK Spring publishes business and NHK Spring reports (Japanese/English) and releases the latest information through press releases and the corporate website to bring understanding about the company in shareholders and investors. We also strive to provide comprehensive information quickly to everyone from the introduction of NHK Spring businesses and operational changes through illustrations and photographs as well as communicating our core technologies and strengths in an easy-to-understand manner.

WEB URL of Investor Information page
<https://www.nhkspg.co.jp/eng/ir/>

Disclosing information for investors

We hold briefings for analysts and institutional investors after the release of our half-yearly and full year accounts. In fiscal 2019, we held two briefings in May and November. We will continue to make every effort to release information to analysts and investors.



Briefing after release of accounts

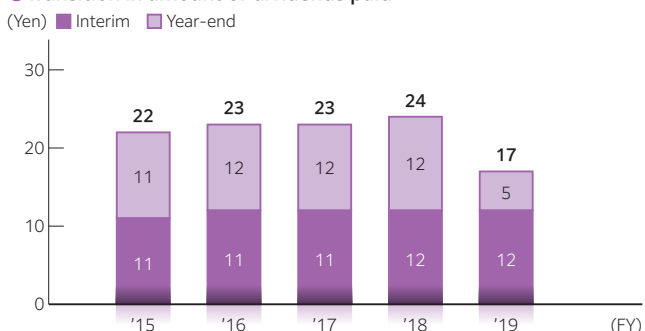
Financial results briefing
 May, 33 companies, 57 attendees
 Nov., 29 companies, 54 attendees
Individual interviews 90 times, 103 investors
 [Fiscal 2019, results of dialogues with investors]

FY2019 return of profit

Performance in fiscal 2019 is available in the Financial Highlight 2019 (P40-43). Regarding this year's dividend, in overall consideration of consolidated business performance, and of the harsh business environment accompanying the worldwide spread of COVID-19, while it is truly regrettable, we have had to reduce the dividend by ¥7 from the previous fiscal year to ¥17.

Meanwhile, in order to increase our capital efficiency, and contribute to shareholder return by implementing an agile capital policy that is responsive to changes in the business environment, our Board of Directors decided in February 2020 on a stock buy-back in which we acquired a total of 3,511 shares of the company's own stock for ¥2.69 billion.

Transition in amount of dividends paid



Voice



Hopes for contributions to further societal development

Ken Sugimoto
 General Manager
 Yokohama Branch
 Mizuho Bank, Ltd.

Mizuho Bank serves as the settlement bank for NHK Spring Group, both domestically and abroad, including capital procurement and capital management services. In providing information on industry trends and overseas regions, we exchange broad-ranging views with them.

NHK Spring applies its advantages in core spring technologies and diverse metals processing technologies to each of its businesses. We recognize them as a corporate group that contributes to society through their expert manufacturing across a diverse range of fields. Centering on advanced technologies in the automotive industry, these also expand to data communications, and industrial machinery and lifestyle-related business fields. I think it is the fact that they supply key parts which are essential in each of these domains that supports the growth of NHK Spring.

By applying the strong technological prowess it derives from its spring business to a wide range of products, NHK Spring has earned high levels of trust from wide range of business fields. By forging ahead with the utilization of these technologies, they will be able to expand sales channels into new fields, and we anticipate their further contributions to the development of society.