

CSR Report 2016

April 2015–March 2016

Activities Report



**Good spin
for the world**

Our CSR activities

Corporate social responsibility (CSR) activities are initiatives that companies implement to benefit their customers, employees, society, the environment, and to promote their sustainable growth. Our survey revealed that some people do not have a good understanding of CSR. One respondent stated, "it just doesn't hit home with me," and another respondent stated, "I can't imagine how employees can get involved in CSR."

Although you can read about our various corporate initiatives further on in this report, here are some examples of individual and group initiatives designed to make the world a better place to live.

Employees working together on regional promotion

Volunteers from Fuji Honing Industrial Co., Ltd.

On April 17, a full marathon race took place along the shores of Lake Kasumigaura in Ibaraki Prefecture. Despite the stormy weather, 23,000 people participated in the event, including four elite runners from our company. Although they are at a time in their lives when physical fitness begins to decline, their daily practices have paid off, and they all completed the full distance within the time limit (six hours). We will continue to do our part to strengthen communities by participating in local events and other activities.



Experience inspires the spirit of helping one another

Tomoki Isaka, C. T. Machinery Co., Ltd.

Every year I help set up and clean up for the summer festival hosted by a senior care home run by someone I know. That experience has no doubt prompted me to assist visually impaired people I meet on the street, which made me realize just how hard it is to live with a disability. I now make a conscious effort to assist those in need of help whenever I see them.



Saving energy in everyday life

Yoshiaki Kazama, Tokyo Branch, EPD Room

Before I leave home every morning, I always am certain that I have turned off my audiovisual equipment, modem, router, and so on by switching off the power strip into which they are plugged. This is good for the environment and saves electricity when I'm not at home.



■ Editorial policy

NKC publishes this CSR Report to share information about its CSR activities with its customers, local communities, and other stakeholders.

This report is available in full or as an excerpted version. The full report can be downloaded from the "CSR & Environment" page of the NKC corporate website (http://www.nkc-j.co.jp/eco_csr/csr_dl.html). The booklet is available only as the excerpted version.

- Period reported on: FY2015 (April 2015–March 2016)
- Scope: Nakanishi Metal Works Co., Ltd. and its affiliates
- Related guidelines: UN Global Compact
- Date published: August 1, 2016
- Send inquiries to: CSR Group, CSR Management Division, Head Office Management Dept., Nakanishi Metal Works Co., Ltd.
TEL: +81-6-6351-4832 / Fax: +81-6-6351-7822

Here are the results of the questionnaire survey on CSR Report 2015 published on September 15, 2015. We value your feedback because we use it to consider and implement future CSR activities and to improve our CSR reports. Please take a moment to complete the questionnaire. The number of responses is 377 (as of November 2015)

Grow plants to save the environment

Gao YingQian, NKC MANUFACTURING WUXI CORPORATION

I grow plants at home. Because I water them every day, they are growing quickly and filling my home with life and energy. Because plants absorb toxic substances and purify the air, they help to protect the environment. Why don't you grow plants and make a difference to the environment?



Love makes a difference in the world

Qin ManYan, NKC CONVEYOR CO., LTD

My friend and I visited a school for deaf children for the first time. I communicated with the children using sign language, which I had studied. Their sweet smiles filled me with happiness. I sincerely hope that their lives will be forever happy. If we will all treat each other with love, we can make the world a beautiful paradise.



Raising environmental awareness through trekking events

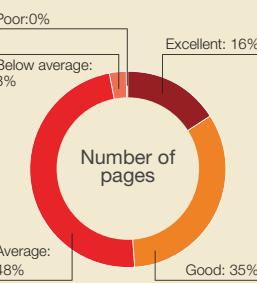
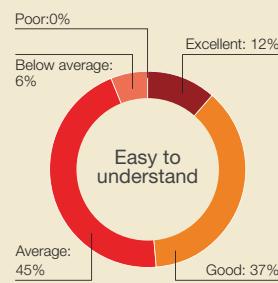
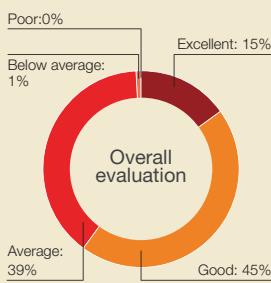
Volunteers from NKC CONVEYOR FOSHAN CO., LTD

A government sponsored 50-kilometer trekking event was held in Foshan, China. Designed to increase environmental awareness, the event attracted 200,000 people. Nine NFC employees formed a team and participated in the event.

Although the team unfortunately did not make it all the way to the end, it was a challenging and fulfilling experience.



Q. Please select the one option that best describes what you think of this report.



Q. Please write any questions or comments you may have about our CSR Report or about the types of CSR activities in which you expect us to engage.

The activities implemented were provided in an easy-to-understand list format. / I'd like to see interviews with your employees. / I don't even know what CSR means, so I want an explanation. / How about providing more information about disaster preparedness? / The report provided details about the activities implemented at each business site.

About us

Since its foundation, the NKC Group has expanded its operations around the world and now operates manufacturing facilities and sales offices globally.

Corporate profile

| | | | |
|---------------|---------------------------------|-----------------------|-----------------------------------|
| Company name: | Nakanishi Metal Works Co., Ltd. | Number of employees: | 3,115 (including Group companies) |
| Established: | June 19, 1941 | Head Office location: | 3-3-5 Temmabashi , Kita-ku, Osaka |
| Capital: | JPY 2,512.50 million | | |

Lines of business

- Manufacture and sale of bearing retainers, conveyor systems, automatic controlling equipment, sash rollers, residential housing products, rubber seals, precision tooling, automatic guided vehicles (AGV), pressed metal products, injection-molded plastics, cold-rolled products, and so on
- Representative: Tatsuo Nakanishi, President

Business sites

■ Domestic

Head Office (Osaka), Tokyo Branch (Chuo-ku, Tokyo), Aichi Sales Office/Sub-Office (Chiryu, Aichi), Nabari Plant (Nabari, Mie), Osaka Plant (Neyagawa, Osaka), Mie Plant (Tsu, Mie), Kawachi Plant (Neyagawa, Osaka), Shiga Plant (Konan, Shiga), Kosai Sub-Office (Kosai, Shizuoka), Atsugi Sub-Office (Atsugi, Kanagawa), and Kyushu Sub-Office (Miyako-gun, Fukuoka)

■ Overseas

Some names of our overseas business sites are abbreviated in this report.

| | | |
|-------------|---|-------------------|
| U.S.A. | NAKANISHI MANUFACTURING CORPORATION NKC OF AMERICA INC. HEADQUARTERS NKC CONVEYORS INSTALLATION CO. | NMC NAI NCI |
| Canada | NKC OF CANADA, INC. | NOC |
| Mexico | NAKANISHI CONVEYOR DE MEXICO S.DE R.L.DE C. V | NDM |
| U.K. | NKC CONVEYORS (UK) LTD. | NKC UK |
| Hungary | NKC CONVEYORS (UK) LTD., HUNGARIAN OFFICE | NKC Hungary |
| Sweden | NKC MANUFACTURING SWEDEN AB. | NSC |
| Spain | NKC CONVEYORS BARCELONA | NKC Spain |
| India | NKC CONVEYOR INDIA PRIVATE LTD. NKC CONVEYOR INDIA PRIVATE LTD. SALES OFFICE | NKC India |
| Australia | NKC CONVEYORS (AUSTRALIA) PTY. LTD. | NKC Australia |
| Indonesia | PT. NAKANISHI INDONESIA | NKC Indonesia |
| Thailand | THAI NAKANISHI CO., LTD. | NKC Thailand |
| Philippines | NKC MANUFACTURING PHILIPPINES CORPORATION NKC CONVEYORS PHILIPPINES CORP. | NPC NCP |
| Malaysia | NAKANISHI CONVEYORS ENGINEERING (MALAYSIA) SENDRIAN BERHAD | NKC Malaysia |
| Taiwan | TAIWAN NAKANISHI CONVEYORS CO., LTD. | NKC Taiwan |
| China | NKC MANUFACTURING DALIAN CO., LTD. NKC CONVEYOR FOSHAN CO., LTD. NKC MANUFACTURING WUXI CORPORATION | NDC NFC NWC |

■ Affiliates

Nakanishi Kosan Co., Ltd.; Neues Co., Ltd.; Banshu Nakanishi Metal Co., Ltd.; C. T. Machinery Co., Ltd.; E-Globaledge Corporation; Fuji Honing Industrial Co., Ltd.; Suda Shoji Corporation; and I.S.A Co., Ltd.

Message from the President

We are moving ahead with various initiatives that will improve our corporate value.

Tatsuo Nakanishi, President



Our operating environment

Since the adoption of the Paris Agreement at COP21 in December 2015, countries around the world have stepped up their efforts to curb climate change. The automobile industry, which is our major customer, bears a relatively greater responsibility toward this end. That is why the industry is making electric vehicles and plug-in hybrid vehicles more widely available than ever before. In 2015, fuel cell vehicles were launched into the market, accelerating efforts toward a low-carbon planet.

Midterm business plan

Last year, NKC Group kicked off its fourth midterm business plan (FY2015 to FY2020). Our long-term vision under the plan is to achieve JPY 100 billion in sales by 2020 and JPY 300 billion in sales by 2035. Given the current uncertain global economic outlook, these are very aggressive goals.

To achieve our goals, we must create new growth businesses as well as maintain and expand our current operations. We cannot maintain the sustainable growth of our Group without new business lines. We plan to investigate new business opportunities by integrating our existing technologies across departmental boundaries and aggressively working to build a firm foundation for our next core businesses.

CSR efforts and the creation of corporate value

Poverty, energy problems, environmental destruction, and food crises are currently challenges of global scale, and these issues cannot be ignored by the NKC Group and its global operations. That is why we support the United Nations Global Compact (UNGC) in April 2015 and became a signatory to it. We have aligned our Group's CSR activities with the UNGC's ten principles in four focus areas (see Page 5).

Our initiatives are directly linked to enhancing our corporate value. At the NKC Group, maintaining corporate integrity is a top priority. We focus on compliance management in a broad sense that aims to ensure legal compliance and fulfills wider social responsibilities while maintaining high ethical standards (i.e. integrity management). With this in mind, we are focusing on the following key initiatives across the Group.

1. Build an open organizational structure through organizational reforms
2. Fulfill our social responsibilities at all NKC Group companies around the world
3. Raise compliance awareness among NKC Group employees
4. Conduct internal audits to eliminate legal violations and misconduct

Personnel development and work-life balance

Hiring and retaining excellent human resources is requisite for a company's sustainable growth. That is why we continually step up our

efforts to enable our employees to stay motivated about their work and to live in ways that fulfill their personal or social needs, such as achieving a healthy balance between work and life and creating an attractive workplace environment.

We also work to optimize work hours, improve training programs, and implement initiatives designed to help employees adapt to being part of a diverse staff (i.e. diversity in gender, race, age, and so on). Additionally, we are hiring more women, improving women's working conditions, and implementing other initiatives to improve the roles of women in the workplace.

Risk management (BCP)

In the wake of the Great East Japan Earthquake of 2011, the NKC Group began developing a business continuity plan (BCP) to enable it to continue operations in the event of an earthquake or other natural disaster.

Now that almost all of our business sites across Japan, including our Group companies, are equipped with BCPs, we will ensure that companies new to our Group will also develop one. Among our overseas markets, a basic BCP document has been created for our locations in the Philippines covering the risks of the typhoons and earthquakes to which that country is prone.

We intend to create BCPs for other locations as well, including the US and China. At business sites where a BCP is already in place, we will systematically implement initiatives designed to increase the plans' validity (business continuity management (BCM)) through various activities, such as conducting safety confirmation and evacuation drills, building emergency stockpiles for stranded commuters, retrofitting company buildings for seismic safety, and more.

We also will provide the suppliers of the materials and parts used in our products with any assistance they might need to develop a BCP with a focus on maintaining the supply chain.

Summary

To this point, I have touched on various issues facing us and covered some of our policies. FY2016 marks the second year of our fourth midterm business plan (FY2015–2020). We will continue to aim high so we can hit our sales target of JPY 100 billion. All of our employees are expected to actively accept the challenges while remembering our group vision of becoming "a company that constantly reinvents itself and one that its employees are proud to be a part of."

The outlook for the world economy is still cloudy and, as a player in the global economy, the NKC Group will remain flexible and alert to changes in the marketplace so that it can quickly respond to immediate needs.

United Nations Global Compact

The NKC Group signed on to the United Nations Global Compact in April 2015 in support of its ten principles.

(See page 5 for more information about the ten principles.) The Global Compact is an initiative that encourages businesses and organizations to take voluntary actions to solve problems facing the world. Its ten principles cover the areas of human rights, labor, the environment, and anti-corruption.





NKC's CSR Policy

Our mission is to develop and provide products and services that are economically, environmentally, socially superior, and safe to provide thorough satisfaction and earn public trust. We respect the cultures and customs of the countries and regions where we operate and we contribute to their development.

NKC Vision

NKC Vision

“A company that constantly reinvents itself and one that its employees are proud to be a part of”

NKC Code of Conduct

- | | |
|--|--|
| 1. Principal Mission | 6. Social Contributions |
| 2. Compliance with Laws and Social Norms | 7. Opposition to Antisocial Influences |
| 3. Information Disclosure and Information Handling | 8. International Contributions |
| 4. Providing a Good Working Environment | 9. Promoting Corporate Ethics |
| 5. Environmental Protection | 10. Enforcement |

UN Global Compact's Ten Principles compared to NKC Group's Code of Conduct

| United Nations Global Compact | | NKC Group's Code of Conduct |
|-------------------------------|---|-----------------------------|
| Human rights | <p>Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights and</p> <p>Principle 2: make sure that they are not complicit in human rights abuses.</p> | 1.4.6.8 |
| Labor | <p>Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining and</p> <p>Principle 4: the elimination of all forms of forced and compulsory labor,</p> <p>Principle 5: the effective abolition of child labor, and</p> <p>Principle 6: the elimination of discrimination in employment and occupations.</p> | 1.4.6.8 |
| Environment | <p>Principle 7: Businesses should support a precautionary approach to environmental challenges,</p> <p>Principle 8: undertake initiatives to promote greater environmental responsibility, and</p> <p>Principle 9: encourage the development and diffusion of environmentally friendly technologies.</p> | 1.5.6.8 |
| Anti-corruption | Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery. | 1.2.3.6.7.8 |



CSR Targets and Activities Implemented

We self-rated the outcomes of the activities implemented during the fiscal year on three-point scales. Please see the corresponding page for details about the activities.

Self-grading scale 100% achieved···○ Mostly achieved···○ Somewhat achieved···△

| FY2015 focus areas | Implementation plan | Self-assessment of implemented activities | Rating | Page web | Page Booklet |
|------------------------------|---|--|--|-----------------------|-----------------|
| Human rights/labor practices | Respect for human rights Education/consciousness-raising | •Operate an internal compliance hotline •Address SDGs | •The current reporting process must be revised to reflect the revamped internal organizational structure, which will be done in the coming fiscal year and yearly thereafter. •We gathered information on the global issues highlighted by the UN. We will consider implementing policies on human rights in hiring and the workplace. | <input type="radio"/> | - |
| | Human resources development Hiring/training people with global business skills | •Actively recruit people who have studied abroad •Provide new employees in the Philippines with English language training | •We will continue to work to recruit people with study abroad experience because the number of those hired during the past fiscal year was low. •In addition to language training, participants were given an opportunity to tour the Philippine plant and learn about the work style of our overseas location. | <input type="radio"/> | 07 |
| | Training according to employee grade/post | •Conduct training for executive candidates •Conduct first-year employee training •Conduct initial training for new employees •Conduct target management training for employees newly appointed to core positions | •Next-generation leader training was conducted for a select group of employees to impart strategic planning skills and build interdepartmental relationships. •Training was provided to second-year employees to teach them about work-flow and problem-solving methods. •Training was provided to new employees to teach them the basics of working at NKC. •Training was conducted on setting and managing targets. | <input type="radio"/> | - |
| | Management workshop | •Organize a management workshop for mid-career employees and select new business proposals | •A new business proposal was selected from among those submitted by the participants. We will start work on realizing this proposal in the new fiscal year. | <input type="radio"/> | - |
| | Diversity Empowering women | •Actively recruit female employees •Apply for Kurumini certification •Operate in-house daycare facilities •Encourage employees to take childcare leave | •Using special recruiting tools and fairs, we hired female employees for the fifth consecutive year. •We implemented a reduced work hours program to help employees achieve a better WLB. The program will become available next fiscal year. •The Head Office and three domestic plants continued to operate daycare facilities to help female employees return to work after giving birth. •The childcare leave rules were revised. | <input type="radio"/> | - |
| | Work-life balance Enhancing employee benefits | •Create comfortable working environments across the Group, including new subsidiaries | •A new subsidiary participated in the review committee and two new subsidiaries are expected to join next fiscal year. We will continue to improve facilities and create better working environments while ensuring that our progress is at the same pace across all of our business sites. | <input type="radio"/> | 08 05 |
| | Optimizing work hours | •Aim for zero overtime and encourage employees to take paid leave | •Reducing total working hours was one of the managers' targets, and most of the departments achieved that target. We will reduce the target total working hours even further in the next fiscal year. | <input type="radio"/> | - |
| | Promoting healthy minds and bodies | •Provide regular/special health examinations •Provide mental health examinations | •An in-house nurse provided follow-up interviews after the health examinations. We also implemented consciousness-raising activities designed to teach employees how to cope with seasonal health problems and similar health concerns. •All employees received mental health examinations with individual follow-up consultations by health experts. | <input type="radio"/> | - |
| | Safety and health Management system | •Add new subsidiaries to the Organization for Safety and Health Committee | •With our two new subsidiaries, we now have an organizational structure in place to address issues across the Group, including our affiliates. | <input type="radio"/> | - |
| | Internal auditing | •Conduct safety patrols •Conduct internal audits led by the Head Office's Safety and Health Division | •Regular internal patrols were conducted at each business site to identify unsafe aspects of the sites that need improvement. Internal audits were conducted by the Head Office to assess legal compliance. | <input type="radio"/> | 09 - |
| Environment | Awards | •Confer No Accident Awards | •Three domestic and two overseas locations were awarded for having zero accidents during the year. Awards also were conferred to subcontractors. | <input type="radio"/> | - |
| | Education/consciousness-raising | •Provide education/training to personnel licensed to perform hazardous work •Conduct fire drills •Fire patrols •Safety and health patrols •Implement the Potential Hazard Report •Conduct in-house road safety seminars | •Education on seven types of highly dangerous work was provided to relevant personnel. •Evacuation drills were conducted according to the internal manual. Drills were conducted at night at the business sites where employees work in two shifts. •Safety of the evacuation routes (equipment and so on) was ensured via internal patrols and statutory inspections. •Noise and lighting levels were assessed to ensure comfortable and healthy working environments. •We collected information from employees about potential hazards in the workplaces to make improvements. Employees who provided excellent suggestions were given "of the year" awards. •Road safety seminars were conducted by those employees authorized to drive a company car. | <input type="radio"/> | 10 06 |
| | Environmental management Management system | •Add new subsidiaries to the environmental management organization | •With our two new subsidiaries, we now have an organizational structure in place to address issues across the Group, including our affiliates. | <input type="radio"/> | - |
| | Audits | •Conduct an audit by an ISO certification body •Implement internal audits by environmental officers | •A certifying body audited the ISO-certified plants, all of which were in compliance. •In-house auditors conducted internal audits of all non-ISO-certified business sites, and all business sites were found to adhere to the same environmental standard. | <input type="radio"/> | 11 - |
| | Legal compliance | •Ensure compliance with the revised CFC emissions law •Remain compliant with the various environmental regulations •Verify the on-site industrial waste disposal contractors | •Internal management standards were created and implemented in response to the April 2015 revision. •We conducted regular monitoring and assessments of noise, vibration, and water quality and reported the results to the government. Although there was a business site where measurements slightly exceeded the regulatory limits, measures were immediately taken to correct the problem. •We checked 15 contractors on-site and encouraged them to be certified. | <input type="radio"/> | - |
| | Education/consciousness-raising | •Provide education/training to licensed personnel •Provide general environmental education/training •Provide special environmental education/training | •We appointed licensed employees to relevant positions as required by law and added their names to the database. •We provided all plant employees with basic environmental management education. •We provided personnel who handle dangerous and hazardous materials with regular follow-up education. | <input type="radio"/> | 12 - |
| | Proposals for improvements | •Select an environmental award winner •Promote eco-activities in each workplace | •The environmental award was conferred on the business site that excelled at actively and effectively implementing initiatives to improve the environment, such as saving energy and reducing waste. The annual presentation of the award has helped increase environmental awareness. •Each workplace formed an eco-team to implement small-group environmental initiatives. | <input type="radio"/> | - |
| | Environmental protection activities Measures against climate change | •Reduce CO ₂ emissions •Promote the Fun to Share campaign | •CO ₂ emissions have been reduced 6.5% year after year. Demand monitoring was implemented to reduce power consumption during peak use periods. •We implemented the Cool Biz and Warm Biz campaigns. | <input type="radio"/> | 13 07 |
| | Waste reduction | •Continue zero emissions | •We achieved zero emissions for the ninth consecutive year since 2007 because of regular efforts to eliminate emissions (zero waste). | <input type="radio"/> | - |
| | Carbon offsetting | •Promote the use of company vehicles (eco-cars) | •We worked on carbon offsetting via the use of Head Office vehicles (eco-cars). | <input type="radio"/> | - |
| Local community | Activity management Promotion organization | •Coordinate the community outreach programs of the domestic business sites •Start coordinating initiatives of the new subsidiaries | •Community outreach programs were implemented across our domestic business sites according to the original plan. •We assessed the initiatives of the two new subsidiaries, which will be included in the overall plan beginning in the next fiscal year. | <input type="radio"/> | - |
| | Local contribution Support for disaster-hit areas | •Provide support to areas affected by natural disasters (around the world) | •We donated relief money to Nepalese earthquake victims. Employee volunteers also raised relief funds. | <input type="radio"/> | 14 08 |
| | Improving local disaster preparedness | •Donate emergency stock to local communities | •Rechargeable batteries and emergency food supplies were donated to Osaka's Kita Ward Office. We will propose additional support for areas outside Osaka to increase their disaster preparedness starting in the next fiscal year and thereafter. | <input type="radio"/> | - |
| | Cleanup activities | •Conduct cleanup activities in regions where we operate | •Local cleanup activities were conducted at all of the domestic business sites. There were some months when no employees participated in these activities, so we will ensure that everyone is aware of the initiative across the company and continue implementing it. | <input type="radio"/> | - |
| | Promotion of education Nakaniishi Scholarship Foundation | •Provide scholarships to selected students •Host a social gathering for university undergraduate and graduate scholarship students •Provide research grants to selected research organizations | •We did not get as many applications as we had planned for by recruiting candidates from the designated school system. We will investigate ways to achieve our target, including reviewing the designated schools involved in the recruitment process. •We hosted a company information session and social gathering for undergraduate and graduate scholarship students to help them with their job searches and business careers. •Five research institutions were selected as planned. They submitted reports on their research findings at the end of the fiscal year. | <input type="radio"/> | 15 - |
| Corporate governance | Internal controls Internal control system | •Operate an internal control system | •The current internal control system must be revised to reflect the revamped internal organizational structure, which will be done in the next fiscal year and yearly thereafter. | <input type="radio"/> | 10 |
| | Internal auditing | •Audit the domestic business sites for subcontractor transactions | •Internal audits were conducted at eight domestic business sites, including subsidiaries, in light of the Subcontract Act, to assess compliance. | <input type="radio"/> | - |
| | Compliance Education/consciousness-raising | •Provide CSR training for new employees •Conduct an internal seminar concerning the Subcontract Act •Provide education and raise awareness about security export controls | •A CSR (including compliance) seminar was conducted for new employees. •An internal seminar on the Subcontract Act was conducted for employees assigned to process payments, which provided an overview of the Act and company-specific aspects of it that need to be noted. •We encouraged export control personnel to attend an external workshop for consciousness-raising. | <input type="radio"/> | - |
| | Risk management Business continuity planning | •Implement BCM at business sites where a BCP is operative •Have new subsidiaries develop BCPs •Have overseas business sites (two in the Philippines) develop BCPs | •Safety confirmation tests were conducted at all domestic business sites. A radio system was implemented for location-to-location communications. Failing to manage the progress of each business site, we will provide follow-up support according to the annual plan beginning in the next fiscal year. •A BCP was developed at a new subsidiary. A BCP will be developed at another subsidiary in the next fiscal year. •A BCP was developed at two business sites in the Philippines. They will continue these efforts by creating related documents in the next fiscal year. | <input type="radio"/> | 10 18 |
| | Information security | •Improve email security •Develop an information security policy | •Email security was improved via encryption of email data (including attachment files). •The Head Office developed a policy and conducted an internal briefing session to be implemented Group-wide in FY2016. | <input type="radio"/> | - |



Human rights/ labor practices

The NKC Group complies with relevant laws and internal rules, respects the human rights of all persons, and works to maintain and improve working environments that are safe and comfortable for mind and body.

We promote a clear understanding of human rights issues and foster respect for others while helping employees realize a healthy balance between work and life so that each one can be financially independent and lead a healthy and diverse lifestyle. We also maintain and promote a company-wide occupational safety and health management system that puts safety first with a focus on achieving zero accidents.

Respect for human rights

Education/consciousness-raising

Internal compliance hotline

As part of our efforts to ensure compliance, we developed and implemented the Compliance Violation Reporting Rules. The Rules enable our employees to quickly and consistently report compliance violations to the company so that the company can take appropriate action. Employees can contact the external compliance hotline to report sexual or power harassment incidents or other violations that they are uncomfortable reporting to the company. We will modify the reporting system as necessary to improve its functionality and efficiency.

Addressing SDGs

In September 2015, the members of the UN General Assembly adopted the Sustainable Development Goals (SDGs) as global goals to be achieved by 2030. The SDGs comprise 17 goals and 169 targets for solving serious global issues, such as extreme poverty, inequality, and injustice. The UN Global Compact also addresses the SDGs, and, as one of its signatories, we will investigate ways that we can help solve these global problems through our business activities.

* SDGs: Abbreviation of Sustainable Development Goals

Human resources development

Hiring/training people with global business skills

In an effort to bring more people with global business skills into our workforce, we are actively hiring those with study abroad experience. We

are providing new employees in the Philippines with English language training as part of our regular human resources development efforts.

Training according to employee grade/post

Next-generation leadership training

We conducted next-generation leadership training with a focus on training managerial candidates. The training took about six months and focused on the basics of leadership, management, and personnel development. The training provided participants with a meaningful opportunity to share information and connect with each other across divisional and departmental boundaries. We will continue to support employees' professional development through similar trainings.

Training for second-year employees

Follow-up training was provided to employees entering their second year with the company. Conducted every year, this training is designed to provide a review of the company's basic operation and communication procedures.

New employee training

Training was provided to new employees shortly after they joined the company. It focused on good business manners, English language skills, employee rules, CSR, and safety and health.

Target management training for employees newly appointed to Grade 1 core positions

This yearly training, focused on target management, is provided to employees newly appointed to core positions. After participating in the training, the employees set targets for their departments and their supervisors monitored their progress. We will continue to provide this training to help core employees increase their awareness of their responsibilities, set appropriate targets, and achieve their goals.



New employee training

Management workshop

The management workshop was launched in FY2011 to improve the professional development of mid-career employees who are the future of our company. Designed to impart managerial perspectives and business planning skills, the workshop enables participants to

develop a long-term vision, aggressive attitudes, skills for developing long-term strategies, and other relevant capabilities. Mid-career employees across the company come together in this workshop and work to develop a new business plan over a six-month period.

Outcome of the management workshop

Workshop participants delivered presentations at an executive meeting to demonstrate the skills they had gained in the workshop. Their presentations were evaluated in terms of profitability, feasibility, and growth potential.

Diversity

Empowering women

Efforts were made during FY2015 to bring more women into our workforce. To promote our company to women, we developed brochures and tools targeting female students, participated in job fairs for female students, and held company information sessions at women's colleges. We have hired female employees over the past five years, and we will continue to recruit excellent human resources regardless of gender.

Applying for Kurumin certification

We aimed to obtain Kurumin certification for April 1, 2014 to March 31, 2016 under Article 13 of the Act on Advancement of Measures to Support Raising Next-Generation Children. To that end, we developed a general employer action plan and implemented measures to achieve the goals of the plan, including reducing overtime hours, encouraging employees to take annual paid leave, and so on.

In-house daycare facilities

We have been operating in-house daycare facilities since November 2008 when the first one opened at the Mie Plant. They are now

operating at four locations: Mie Plant, Head Office, Osaka Plant, and Nabari Plant. As of March 2016, seven employees at the Head Office were using its daycare facility. By responding to a service request received on short notice and a request for temporary services, the facility has earned high marks from its users. We plan to open daycare facilities at other locations in response to employees' needs.

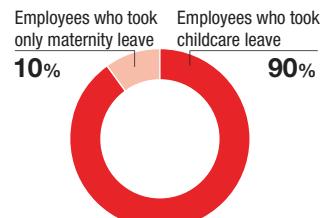
Encouraging employees to take childcare leave

The childcare leave rules have been revised to grant five days paid leave* for childcare when it is taken within eight weeks of the birth of a child. We expect that this revision will encourage male employees to take childcare leave. In FY2015, more than 90% of female employees who gave birth to a child (including those at the Nabari Plant) took maternity and childcare leave. We also extended the period when employees who are parents are exempt from working overtime to include those with children aged three years to entry in elementary school.



Recruitment poster targeting female students

■ Percentage of NKC employees taking childcare leave



* Because female employees take maternity leave for eight weeks after giving birth, only male employees who are new fathers are eligible for this leave.

Work-life balance

Enhancing employee benefits

Improving workplace environments

The Workplace Improvement Committee was formed in 2011 to create better working environments. With the addition of the plants that became NKC's consolidated subsidiaries, the Committee's sphere expanded to include seven regions in FY2015 and will further expand

to eleven regions in FY2016. The committee incorporates feedback from employees to make improvements on a regular basis. We will continue our efforts to improve workplace environments in response to various needs, such as a need to accommodate larger and more diverse workforces.

Optimizing work hours

The NKC Group is committed to optimizing work hours. In FY2015, we aimed to reduce the total annual working hours to 1,840 with zero overtime and 10 days of annual paid leave. During the year, 43.5% of all departments

achieved 1,840 hours or fewer working hours and 53.2% achieved 1,850 hours. Our target for FY2017 is 1,740 total annual working hours with zero overtime and 20 days of annual paid leave.

■ Employee comments

Feedback from an in-house daycare facility user

I gave birth to my second child in January 2014 and returned to work the following year. Since then, I've been taking advantage of the in-house childcare services at the Head Office as well as the reduced work hour program. I always make sure to share information on the progress of my work with my co-workers in case something comes up, like my child falling ill. Although juggling work and childcare keeps me very busy, having a rewarding career enables me to focus on my children.

Kayoko Omi

Conveyor Division



Health examinations of the mind and the body

Working with an industrial physician, we conducted regular and special health examinations and post-examination follow-ups by a Head Office nurse (to raise awareness of lifestyle-related diseases). In FY2015, the

training provided to new employees focused on mental health and self-care. Private counseling by an industrial health specialist is provided at every business site as part of the mental health examinations.



Human rights/labor practices

Safety and health

Management system

We have an internal organization for safety and health that encompasses all of our business sites including the affiliated companies' factories. The Head Office's Safety and Health Division is a general administrator that implements and coordinates company-wide initiatives under the leadership of the president. Safety and health Committees (focusing on safety, health, fire protection, traffic safety, hazard prediction, and so on) have been formed at our plants and they inform the employees of specific initiatives aligned with corporate policies. In FY2015, Suda Shoji Corporation and Fuji Honing Industrial Co., Ltd., which became our consolidated subsidiaries through mergers and acquisitions, have joined in our efforts.

Internal auditing

Regular patrols are conducted at each business site based on the safety and health management system to identify and improve unsafe practices and conditions. The Head Office's Safety and Health Division conducts annual internal audits on specific focus areas. The internal audit for FY2015 focused on legal compliance (qualifications, notifications, and so on), crane and chain blocks (signs, maintenance, operation, and so on), hazardous materials (supervisors, signs, postings, ventilation equipment, storage conditions, and so on), shot blasting (dust control), and other relevant areas. As of FY2015, Suda Shoji Corporation and Fuji Honing Industrial Co., Ltd., were included as business sites subject to our internal auditing.

Policy: Safety first

1. We ensure that all equipment is completely safe and eliminate all accidents caused by unsafe behaviors.
2. We comply with the Industrial Safety and Health Act, relevant laws and regulations, and internal safety rules.
3. We create comfortable working environments by improving work areas and operations.
4. We promote health management and mental health activities to reduce sick leaves and boost employees' health.
5. We implement fire and disaster prevention measures and ensure risk management.
6. We maintain high ethical standards for traffic safety and raise awareness of safe driving.

Awards programs

Zero accident awards

The numbers of accidents of near-injury or worse are annually tabulated at each business site. Plants that achieve a zero accident record for a given year receive an award and all of that plant's employees are given a memento of the achievement. The award winners for FY2015 were the Head Office, the Nabari Plant, the Kawachi Plant in Japan, and NDC and NFC in China. An award also was given to a subcontractor that installs conveyors.

Education/consciousness-raising

Education and training for licensed personnel

We identified seven shop floor jobs with particularly high risk (see the diagram below) and provided the employees of those jobs with safety training. Our internal rules require employees to complete annual

safety training before engaging in any of the seven high-risk jobs. Providing hands-on training to licensed employees on a regular basis helps them improve their skills and increases operational safety. In FY2015, safety training was provided in the following seven areas.

Priority 7 works

- 1.** Operating forklifts
- 2.** Operating cranes
- 3.** Rigging slings
- 4.** Pressing work (including mold mounting adjustment and removal)
- 5.** Changing out and testing grinding stones
- 6.** Gas and arc welding
- 7.** Operating (including inputting commands for and calibrating) industrial robots



Safety training for grinding stone change-out at the Head Office



Welding training at the Nabari Plant



Safety training for rigging slings and operating cranes at the Mie Plant



Arc welding training at the Shiga Plant



Forklift safety training at the Kawachi Plant



Press safety training at the Osaka Plant

Fire drills

Every business site in the NKC Group prepares a manual for reporting first response firefighting and evacuation procedures. Every business periodically conducts fire drills based on fire defense plans. Business sites where employees work night shifts conduct drills during the day and at night to ensure that all employees are familiar with their procedure manual.

Fire patrols

Every business site conducts regular patrols to assess the storage conditions of hazardous materials in the factory; the locations of fire extinguishers, fire hydrants, and location signs; the designation of evacuation routes; the handling of electrical heating equipment; and the conditions of the smoking areas.

Safety and health patrols

In an effort to maintain optimal workplace environments without inhibiting employees' health, comfort, and productivity, we assess environmental factors at our offices and factories in accord with legal regulations, such as noise levels, vibrations, and lighting. We also work with service providers to maintain healthy environments by regularly inspecting the general and local ventilation systems and testing the drinking water.



Fire extinguisher drill at the Head Office



Evacuation drill at the Nabari Plant

Hazard identification

Our factory workers are required to participate in hazard prediction activities to prevent work-related accidents. Hazard prediction training is provided to selected employees every year to help them develop alertness to hazards through group activities. When an employee identifies a hazard, it is reported to the company via the Potential Hazard Report. Information about the identified hazard is shared with the Head Office, which assesses the improvement measures to be taken. Hazard prediction reports are evaluated yearly in terms of alertness and hazard levels. High-scoring plants are awarded prizes with mementos of the achievement. In FY2015, the Shiga Plant won the grand prize because it pointed out the hazard associated with working in high places using a stepladder and it proposed solutions, which contributed to increased safety on the shop floor and in the work processes.



Hazard prediction training

Safe driving awareness

Consciousness-raising activities for employees are implemented on a regular basis to achieve zero traffic accidents when employees are driving company or private vehicles (including bicycles) or walking to and from work or other destinations. In FY2015, as always, we routinely ensured that vehicle operators were wearing seatbelts or helmets, informed all employees of the speed limits on company premises, and required all vehicle operators to carry appropriate insurance coverage. Employees with high-quality road safety behavior were rewarded. The Head Office, where the safe driving supervisor works, organized in-house road safety seminars with the cooperation of local police, and it participated in a safe driving contest to raise awareness of safe driving behaviors.



In-house road safety seminar



Environment

The NKC Group is committed to protecting the environment and reducing our environmental footprint to help build sustainable societies.

We set high goals for maintaining and improving the environment. Our business operations focus on using technologies that reduce environmental load throughout the product life cycle and ensuring that saving energy, reducing waste reduction, recycling, and other environmental initiatives are implemented across the company. We also place importance on working with local communities, and we try to help improve the environment in everything we do, regardless of its relationship to our business.

Environmental management

Management system

Headed by the chairman of the Environmental Management Committee, the General Commission on Work Safety, Health, and Environments is a company-wide organization comprising environmental management representatives and environmental managers of the NKC Group's domestic plants. The Head Office's Safety and Health Division and its Environmental Management Department are the Commission's administrators. The primary objectives include sharing information, managing progress on environmental initiatives, implementing initiatives across the company, and ensuring compliance with revised laws and regulations in accord with our environmental policy.

Auditing

Results of audits by ISO certification body

Our ISO 14001-certified business sites have achieved environmental targets aligned with the NKC Group's environmental policy, established environmental management systems, and are making regular efforts to maintain and improve their systems. Internal environmental auditors conduct regular internal audits to evaluate the effectiveness of the environmental management systems. The systems also are audited every year by a third party certification body. The annual audit for FY2015 found zero non-compliance incidents, demonstrating the effectiveness of the environmental management systems.

Internal audits by environmental officers

Our domestic plants that have not achieved ISO 14001 certification have established environmental management systems comparable to those of the ISO-certified plants. Internal audits are regularly conducted at these non-ISO-certified plants to help them to consistently implement environmental improvements. Our overseas plants also are working

Legal compliance

Compliance with the revised CFC emissions law

The Fluorocarbons Recovery and Destruction Law, enacted in April 2015, underwent major revisions. The revised law now in effect is the Fluorocarbons Emission Control Law. The NKC Group uses some HVAC equipment and testing devices in the Class 1 category of products regulated under the Law. In response to the revision, which requires regular testing of these items, the NKC Group immediately created standardized procedures and implemented them across the Group to fulfill its compliance obligations.

Compliance with environmental regulations

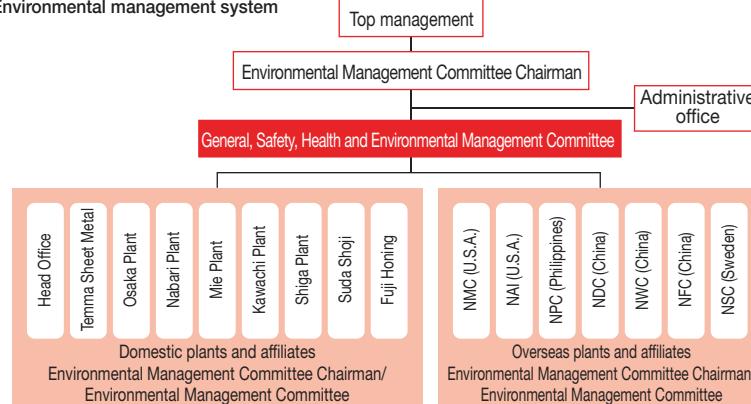
Our business sites subject to the regulatory requirements of the Noise Regulation Act, Vibration

Environmental policy

The policy is to protect the global environment by reducing the environmental load imposed by our products, services, and business operations in Japan and abroad.

1. Implement, maintain, and continually improve the existing environmental management system.
2. Prevent environmental pollution by complying with regulatory requirements for environmental aspects of the businesses.
3. Provide environmental training to all plant employees and inform them of the environmental policy.
4. Build production systems that minimize our environmental footprint with a focus on resources, energy, pollution, industrial waste, and so on.
5. Cooperate and actively participate in the environmental protection activities of national, regional, and local governments.

Environmental management system



ISO 14001 certification

| Domestic plant | Year certified |
|------------------------------|----------------|
| Osaka Plant | 2006 |
| Mie Plant | |
| Nabari Plant | |
| Temma Sheet Metal's EPD Room | 2009 |
| Suda Shoji | 2005 |
| Fuji Honing | 2015 |
| Overseas plants | Year certified |
| NWC | 2011 |
| NSC | 2015 |



Internal audit at the Shiga Plant

On-site assessment of industrial waste disposal contractors

The NKC Group conducts on-site assessments of the companies to which it outsources industrial waste disposal, which is required by its internal rules, and it has been conducting these assessments annually since 2008. In FY2015, we visited 15 companies and verified that they were appropriately disposing of the industrial

waste in their final disposal routes and in the secondary processing phase. We promote hiring of government-certified industrial waste disposal companies and encourage non-certified service providers to become certified. Beginning in FY2016, we will update our current checklist to increase its details to achieve stronger comprehensive assessments.



Testing equipment designated as Class 1 products

Education/consciousness-raising

Education and training for licensed personnel

Environmental regulations require companies that meet certain criteria to appoint licensed personnel as environmental managers responsible for preventing pollution and/or reducing environmental impact. The NKC Group appoints employees to these positions as required. Information on our licensed personnel is centrally managed in a database to increase the number of licensed individuals in our workforce.

General environmental education/training

It is crucial to provide relevant employees with education and training to raise their awareness of environmental activities, improve their capacities to work in specific areas, and to continually implement our initiatives for improving the environment. The NKC Group provides environmental education and training as part of its

environmental management system and manages records related to education and training in a central database.

Special environmental education/training

We engage in specific operations, such as the handling of hazardous substances, which could significantly influence the environment in the event of a leak or other emergency. We have designated these operations "special environmental operations" and we provide relevant education and training. By stipulating rules that allow only those employees who have completed specified training and who have been registered as licensed personnel in accord with our internal rules to engage in such operations, the NKC Group fulfills its obligations as a company that handles hazardous materials. Beginning in FY2016, the Group will provide training designed to help licensed employees improve their knowledge in specialized areas.



Eco-driving training

Proposals for improvement

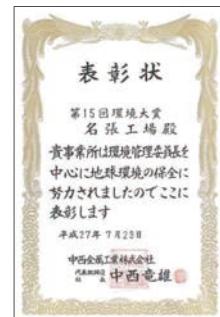
Environmental grand prix

The environmental grand prix was launched in FY2001 (to reward initiatives implemented in FY2000) to promote and embed environmental activities across the Group. The award is given to business sites that have achieved excellent results. Every year, business sites are rated on their environmental performances in terms of energy conservation, waste recycling, environmental improvement, and other noteworthy initiatives. The business site with the highest score wins the award. The winner in FY2015, which marked the award's 15th anniversary, was the Nabari Plant. All of its employees were given a memento of their achievement (assorted household laundry products).

Eco-activities

In addition to company-wide efforts to improve the environment, the NKC Group focuses on environmental initiatives at the factory floor level, and it has implemented eco-team activities and an improvement suggestion program. These

initiatives aim to transform employees' relevant questions while working, such as "isn't this wasteful?" into improvements. Some examples of initiatives undertaken so far are selling used gloves that are reusable as valuable materials, eliminating memo pads by effectively using whiteboards, and reducing the number of cardboard pads used by changing the packing method. These activities help employees increase their environmental awareness when they regularly practice them.



Environmental grand prix certificate

Environmental protection activities

Measures in response to climate change

CO₂ emissions reduction

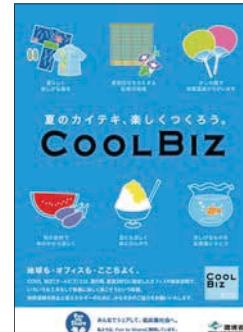
Reducing greenhouse gas emissions is a challenge that must be addressed globally to successfully fight climate change. At the NKC Group, we have been working on reducing CO₂ emissions to help curb global warming. In FY2015, the total emissions from our domestic operations had decreased by 6.5% year after year. Major relevant activities undertaken by our plants are described below. Demand monitoring was introduced at all of the plants to reduce electricity load, which enabled them to cut power consumption during peak use periods.

CO₂ emissions reduction activities in FY2015

| Plant | Main activities |
|---------------|---|
| Head Office | Upgraded motors to high-efficiency motors, replaced fluorescent lighting with LED lighting, and installed secondary glazing windows |
| Osaka Plant | Insulated plant roofs and exterior walls, and replaced fluorescent and mercury-vapor lighting with LED and electrode-less lighting |
| Nabari Plant | Replaced hydraulic injection molding machines with all-electric machines, upgraded motors to high-efficiency motors, and installed new air conditioning |
| Mie Plant | Replaced high-voltage transformers with amorphous transformers, and replaced fluorescent and mercury-vapor lighting with LED and electrode-less lighting |
| Shiga Plant | Replaced fluorescent and mercury-vapor lighting with LED and electrode-less lighting, and replaced cranes with those equipped with an inverter |
| Kawachi Plant | Replaced hydraulic injection molding machines with all-electric machines, planted vegetation for shade, and replaced fluorescent lighting with LED lighting |

Participation in the Fun to Share campaign

The NKC Group supports the Fun to Share program promoted by Japan's Ministry of the Environment toward creating a low carbon economy. The program provides companies, organizations, and local governments that support its objectives with a platform on which to widely share technologies, wisdom, and initiatives that contribute to the creation of a low carbon economy and support for the implementation of effective initiatives. Also in FY2015, the NKC Group participated in the Cool Biz and Warm Biz campaigns as part of its efforts aimed at reducing CO₂ emissions.



Cool Biz and Warm Biz poster

Waste reduction

The NKC Group has long been working to reduce industrial waste. Since achieving zero emissions in FY2007, all of its plants have maintained a zero-emission status to date. The table below shows the waste reduction activities implemented at each plant. Hailed for its

outstanding waste reduction performance, the NKC Group was invited to present some of its waste reduction initiatives at a seminar for waste management supervisors of special-use buildings hosted by the Osaka municipal government in FY2015.

Waste reduction activities in FY2015

| Plant | Main activities |
|---------------|---|
| Head Office | Reduced acidic and alkaline waste via process improvements |
| Osaka Plant | Reduced sludge volume by changing the wastewater treatment method, and reduced alkaline waste using a concentration device |
| Nabari Plant | Distilled, recycled, and reused waste oil from a degreasing unit and reduced spools by changing the mold structure |
| Mie Plant | Reduced pollution by eliminating surface treatment and reduced waste oil by using a separator |
| Shiga Plant | Reduced wood waste by changing packaging procedures and reduced waste oil from cutting operations via process modifications |
| Kawachi Plant | Reduced plastic waste by improving the resin recycling rate |



Presentation at the waste management supervisor seminar

Objective of the Toki Forest Credit program

Keep the forests of Sado healthy to:

1. Absorb enough CO₂ to curb global warming
2. Help improve the natural habitat of *toki* (crested ibis), which were reintroduced to the wild, and protect the diverse forest ecosystem
3. Promote forest thinning while revitalizing the forestry sector



"Eco driver" and "carbon offset" stickers affixed to company cars

Reducing environmental impact of products and business operations

Carbon offsetting

In FY2015, we continued the work on carbon offsetting as in FY2014. Twelve of the 14 company cars used at the Head Office are eco-cars, nine of which use gasoline and light oil. The amount of fuel consumed by these cars is equivalent to 32 tons of CO₂ emissions per

year. This entire amount was offset via Niigata Prefecture's Toki Forest Credit program. The NKC Group plans to continue working on this initiative in the next fiscal year and thereafter.



Local community

As a good corporate citizen, the NKC Group supports the cultural and economic development of local communities.

We maintain open lines of communication with local communities to deepen mutual understanding and reach out to help them to identify and solve problems with a focus on aiding their development.

Activity management

Organizational contributions

As part of the NKC Group's community engagement initiatives, every domestic business site sets a target contribution amount based on its net sales, implements an action plan, and manages its progress. To help build a sustainable society, we contribute in a wide range of areas, including the global environment, local communities, philanthropic corporations and organizations, culture, art, sports, and more. Through the CSR Report questionnaire survey and other media, we ask our employees about the types of initiatives they believe the Group should implement so that we can incorporate their opinions into our future activities. We also

regularly collect feedback from local residents at municipal offices and community associations in order to respond to their needs.

These initiatives were implemented by the Head Office and some of the plants, and we will expand these activities across the entire Group, with our affiliates slated to join the efforts beginning in FY2016, which will bring the total number of participating sites up to ten. In FY2016, we will begin investigating coordination of initiatives of the overseas sales and production sites, which to date has only been in writing in our CSR Report, on our corporate website, and so on.

Local contributions

Support for disaster-hit areas

The NKC Group donates relief money to areas affected by natural disasters inside and outside Japan. In response to the massive earthquake that hit Nepal in April 2015, which caused devastating damage to its capital, Kathmandu, and surrounding areas, the Group donated JPY one million through the Nepal Earthquake Victims Rescue & Help Association. The

donation was distributed through official channels of the Nepalese government and it was used for reconstruction efforts.

We will continue to provide disaster assistance by donating relief funds and emergency supplies for victims of natural disasters whenever and wherever they occur.

Enhancing local disaster preparedness

Donating emergency supplies to Osaka City's Kita Ward Office

The natural disasters most likely to hit Japan are earthquakes. Our business sites in Japan have a high risk of experiencing an earthquake because of their locations on fault lines or ocean trenches. In response, we not only have a BCP in place across the company, we donate emergency supplies to local communities to support their preparedness in the event of a disaster. In FY2015, we donated food, rechargeable batteries, and other emergency supplies worth approximately JPY 2.5 million to Osaka City's Kita Ward, where our Head Office is located, through the ward office.

We regularly assess the storage conditions of the emergency supplies donated by our Head Office and their uses in local disaster drills and

we can consider the assessment results when determining our future contributions.

Beginning in FY2016, our other business sites will conduct activities similar to those of the Head Office because many of the local government-designated evacuation centers across Japan do not have emergency stockpiles.

Nabari Fire Brigade

To improve their firefighting skills, Nabari plant employees who are members of the local volunteer fire brigade participate in the annual fire hydrant operation contest organized by the local fire department. These employees work with other fire brigade members to improve their response to fires should they occur on the plant's premises or in the event of a disaster near their homes.



A letter of appreciation sent by
Osaka City's Kita Ward Office

* A BCP (business continuity plan) is a strategy for ensuring that a business continues to run in the event of a natural disaster or other emergency. BCPs help companies to prepare for disruptive events before they occur so that their impacts can be minimized if business operations are interrupted.

Cleanup activities

The NKC Group's business sites are involved in cleanup activities in local neighborhoods. These activities are voluntarily conducted by most of our Japanese business sites during local events, monthly, or even on a daily basis. In addition to neighborhood cleanup, the Group emphasizes

cleaning up the local rivers and lakes to benefit the communities and the larger regions in which it operates.



Local cleanup activities are conducted at all of the domestic business sites

Promoting education

Nakanishi Scholarship

Scholarship program

The NKC Group runs the Nakanishi Scholarship Foundation to support students who excel academically and demonstrate potential. Scholarship funds were provided to 106 senior high school, technical college, undergraduate, and graduate students during the fiscal year. In addition to providing scholarship funds, the Foundation hosts an annual gathering for the college undergraduate and graduate students recipients and a tour of the parent organization, the Nakanishi Metal Works, to give them insight into the world of work. The gathering facilitates

communication among the scholarship recipients and the Foundation directors and administrators and provides an opportunity for feedback about the scholarship program. The Foundation's scholarship program has been widely lauded because there are no special restrictions or conditions and it almost covers the entire basic tuition. Although the scholarships are currently awarded to students of designated schools, the Foundation plans to add schools to that list in an effort to provide financial support for more students in need of scholarships.



Students taking a factory tour



Participants at the gathering of scholarship recipients and donors



CSR activities outside Japan

There are environmental and community engagement activities across the NKC Group, some of which are described below.

NKC OF AMERICA INC. HEADQUARTERS

Zero landfill recycling

NAI works with a recycling company to sort and separate types of recyclable waste to increase environmental awareness. Waste is sorted into ten groups, including paper, plastic, metals (by type), drums, liquids (paint, solvent, and so on), e-waste,* and fluorescent lamps. NAI will maintain its efforts to achieve its ultimate goal of becoming a zero-landfill company.



Waste brought to the recycling company

*E-waste: electronic devices, monitors, batteries, and other types of electronic waste

NAKANISHI MANUFACTURING CORPORATION

(1) Food aid for the poor

NMC donated 6,000 pounds (2.7 tons) of food to needy families, bringing the total donations to the local food bank to 320,000 pounds. NMC has won the food bank's food drive competition in the Large Group category (corporations with 100-plus employees) for three consecutive years. In 2015, the wife of a Japanese employee of NMC received the Volunteer of the Year award.



Food donated to the food bank

(2) Fund raising for the community

NMC donated USD 18,400 to the United Way of Northeast Georgia, a local non-profit organization. Altogether, the company has donated USD 239,000 over the past ten years. That non-profit organization supports 29 human service programs, such as building homeless shelters and providing food aid for the needy, in eight counties, including Athens, Georgia. NMC's plant manager and personnel general manager serve on the United Way's Board of Directors. The personnel general manager won the Volunteer of the Year award in 2015. Volunteers from NMC planted flowers and trees and renovated a garden for a girls' shelter during the United Way Day of Caring event.



Tree-planting volunteers

NKC CONVEYORS (UK) LTD.

Going paperless to protect forests

With a focus on protecting forests, NKC UK is downsizing its shelves as it digitizes drawings and documents that have been maintained as paper files. The company plans to ultimately reduce the volume of paper files to less than one-half of its current size.



Reducing paper files

NKC MANUFACTURING PHILIPPINES CORPORATION

(1) Tree planting

NPC has been planting coffee trees under the National Greening Program initiated by the Philippines' government. Led by their president, NPC employees

participated in reforestation activities again in FY2015. The Philippines' Department of Environment and Natural Resources (DENR) designates coffee trees as an environmentally friendly species under its greening program. Since coffee beans grown through the reforestation activity are sold to Nestlé Philippines, the program provides highland farmers with a source of income, which benefits the local community and the natural environment.



Volunteers who participated in a tree-planting activity

(2) Community outreach

As part of its community outreach program, NPC is involved in volunteer activities at Sapak Farm on Cebu Island. Founded by a priest, Sapak Farm is an educational facility for children ages 11 to 20 years old who do not have access to education because of poverty or other adverse circumstances. In FY2015, some NPC employees and the president visited the facility and provided meals for the children. Everyone at NPC is working together to help less fortunate people work toward their goals.



NPC president and employees who participated in the activity

NKC CONVEYORS PHILIPPINES CORP.

(1) Orphanage visit

Every year, NCP employees visit an orphanage and donate money. The children at the orphanage are always very happy to see the employees and have fun interacting with them.



(2) Donating school supplies

Many of the remote islands around Cebu Island are educationally disadvantaged and many children study in underequipped small school facilities. Every year, NCP donates electrical fans and pre-owned computers to these schools along with notebooks, pencils, and other school supplies for the students.



Book donations to elementary schools

(3) Book donations

NCP employees raise funds to buy books and donate them to elementary schools in and around Cebu City. During visits to the schools, the employees engage students in storytelling sessions (followed by quizzes) that help build solid relationships.

NKC MANUFACTURING DALIAN CO., LTD.

Neighborhood cleanup

NDC initiated a monthly neighborhood cleanup program in which all of its employees participate. Although its objective did not initially resonate with all of the employees, after two years of continuous effort, the program has made a clear difference in the environmental awareness of the employees and the local communities. NDC will continue this initiative while taking pride in being a good corporate citizen.



Cleanup activities



Corporate governance

The NKC Group conducts its business operations faithfully while complying with and respecting laws and international standards.

In addition to ensuring compliance with relevant laws and internal regulations, we fulfill confidentiality obligations to our suppliers and clients in good faith to build healthy relationships with them. We use information related to our operations only to properly conduct and manage our business to prevent loss, theft, or leakage. We disclose information in an adequate and timely manner while ensuring transparency. We also ensure that every employee maintains high ethical standards and strictly draws the line between private and public interests.

Internal controls

Internal control system

The NKC Group recognizes corporate governance as a key issue to be addressed across the organization and constantly works

to establish highly transparent and healthy corporate governance systems and corporate ethics.

Internal auditing

In FY2015, internal audits were conducted at six business sites and two subsidiaries in Japan with a focus on ensuring fair transactions with subcontractors. Although

fair subcontractor transactions are ensured at all of our business locations, the Head Office conducts internal audits on them to raise awareness.

Compliance

Education/consciousness-raising

CSR training for new employees

CSR training is provided to new employees to raise awareness about compliance and BCPs. The NKC Group considers legal compliance an unquestionable obligation that employees must fulfill when they perform their assigned duties. Therefore, an awareness of saving lives and keeping the business operating during a disaster to avoid inconveniencing customers is crucial for all business personnel. Rather than merely imparting practical knowledge, the training focuses on examples of initiatives implemented at our company and at other companies to help new employees gain a deep understanding.

Internal seminar on the Subcontract Act

We cannot make our products without the help of subcontractors. To maintain healthy relationships with our subcontractors, basic seminars are conducted across the Group. The

seminars bring relevant personnel together from across the departments, teach them the essentials of the law, and examine case studies using the textbook of the Fair Subcontracting Practices Promotion Seminar published by the Small and Medium Enterprise Agency and the Japan Fair Trade Commission.

Security export controls

Security export controls are imposed with a focus on preventing weapons and civilian goods and technologies that could be used for military purposes from being sold to nations that develop weapons of mass destruction or to non-state terrorist organizations. To increase awareness of security export controls, employees whose duties are relevant to the issue are encouraged to regularly attend workshops and seminars conducted by the Center for Information on Security Trade Controls (CISTEC) to ensure safe and strong business practices.



New employees attending compliance training



Japan Fair Trade Commission's textbook and in-house materials used for the training

Risk management

BCP activities

BCM activities

We are working on BCP to prepare the company in the event of an earthquake or other natural disaster.

In FY2015, as part of a consciousness-raising activity, we promoted Secom's safety confirmation system, conducted an email distribution test, and purchased additional emergency stock. Multi-channel access radio systems were implemented and tested across the Group for potential communication among our business sites in the event of a natural disaster.

Our BCM* strategy focuses on items requiring urgent attention, such as ensuring ways to confirm employees' safety and building emergency stock. From this point on, the Head Office will centrally manage the annual plans of our business sites across Japan and conduct drills and other activities jointly so that all of the business sites will move forward together with disaster preparedness at the same pace.

BCP at Group companies

The Head Office developed a model BCP for the NKC Group in 2012 and, by FY2015,

almost all of our business sites in Japan had one in place.

Companies that joined the NKC Group in FY2014 have developed basic BCPs. We will verify that they created an annual plan similar to those of the other business sites and manage their progress implementing their plans on a level equivalent to the other business sites.

BCP at overseas plants

Our locations in the Philippines have been working on BCPs since FY2014 in tandem with the development of BCPs at our domestic business sites. By the end of FY2015, they had created basic BCP documents.

When a BCP is created for a site outside Japan, it must address the risks unique to that site's country. The Philippines is prone to natural disasters similar to Japan's and the BCPs of our Philippine locations address the risks of earthquakes and typhoons.

We will move forward with implementing BCM for the BCPs that have been developed overseas while we work on BCPs for our locations in China and the U.S.



Fuji Honing Industrial currently has a BCP in place



Two Philippine locations have created basic BCP documents

*BCM applies to the PDCA (plan-do-check-act) cycle of BCP, which helps organizations to prepare for disruptive events, such as natural disasters, so that they can take practical preventive steps.

Information security

Enhancing email security

We improved email security to prevent email text or attachments from being accidentally disclosed to third parties when email is sent to external recipients from a company email address. The new security system encrypts all outgoing email messages. If an email message has an attachment file, that file is now password-protected and a separate email containing the password is sent to the recipient. We will continue to implement both hardware- and software-based security measures to prevent information from being leaked, accidentally or intentionally, and protect information from external attacks.

Development of an information security policy

We are currently developing an information security policy to ensure the security of our information assets across the organization, including trade secrets. After asking relevant personnel across the organization to provide their summaries of the information maintained by their departments, we identified the information assets that need to be protected to ensure the effectiveness of the policy. In FY2015, the Head Office developed the policy and conducted an internal briefing session. Other business sites will develop individual policies beginning in FY2016.

Business Highlights

2015



April
2015

Signed Global Compact



April
2015

Made Fuji Honing Industrial Co., Ltd.
a consolidated subsidiary



June
2015

Sash Hardware Division's billboard
advertisement placed in Shin-Osaka
train station



July
2015

Visited by the Director General of the
Philippine Economic Zone Authority



October
2015

NKC Murayama Solar Power
established



November
2015

NKC CONVEYOR FOSHAN CO.,LTD.
10th anniversary



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

We welcome feedback on its contents.