



**Good spin
for our society**

NKC

**CSR
Report
2017**

Activities Report

Editorial policy

NKC creates the CSR report with the purpose of disseminating as widely as possible the vision and content of initiatives in CSR activities to all relevant parties both inside and outside the company.

In the preparation of this report, the opinions provided by the questionnaire survey of the previous year's report have been incorporated into this report for improvement of appearance and ease of reading.

The report is prepared in two versions, the "Digest" and the "Full report," effective in the FY2017 report, so that the necessary information can be efficiently delivered to the people who need it.

About the full version of the CSR Report 2017

■ Organization reported

This report is basically meant for the CSR activities of NKC.

When the report covers the activities of any affiliate of the NKC Group, the name of such an affiliate is shown in the relevant article.

■ Report period

FY2016 (April 2016 to March 2017)

■ Reference guidelines

UN Global Compact

■ Issuance

This report: August 1, 2017

Previous report: August 1, 2016

Next report: August 1, 2018 (scheduled)

■ Report medium

This report is the "full version." The "Digest," which contains selected annual topics and feature stories, is available in a hard copy upon request or is downloadable from NKC's corporate website.

* The contents of the feature stories in the Digest are the same as those of this report.



Full version

* This report



Digest

The Digest contains selected annual topics and feature stories from the full version.

It carries the annual topics and feature stories as well as the detailed results of the activities by theme.



Request of a hard copy (contact)

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Page of the NKC corporate website where the CSR Report is downloadable:

http://www.nkc-j.co.jp/eco_csr/csr_dl.html

Major Opinions about the Report and Points of Improvement

Major Opinions

I want the outcomes to be expressed in an easy-to-understand manner.

I expect continuation of the ongoing activities and better progress of some activities that didn't work out well.

The font is generally small in size, and there are a lot of texts to read. Thus, it is difficult to read it through and understand. Graphic descriptions, using illustrations and photos, should be used.

I want to know more about the various business activities of the NKC Group and the activities of each site inside and outside Japan.

This report is a waste of paper. How about making an improvement in the paper quality, the number of pages, or the number of copies?

Points of Improvement

Until our 2016 CSR Report, we self-rated our activities using marks of ○ and ×. However, this system is not employed in this report, or in the "Summary of FY2016 CSR Activities" on pages 6 and 7. Instead, we express results and outcomes using specific descriptions. (Some results are shown in values where it is appropriate.)

We used a larger font size than in the previous report. Another attempt to make the report more readable is to have a feature page that gives a graphic description of some major events.

This report carries the activities of the domestic and overseas sites of NKC and each member of the NKC Group (including individuals).

The report is published using paper that is not involved in any act of forest destruction and is composed of and issued in pages and copies in the smallest necessary number.

Message from the President

We are moving ahead as one for a brighter future toward the 100th anniversary of our foundation in 2024.

Tatsuo Nakanishi, President



The NKC Group takes various actions to fulfill its social responsibilities through various CSR activities so far conducted.

On the other hand, society has come to emphasize the concept of “corporate sustainability.” A company needs to make contributions to society and enhance its own value in a well-balanced manner in three aspects i.e. the environment, society, and economy, and have a long-term strategy that helps make all of society sustainable. In order to respond to these changing times, we integrated departments engaged in CSR activities into a single department “CSR Management Division” in April 2016, and established an appropriate system for CSR promotion. In response, we are going to put more emphasis on the following six themes.

1 Support of the UN Global Compact

In April 2015, we signed up for the UN Global Compact to start action to solve global tasks as a member company.

To clarify the policy on implementation of these action efforts, the NKC Group renewed its Code of Conduct in 2016. Under the new Code, we will do our best to create a sustainable society while aiming to achieve our goal, or sound corporate activity with higher ethical standards.

We also decided to apply the NKC Standards, or the guideline for in-house action level, to the entire group to promote internal consciousness-raising so as to prevent our Code of Conduct from becoming a dead letter.

2 Thorough Compliance

It takes the right awareness and action of each employee to fulfill compliance. Even if we stay within the scope of legal appropriateness, we believe it is essential for us to have a self-questioning attitude to realize fair business development. Each and every director and employee must act in our daily service with a high sense of ethics and responsibility to win the trust of all stakeholders and live up to their expectations and provide innovative products and services. In doing so, we aim to grow together with society.

3 Safety & Health and Environmental Management

The General, Safety, Health and Environmental Management Committee, which supervises our plants inside and outside Japan, is mainly engaged in improvement activities, information sharing, lateral application, and compliance with legal revision according to the safety and environmental policies. The Committee promotes compliance with the environmental management goals of the entire Group including its overseas sites.

In the safety and health field, the policy puts top priority on safety in every kind of work. Under this policy, the safety and health management system is promoted and supervised in all our plants inside and outside Japan. In 2016, the Global Safety Conference was held, in which all safety and health personnel of all plants in and out of Japan participated. This event successfully

raised the level of safety and health efforts on the global level.

In the environmental management field, continuous maintenance and improvement activities are conducted under the environmental management systems integrated under the NKC Group’s environmental policy.

4 Social Contribution Activities

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. 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.

5 Global Application and Ideal Status of CSR

More and more, society is expecting corporations to help solve social tasks in foreign countries. When we increase the opportunities for communication with local stakeholders, we can identify local problems and tasks and promote their solution in a manner with local roots, while respecting the initiative of our overseas sites. This will lead to us winning more new opportunities.

The NKC Group encourages and promotes local employees’ spontaneous and voluntary actions within the scope of CSR at overseas sites, including recycling activities, food support, forest preservation activities, tree-planting, support of orphanages and schools, and local cleaning activities.

6 CSR Education and Consciousness-Raising

We conduct CSR education and consciousness-raising activities for the maintenance and promotion of the soundness of CSR activities.

The NKC Group prepares the “CSR Report” and distributes it in the company every year. It is hoped that the promotion of improvement and effective use of the “CSR Report” will encourage employees to improve their CSR consciousness and take action and help the stakeholders understand what we do for CSR.

Education and training in the safety and environment field aims to improve employees’ consciousness. NKC also conducted tree-planting in Wakayama prefecture’s corporate forest, the “NK Group Eternal Forest,” in November 2016 as part of the events to celebrate our 100th anniversary. I hope that those activities will promote improvement of not only employees’ consciousness of forest protection and environmental preservation but also their consciousness of participation-based voluntarism.

The NKC Group will celebrate its 100th anniversary in 2024.

We are determined to enthusiastically take action from a long-term viewpoint together with employees, always keeping in mind NKC Group’s vision of becoming “a company that constantly reinvents itself and one that its employees are proud to be a part of.”



NKC Group's CSR Policy

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

Participation in the UN Global Compact encouraged us to totally renew our CSR policy in November 2016. True to the "NKC's Vision" as our corporate philosophy, we strictly comply with and follow the "NKC Group Code of Conduct," and each employee is determined to carry out the "NKC Standards" associated with the Code.

NKC's Vision (Corporate Philosophy)

NKC aims to be a revolutionary company that encourages all employees to take pride in their respective roles.



NKC Group Code of Conduct (Corporate Code of Ethics)

1. Principal Mission

Our economic, environmental, and social mission is to develop and supply safe, high-quality products and services that satisfy our customers and consumers and earn their trust. We contribute to the development of the countries and communities that host our businesses while engaging in business practices that respect the cultures and customs of particular localities.

2. Compliance with Laws and Social Norms

We shall comply with all laws and regulations as well as various international norms and shall engage in free and fair competition and appropriate dealings. We shall also maintain sound and normal relations with national governments and public administrators.

3. Information Protection and Disclosure

We shall proactively communicate with the public and shall fairly and actively disclose corporate information in a highly transparent manner. We shall also protect and safeguard a variety of information including personal information and customer information.

4. Respect for Human Rights

In respecting the human rights of all, we shall never participate in human rights violations. We shall seek to identify and eliminate risks to human rights and potential impacts of existing situations.

5. Providing a Positive Work Environment

We shall do our utmost to ensure safe, healthy, and welcoming work environments free from discrimination while respecting the diversity of all engaged with the NKC Group and shall not engage in illegal labor practices or child labor. We shall implement a relaxed approach to enriched work practices.

6. Environmental Protection

We recognize that efforts to protect the environment are an indispensable aspect of business operations. We shall voluntarily and proactively practice environmental protection and address environmental issues.

7. Social Contribution

We shall actively pursue solutions to social issues through our business practices and shall contribute to the emergence of a society committed to sustainability.

8. Opposition to Antisocial Influences

We adamantly stand against antisocial forces and organizations that pose a threat to the order or safety of civil society and thoroughly eliminate any relationship with such forces.

9. Adherence to Corporate Ethics

Senior management shall assume responsibility for implementing this Code of Conduct and for taking all necessary steps to promote awareness of it throughout the NKC Group and among its subcontractors. Moreover, senior management shall heed the opinions of those inside and outside the company and shall seek to improve our in-house system and adhere to the principles of corporate ethics.

10. Problem-solving

Should a situation arise that violates this Code of Conduct, senior management shall announce its intended response, clarify the details of the situation, investigate the cause of the violation, and work to prevent its recurrence. After prompt public disclosure of appropriate information and adherence to accountability measures, rights and responsibilities shall be clarified and disciplinary action shall be taken, including action with respect to senior management where necessary.



NKC Standards(Code of Ethics for Employees)

Relationship between the "NKC Group Code of Conduct" and the UN Global Compact

	UN Global Compact	NKC Group Code of Conduct
Human rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights and	4
	Principle 2: make sure that they are not complicit in human rights abuses.	
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,	5
	Principle 4: the elimination of all forms of forced and compulsory labor,	
	Principle 5: the effective abolition of child labor, and Principle 6: the elimination of discrimination in employment and occupations.	
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges,	1.6
	Principle 8: undertake initiatives to promote greater environmental responsibility, and	
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.	
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.	2.8.9

Our CSR Activities

What are “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. “CSR activities” are basically the efforts required of a company. However, we understand that there are many people who find it difficult to understand. In response, we present the readers easy-to-understand examples, which are individual versions of CSR activities.

Active participation in local crime and disaster prevention activities

Tetsuya Hamaguchi, Tokyo Sales Office, C.T. Machinery Co., Ltd.

I give a helping hand to crime and disaster prevention activities held in my neighborhood. I actively participate in local cleaning activities in addition to night-time patrol and disaster prevention drills to help make our community a safe and comfortable place to live in. When a local community works, it can ensure mutual help to overcome risks such as crime and disaster. I intend to continue local support to vitalize my neighborhood.



Cooperating with “TABLE FOR TWO” activity

Ayaka Matsuda, Aichi Sales Office

When I was a student, I chose a subject specialized in international issues. This experience made me develop the custom of living my life with a constant awareness of social contribution activities. These days, when I dine out, I try to choose restaurants that carry out a social contribution program by the name of “TABLE FOR TWO”.

* A program promoted by a Japanese NPO. When one buys a relevant set meal or food, a donation of ¥20 per meal is used to provide meals to children in developing countries through the organization.



The serious attitude of students really moved me

Toshio Nagashima, Suda Shouji Inc.

Suda Shouji donates wooden boards, which are otherwise disposed of, to a special-needs school, from which the company's employees graduated, for woodwork teaching. I have been engaged in this job as part of my work and am always moved by students' serious and earnest dedication to production. In addition to this activity, I also attend a local employment support liaison meeting as an adviser on safety matters and work procedures.



Cooperating with resource recycling

Shunsuke Asaba, Head Office, E-Globaledge Corporation

I think refuse recycling is very important in this resource-poor country of Japan. In fact, Japan's recycling ratio is higher than other countries. I have a good understanding of the recycling rules of the local government and separate waste in the right way so that I can help promote recycling. For example, what I try to be careful of is that I wash the insides of plastic containers, cans and bottles with water and that I remove staplers from cardboard before dumping it for recycling.



Thorough separation and recycling of waste

Makoto Nomura, NKC OF CANADA, INC.

In an area in Canada where I live, there are strict rules about refuse separation and sorting. Local people make no mistake in sorting refuse using dedicated boxes. This year the rules became stricter. Now they require more detailed classification of “plastic” things. When I was living in Japan, I obeyed the refuse separation rules. Now my environmental consciousness has been further enhanced. The small efforts of each citizen lead to maintenance and improvement of the global environment. I keenly feel this connection.



Promoting energy saving even in my private time

Fumihiko Omura, THAI NAKANISHI CO., LTD.

Our Thai base obtained ISO14001 certification. While energy saving is promoted in the company, I myself try to promote energy saving even in my private time. Since Thailand is a tropical country, we use an air-conditioner all through the year. As I am here alone, I use no air-conditioning in the day time at home. After I come home, I only operate one air-conditioner as the outside temperature has already dropped. The set temperature is also about 28 to 29 degrees. When I am out, I make it a rule to turn off the power of each electrical appliance.



Environmental protection and money- and energy-saving by commuting to work with a small motorbike

Junichiro Inaoka, Atsugi Branch Office

I used to use a car to commute to work or go shopping at nearby shops. But I brought a small motorbike, which I used in my student days, from Osaka to Kanagawa. Now that I changed to a small motorbike for commuting, a lot of fuel has been saved. Fuel-wise, it is certainly a contribution to global environmental protection. Since the motorbike consumes a very small amount of fuel, it is also money-saving and energy-saving even though I use it everyday. I am planning to move on to a bicycle to burn not gas but fat.



Good things come from local production and local consumption

Megumi Inoue, Banshu Nakanishi Metal Works Co., Ltd.

In my home, we always use fresh local vegetables for meals. I go to nearby stores where locally harvested vegetables are sold directly from their producers on holidays with my “eco bag.” I buy not only vegetables but also jams, sushi and other hand-made foods at good prices. Using those local farmers' stores pleases me and my family members, which pleases producers, or local farmers. This is the very case of “virtuous circle.” I hope to continue connecting with local people in this way.



Taking on ecological movement by myself

Masaki Mori, Head Office, Website Management Department

Last year, I finally changed cars from the beloved one I drove for over 10 years. The new car I bought is a model equipped with an “ECO” mode for environmental consciousness. While I am driving, the fuel consumption is always shown, which has made me more aware of fuel consumption. It is hard to run economically in an urban area, but I enjoy driving as I take it as a challenge to improve fuel consumption of my car.





NKC Group's CSR Policy

Summary of FY2016 CSR Activities

Here is a summary of the major tasks of NKC Group's CSR activities and the actions taken for those problems as of FY2016.

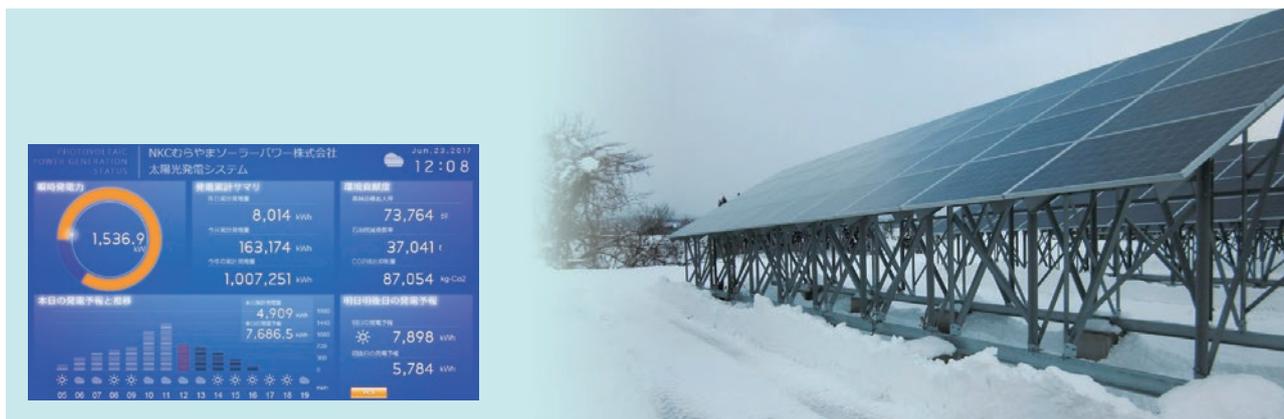
Key issue	Activity policy	FY2016 activity results	Page	Plan after FY2017
Human rights and labor practices				
Human resources development	Education and training by purpose and theme	[New employees] Initial training for new employees held (company information session at the head office, field study in the plant, overseas language training)	14	Continue the initial training including the field study in the plant and language training.
		[Second year of employment] Follow-up training on basic business skills held		Continue follow-up training for second year employees.
		[Mid-career employees] New business start-up training for development of executive candidates (management workshop) held, and one new business proposal submitted to the management		<ul style="list-style-type: none"> Continue review of the new business proposal. Start training on a new theme.
Diversity and inclusion	Fair and just hiring and appointment	Horizontal deployment of the measures for the hiring of excellent human resources regardless of gender started, a review meeting including the president for the head office and plants held, and visit to and interview with schools carried out.	13 • 15	Continue inter-site review meetings and hiring activity toward man-woman ratio leveling.
		Project members for empowering women were convened, and women employees were interviewed about the current status (Nadeshiko Project).		Start recruiting male members and the second phase of the Project.
	Promotion of work-life balance	Provision on childcare leave of male employees was added to our childcare leave regulations (9 male employees took the leave). This revision led to our acquisition of "Kurumin Mark (single star)."		Provide notification of the regulation in the company and encourage male employees to take childcare leave.
		Preparation for introduction of the stay-home work system was made (trial by the managerial staff and some departments conducted).		Review introduction of the system and increase in the number of sites where the system should be introduced.
		Employees were encouraged to take paid leave through cooperation with the labor union, and the paid-leave taking target was chosen, which is 9 days per person.		Continue to aim at achieving the 9-day target.
Harassment prevention	Daily status of overtime work was checked, information shared with the labor union, and the overtime hours reduced from the previous year.	Continue daily management and promote consciousness-raising of the managers.		
Labor-management relationship	Establishment of a sound and good labor-management relationship	Labor-management council on management tasks and employment environment was held, negotiation by the branch in the NKC Group held, and spring wage negotiations held.	16	Continue to collect opinions of employees through consultations and make effective use of the opinions.
		The "Subcommittee on Review of Post-retirement Re-employment System" was set up on how to deal with re-employed retirees and improve job satisfaction, and sessions held as required.		Hold the sessions on a regular basis, and submit the company's response to the pending matters within the year.
Occupational safety and health	Occupational safety and health management	The "Global Safety Conference" was held, in which all safety and health personnel of all plants inside and outside Japan participated.	17	Conduct internal audits of overseas plants and hold regular meetings as usual. Hold the Convention once every two to three years.
		Internal audits by the head office staff were conducted (9 plants inside Japan and 4 plants outside Japan), and recommendations for improvement were made.		Share actions taken by each plant among plants as successful examples.
	Prevention of accidents	Zero accident awards were given to a total of eight plants who achieved a zero accident record for a given year (five plants in Japan and three plants outside Japan).	18	Continue actions for zero accident effort to increase the number of plants worth being commended.
		Various kinds of safety training (special training for licensed personnel, training by grade, and basic training at a morning meeting) were provided.		Continue providing education and training based on lectures and others and enlightenment by sharing information on a daily basis.
		Risk assessment activities for mechanical equipment to be newly introduced or for chemical substances were thoroughly conducted.		Deepen the level of risk assessment of chemical substances.
		Employees were encouraged to notice potential risks through various activities for consciousness-raising including use of KY training, daily training, or use of KY cards.		Continue action for improvement of safety consciousness.
	Comfortable workplace development	Road safety seminars were conducted for company car drivers.	19	Continue holding seminars for further improvement of safety driving consciousness.
		Fire-fighting drills based on fire scenarios were conducted.		Start reviewing of a series of measures "prevention, early detection, and restoration" (BCP).
Promotion of health	Workplace environment improvement was conducted at all domestic plants from a structural viewpoint.	20	Aim for a workplace where every employee can feel comfort in conjunction with diversity activities.	
	Follow-up action was conducted based on the regular and special health examination results.		Reinforce monitoring of employees' health condition from the viewpoint of both "body" and "mind."	
Mental healthcare	"Health Notebook 2016," a book for enlightenment on health promotion, was issued, and participation prizes were distributed to 888 employees at relevant events held in tandem.		Hold health-promoting events simultaneously with the National Industrial Health Week.	
	Stress check "Mental Health Examination" was made to all direct employees.		Continue to provide stress check to all direct employees.	

Key issue	Activity policy	FY2016 activity results	Page	Plan after FY2017
Environment				
Environmental protection	Environmental management	External audits were made at six domestic plants based on ISO certification, and points recommended for improvement were put into practice.	21	Continue to extend active cooperation with auditors.
		Internal audits by the head office staff were conducted, and points recommended for improvement were put into practice.		Continue to accurately suggest recommendations for improvement and provide progress management for early improvement.
		Basic unit management and demand management were conducted, and annual targets achieved.		Continue promotion of various activities for target achievement and progress management.
		A field check was done at all subject companies to verify industrial waste disposal contractors (and no problems found).		Continue systematic confirmation of contractors' legal compliance.
	Energy-saving	The Nabari Plant was given the environmental award as a plant that achieved particularly excellent annual environmental performance.	22	Share actions taken by each plant among plants as successful examples.
		The CO ₂ emission reduction set by the industrial organization was achieved.		Continue achievement of the emission reduction target through promotion of energy-saving activities.
		New energies, including recyclable energy, were fully introduced at six plants.		Promote introduction and switch to more environmentally friendly products to enhance the use of introduced new energy.
	Resource saving	We participated in the Fun to Share campaign, and implemented the Cool Biz and Warm Biz campaigns in the company.	23	Continue promoting "casual biz."
		Company cars were gradually shifting to ecological cars.		Replace ecological cars, once introduced, with more effective models where possible.
		We achieved zero emissions for the tenth consecutive year.		Continue to maintain zero emissions status.
	Prevention of contamination (soil and water)	The total amount of waste was reduced by promoting "reduce and reuse" activities.	24	Promote further reduction in waste by continuing "reduce and reuse" activities.
		Water quality survey was conducted at wastewater treatment plants in the compound, and the sewage was confirmed to satisfy the effluent standard.		Continue survey and improvement for contamination prevention.
Environmental consideration for local community	Effluent survey was conducted at nearby rivers, and the water was confirmed to satisfy the effluent standard.	25	Continue survey and improvement for contamination prevention.	
	The water quality of the groundwater was checked in the neighborhood, and no soil contamination was confirmed.		Continue survey and improvement for contamination prevention.	
	Noise, vibration, and odor were checked to examine the impact on the surrounding area, and compliance with the standard level was confirmed.		Continue periodic inspection and improvement.	
CSR Management				
Organizational governance	Reinforcement of internal control	The Code of Conduct was revised as CSR activity policy, and the code of behavior was newly established.	13 • 26	Make them fully known to our employees.
	Risk management	Drills based on an earthquake scenario were conducted (including safety confirmation test, disaster management HQ operation training, and normal rescue drill).		Increase the number of training items and the frequency of training and drills and apply them to various sites across the company.
		Supplies and reserves for disaster situations were checked by stocktaking and were further reinforced.		Conduct systematic purchase of such supplies and apply them to various sites across the company.
Fair business practice	Thorough compliance	Application of the information security policy to domestic sites including subsidiaries was completed.	27	Internal audits were conducted to check compliance with the regulations.
		Compliance with the subcontract act was confirmed and improved as appropriate (contracts, purchase orders, value of orders, etc.).		Continue timely examination by internal personnel and promote active cooperation with inquiries from the competent administrative commission.
Social Contributions				
Establishment of relationships with contribution recipients	Interaction and reflection on activities	We set up an internal compliance hotline (no reports received) and informed the employees of the external compliance hotline (distribution of consciousness-raising cards to new employees).	27	Inform the mid-career employees of the internal reporting system.
		We met with local residents and organizations and asked them about what they wanted or required.		Incorporate what we learn or the information we gather from interviews into our activities.
Promotion of contribution activities	Support of activities of local communities and organizations	We collected employees' opinions through the internal questionnaire survey and incorporated them into the CSR Report.	28	Continue incorporation of the gathered opinions to the CSR activities.
		We cooperated with local disaster prevention activities (including donation of disaster management tools and participation in local fire brigades).		Continue donation of necessary items to local communities.
		We provided donation to the areas affected by the Kumamoto earthquake.		Continue the activities for damage-affected areas in and out of Japan.
	Biodiversity preservation	We continuously conducted cleaning activities in the neighboring areas of sites inside or outside Japan.	29	Increase the number of sites inside or outside Japan where employees participate in local cleaning activities.
		We supported (cooperated with) the Stop! Drunk Driving Project (SDD) and encouraged people supposed to be newly employed or newly employed workers to be aware of the dangers of drunken driving.		Continue consciousness-raising of prospective employees and new employees about safe driving.
	Social welfare	We conducted five carbon offset actions (forest-absorption type) and set off a total of 102 tons of CO ₂ .	30	Conduct offsetting of CO ₂ that occurs during the production stage of CSR Reports.
Promotion of education	We signed an agreement with the forest preservation activity near Tanabe city, Wakayama prefecture ("Corporate Forest" activity) and conducted the first tree-planting.	Continue environmental conservation activities and holding of welfare events during tree-planting.		
		We supported the employment of the elderly and people with disabilities through the special job assisting facility (job order placement).		Continue utilization of job assisting facilities.
		We donated foods to social welfare facilities (reserves whose expiration date was expected to come in the middle of 2017).		Continue the same activity and review implementation an action similar to "food bank" in our company.
		We operated the scholarship foundation (¥42,165,000 provided as a scholarship to 113 students and ¥5,000,000 provided as research subsidy to five recipients).		Revise the procedures as required (designated schools, amount of money, recruitment method, etc.).

Entry to environmental business

Global environment issues are recognized as important tasks to solve in international society and are taken care of accordingly. The NKC Group has been promoting environmental management activities for many years now. We entered the new power business, by means of a Group company, to put more emphasis on environmental preservation activities through our business. In this special feature, we outline the new power business and the history of how we have handled this business until today.

[Solar power generation business] NKC Murayama Solar Power Co., Ltd.



Murayama Power Plant

We entered the solar power generation business and established the “Murayama Power Plant.”

NKC Murayama Solar Power Co., Ltd. was founded in October 2014 as a subsidiary fully financed by Nakanishi Metal Works. This started our entry into the solar power generation business.

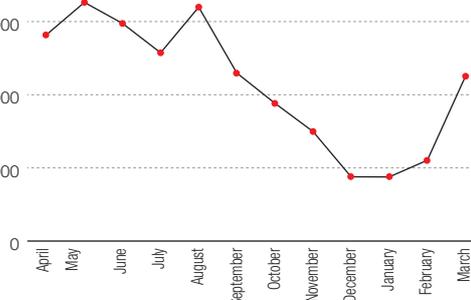
This new company set up a large-scale solar power generation system plant, “Murayama Power Plant,” in Murayama city, located at the center of Yamagata prefecture. This is a rare solar power plant operated in a snowy area in this industry.

Solar power generation is a clean power generation system that emits no carbon dioxide like biomass or wind power generation. Murayama Power Plant is expected to save CO₂ emission of about 730 ton per year.

The “Nabari Power Plant” started.

We purchased the solar power generation business conducted at our Nabari Plant from its original owner SB Energy Corp. in December 2015 and started the plant under the new name of the “Nabari Power Plant.”

■ Total power output in FY2016
* The total power output of “Murayama Power Plant” and “Nabari Power Plant”
* The power output is expressed in units of kilowatts.



[Biomass power generation business] NKC Nagai Green Power Co., Ltd.



Nagai Power Plant

The power generation system, the second in Japan, was employed.

In July 2017, NKC Nagai Green Power Co., Ltd., which conducts wooden biomass power generation, is to start operation of its power plant.

“Nagai Power Plant,” established in Nagai city, Yamagata prefecture, uses the wooden biomass gasification system for power generation, the second case in Japan, and is capable of efficiently using chips of high water content.

The scheduled annual power output is 14,800,000 kWh, and the expected CO₂ saving is about 8,480 ton per year.

We procure materials from around Nagai city as part of our contribution to local environmental protection. We also intend to employ workers from the local community to help create jobs for local residents.

Environmental History of the NKC Group - Toward a Sustainable Society

We started undertaking environmental management activities in the 1990s and went into full-scale operation in the 2000s. The scale of this activity has been increasing year by year.

Today, a lot of those activities have borne fruit, and the action still continues its expansion.

The NKC Group carries out what is really necessary based on our right understanding of global environmental issues and makes contributions to the creation of a sustainable society.

Year	NKC's actions		Social movement
2002	<ul style="list-style-type: none"> Start of introduction of eco cars Introduction of the system for control of the number of compressor units Start of introduction of energy-saving lights, such as LED 		
2003	<ul style="list-style-type: none"> Launch of the action for zero emission to aim at "zero waste for landfill disposal" Start of introduction of cogeneration 		<ul style="list-style-type: none"> Enactment of the "Environmental Education Promotion Act"
2004	<ul style="list-style-type: none"> Start of the introduction of amorphous transformers Full-scale start of switching to energy-saving production system "Osaka Plant" received the Director-General Award of the Kansai Bureau of Economy, Trade and Industry 		<ul style="list-style-type: none"> Revision of ISO14001 and issuance of its 2004 version
2005	<ul style="list-style-type: none"> Establishment of our environmental policy Introduction of solar power generation in the "Tenma area" "Suda Shouji Inc." acquired ISO14001 certification. 		
2006	<ul style="list-style-type: none"> "Osaka Plant" acquired ISO14001 certification "Nabari Plant" acquired ISO14001 certification "Mie Plant" acquired ISO14001 certification 		
2007	<ul style="list-style-type: none"> Start of sale of vertical shaft type wind power generation system Declaration of achievement of zero emission 		
2009	<ul style="list-style-type: none"> Establishment of EPD Office that develops and sells environment-related products "Tenma Sheet Metal Division" acquired ISO14001 certification "EPD Office" acquired ISO14001 certification 		<ul style="list-style-type: none"> Japan declared the interim target for global warming gas reduction.
2011	<ul style="list-style-type: none"> "NKC Manufacturing Wuxi Corporation" acquired ISO14001 certification 		<ul style="list-style-type: none"> Japan established the "feed-in tariff."
2013	<ul style="list-style-type: none"> Second Osaka Traffic Eco Challenge Excellent Award received Start of the introduction of electronic manifest Start of the sale of raw garbage treatment machine and its introduction in the "Tenma area" 		<ul style="list-style-type: none"> Japan revised its mid-term target for global warming gas reduction.
2014	<ul style="list-style-type: none"> Start of carbon offset activity The "Tenma area" introduced an automatic waste weighing system 		
2015	<ul style="list-style-type: none"> "NKC Manufacturing Sweden AB" acquired ISO14001 certification 		<ul style="list-style-type: none"> Revision of ISO14001 and issuance of its 2015 version COP21 held and "Paris Agreement" adopted
2016	<ul style="list-style-type: none"> Fuji Honing Industrial Co., Ltd. acquired ISO14001 certification Start of the sale of C&F Green Energy compact wind power generator 		
2017 [Present]	<ul style="list-style-type: none"> Zero emission record for the tenth consecutive year achieved. Environmental policy was revised. Compact wind power generators manufactured by C&F Green Energy obtained NK certification (compatibility evaluation of wind turbine performance and safety). 		

Global Safety Conference

Workplace safety and health has always been taken as a top priority issue in our over 90 year long history of the NKC Group. We continue to gradually deploy and diffuse our effort from domestic plants to overseas plants to realize enhancement of the safety and health standard. This special feature reports the first “Global Safety Conference” held in FY2016 and outlines the measures taken by overseas plants for safety and health.

First Global Safety Conference

In our long years of safety and health efforts, we have promoted the efforts mainly in domestic plants. For our overseas plants, we individually apply the efforts and share information through meetings and internal audits. While it is important to realize improvement based on the condition in a plant to improve the level of safety and health, we believe we can find and learn new things by looking at the condition of other plants. In September 2016, we held the “Global Safety Conference” at the head office for the first time in the history of the NKC Group to share information among plants and reinforce the mutual relationship across the Group. All safety and health personnel of plants in and out of Japan were gathered at the Global Safety Conference. A variety of programs were conducted in the two-day schedule. The programs were composed of mainly “successful examples” of various plants. Participants were also offered training to detect potential hazards and visits to plants. When a thematic free conversation program on safety and health was conducted, the participants never stopped discussion even after the scheduled time expired. They effectively exchanged various opinions and ideas. We learned a lot from this Convention. The major benefits include establishment of a good relationship and sharing of important information among plants as well as improvement of the personnel’s consciousness and knowledge and skills. We plan to hold the Convention once every two years and make effective use of this event by revising programs, sharing mutual successful examples, and mutually enhancing our safety and health consciousness.

Program of the Global Safety Conference

Major programs	
Day 1	Confirmation of the NKC Group’s “Basic Policy on Safety and Health”
	Sharing the information on no accident operation and accident occurrences in the past five years
	Analysis of accidents caused by human error
	Introduction of successful cases of potential hazard detection (detection of hazard factors)
	Implementation of potential hazard patrol (field practice)
	Introduction of successful cases of measures taken by participating plants
	Introduction of a successful example based on a morning meeting, “mini morning meeting”
Day 2	Presentation of topics on safety and health activities by overseas plants
	Thematic free conversation
	Visit to plants (Osaka, Nabari, and Shiga Plants)

[Global Safety Conference Remembered with Photos]



The Global Safety Conference, the first kind of event in the history of the NKC Group, was held.



Practical training of potential hazard detection using an actual workplace



Participants were very enthusiastic during the thematic free conversation session.



Participants visited plants and exchanged notes on Day 2.



Participants visited a “Safety Dojo” (space for education) in a plant.



Souvenir photo (showing all participants)

Safety and Health Activities in Overseas Plants - Major Topics Narrated by Safety and Health Personnel

USA

NAKANISHI MANUFACTURING CORPORATION

Serious life-saving training to save life in an emergency situation

We have one AED each at three areas in our plant, and all members know it. Every employee can get to an AED in each area within about one minute and sixty seconds. That means, we can start life-saving action with AED within three minutes. All employees are also provided with AED operation training every year. All employees take the training every year, which allows them to refresh their memory and act accurately and swiftly in the event of an emergency. Furthermore, we hold a workshop on first-aid procedures so that they can improve their knowledge and skills of life-saving.



Mike Ramirez



Annual AED training

USA

NKC OF AMERICA, INC.

Promoting safety education for dangerous work

At our plant, the leaders of the safety program hold monthly lectures on various themes related to safety and health. Movies and hand-outs are used for participants. When each lecture ends, questions are given to the participants at random to check how much they learned. Various ideas are used to make them learn effectively. Among them, crane and forklift operation involves danger. For those operations, safety education is particularly important. A practical drill is held three times a year. Drill participants learn the risk that carelessness will end up a serious occupational accident the hard way.



Gene Bloodworth



Education through practical drill

Sweden

NKC MANUFACTURING SWEDEN AB

Encouraging employees to be more conscious and fully participate in training

Industrial accidents can be reduced if every employee is constantly careful and prioritizes safety. We encourage the participation of employees and aim to create a safer working environment. The following measures are continuously taken at our site: (1) Show how important safety is at the general meeting. (2) Share unsafe information in the plant by putting it up on the notice board. (3) List the major risks of each workplace and take responsive action. (4) Conduct monthly internal audit on safety and 5S's and disclose the results on the notice board. (5) Share information on a daily basis and provide education and training.



Anna Sjastad



Notice board to share information on safety and 5S's

Philippines

NKC MANUFACTURING PHILIPPINES CORPORATION

10th anniversary since the start of the "Safety Week"

The first week of every July is the Safety Week for our plant. We hold various events during this week. FY2016 is the 10th anniversary. The theme of this year is "Leadership and Risk Prevention by All Member Participation." During the week, a drill and lecture on earthquake and evacuation was held with the personnel from PAGASA (Philippine Atmospheric Geophysical and Astronomical Services Administration) as the lecturers, and a safety quiz event, and a safety consciousness-raising poster contest were held. Many employees joined the event in a team. The Week was successfully ended. This event is a valuable opportunity for our employees to realize anew that it is very important to think about the safety of not themselves but also others.



Syouji Taira



A scene in the Safety Week

China

NKC MANUFACTURING WUXI CO., LTD.

Promoting improvement in both safety and the working environmental

In FY2016, we put a premium on improvement of safety consciousness. We first focus on consciousness reform of management supervisors. To be specific, they are assigned to serve as the leader of any special committee to settle each role. In addition, we started working on the improvement of the working environment. We promoted (1) downsizing of the workplace by the 2S team, (2) classification of pedestrian roads in the plant compound, and (3) application of safety covers to production equipment. We also focused on compliance and fully practiced how to comply with the fire defense law. We continue to work on improvement of safety and the working environment in the future.



Chen Baoyun



Employees during safety training at a morning meeting

China

NKC MANUFACTURING DALIAN CO., LTD.

We achieved no accident operation for the 8th consecutive year. The target is 10 years.

Our plant continues to achieve zero accidents consecutively for 8 years. This is the outcome of all employees being engaged in the 6S activities. We prioritize the 6S activities in the descending order of "discipline, orderly arrangement, neat arrangement, cleanliness, cleaning, and custom." What we mean is, thoroughly teaching the rules helps employees continue the practice of "orderly and neat arrangement" and make it second nature so that unsafe actions will be fully eliminated. We also focus on risk assessment and potential hazard detection. Future plans include continuation of these measures to aim at achieving our first goal, the 10th consecutive year of zero accidents.



Bai Xuesong



6S posters and orderly and neat arrangement in the plant

China

NKC CONVEYOR FOSHAN CO., LTD.

Fire-fighting drill held in cooperation with the local community

We hold a fire-fighting drill every year, trying to improve fire-fighting safety consciousness and the sudden response capability. In FY2016, our plant held a joint drill with a local government. We had such a full-scale drill that we felt as if we had responded to the actual condition, with emergency vehicles put to use during the drill. The drill was very effective in terms of acquisition of the basic knowledge on initial fire-fighting, evacuation, and rescue of the injured as well as improvement of the early response capability. Other than this drill, we take various other measures to enhance the level of fire prevention and safety, including workshops, teaching activity, and maintenance of fire-fighting equipment.



Zhang Liu



Employees during a fire-fighting drill

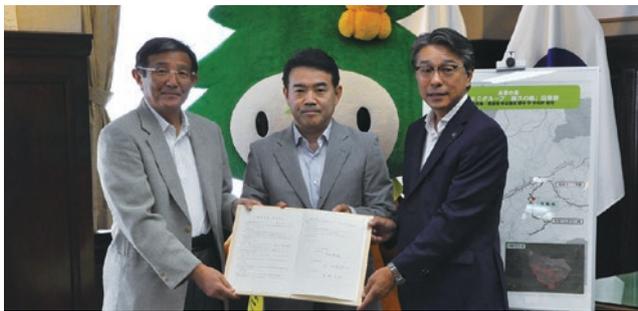


Series Feature

Toward the 100th Anniversary

The NKC Group will celebrate the 100th anniversary of its foundation in 2024. A company continuing its management is the major prerequisite of the CSR activity. We present the efforts being made to realize continued growth beyond the 100th year of foundation in this series feature.

Annual Event Report: First Feature - “NKC Group Eternal Forest”



Signing ceremony at the Wakayama prefectural hall



Group photo of all participants



Distant view of “NKC Group Eternal Forest”



Participants during the event

“NKC Group Eternal Forest” was born.

We participated in the “Corporate Forest” campaign promoted by Wakayama prefecture in August 2016 to improve our environmental contribution activities and welfare activities.

The “Corporate Forest” is a campaign, initiated by Wakayama prefecture, that promotes participation of corporations for appropriate management and preservation of forests in the prefecture. Participating companies are allowed to conduct their own CSR activities by using the human resources, capital and other resources. The NKC Group borrows a forest near Nakahechi-cho, Tanabe city, near the World Heritage Kumano Kodo, and named it the “NKC Group Eternal Forest.”



First annual event held

In November 2016, the tree-planting event was held as the first annual event toward the 100th anniversary of foundation in 2024.

A total of 53 people, including employees, with their families, of the head office and five domestic plants, participated in the event and planted many young trees with the help of the Nakahechi Forestry Cooperative.

The event was a very good opportunity for the participants as they experienced wood chopping and chainsaw operation and learned the power of nature and the importance of protecting it by enjoying these programs.

It is our belief that CSR activities are established and grow only with the cooperation of employees. However, it is not the idea to learn and carry out CSR in a stoic manner. The thing is that it is important to create an environment where we can voluntarily work on it while enjoying the activity and feeling satisfaction.

We intend to hold these events for environmental contribution every year to promote activities with participation of employees.

Promoting use of “human resources” and diversity

Support of child-rearing

We conduct various activities to help employees choose the style of working that fits them even during child-rearing.

In-house nursery centers in the head office and three plants are used as temporary day-care centers in case employees cannot find their desired nurseries.

In addition, a provision on childcare leave of male employees was added to our childcare leave regulations, and we acquired “Kurumin Mark” in April 2016 as a “company that supports employees’ child-rearing.”



Children in a nursery



Kurumin Mark

Employee’s opinion

Using the childcare leave

Male employee, head office (management department)

After my wife gave birth to a child, I took a few days off as the childcare leave to support my wife and the baby for a two-week check. In the first place, our company has an atmosphere where we can relatively easily take days-off. Now we have a flextime system and a paid leave system, and I used them so that I and my wife did our best to carry out our first child-rearing. My wife was very pleased with my support. I myself felt the actual sense and responsibility of what it means to raise a child.

Nadeshiko Project started

While the focus is put on improvement of the working environment, we still have some problems to solve about the corporate culture that prevents male employees from noticing the standpoint of female employees.

In response, the company needed to incorporate the opinions of women employees. The “Nadeshiko Project,” made up of women members of various departments, was finally set up. In FY2016, we shared the problems currently facing us in this respect.

In the future, we are going to recruit male employees to expand the sphere of activity for the Nadeshiko Project and help it continue its activities.

Employee’s opinion

My participation in the Project

Moe Ohkura

Tokyo branch (Special Machinery Business Department)

When people spoke to me as a member, I felt that this could lead to communication with other sections and so I participated with a positive attitude. There are many men in my department.

They however have been very kind to me since I joined the company. So the personal relationship is very good.

On the other hand, when I think of my own growth, I still feel there are a small number of women’s model cases.

I want to continue working even through various stages of my life, including marriage and childbirth. I hope I can help improve the working environment and make myself a model through participation in this Project.



Risk Management/BCP Activity

Status of the progress of earthquake damage BCP

Since the outbreak of the Great East Japan Earthquake in 2011, we have been preparing the earthquake damage BCP (disaster management plan) for each site.

The plan has been completed for all domestic sites, including our Group companies. For overseas sites, the BCP has been already completed for two sites in the Philippines.

In the future, we promote development of BCPs for overseas sites while conducting BCP communication activities such as training.

While measures against earthquake events are emphasized in Japan, it is our policy to prepare plans that match the specific risk of each nation or region.

Graphic illustration of how BCPs are developed for other sites



In Japan and the Philippines, the BCP was developed based on the scenario of natural disasters (mainly earthquakes).

The focus is not necessarily put on natural disasters; risks that specifically match each nation or region are studied.

BCM activity in peacetime

We take various measures to make the BCP effectively work in the event of an emergency. For example, we provide information on the BCP to our employees to help them know it. In addition, we established an emergency contact network and put it in place.

In FY2016, we held training on cardiopulmonary resuscitation so that employees can cope with any emergency situation other than earthquakes. In the next year, we plan to complete provision of training to a predetermined number of employees at each domestic site.

Employee’s opinion

My experience of cardiopulmonary resuscitation training

Kanae Judai

Head office (Special Machinery Business Department)

I had training on cardiopulmonary resuscitation when I was a student. At first, I thought I remembered how to do it. But I realized there were many things I had forgotten. This was a very good opportunity to refresh my memory. While I am commuting to work, there are so many people on the way and in the company. I think there is a high probability that I would use AED. Now I learned how to use it again and memorized where it is located in the company, I realized I became more aware of this kind of danger together with my level of knowledge base.





Human Rights and Labor Practices

NKC Group promotes a clear understanding of human rights issues and fosters 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.

Human resources development

Education and training by purpose and theme

New employee training soon after joining the company

In FY2016, new employee training was provided to a total of 32 newly employees hired by the Head Office and plants soon after joining the company.

They learned the company rules and regulations and the appropriate mindset of a member of society in a week after joining the company. Thereafter, the employees hired by the plants were assigned to their respective plant, while those hired by the Head Office went through technical training and an about month-and-a-half long factory training course and completed one-month long language study course in the Philippines. Although they were confused as they had to lead life in English which they were not used to, they deepened the mutual relationship through living together and learned English the hard way, which became valuable training for them.

Follow-up training for the second-year employees

The follow-up training was provided to the second-year employees. Trainees learn anew the basic attitude and skills as members of society and set their future goals.

The last training course used a program based on a scenario that a job is assigned to prepare a poster that advertises recruitment. Trainees gathered information including survey of various documents and interviewing various people, and actively exchanged ideas about how to impress the audience. At the end of the program, the trainees received a message from their manager, reconfirmed the expectations of the surrounding people and their own tasks, and summarized their future goals.

Management workshop for mid-career employees

Some selected mid-career employees, among those supposed to lead the company in the future, were provided six-month training in which they were given the assignment of proposing a new business.

This year, the theme of the training was materialization of a new business plan developed by the participants of the same training in the previous year. The trainees examined the hypotheses, repeatedly verified them, and decided the concrete details of the proposed new business while interviewing or negotiating with other companies or local governments.

Their deliverable, or the business plan, was actually submitted to the top management who are currently reviewing the plan to decide whether or not the plan is worth being practically commercialized.

The participants were able to acquire various skills, including the capability of developing ideas and plans, as they went through this practical training.

Target management training for employees with core positions

The target management training was provided to employees newly appointed to Grad 1 core positions.

The training program helps the trainees understand the purpose of the target management system used by the NKCC Group or the effective use of the system as they are shown specific case examples, and ultimately prepare the target and its action plan according to the role of each trainee at their respective workplaces.

This training provides a good opportunity to trainees to reevaluate their job from a broader perspective as the trainees, who come from various sections and jobs, such as production, management, and sale, give each other advice on an objective basis.

Employee's opinion

What I learned from overseas language training

Ayako Tajima

Head Office (Bearing Business Department)

The language training was very meaningful for me as I felt the culture of a different country, had the practical study in a Philippine factory, and learned quite a lot of things.

What was good about the training at the language school is that we were able to learn English on a one-on-one basis depending on the proficiency level of each person. Although I had been learning English, this training was so useful that it allowed me to improve my communication ability.

All the things I learned there actually help me a lot as I do my job right now. I had rarely thought about working at an overseas site before, but I came to have an interest in it as I went through this training.



Lessons in the language school



Group photo during Philippine factory training

Diversity and inclusion

Fair and just hiring and appointment

Start of the review for equalization of the men-women ratio

We are discussing employment of women at factories so as to fulfill the goal of men-women employment ratio equalization. In FY2016, we visited nearby high schools to let female students know about us.

We continue to communicate with students and promote development of an environment where men and women in the young generation can perform excellently.

Empowering women

The Nadeshiko Project for FY2016 was launched at the Head Office. Our activity for woman empowering continues to establish a cultural environment where diversity is honored and everybody can work energetically.

Currently the activity is promoted only by female members. Male members are going to be recruited to further spread the activity.

Work-life balance

Revision of the childcare leave regulation

Revision of our childcare leave regulation led to earning of the "Kurumin Mark" in April 2016 by the Ministry of Health, Labour and Welfare as certification that NKC is a company that supports the child-rearing of its employees.

Nine male employees have so far taken the childcare leave.

Preparation for introduction of the stay-home work system

As part of the work style reform, we are promoting introduction of the stay-home work system to realize the work style that allows every worker to do their job anywhere.

In FY2016, the system was used for some employees on a trial basis. To make employees have a better understanding of the system, all managers of the Head Office took part in the system on a trial basis for a short period.

It is intended that the system be fully introduced in the next year to promote use of the system.

Operation of in-house daycare facilities

We set up an in-house daycare facility at a total of four sites, including the Head Office and the plants. Those facilities take care of children on a daily basis as well as a temporary basis. They are treasured by our employees as a short-term daycare facility until their children can be accepted by their desired kindergartens or nurseries nowadays where there are many children on waiting lists.

Optimization of work hours

We set up numerical goals for reduction of the average total working hours by the end of 2017. To be specific, the goal is 1750 hours for the indirect departments and 1840 hours for the technical departments.

To ensure its progress management, the personnel section provides each department and the labor union with a monthly report of the results of the total working hours.

We take various measures to optimize work hours, including work style reform by institutional systems such as flextime or stay-home work, and improvement of work efficiency by work streamlining or use of IT.

Promotion of paid leave

Measures are taken to encourage employees to take paid leave. In this respect, it is important for employees to conduct their work efficiently. The paid leave plan of each employee is managed by the department to help employees systematically take paid leave. A monthly report on how many paid holidays were taken by the month is provided to the labor union to ensure appropriate management of the progress.

Analysis of stress check results

In response to the establishment of legislation, it is determined as a company-wide rule that all directly employed personnel be given a stress check, which has been in place for some time.

Feedback about the stress check result is given to each employee, and a reporting session is held for the managers to discuss the problems, if any, by workplace. Consultants provide their account of the analysis results, which helps us notice problems that otherwise remain unnoticed. Sharing of information among the participants also allows us to understand the overall trend and reinforce response measures.

Employee's opinion

My participation in the trial-based stay-home work system

Shuji Nanba

Head Office (Transport Machinery Business Department)

I participated in this trial as my senior employee suggested I do so. I felt confused about how to proceed with my job as this system makes me work in a different way. When I worked from home, it was difficult to clarify what I was doing or when I was working and not working compared with my working at office in a suit. On the other hand, I had no commuting stress and applied the free time to doing something else. These are the advantages of this system.

This is a very useful system for those who cannot go to work because of various reasons including family matters but cannot stay away from work either.





Human Rights and Labor Practices

Labor-management relationship

Establishment of a sound labor-management relationship

Periodic negotiation and information sharing

A labor-management council is regularly held to improve the employment and working environment for employees. We receive a wage hike request from the NKC Labor Union Federation, which supervises the labor unions of all sites, every year and negotiate with them for the next year. The management representatives of each site negotiate with the site's labor union branch on working conditions and other matters.



A union member handing a wage hike request to a management member

Start-up of the Subcommittee on Review of Post-retirement Re-employment System

For re-employment of employees after their retirement at age 60, each individual employee is allowed to make a choice by himself or herself according to the law.

The Subcommittee on Review of Post-retirement Re-employment System was set up between the company and the labor union to discuss ways to make treatment after re-employment better and help re-employed persons continue working till the end feeling satisfaction and motivation at work.

A review has been made on full-time employment during a period of no retirement pension and on revision of the wage reduction system. The management's answer is planned to be provided to the labor union within FY2017.

Occupational safety and health

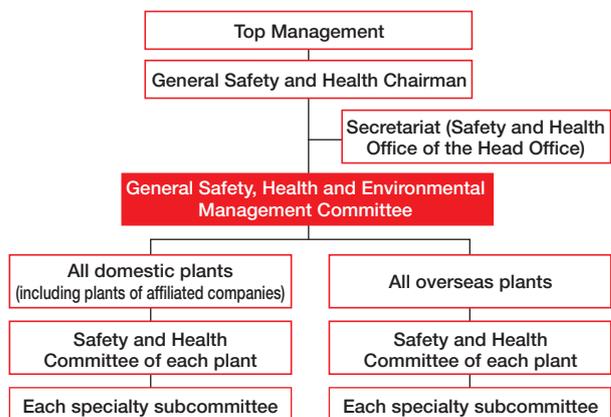
Occupational safety and health management

Sharing of information among plants (meeting)

The "General Safety, Health and Environmental Management Committee," in which nine domestic plants participate, and the "Safety and Environment Teleconference" are respectively held four times a year. The "General Safety, Health and Environmental Management Committee" is held at sites that take turns serving as a host. A field patrol is also conducted to ensure safety, health, and environmental management at each site. The level of safety and health activities is improved by sites' mutual checking of each other's status of activity and sharing each other's successful cases.

For seven plants outside Japan, a teleconference is held six times a year to grasp and share each other's activities for improvement of the level of activity. The Safety and Health Secretariat of the Head Office visits those overseas sites once every two years to check the actual status of activity.

NKC Group Safety and Health promotion system



Patrol

There are various types of patrol conducted in our sites. The Safety and Health Committee and Safety Subcommittee conducts a “safety patrol,” the Disaster Prevention Subcommittee conducts a “disaster prevention patrol,” the 5S Subcommittee conducts a “5S patrol,” and the Environmental Health Subcommittee conducts a “health patrol.”

These patrols are reinforced at appropriate occasions including National Safety Week, National Industrial Health Week, National Fire Prevention Week, and the days before and after the long holiday season.

Prevention of accidents

No accident awarding

The numbers of accidents of near-injury or worse are annually tabulated at each plant. 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 FY2016 include five plants in Japan and three plants out of Japan.



Commendation certificate for no accidents during the year

List of award-winning plants

Domestic	Mie Plant, Shiga Plant, Nakanishi Kako, Banshu Nakanishi Metal Works, and Fuji Honing Industrial
Overseas	[USA] NAKANISHI MANUFACTURING CORPORATION [China] NKC MANUFACTURING DALIAN CO., LTD [China] NKC MANUFACTURING WUXI CORPORATION

Internal audit

Internal audits are conducted once a year in each plant by the Safety and Health Secretariat of the Head Office.

We check the legal compliance and examine each workplace according to the priority audit themes determined by the year. Audit themes determined for FY2016 include the status of management of chemical substances, safety measures for rotating machines, measures for the prevention of dust explosion, and the status of safety management of the equipment team’s workplace. Items suggested for improvement are listed, and a follow-up check of improvement is made.

Basic education at a morning meeting

Basic education on safety and health is promoted by using the morning meeting time so that employees can be repeatedly exposed to the basic knowledge and awareness. Basic education is provided based on specific programs determined by the workplace. The materials to choose from include the “Safety and Health Handbook,” delivered to all employees, a collection of accident cases of other plants, One-Point KY (see page 17 “Promotion of hazard prediction (KY)”), and close call and potential hazard cases. The day’s priority safety point is determined as “one-person hazard prediction,” and all members practice pointing and calling at every morning meeting.

Special training for licensed personnel

Employees engaged in priority 7 jobs (operation of forklifts, operation of cranes, slinging, pressing work, operation of robots, gas and arc welding, and changing of grinding stones) and hazardous jobs (high-place work, electric installation work, or jobs handling dust, rolls, or chemical substances) are internally certified as those specially engaged in those jobs and provided with special safety education and training once a year. We set up a rule that those who do not take the training are not allowed to do these jobs so that every relevant employee should take the course.

Education according to grade

Education according to employee grade, namely including education for safety managers, education for foremen, education for foreman candidates, and education for new employees, is provided to help every employee improve their safety consciousness in their own capacity. Employees are also encouraged to take the RST courses to obtain the lecturer license for foreman education.



Human Rights and Labor Practices

Collection of safety slogans

Each plant calls for safety slogans from all its employees every year. Slogans gathered during the period are screened to pick up the most outstanding slogans for awarding. Since employees themselves are involved in coming up with safety messages, it is effective in promoting consciousness-raising among employees.

Employee's opinion

My first award

Seiko Kyota Manufacturing Group, Nakanishi Kako

I was very surprised that I was given the award, the first time ever since I joined the company. I had constantly been hoping that all workers, including our plant as well as any other plant, have a safer workplace as we often saw or heard cases of injury or near-injury. That was the background that prompted my coming up with this slogan.

I constantly feel that the NKC Group is very enthusiastic about ensuring our safety and health. It is important that we ourselves be always careful, but I hope that all the people in any workplace will be more conscious about safety.



Is everything OK?
The work that you do
Requires that we look out for
each other to ensure a safe workplace.



Three winners of Nakanishi Kako (Kyota at the center)



Employees gathering for a morning meeting

Fire prevention activity

We conduct inspection and follow-up inspection of fire-fighting equipment, thorough control of hazardous materials, and fire prevention patrol as part of our effort to ensure prevention of fire and mitigation of fire damage.

Employees both in the day shift and night shift are provided fire-fighting drills including notification, fire-fighting, and evacuation drills. The same drills are also conducted in plant employee dormitories.

Promotion of hazard prediction (KY)

Hazard prediction training using training sheets is provided as needed to improve employees' hazard prediction capability.

We have in place the "One-Point Hazard Prediction" technique that concisely visualizes what each worker should be careful about in their respective work. This technique is used when instructions are given or during basic education at morning meetings.

Use of "Potential Hazard Report"

Employees are instructed to notify their managers of any danger point or location at their workplace with a "Potential Hazard Report." Our particular focus is put on detection or identification of minute things that only workers directly involved in them can notice.

Identified hazards should be corrected with improvement measures. This information is shared among all plants and spread across the Group.

Submitted "Potential Hazard Reports" are evaluated, and the scores are summed up once a year. Plants whose reports show many excellent findings are awarded.

Risk assessment

Measures for prevention of industrial accidents by risk assessment are always taken when equipment is newly introduced or repaired.

We have a rule that equipment can never be operated unless all risks have been eliminated. Using this rule, we endeavor to eliminate potential sources of danger by implementing appropriate procedures and methods.

Promoting safe driving

We make regular checks to see if employees wear seat belts or helmets as they commute on vehicles, motorbikes or bicycles. We hold in-house road safety seminars with the help of the competent police department.

We also ensure that car, motorbike and bicycle users have appropriate insurance coverage, thereby promoting safety operation.

The Head Office annually participates in a no-accident and no-violation driving contest sponsored by the Osaka Prefectural Police to raise employees' awareness of safe driving behaviors.



Employees taking an in-house road safety seminar

Employee's opinion

After taking a road safety seminar Tsuyoshi Fukayabu

Service and Production Management Group,
Osaka Plant



After I took the seminar, I came to have a very good understanding of safe driving methods, such as rear-end collision avoidance or crossing collision avoidance. I realized I was more aware of the importance of safe driving. You never know when you might be involved in an accident involving a collision even if you think you have the right following distance. I am determined to be more conscious of what it means to drive safely.

Comfortable workplace development

Improvement of facilities and equipment

We promote comfortable working environments across the Group based on the policy of the Ministry of Health, Labour and Welfare.

We revisit our working environments from the four viewpoints recommended by the Ministry's policy, or "management of the working environment," "improvement of the working methods," "establishment or improvement of facilities or equipment to ensure recovery of workers' physical and mental fatigue," and "maintenance of other facilities and equipment." Various improvement activities are going on at each site.

This action is now being spread to affiliated companies according to the safety and health promotion system.

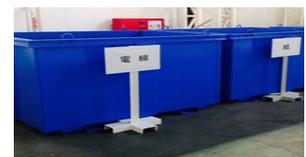
Improvement cases of affiliated companies (selected)



Beautification of space by improvement of shower room equipment (Banshu Nakanishi Metal Works)



Mental health advice office for employees (Suda Shouji Inc.)



Beautification of the waste deposit area and reduction in dumped waste by placing buckets for refuse separation (Fuji Honing Industrial)



Improvement of the comfort of office space by installing a hypochlorous space cleaner (E-Globaledge Corporation)



Improvement of 5S's by total renewal of storage racks (C.T. Machinery Co., Ltd.)

Promotion of health

Health examination and its follow-up

We annually conduct regular and special health examinations in compliance with the relevant law. Feedback about the examination results is given to each individual employee. In addition, a follow-up measure is also taken for prevention of lifestyle-related diseases by means of one-on-one consultation with industrial doctors.

The in-house clinic also regularly provides all employees with information on the prevention of heat stroke in summer or prevention of influenza in winter for better seasonal health management, thereby encouraging employees to be more careful about their health.

Mental health examination

Revision of the Industrial Safety and Health Act now requires every worker to be given a stress check.

While the NKC Group had been engaged in mental health management of its employees before legislation (“mental health examination”), we now apply this rule to all employees directly employed by us.

Feedback about the examination results is given to each individual employee. The group analysis results by the workplace are disclosed to the managers to discuss problems for improvement.

Individual employees can have further support with the help of in-house nurses or external consultants.

Promoting health

We encouraged all our employees to do “what is good for our health” according to the philosophy that “shifting from an era when diseases are found and treated at an early stage to an era when the lifestyle is improved in the stage before having a disease.”

We made the “Health Handbook 2016,” a guidebook that contains specific things to do for health improvement such as eating, physical practice, or resting. Using this Handbook as a fitness guideline, I did many things that I can to improve my health for one month. As a result, the self-check point improved from 20.2 to 25.0 by 4.8 points.

We plan to continue promoting “doing things good for our health” every year as a consciousness-raising activity for employees’ better health.



“Health Handbook 2016” and “Lifestyle Improvement Book”

Employee's opinion

After participating in the “Health Handbook 2016 Event”

Masatomo Tamura

Management Group, Shiga Plant

As I grow old, whenever I feel a bit out of shape, it bothers me. This event was a very good opportunity for me to think anew about my own health. I read the book distributed to employees and understood what I should do to maintain or improve my health. During the event period, I was very conscious of my health and came to lead a life conscious of health condition. I make it a rule to go easy on salt and sugar in my daily life. I think I am relatively physically active at work or in my private time. I continue to increase what I can do to improve my health and act while envisioning my better health condition.



Environment

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, 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 protection

Environmental management

Sharing of information among plants (meeting)

Headed by the chairman of the Environmental Management Committee, the General Safety, Work, and Environmental Management Committee is held four times a year, each convening environmental managers and environmental management promoters of each plant.

This organizational system is designed to quickly act with respect to environmental policies for such purposes as sharing of information on environmental improvement activities and lateral deployment of actions to respond to legal revision.

An environmental management committee is held monthly at each plant inside and outside Japan, with environmental managers taking the lead role in managing and promoting the progress of activities according to the environmental policy and environmental improvement action plans. This is how we ensure continuous improvement of environmental management across the Group.

External audit

We promote acquisition of ISO14001 certification particularly for domestic plants and affiliated companies.

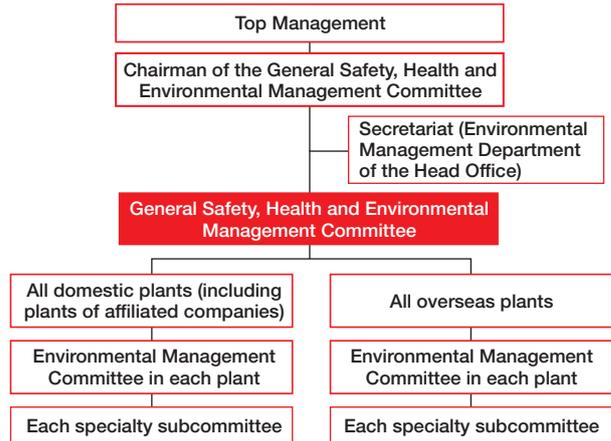
In Japan, ISO14001 certification holders include the Osaka Plant, Mie Plant, Nabari Plant, Temma Sheet Metal Division and EPD Office of the Head Office, and affiliated companies of Suda Shouji Inc. and Fuji Honing Industrial. We put in place the environmental management system at each site according to the NKC Group's environmental policy, continuously improve the system, and ensure the improvement of environmental performance.

According to the result of periodic audits by a third-party certified organization, none of our sites were judged to have failed in FY2016. The effectiveness of our system is continuously verified. In response to the revision of ISO14001 in September 2015, the certification holding plants are planning to complete shifting to the year 2015 version within FY2017.



External audit under way

NKC Group Environmental Management promotion system



Internal audit

In addition to audits by an external organization, internal audits are regularly conducted by our internal environmental auditors to evaluate the effectiveness of the environmental management systems and enhance improvement activities.

Our domestic plants that have not achieved ISO14001 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 to improve the environment as they see fit in their respective area. The activities and the progress are checked once every two months through teleconferences. Head Office environmental management personnel visit our overseas plants every two years for on-site assessments of their specific activities and follow-ups and sharing of information.



Internal audit under way



Environment

| Patrol

Various specialty subcommittees are set up at each plant to promote specific environmental improvement activities under the initiative of the environmental management committee. The environment-related subcommittee regularly conducts environmental patrol in each plant to help promote improvement activities. To be specific, noise and lighting levels of each site are assessed to ensure comfortable and healthy working environments and promote energy-saving efforts. Refuse sorting and separation is also checked. Action is swiftly taken if any problem is found.

| Onsite verification of industrial waste disposal contractors

It is the responsibility of the waste-discharging enterprise to ensure appropriate treatment or disposal of industrial wastes. It became an internal rule to conduct onsite verification of contractors who dispose of waste. This verification has been continuing since 2008.

We visited 12 contractors in FY2016 and confirmed their appropriate treatment or disposal of waste.

We also promote more use of the electronic manifest system. We also promote hiring of government-certified industrial waste disposal companies and actively encourage non-certified service providers to become certified.

Energy-saving

| Basic unit management and demand management

Each site has been trying hard to reduce emissions of CO₂ for many years to prevent global warming.

The NKC Group achieved the target value proposed by the Japan Bearing Industry Association (reduction by 23% relative to the FY1997 results in basic unit by FY2020) as the entire group in FY2016.

All plants also introduced a demand monitoring system to reduce power loads, thereby promoting energy-saving for reduction of maximum demand power.

| NKC Group “Environmental Grand Prix”

The Environmental Grand Prix was launched to promote and embed environmental activities across the Group. The award is given to business sites that have achieved excellent results. This Grand Prix was launched in 2001 (to reward initiatives implemented in FY2000). 2016 is the 16th anniversary of this award. Business sites are annually rated by the dedicated members, with the Head Office secretariat playing the core role, on their environmental performances in terms of (1) energy conservation, (2) waste recycling ratio, (3) cases of environmental improvement, and (4) other noteworthy initiatives. The business site with the highest score wins the award.

In FY2016, the winner is the Nabari Plant, which was awarded a memento of their achievement.



| Energy-saving activity and utilization of new power

Every plant systematically revises production equipment and ancillary equipment to reduce CO₂ emissions for global warming prevention.

The Nabari Plant is effectively reducing energy consumption by optimizing compressors and recycling waste heat. The efforts of other plants include enhancement of efficiency of blower motors at an effluent treatment plant in the Osaka Plant and introduction of energy-saving vulcanizing equipment in the Mie Plant.

The NKC Group as a whole already started switching to and utilization of new energy and is taking various measures to further reduce CO₂ emissions.

Small-group initiatives

In addition to company-wide efforts to improve the environment, the NKC Group focuses on environmental initiatives at the factory floor level. Whenever employees working at the work floor feel something as a waste, it should be led to practical action for improvement. These eco-team activities together with the improvement suggestion program are conducted at each workplace. Some examples of initiatives undertaken so far include (1) improvement of transport service efficiency and integration of transport by revision of shipping procedures, (2) shifting of stretchable film used in packaging in-process items for transport to recyclable air caps where possible, and (3) repair of used wooden pallets for reuse. We intend to continue promoting ecologically minded workplaces through small-group improvement initiatives.

Employee's opinion

What I learned from a small-group activity

Resin Shipping Team

Service and Production Management Group, Nabari Plant

Our plant used regular services to deliver products to customers on a daily basis. We paid our attention to the quantity of loads on trucks varying from shipment to shipment and tried to solve this variance to improve transport efficiency.

To begin with, we checked the carrying loads every day. Products vary in shape and size depending on the type. The number of products in a box also varies from box to box. Therefore, we set the number of pallets, on which boxes are placed, as the basic reference. Since regular service trucks also carry products of our other plants, we contacted the sales sections of the Head Office to gather the data. We then reviewed how to optimize the number of regular services based on the survey results and made arrangement with the shipping contractors with advance approval of customers.

The revised transport service arrangement successfully resulted in reduction of CO₂ emissions and reduction in man-hours of our own workers.

This activity was made with our younger staff leading the review team for the first time. To be specific, one young employee was assigned to be the leader, while the other was to be the sub-leader. They had a good understanding of the cycle of "plan, do, check, and act" and did a very good job. They presented the final activity report, which impressed the people present at the reporting session as the presentation clearly showed the forward-looking attitude and performance of the two leaders.



People of the Resin Shipping Team
Right end: Minami (leader); middle: Maekawa (sub-leader);
left end: Nakamoto

Promoting use of eco cars

The NKC Group is making a group-wide effort to reduce the fuel consumption of company cars toward creation of a low carbon economy. We started switching to eco cars in 2003, and over 90% of company cars currently in use are eco cars. These activities were recognized by the prefectural government of Osaka and led to winning of the excellent prize in the category of promotion of eco cars, etc. in the "Osaka Traffic Eco Challenge Award" in 2013.

Employees driving company cars are provided with eco driving training and encouraged to drive ecologically for prevention of air pollution and global warming and safe driving.

All CO₂ emissions associated with use of fuel by our company cars are offset by means of the "Toki's Forest Credit" of Niigata prefecture, which started in FY2015. This offsetting contributes to not only reduction in emissions but also biodiversity.



An eco car used by the Head Office



Company car sticker

"Fun to Share" and "COOL CHOICE"

The NKC Group supports the "Fun to Share" program and the national movement "COOL CHOICE" for global warming promoted by Japan's Ministry of the Environment toward creating a low carbon economy. These activities are supported by companies, organizations and local governments as registrants and intended to carry out effective "wise choices" against climatic changes while widely sharing technologies, wisdom, and measures for low carbon economy.

Also in FY2016, the NKC Group participated in the Cool Biz and Warm Biz campaigns and continued other actions, including AC temperature management and eco drive promotion, for reduction in CO₂ emissions.

Resource saving

| Zero emissions

In FY2007, we achieved zero emissions at all domestic sites as a result of the efforts to reduce industrial waste. Since then, we have maintained the zero emission status for 10 years.

Following the catchphrase “Resources if separated, trash if mixed,” each site of the Group takes active steps for recycling, including separation of wastes according to the waste separation standard to turn them into valuable resources. This effort is to aim at minimizing the emission of general waste, or the type of refuse put to disposal by incineration. According to the record of the Head Office, the amount of general waste generated per day is about 15 grams per person.

| Prevention of contamination

Specific plants of ours not only monitor and evaluate the quality of effluent but also regularly monitor groundwater to make sure the soil is not contaminated by leakage of hazardous substances or oils.

The emergency response procedure assuming leakage of hazardous substances to outside is put in place, and emergency response testing is annually conducted to employees who handle subject substances, thereby preventing environmental contamination. This test assumes an emergency situation not only in the day time but also at night time.

In addition, the NKC Group also has a monitoring system that strictly manages transformers or other items that may be contaminated by low concentration PCB according to the Waste Management Act or Act Concerning Special Measures against PCB Wastes and ensures early neutralization of those items.

| Wastewater management

Release or leakage of hazardous substances or oils from a plant to the external environment results in water contamination of the surrounding environment and poses a great threat to local society. The wastewater discharged from each plant is relatively small in quantity but it is all treated according to the right procedure. Each plant has its own voluntary standard more strict than the relevant standards or regulations including those of the Water Pollution Control Act, Sewerage Act, and local governments’ ordinances and monitors and evaluates the quality of its wastewater. In FY2016, any wastewater released from all plants of ours not only complies with the regulatory level of administration but also our own voluntary standard.

| Reduce and Reuse activities

Our focus is not only achieving zero emissions but also continuous reduction in the total amount of waste, including industrial waste or valuable resources put to recycling.

Reduction in surface treatment with chemicals reduces the amount of sludge generated to treat the effluent used in such surface treatment. Revision of style of packing for items to be delivered to customers reduces the consumption of packaging paper. These are some of other efforts being taken to reduce waste generation.

Use of rainwater to clean floors is also another way of reducing consumption of resources. Furthermore, we reuse waste pallets released from the Head Office to create decorations for the external wall as a trial recycling loop.



Examples of waste pallets reused as external wall decorations

Management and consumption reduction of chemical substances

In order to appropriately cope with laws and regulations on the use or content of chemical substances, which are becoming stricter and stricter year by year, we use and regularly revise the relevant in-house standards and monitor prohibited or controlled chemical substances in all processes from procurement of raw materials to product shipment.

Among our measures taken to reduce consumption of chemical substances themselves, the Mie Plant decreased the number of surface treatment processes and greatly reduced consumption of the substances used for such treatment and the substances used for treatment effluent in FY2016.

In addition, the Osaka Plant revised its cleansing process and reduced the consumption by shifting to substances of lower hazard level and use of the closed system.

Employee's opinion

Elimination of chemical grinding

Masaaki Tamada

Quality Assurance Group, Mie Plant



When we use a press machine to drill a metal plate, unnecessary burrs occur. Grinding with chemicals is a conventional method of burr removal (chemical polishing). However, we made an effective use of the press machines in our plant, changed the process, and successfully eliminated chemical grinding.

However, changing the process was not as easy as it sounds. When you change something, you will have various problems in its process and need to solve them to go ahead. That required the power of not only our own plant but also many related departments. Use of those joint forces was the key to our success. I greatly appreciate the effort and cooperation of all those people involved.

For the effect of the process change, since consumption of chemicals is reduced, the amount of effluent and the amount of treated sludge are reduced, which is an environmental benefit. The procedural benefit is improved productivity as the production process is completed without separation.

I keenly felt the difficulty in taking on a new challenge from this experience. I believe all the steps we took to achieve this success will be effectively applied to any future need.

Consideration for local community

Noise, vibration and odor survey

Noise or vibration generated from a plant directly affects the surrounding area and degrades the comfortable environment in the neighborhood. We conduct regular monitoring and evaluation of those nuisances at the frequency specified by the local government's regulation and standard, thereby ensuring the environmental protection around the plant.

For our plants that handle specific substances, they have appropriate exhaust treatment and regularly measure odors. All the relevant noise, vibration and odor regulations and standards were complied with by all our plants in FY2016. We had no complaints or requests about those nuisances from the neighboring communities.

Recycled energy business and environment-related products

The NKC Group actively uses recyclable energy, such as energy generated by wind power, solar power, or biomass fuel, to contribute to creation of sustainable society through environmentally conscious actions and safe and stable supply of energy.

Recent specific efforts include EPD Room's sale of C&F's compact wind turbine generators and NKC Nagai Green Power's plan to start supply of a wooden biomass power plant in June 2017.



CSR Management

In addition to ensuring compliance with the 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.

Organizational governance

Internal controls

Internal control in support of the code of behavior of the UN Global Compact.

The NKC Group participated in the Global Compact initiated by the United Nations in April 2015.

The UN Global Compact encourages businesses to act as a member of society from global viewpoints to aim at sustainable development of the international society. The Ten Principles in the four areas, i.e. human rights, labor, environment, and anti-corruption, are established as the code of conduct for the said goals. Businesses in the world participating in the Compact are required to implement them within their respective range of impact.

We are approaching the system that complies with these principles by collecting information from relevant organizations and revising internal regulations. We steadily continue taking action to carry out specific action.



* We provide a report to the headquarters of the UN Global Compact through this report as a demonstration of our ongoing action in compliance with the principles of the Compact.

Establishment of the NKC Group's CSR policy

We established the CSR policy anew to act in support of the philosophy of the UN Global Compact while executing our own business activities.

The "NKC's Vision" stays the same, the "NKC Group Code of Conduct" was revised, and the "NKC Standards" was newly established as the action guideline for our employees. In this new institutional arrangement, we set up rules that our employees accept diversity of employees themselves as well as all other people with respect to human rights about which the Group had no detailed regulation and that they abolish compulsory labor and child labor practices and respect human rights.

Our CSR policy is publicly disclosed in our corporate website and in this CSR Report.

We will make our new policy better known to all our employees across the Group and set up a system where the Group can work together with its employees.

Risk management

Drills based on the earthquake damage scenario

We attach importance to education and consciousness-raising of employees as part of the BCM (business continuity management) activities in preparation for occurrence of a major earthquake.

In FY2016, safety confirmation tests were conducted as in the previous year. Cardiopulmonary resuscitation training was newly included in the drill. The Headquarters for Emergency Disaster Control was set up in the Head Office and operated as training. A series of action flows that will occur after occurrence of a disaster were simulated.

Next year and on, we will continue the ongoing measures and improve them and establish a workable system that allows us to react to actual emergency situations while implementing new training.



Employees during simulated training of setting up and operating headquarters for emergency disaster control at the Head Office



Trainees taking a lesson on ordinary life-saving by the fire department staff

Preparation of disaster management supplies

We constantly ensure availability of disaster management supplies including regular purchase of reserves and other emergency supplies. We have a purchase plan for a few years ahead. For items with the best before date or expiration date, they will be purchased only in the quantity required so that the amount of purchase in a year is leveled.

In FY2016, we purchased the supplies as planned and increased the number of AED installed. Seven AED were newly installed in addition to the existing three at the Head Office. AED units were newly purchased or renewed at some plants of the Group companies. At the same time, employees were provided with training when the units were installed. It was also decided that our AEDs be used for local residents whenever necessary.

Following the Head Office's example, overseas plants additionally installed AEDs. Each site came up with their own ideas of effective use of the units including installation at the right locations accessible in a short time from any workplace.



AEDs installed in our facilities are available for use to local residents.

Information security measures

The “Security Safety Management Regulation” is being applied to each domestic site to make them respond to various risks of information security that threaten our company or organization. This regulation specifies comprehensive (human-based, physical, or electromagnetic) information handling procedures covering external use of materials, storage management, entry control, access control, and contractor management. Currently the regulation is effective at the Head Office, Nabari Plant, Osaka Plant, Mie Plant, Nakanishi Kako, and Tokyo branch. In the future, we plan to spread internal audits and their follow-up operations to sites where they are yet to be conducted and continue action toward reinforcement of the information security measures for the entire NKC Group.



Security measures being spreading to domestic sites including Group companies

Compliance

Compliance with the Subcontractors Act

Violation of the Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors is an act of defaming the corporate value amid calls for corporations’ stricter compliance. Recently, the Ministry of Economy, Trade and Industry and the Fair Trade Commission promote optimization of transactions with subcontractors. Understanding their intention, the NKC Group endeavors to promote that movement.

We promote improvement of safe transactions by checking the payment conditions of new accounts more strictly than before and making thorough management of existing suppliers or vendors.

In pursuing or conducting a new business, we take precautions to prevent any violation of the Subcontractors Act at an early stage.

Since it is urgently necessary to cope with the revisions of the “use standard” of the Subcontractors Act, and the “promotion standard” and “notification” related to payment of subcontractor fee of the Small and Medium Subcontractor Promotion Act, we are currently reinforcing the rules on in-house survey and improvement activity.

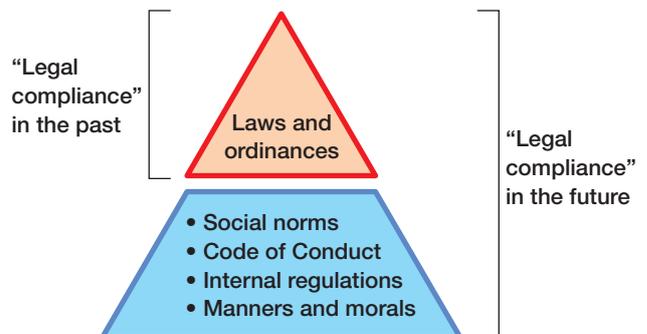
External compliance hotline

Internal and external compliance hotlines are available for employees’ easy access to reporting means. The external hotline is available in two kinds: one for mental issues and the other for harassment matters. Employees are provided with a card that describes the reporting procedure when they join the company.

In-house nurses also move around our sites to accept consultation from employees prior to their use of the hotline.

Concept of compliance for the NKC Group

The purpose is to protect laws or regulations, but this understanding is in the past. Today, it is a general understanding that the area where “legal compliance” is required is wide, covering social norms, manners, and morals. The NKC Group takes various measures to improve employees’ consciousness under this concept.





Social Contributions

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.

Establishment of relationships

Interaction and reflection

Interviews with local residents and organizations

We aim to make local contributions that are continuously feasible and highly effective. To this end, we interview local governments and organizations.

This action allows us to know the needs of the recipients and apply various resources, including money, materials, and helping hand, to the very activities that truly need them.

In FY2016, we interviewed organizations that manage local activities, welfare aid providing facilities, and food banks and asked mainly about food donation.

In FY2017, we plan to review new activities based on the information on conditions and requests gathered from various people.

Collection of opinions from employees

While development of social contribution activities definitely requires the cooperation of employees, we believe it is also important that participants themselves feel pleasure or satisfaction. In this respect, we are developing ideas for activity from the standpoint of employees.

We gathered opinions and requests from employees through the CSR Report questionnaire survey in FY2016. Some of them wanted support of voluntary activities conducted by themselves in their private time. As a company promoting work-life balance, we are keenly aware of the importance of such support.

In FY2017, we will plan and implement “activities that can be conducted together with employees” serving both as social contribution and employee welfare.

Contribution activities

Support of activities of local communities and organizations

Disaster prevention for local communities

We have a “disaster prevention partner agreement” with Kita-ku ward office, where the Head Office is located. With this agreement, we promise to extend our cooperation to the local administration in case of emergency as well as in peacetime for preventive action. In FY2016, we donated medical kits to elementary schools (designated evacuation sites) in Kita-ku, Osaka city, and donated instant rice for disaster prevention learning for junior high schools.

We intend to voluntarily hold disaster prevention education to local students as part of our effort to promote disaster mitigation in the entire community.



We donated instant rice to a disaster prevention workshop held at a local school.

Support of disaster-hit area (Kumamoto Earthquake)

The NKC Group donates relief money to areas affected by natural disasters inside and outside Japan. The relief donated money includes the money by the Group as well as the money voluntarily gathered from Group employees.

In FY2016, relief money was donated to help restore the damage of the Kumamoto Earthquake from domestic sites including the Group companies.

Cleanup activities in local neighborhoods

Many sites of our Group, including the Head Office, plants and branch offices are involved in cleanup activities in local neighborhoods as one of familiar social contributions.

Cleanup directly results in neighborhood beautification to be sure. It is also effective in crime prevention.

In FY2016, we conducted preventive measures against snatch cases that occurred in the neighborhood by finding evidence and installing security cameras.

Support of SDD

We started supporting SDD (Stop! Drunk Driving Project) initiated by FM OSAKA in 2009. This project calls for society's sympathy for elimination of drink driving. One of the major activities is to distribute SDD stickers calling for elimination of drink driving. As part of our action in support of the project, some of our prospective employees participate in an SDD live performance sponsored by FM OSAKA to think deeply about the meaning of drink driving.



Biodiversity preservation

Carbon offset

The NKC Group has been promoting carbon offsetting since 2014.

In FY2016, the Group offsets 20 tons of carbon emissions resulting from operation of raw garbage treatment machines, produced by EPD Room, through Mie prefecture's forest conservation project. 32 tons of emissions associated with the operation of company vehicles of the Head Office were offset through Niigata prefecture's Toki's Forest Project.

A total of 50 tons of carbon dioxide emissions were also offset through the projects offered by Kiso town, Nagano prefecture, Odai town, Mie prefecture, and Kumamoto prefecture as part of our cooperation with carbon offsetting promoted synchronously with holding of the G7 2016 Ise-Shima Summit in May 2016.



Memorial plaque received from the major of Kiso town, Nagano prefecture

NKC Group Eternal Forest

The NKC Group signed up to the "Corporate Forest" offered by Wakayama prefecture in August 2016 as part of our effort in forest preservation activity. With this agreement, we rent two hectares of forest land near the Kumano Kodo mountain trail in Nakahechi-cho, Tanabe city. In November 2016, the NKC Group held a tree-planting event as the first of the annual events toward celebration of our 100th anniversary. More than 50 people including our employees and their family members enjoyed the tree-planting event, whose program also included a log chopping experience.

We intend to watch the growth of the rented forest land while using it for our employees' welfare as well as a field study site to promote our employees' environmental awareness improvement.

Rooftop vegetable garden

The rooftop of our Head Office is now used as a rooftop vegetable garden. It is used as a place of dietary education for children using the in-house daycare facility.

Vegetables cultivated in FY2016 include mini tomatoes, sweet peppers, green peppers, and crown daisies. When frequent watering was necessary in the summer season, caretakers were recruited from among the employees. Grown vegetables were harvested by daycare facility children. Some were taken home by those children, and others were also offered to employees at the in-house restaurant.

We intend to maintain the vegetable garden as a valuable place of exposure to greenery for in-house daycare facility children so that they can have various experiences in the same way as children in general nurseries. At the same time, we will think up various ways to use it for employees' fun.



Vegetables grown in the rooftop vegetable garden

Employee's opinion

My experience as a caretaker of the rooftop vegetable garden

Hitoshi Zuisen
Environmental Management Department,
CSR Management Division, Head Office



I saw a billboard in the company and learned that the company was looking for rooftop vegetable garden caretakers.

I applied for it because I thought I would be able to experience vegetable harvesting that I cannot generally experience when I live in an urban area and I was attracted by the idea of mingling with other employees that I don't usually meet in my day-to-day work. Then my caretaker work started. I saw children of the in-house daycare facility happily harvesting vegetables and colleagues joining with their children showing pleasant expressions I rarely see at work. That was a very valuable experience for me. Harvesting vegetables was a very unusual experience for me in the first place. In addition, it was so pleasant. In total, it was extremely satisfying.

When we experience harvesting vegetables or sowing seeds on the rooftop vegetable garden, it surely helps improve our own awareness of in-house environmental protection as well as deepen internal communication among employees. It also helps promote dietary education for daycare facility children. I am looking forward to the growth of all these benefits from the rooftop vegetable garden.



Social Contributions

Social welfare

Placing orders to job assisting facilities

The NKC Group purchases products from welfare facilities and sells their bread at the in-house restaurant to promote vocational independence and the stabilization of employment. In FY2016, we sold bread at the Head Office and the Shiga Plant. Employees gathered to buy home-made bread produced by the welfare facility users.

We believe it is a very important social contribution activity to provide a place with job satisfaction and support employment stabilization through these activities.



Bread on sale in a company restaurant

Donation of foods

We store food stocks as part of the BCP activities. All those foods have expiration dates that run out in three to five years. It is a matter of course that stocked foods whose best before date expired cannot be provided to anybody. We need to think up ways to make effective use of those foods without throwing them away.

In FY2016, the stocked foods were delivered to our employees and donated to local governments and food banks as relief supplies to those who need such support in their daily life. However, food stocks purchased by a company for its own reason are not necessarily accepted with open arms by those who need support. In the future, we decided to assume how to dispose of the stocked foods when their expiration date draws near when we purchase them. It is also necessary to plan collecting foods that our employees think are no longer necessary and donate such foods rather than just using the stocked foods for donation.

Promotion of education

Nakanishi Scholarship

The Nakanishi Scholarship Foundation established in 1971 has been supporting a large number of students since its foundation.

Scholarship funds were provided to a total of 50 students, including high school students, vocational school students, and undergraduate and graduate students, in FY2016. Nearly ¥40 million in scholarships was provided to a total of 105 students, including the students receiving the scholarship since the previous year. In June 2016, scholarship recipient undergraduate and graduate students were invited to a gathering party. The gathering program included a consultation meeting on employment with NKC employees serving as advisers and a fellowship party with Foundation directors.

Separate from this scholarship, the NKC Group also provides research subsidies related to industrial science. In FY2016, we received 17 proposals, a record-high number, and provided a total of ¥5 million in subsidies to five of them.



Scholarship students enjoying the gathering

Employee's opinion

Visiting elementary schools in poverty-stricken areas for consolation started

Jiang Jinhua

NKC Manufacturing Dalian CO., LTD



Our plant celebrated its 14th anniversary in 2016. In its history, we have been making local contributions coupled with production activities according to the CSR policy of the NKC Group.

Cleanup activity in the neighboring areas is one example of the contribution activities so far conducted by our plant. In FY2016, we started visiting an elementary school in a poor area for consolation. The majority of employees working in our plant come from rural areas in the suburbs of Dalian. In their home, there are still many homes finding it difficult to lead daily life because of various reasons. The Chinese government provides student aids to those needy families, but since these aids are not enough to cover their expenses to buy items for daily life or study tools necessary at school, these families are in a fix for money. Based on our belief that support for their education is the best social contribution, we visited an elementary school (Deshen Zhongxin Elementary School, Wafangdian city) in a rural area for consolation and donated charitable contribution from the plant as well as funds raised from plant employees. In addition, stationery and gymnastic supplies were also presented to 21 children of the school.

We continue these activities to help those children see a brighter future.



Group photo during a visit to an elementary school

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

Domestic Business Sites

- Head Office Head Office (Osaka city, Osaka prefecture)
- Plant Osaka Plant (Neyagawa, Osaka), Nabari Plant (Nabari, Mie), Mie Plant (Tsu, Mie), Shiga Plant (Konan, Shiga), Nakanishi Kako (Neyagawa, Osaka)
- Branch Tokyo Branch (Chuo-ku, Tokyo)
- Sales Offices Aichi Sales Office (Chiryu, Aichi)
- Sub-Offices Aichi Sub-Office (Chiryu, Aichi), Kosai Sub-Office (Kosai, Shizuoka), Atsugi Sub-Office (Atsugi, Kanagawa), Kyushu Sub-Office (Miyako-gun, Fukuoka)

Overseas Sites

- North America, Middle America, and South America
NAKANISHI MANUFACTURING CORPORATION (USA)
NKC OF AMERICA INC. HEADQUARTERS (USA)
NKC CONVEYORS INSTALLATION CO. (USA)
NKC OF CANADA, INC. (Canada)
NAKANISHI CONVEYOR DE MEXICO S.DE R.L.DE C. V (Mexico)
- Asia and Oceania
NKC MANUFACTURING PHILIPPINES CORPORATION(Philippines)
NKC CONVEYORS PHILIPPINES CORP. (Philippines)
NKC MANUFACTURING WUXI CORPORATION (China)
NKC MANUFACTURING DALIAN CO., LTD. (China)
NKC CONVEYOR FOSHAN CO., LTD. (China)
NKC CONVEYORS (AUSTRALIA) PTY. LTD. (Australia)
TAIWAN NAKANISHI CONVEYORS CO., LTD. (Taiwan)
NAKANISHI CONVEYORS ENGINEERING (MALAYSIA) SENDRIAN BERHAD(Malaysia)
THAI NAKANISHI CO., LTD. (Thailand)
NKC CONVEYOR INDIA PRIVATE LTD. (India)
NKC CONVEYOR INDIA PRIVATE LTD. SALES OFFICE (India)
PT. NAKANISHI INDONESIA (Indonesia)
- Europe
NKC CONVEYORS (UK) LTD.(UK)
NKC CONVEYORS (UK) LTD., HUNGARIAN OFFICE(Hungary)
NKC CONVEYORS BARCELONA(Spain)
NKC MANUFACTURING SWEDEN AB.(Sweden)

Affiliated companies

Kolec Co., Ltd., Nakanishi Kosan Co., Ltd., NEUES Co., Ltd., Banshu Nakanishi Metal Works Co., Ltd., C.T.Machinery Co., Ltd., E-Globaledge Corp., Fuji Honing Industrial Co., Ltd., Suda Shouji Inc., ISA Co., Ltd., NKC Murayama Solar Power Co., Ltd. NKC Nagai Green Power Co., Ltd.

Annual NKC Topics in FY2016

April



(1) All the new employees (Part 1)



(2) All the new employees (Part 2)

- (1) and (2): Entry ceremony in FY2016
(3) "Sakura Garden Hotel" opened (ISA Co., Ltd.)

May



(3) Sakura Garden Hotel (Miyakojima, Osaka)



(4) Arima Kaido Yuuwa (Kobe city, Hyogo)

- (4) "Arimakaido Yuuwa" joined the NKC Group (ISA Co., Ltd.)

June



(5) A sample layout of the "Growing Furniture" series



(6) A sample layout of the "murdeco COCOON" series

- (5) and (6): Production and sale of wooden furniture started, and a dedicated website, "NKC finetior," opened

July



(7) Farming work support robot "Agbee"



(8) A case example of introduction in Yurihonjo city, Akita prefecture

- (7) Farming work support robot "Agbee" debut
(8) Sale of C&F Green Energy's wind turbines started, and Yurihonjo city, Akita prefecture, introduced the wind turbines.
(9) The Philippines office celebrated its 15th anniversary

December



(9) Employees of the Philippines office



Robots selected by Haneda Robotics Lab

- (10) Automatic floor washing robot "ROBO Cleaper" adopted for the Haneda Airport Robot Experiment Project

NKC 中西金属工業株式会社
Nakanishi Metal Works Co.,Ltd.
<http://www.nkc-j.co.jp/>



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(一つ星)
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