




NKC
Nakanishi Metal Works Co., Ltd.

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Let's Get Rolling

NKC Report 2019



Let's Get Rolling



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Message from Top Management

To Contribute to a Sustainable Society Together with Our Customers

The structure of industry, in all its sectors, is changing on a tremendous scale and at a bewildering pace.

The manufacturing industry has always needed to keep changing. In the face of constantly changing social conditions and customer needs, and to make active contributions to a sustainable society, it is essential that we are able to respond even more flexibly and swiftly to those needs and have a solid outlook on the future. As well as engaging positively in our existing businesses and innovative new businesses as a responsible manufacturer, we must continue to contribute to society proactively as a company with social responsibility, and meet the needs of our customers and other stakeholders.

Therefore, our Group Vision describes our corporate philosophy, "all employees constantly striving for innovation with pride." Under this vision, the NKC Group has devoted its efforts to business activities that aim to solve social issues and contribute to the creation of a sustainable society. We will continue to stand firm in this stance and stride forward together with our stakeholders.

The NKC Group's CSR Activities and Philosophy

The NKC Group has actively expanded its CSR activities as a means of fulfilling its own social responsibilities, to solve the social issues that it has identified through its business activities. Following the NKC Group Vision, which is our corporate philosophy, our code of ethics in the form of the NKC Group Code of Conduct, and the NKC Standard, which sets out the principles for conduct by our employees, we will continue to pursue our business and CSR activities.

Diversity and Our People

An important initiative in becoming a responsible corporation by ensuring business management values each individual employee as well as diversity-based management. The NKC Group has been implementing measures that emphasize work-life balance for about the last ten years. These measures help to increase motivation toward work and innovation, by providing our people with a comfortable working environment to give

them greater satisfaction in their life overall, which in turn will allow them to perform to the best of their abilities and contribute to the business. Such initiatives were implemented with these intentions in mind, and they have become more widely recognized by our employees along with previous areas of focus, such as our promotion of women's active participation and diversity-based management. We also have great expectations for the young people in our company. Our young people are very adept at absorbing their work and knowledge, and can adapt quickly. Brimming with curiosity, they do not depend on experience or intuition. Japan has various challenges, such as population decline and shrinking markets, but the world is full of possibilities. We want our young people to look toward the future with dreams. Of course, we also want our staff of the generation that possesses a wealth of experience to continue to refine themselves in a positive manner.

Toward the Future and Beyond

When we look at the markets of individual countries, the economy continues to move drastically on a global scale. In every sector and industry, we are all in the midst of fierce competition, and it is evident that everyone is working hard to compete.

In the manufacturing industry as well, all companies continue to tackle new challenges through R&D and innovation. For example, with the automotive industry in the middle of a "once-in-a-century" era of transformation, there has never been a time more replete with the need for challenge. At such a time, our company is steadily expanding its business base, including production reforms through innovation, opening up new markets through globalization, and moving into new sectors such as power generation, agriculture, and consumer products and services for the home. By invigorating our business in this way, to fulfill our responsibilities as a company while creating a sustainable society in which anyone can play an active part, the NKC Group will continue to pursue its business activities, CSR initiatives, and social contribution efforts, together with all of our employees, customers, suppliers, and the community.

Tatsuo Nakanishi
President & CEO



Mission & Vision

In recent years, the NKC Group has been actively engaging in new businesses in addition to the businesses that it has pursued since the beginning of its long history, including bearing retainers, conveyor systems, and housing components. We will continue to transform ourselves so we can meet our customers' requirements while responding to the remarkable changes in society.



NKC Group Vision

- NKC strives to be a company that is constantly evolving and whose employees always have pride in working.

NKC Group Corporate Code of Conduct

- Principal mission: The provision of outstanding and safe products and services
- Compliance with social norms: Thorough compliance with laws and regulations, fair competition, and appropriate dealings
- Disclosure and handling of information: Highly transparent disclosure of information and appropriate information management
- Respect for human rights: Respect for human rights and prevention of human rights violations
- Work environments: Provision of safe, healthy, and comfortable work environments
- Environmental protection: Active environmental protection activities and prevention of environmental problems
- Social contribution: Proactive initiatives for solutions to social issues
- Opposition to antisocial forces: Resolute blocking of any connections with antisocial forces or organizations
- Adherence to corporate ethics: Establishment of effective in-house systems and thorough adherence to corporate ethics
- Problem-solving: Investigation of causes of problems, prevention of recurrence, disclosure of information, and pursuit of accountability

NKC Standard

- We will contribute to the whole of society through manufacturing (including services).
- We will comply with the laws and regulations of each country and pursue business activities in good faith.
- We will be conscious of the importance of all types of information and handle such information appropriately.
- We will respect the human rights of all people and will not associate to not be involved in any acts that violate human rights.
- We will strive to maintain and further improve safe, comfortable workplace environments.
- We will engage actively in the protection of the environment and the mitigation of environmental burdens and help create a sustainable society.
- We will contribute to the cultural and economic growth and prosperity of local communities as good corporate citizens.
- We will resolutely block any connections with antisocial forces.
- Top management will take the lead in striving to maintain and further improve ethics.
- We will strive to work to prevent problems from occurring, but respond strictly and resolutely in the event that they do occur.



Considering Global-Scale Issues

As a company that pursues business on a global scale, the NKC Group wishes to contribute actively not only in Japan, but also in the international community. As one of the initiative to achieve this, in April 2015, we joined the United Nations Global Compact (UNGC), a UN initiative that encourages companies to conduct themselves as members of society. With this as momentum, we will fulfill our responsibilities as a company by putting into practice the action principles sought by the UN, such as consideration of human rights and the environment.

History

Since it was first established in 1924, NKC has continued to respond to the remarkable changes in society as it expanded its business. We have firmly established a corporate culture that always puts the customer first in all aspects of our business, including planning, development, design, and manufacture. The entire Group works together to engage in our business activities so that we may continue to enjoy the support of our customers throughout the world. We also actively pursue consideration of the environment and contributions to local communities through our business activities, and aim to be a company that will continue to grow as it contributes to a sustainable society.

<p>1924</p>  <p>Established as Nakanishi Manufacturing Co., Ltd., and began production of retainers</p> <p>1945</p> <p>Name changed to Nakanishi Metal Works Co., Ltd.</p> <p>1952</p> <p>Started manufacture of conveyors</p> <p>1960</p>  <p>Established Mie Plant</p> <p>1961</p>  <p>Established Osaka Plant</p> <p>1965</p>  <p>Started manufacture of sash rollers</p>	<p>1973</p>  <p>Established Shiga Plant</p> <p>1980</p>  <p>Established conveyor plants first venture into United States</p> <p>1984</p>  <p>Established Nabari Plant in company's 60th anniversary year</p> <p>1988</p>  <p>Established bearing retainer plant in United States</p> <p>1997</p>  <p>Established bearing retainer plant in the Philippines, NKC's first venture into the ASEAN region</p>	<p>2003</p>  <p>Established sash hardware plant in China</p> <p>2005</p>  <p>Established conveyor plant in China</p> <p>2005</p>  <p>Established bearing retainer plant in China</p> <p>2011</p>  <p>Established bearing retainer plant in Sweden, NKC's first venture into Europe</p>
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Spotlight 01

Bearing Retainer Division

NKC is supported by three business divisions - Bearing Retainer, Conveyors, and Sash Hardware. In this feature, the executives who lead these individual divisions will talk about their respective businesses, outlooks, and expectations.



Since the foundation of NKCC, the Bearing Retainer Division has manufactured and developed many different bearing products as society and science have developed, and has now proven its presence as the global market leader in this field.

It manufactures several thousand types of bearing retainers, its core product, ranging in diameter from three millimeters to three meters. These products play a vital role in all industry areas, including automobiles and railway cars. Also, by adapting the technologies it has cultivated to develop precision composite products, such as automotive products and machine tool products, it aims to make further contributions to these industries and to the society.



Industry-leading bearing technology

Bearing Retainer Division

The "Parts Business" and "Parts Power" that Underpin the Foundations of All Industry

Michiyuki Kamiji

Managing Executive Officer
General Manager of Technological Development
Department & General Manager of Technology
Management Department, Bearing Retainer Division



— What kind of business is the Bearing Retainer Division?

Kamiji: As well as bearing retainers (that hold the bearings used in the rotating parts of machinery), the Bearing Retainer Division develops, manufactures, and sells mechanical components used in many sectors including automobiles, precision machinery, and aircraft. Our products have earned high marks for quality and reliability from our customers. In particular, we enjoy trust in the world market for our bearing retainers.

— The Bearing Retainer Division boasts an excellent track record and reliability. What is the mission of the division?

Kamiji: Our business is basically a "parts business." Parts, which are the building blocks of all products, support society from its very foundations. The mission of the Bearing Retainer Division is to grow and develop this "parts business" to contribute to society. "Parts power" is what drives that mission, maximizing the strength of the parts business. The main role of our business is

to manufacture products that are indispensable to many domains, bearings being a typical example. This will give us the power to withstand major changes in society, including economic trends. We also have the power to make products of a top global standard by bringing together the strengths in production engineering, product development, and intellectual property that we have cultivated over the years. Our expansion into different industries and our innovation through the use of this "parts power" will never stop. They give us the ability to support the foundations of all industries and to continue to contribute to society.

Stability, innovation, as well as wisdom and speed, are key

— As the manufacturing industry, including the automotive industry, enters this era of change, competition in the marketplace is also intensifying. How will the company respond?

Kamiji: Firstly, I do not believe the market for bearings and similar

products will ever disappear. These products are a basic requirement for all industries, so we want to expand our business in line with our customers' expectations. On the other hand, this era of change also represents an opportunity to create new demand. As such, we are actively considering moving into new domains, without being held back by pre-existing concepts.

Our primary concern when it comes to competition is to differentiate ourselves from our competitors with cost and product. This is where our "parts power", as I mentioned earlier, particularly our strengths in product development and production engineering, will be a major advantage. In recent times, our competitors, particularly those overseas, are rapidly closing in on us in terms of cost and quality, so unless we keep coming up with new ideas, we will not survive in the marketplace. For this reason, we focus on production innovation as well as active product development, thoroughly pursuing cost reduction and streamlining in our business locations in Japan and overseas.

— The businesses you mentioned are probably not commonly known. What kind of impact do you think they will have on society? Also, what is NKCC doing to safeguard its technologies to realize your vision?

Kamiji: Certainly, our products are mostly invisible to their end users. However, each one of those products plays a major role in terms of resources and energy issues. Even a single bearing has an impact on energy efficiency. For example, to achieve torque reduction in automobile hub seals, we recently succeeded in reducing the seal torque^{*1} of our hub seals by 30%. Development of these kinds of products can make significant contributions to and have a broad impact on society. Our "parts power", that is, our strengths in product development and intellectual property, are what will safeguard these important technologies in the

future. In the past, much of NKCC's production was based on orders from our customers, so it was quite rare for us to file patent applications ourselves. However, after devoting more effort into developing products ourselves, we have increased our patent numbers considerably in recent times. My theory is that, when it comes to product development, as soon as you come up with an idea for a product or technology, several people around the world will have come up with the same idea at the same time. Everyone, including yourself, will be in the same position, so it is important not to be left behind, and to be the first to develop your product and safeguard the technology you have developed.

Expectations of self-sufficient personnel and putting diversity into practice

— Let's move on to the personnel of the Bearing Retainer Division. Do the people in your division have a particularly distinctive character? Could you also tell us what you are doing to nurture your people?

Kamiji: NKCC employees in general are hard workers, and the people in the Bearing Retainer Division are no exception. The nature of our people is helping to grow our business performance, giving everyone working here peace of mind. One thing I would say, however, is that I wish there were more people at NKCC who have the toughness to overcome any challenge and the strong ambition to succeed. We do hold regular workshops and seminars for human resources development purposes. Most importantly, we want our people to gain a broad range of skills and experience, including practical experience on the factory floor and on the front line of our business.

Experience in a range of jobs is critical to gaining leadership skills. To this end, we hold meetings three to four times a year, where we plan the personnel rotations for our engineers.

We want our engineers to make the most of any opportunities to lead major projects. These rotations will equip them with the knowledge, experience, and results that will allow them to handle any difficult problems and challenges that our customers may present.

— Tell us about NKCC's current commitments and approach toward diversity.

Kamiji: Firstly, we are seeing more and more women working in engineering positions, an area that has traditionally had a lower percentage of female employees. We are gender-blind when it comes to judging the excellence of our employees. Respecting the diversity of our employees' opinions and values and making the most of their individual strengths are the keys to management. Meanwhile, NKCC has recently started focusing on our more senior employees, who have many years of experience. Until recently, 60 was a common retirement age, but things are changing, and a set retirement age may one day become a thing of the past. People have two types of intelligence—fluid intelligence and crystallized intelligence^{*2}. In my opinion, crystallized intelligence is more likely to mature as we get older. Our senior employees have a level of experience and knowledge beyond comparison with that of our younger employees. Accordingly, finding ways to maximize the strengths of both young and senior employees will become an important management factor for companies in the future. Many companies are already facing labor shortages, a situation that

will only worsen as the population continues to decline. In such times, I believe it is critical to use a diverse range of employees proactively and in appropriate ways.

— NKCC has been expanding its businesses overseas. What is your impression of your local staff in other countries?

Kamiji: Currently, the Group has offshore factories in four countries. All of our local bases already employ very competent people, and with the enhancement of support from Japan and the training of our overseas staff, we have hopes that each and every one of those employees will contribute to the Group's ongoing growth and prosperity and help the NKCC Group to shine into the future.

Hoping for "NKCC, where everyone can burn bright"

— Finally, could you tell us about your hopes for NKCC?

Kamiji: NKCC will soon celebrate the 100th anniversary of its foundation, and will launch itself into its next hundred years. I hope that the people who will be in charge will be confident in their role as the leaders of the new era. I also hope the company will become "NKCC, where everyone can burn bright." Just like the days when Japanese companies were recording extraordinary growth, success comes from people taking on the challenge of the unknown and companies allowing their people to take such challenges. I sincerely hope that, in its next hundred years, NKCC will be just such a wonderful company.

Turning diversity and aptitude into skills to make the most of our people

*1 Seal torque: An expression of the resistance of the seal part that is generated during the bearing's rotation. The lower the seal torque, the less energy is lost.

*2 Fluid intelligence/crystallized intelligence: Fluid intelligence is the ability to adapt to new things. Crystallized intelligence, meanwhile, is expert ability based on past experience.

Diversity

To Make Diversity Our Strength

Activities to promote women's empowerment in the workplace

March 8

Positive Action for International Women's Day

The NKC Group focuses on diversity management, in which its people's different individual attributes, including gender, nationality, and age, are seen as strengths of the organization. As part of that focus, we have undertaken reforms of our systems and work styles and implemented a range of measures designed to promote women's empowerment in all areas of the company. To raise awareness within the company, we hold events that are linked to International Women's Day* on March 8. This is an example of the initiatives NKC is pursuing to promote the importance of women's participation, for the renewed recognition of gender equality and the creation of an affluent, sustainable society. In this way, we are making progress in firmly establishing awareness. The NKC Group will continue to further enhance and promote diversity management.

*International Women's Day: an international day of celebration established by the United Nations in 1975. This day calls for the elimination of discrimination against women and the advancement of women, continuing a movement that began with the women's suffrage demonstrations held in New York in 1908.



— As part of its diversity-based management, the NKC Group engages in various initiatives designed to make active use of our diverse people. The fruits of these efforts are now steadily being revealed.

Positive impacts from changes in female employees' mindset and behavior in the workplace

As a manufacturing company, the NKC Group does have a high ratio of male employees. Quite often, our female employees have hesitated to express their opinions in the workplace and in meetings. We are building frameworks that will allow all of our employees to fully demonstrate their individual characteristics and abilities to contribute to the creation of a sustainable society together with the NKC Group. Positive change is resulting from these initiatives, particularly in the mindset and behavior of our female employees.

To become indispensable, self-directed personnel

Y-san talked about her new forward-looking approach that is having a positive impact on her work. "In an assignment on business books in a training course, I came across some excellent books related to self-improvement. Since then, I have read numerous books as a way of improving myself. Reading these books has been very useful for my personal growth. Before, I lacked self-confidence, but now, I am making an effort to raise my own value." During a training exercise that involved preparing presentation materials, M-san became more careful with how she "communicated," such as using simple, easily understood expressions, and adding a twist to



written formats and visuals. She now pays careful attention to what she wants to convey in every word she uses in business e-mails, and strives to communicate in ways that consider the recipient and the situation. O-san said, "Instead of just listening, I have learned to think everything through very thoroughly. My boss has encouraged me to be more active in communicating, saying, 'In meetings, instead of just sitting meekly up the back, we'd like you to join in the discussion more actively. We all want to hear your opinions.'" O-san says that she is now constantly aware of the importance of making herself heard in business situations.

Aiming to become a self-directed leader who strives for personal growth, without being staying in one's current position

In NKC's HR development strategy, the Group works actively to help employees to develop their careers at each level. In particular, it offers several training courses for mid-career employees to become leaders in the future. T-san, who is expected to be a next generation leader, looked delighted as she spoke about her impressions of the company's initiatives. "In training courses, female employees who usually do not have much to do with each other have come together and made a concerted effort to achieve a single goal. Reaching that goal through those efforts made me very happy, and now I have many colleagues in divisions besides my own. The curriculum on dialogue with managers also taught me the importance of establishing appropriate communication as a leader." We asked our interviewees about their

own image of what makes a good leader. J-san said, "As someone who leads others, I would like to have both a leader's strong will and humility at the same time, and to always keep learning." M-san and O-san also answered, "I want to be a leader who does not try to decide everything alone, but instead listens to others and leads the team, and who continues to strive for personal growth." K-san spoke positively about her joy in uncovering latent skills. "There were times when I felt overwhelmed and hesitated to communicate my opinions to others. However, I have acquired leadership qualities over time as I have come into contact with many different people through my various tasks and by handling work with responsibility. I will continue to value my team members and become a leader who will always keep in mind the principle of thinking about what is most important."

— The NKC Group's various initiatives are bringing about positive changes in female employees' mindset and thinking. More opportunities will be

provided for female employees to demonstrate leadership. On the whole, the female employees we interviewed presented a concrete image of the leader they aspire to, namely a leader who listens to others' opinions and concentrates on their own growth. This shows that the NKC Group offers many opportunities for employees with potential to play their own role actively in the workplace. We will continue to promote diversity-based management and to contribute to the creation of a sustainable society.



Diversity – The Key to Career Development and New Leaders of the Future



Spotlight 02 Conveyor Division



Since production began in 1952, NKC's Conveyor Division has continued to expand and evolve. Responding flexibly to the diverse conditions of each individual site, the Division has contributed to industry through improvements in working environment, costs, safety and security, and other factors.

Its customers cover a wide range of fields, including the automotive industry, home appliances, electronics, and logistics. In particular, NKC systems are operating on automobile production lines all over the world, and boast a significant share of the Japanese automotive sector. In recent years, it has also ventured into the robotics sector.



Total support for logistics systems, from design and development to management

Conveyor Division

“Creating” through True Global Development

Based on the vision of “Creativity for Prosperity”

— **First, could you please tell us about the mission and vision of NKC's Conveyor Division?**

Murai: In our Medium-Term Business Plans for 2018-2022, we established a mission “to contribute to society through the global supply of total engineering, through our accumulated conveyance and logistics technologies, and the realization of the ultimate in energy conservation and full automation in production and logistics. To achieve this mission, we are currently rolling out activities based on our vision of “Creativity for Prosperity.”

— **What, precisely, does this “Creativity for Prosperity” in your vision mean?**

Murai: It is an expression we made up ourselves that means connecting our creative intentions to prosperity. In other words, connecting people, products, quality, service, and sincerity to discover and deliver new value. In terms of concrete actions, our intention is to grow into a general logistics system company based in China and the Philippines, with offshore locations in 16 countries (Japan, United States, Europe, and Asia). To this end, we are pursuing global strategies in which our product R&D and sales are developed and accelerated on a marketing basis.

Aiming for “True Globalization” with local roots

— **The group is looking at shifting its business base overseas. How will you pursue this plan?**

Murai: In the past, we have been contracted by Japanese manufacturers of home appliances and automobiles to perform on-site installation of equipment for the development of their overseas operations. Once that work was completed, we developed our own business in those locations, which became our current offshore bases. We are now working on shifting our production to these bases. More

importantly, because we have long relationships with the local market and track records of sales in those locations, instead of merely “expanding overseas,” we have realized “True Globalization.”

— **Could you tell us more about this “True Globalization,” in which you have united as one with the local market?**

Murai: It means globalization that follows the intention of the word “localization.” In the past, we developed products in Japan that had potential for global demand and delivered them to overseas markets. However, when we looked at the circumstances of individual markets, we realized that demand was different in each of those locations. This has prompted us to conduct our business, including R&D, manufacturing, and sales, in accordance with each individual market's circumstances. In other words, we are pursuing globalization from local perspectives.

This approach applies not just to our products, but to our employees and customers as well. In this regard, how precisely we identify those local circumstances is an important challenge for “True Globalization.”

— **It will be interesting to see a Japanese company conducting R&D overseas.**

Murai: We are contemplating exchanges at the R&D level in future. This means our Japanese and overseas locations will introduce their respective necessary outcomes to each other, and we are steadily preparing for that. We hope to realize this vision in very near future.

Interaction with “people” brings greater vitality

— **If you were to liken the Conveyor Division to a person, what image would come to mind?**

Murai: The Conveyor Division is often likened to a hunter. Our development

of new business is symbolic of that image. Currently, one of the key challenges in the medium-term plan is a focus on new business. This means expanding our target from our existing BtoB model to BtoC or to BtoBtoC. This is exactly what I mean by “hunter-like” business development. We are currently restructuring from the conventional, function-based organization to a structure that is divided into individual products, projects, and targets.

— **What skills do you think the personnel of your division need?**

Murai: I think communication skills are very important, no matter what the job. For example, value-added product development, which is very popular these days, requires appropriate organizations and frameworks, and in new business development, we need to be able to communicate with customers in new fields. For a business to grow, nothing is more important than interaction with others, so employees with excellent communication skills will be essential.

— **What approaches are you taking with your people to invigorate the business?**

Murai: The first thing is inter-divisional personnel exchanges. For example, in future, we will accelerate the sharing of expertise between divisions of value-added product development. Personnel exchanges to accompany this will bring unity to the company and help generate more great ideas. We already have numerous cross-divisional workshops but I am looking forward to having more such productive meetings. We are also engaging in diversity as an important theme. Human resources strategies that aim for diversity, such as actively promoting women and developing a more multinational workforce, are crucial in this day and age. In terms of developing a multinational workforce, we have started introducing job descriptions* for future global

personnel exchanges. We are currently working very hard to achieve the sales and profit targets set out in the medium-term plan. With our excellent people and products, we will be able to achieve these targets. I believe there is no more important job than human resources development, based on my many years of experience in cultivating people.

— **Is your passion for human resources based on your belief that business is underpinned by communication, as you mentioned earlier?**

Murai: When I was assigned to a site manager position in the United States, I gained the trust of the locals by communicating with them. I participated in and became part of the local community, and I truly felt that I was a member of the local company. This helped me to do my job better. I achieved all that by communicating with people. There is, of course, more to it than that, but those experiences helped me to realize that communication is vital to success in business.

No dream, no success

— **Could you tell us about your own personal philosophy in your work?**

Murai: I was once involved in design work. When I went to the construction site, they were constructing the building exactly as I had drafted it. For example, if I set a distance of 70 cm, that was exactly how it was actually done. It really amazed me.

The realization of that 70 cm was the culmination of the passion and efforts of many people, including those who proposed it, those who built it, those who installed it, and those who checked it. Moreover, we know exactly why this dimension of 70 cm was realized. Experiencing this work brings an understanding of how hard others work toward the mission, and we can explain the products with confidence. This is my ideal image and the basic approach that we have maintained for 70 years. This may have something in common with the philosophy of diversity, in terms of mutual acknowledgement of others.

— **Finally, could you send a message to the people in your division as its executive?**

Murai: As I mentioned in my 2019 New Year's message, I really want to convey the words of Yoshida Shoin. “No dream, no ideal. No ideal, no plan. No plan, no action. No action, no success. Therefore, No dream, no success.” As Shoin says, having a dream is crucial. I hope every one of you has your own dream as you move forward.

— **Thank you. Could you tell us your own dream, please?**

Murai: Currently, we have more than 850 personnel working in the Conveyor Division around the world. I would like to learn the names and faces of each and every one of them and to talk to them all as I shake their hand. It may not be easy, but I really hope to make that dream come true.

Appropriate communication at all times

* Job description: Document that describes the details of a job, including position, purpose, responsibilities, and contents of work, and required skills. It is an important document that is commonly used in Western companies.



Creating the NKC Group's future with enthusiasm and passion.

— The younger generation are the ones who will take the NKC Group into the future. We want our young people to accumulate all manner of perspectives, values, and knowledge through many different experiences and to grow into people who will leverage those perspectives, values, and knowledge to engage in all things autonomously. We believe that this is what will create the future of the NKC Group. To support that growth, the NKC Group offers a variety of development opportunities for our younger employees.

Evolving into true business people several years after joining

— For the first several years after joining the company, young employees engage in practical business while acquiring the qualities that any member of the workforce needs through training and other means.

After joining the company, young employees renew their awareness by encountering more practical knowledge and business. In Y-san's case, working in his current position helps him to understand that cost-consciousness and customer services are important fundamentals. To ensure that any future labor shortage will not result in a decline in work efficiency across the company, including in these areas, he is currently concentrating his efforts on coming up with labor-saving methods.

Since joining the company, O-san has made a habit of measuring her own working hours and compensation for that labor, and giving serious thought to the efficient use of her time. She is always conscious of positioning herself so she can make the most of her strengths to achieve that, and strives to improve her own profitability. K-san, who is engaged in overall progress management and in identifying and adjusting the key points on site in production management, says his sense of responsibility toward his job is increasing as he gains more experience. He finds his job at his current workplace quite challenging, but, at the same time, he can also feel himself growing, which he believes will help lead him to the next step in his career.



Each person looking forward toward their own future

— For the members of any organization to work together and produce results, communication skills are also extremely important.

Communication with members from other divisions and other positions provides younger employees with opportunities to cultivate new perspectives in their work. This is evident in I-san's comment. "When I discuss things or work on joint tasks with employees I would not normally interact with, such as in training and projects with other divisions, I can encounter new perspectives and ways of thinking. Often, it gives me new ideas that I can put to use in my own work." As M-san says, "In a training session I took part in, there was a task where we had to consider our boss's position, and that completely overturned my own understanding and perspective up to that point. When it came to doing the task, I realized that such a position, of always having to think of the team, is actually very hard." These young employees have realized how communication takes different forms in different positions, and have used that awareness to build smooth relationships in the company.

Work-life balance

— Using one's private time effectively and in fulfilling ways also has a positive effect on one's work.

A fulfilling private time can also help to improve work skills and have a positive effect on personality development. Everyone has their own way of spending their private time. Y-san uses that time for career development. "I am constantly thinking of ways to do my work more efficiently within regular working hours, even in very busy times. I also make effective use of my private time and would like to study so I can gain more specialist knowledge." K-san believes that language skills are essential to the business scene in the NKC Group as it extends its business globally, and is developing those skills for the sake of advancing his own career. I-san sees benefit in keeping a clear division between his work and private life. "After I finish for the day, I completely separate myself from my work and enjoy my private time to the fullest." This makes me more refreshed and I can look at my work again in a more comprehensive way, resulting in a better environment.'



Family, a pillar of support

— Fulfillment in business career and life stages, for everyone who works with us. That is what the NKC Group offers.

The NKC Group strives for the enrichment of all employees in both work and private life, and our young employees display an ambitious attitude on the basis of that philosophy. For example, O-san says, "Even when my life stage changes, I hope to balance both work and my private life as I pursue my career, so I will work hard on both to make sure that happens." M-san also displayed a very positive attitude, saying, "Time spent with family is irreplaceable and I cherish it greatly. My responsibilities at work have been growing and my job is very rewarding, so I want to acquire more specialist knowledge and advance my career."

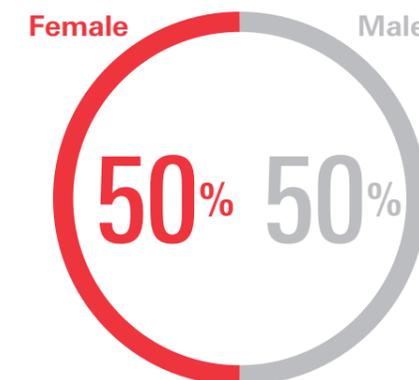
— The NKC Group respects the perspectives and values of all of our employees. Our young employees are required to grow steadily through their experiences and to work with an independent and self-driven mindset so they can contribute not only to the growth and development of the NKC Group, but also to the creation of a sustainable society. We will continue to promote initiatives that will make the most of the individual traits of our employees and draw out their abilities to the maximum.



Inclusion

Realizing teamwork through diverse people

Gender ratio of new university-graduate recruits*



With the aim of making diverse individuality a strength of its organization, the NKC Group has actively recruited a diverse range of people. For example, the gender ratio of our new university-graduate recruits in FY2018 was 50:50*. One of those new recruits is a foreign national. Everyone in NKC is able to work in team settings that transcend genders, nationalities and age groups. We are also promoting work styles that offer a good work-life balance and that will allow all employees to make the most of their skills, experience, and perspectives to play an active role. We are pursuing these initiatives as important action for the growth and development of our business activities.

* FY2018 actual figures. Includes recruits of the same level as university graduates.

Training for new recruits

After they join the company, our new employees participate in factory training where they learn about the products and technologies of the NKC Group on the ground. Later, they undertake language training in the Philippines to improve their English skills. This also gives them the opportunity to learn about other cultures and languages by interacting with the locals.



Spotlight 03 Sash Hardware Division



The Sash Hardware Division leverages the technologies cultivated in bearing retainers to deliver indispensable products that support people's living environments.

It handles a vast array of products, including plastic rollers for window sashes and drawers, for which it boasts the top share in the Japanese market. The division's products are used in familiar places in the office and the home. In recent years, it has started to adapt its expertise to place efforts into life design-related products that add color to daily life.



Indispensable products that support our daily lives

Sash Hardware Division

Challenge the Various Possibilities of Business

Technology to be proud of and the importance of a "genba" (job site) mindset

— Please give us an outline of the Sash Hardware Division.

Nishigaki: The Sash Hardware Division has long delivered functional products that are indispensable to the housing environment, under the slogan of "contributing to the creation of comfortable homes in response to the social needs of the home environment." We have a reputation for a high standard of technological capabilities, as exemplified by the many orders we receive for ODM* products, in which we are totally involved from design to production.

— Could you tell us about the specifics of your business activities and about some recent developments?

Nishigaki: Our main business is the design, manufacture, and sales of products for the major housing-related companies. Using the experience we have built up through that business, we are also developing a renovation business. In recent years, we launched "animacolle," a pet products brand in the B to C sector, exhibiting "Catroad+", our first product under the brand, at Pet Expo Osaka 2018.

— What are your impressions of the division at the moment?

Nishigaki: The people in the division engage in their work with great enthusiasm. At the same time, a sense of *Monozukuri* (Manufacturing) is refined through the methodology of *San-Gen Shugi* (Three Important Realities), which entails looking at the actual product (*Genbutsu* or "Real Product") on site (*Genba* or "Real Job Site") to learn about the actual situation (*Genjitsu* or "Real Fact"). This is essential even for people who do not work at the *Genba*, or Real Job Site, level, such as the design and sales departments, but it seems that, lately, this is being somewhat overlooked. As long as we are involved in *Monozukuri*,

unless we return to the basics with a down-to-earth attitude, I do not think our customers will be convinced. I see the role I have been given as to expand the business, including making improvements in this area.

— Are you saying that elevating and optimizing the performance of every single person is important for the whole?

Nishigaki: That's right. For example, we only have one or two sales representatives dealing with each customer, so their actions and the way they pursue their work will be taken by that customer as being characteristic of NKC and the division, so it is very important. It is similar for our group companies, so in that respect, improving this environment will be useful in raising the motivation of the individuals.

Discovering possibilities in interaction among group companies

— The way you think about the NKC business covering all of the group companies is very interesting.

Nishigaki: When I was on a temporary assignment to a group company for about eighteen months, I realized that the different companies know surprisingly little about each other. I felt that if we could deepen our interaction in the areas of technology and sales, we could mutually improve those areas. For example, exchanges of information about customers and the provision of mutual support using each other's bases are just two possibilities. Also, if we learn about each other's strong areas, it could help with new product development and the extension of our businesses. I believe my experience from that temporary assignment will be useful in these areas.

— Could you give us an example of where such interaction within the group has been used effectively?

Nishigaki: Take lumber, for example.

In recent years, more and more local companies in Osaka have been going out of business, including some excellent companies in the area. One of our large customer companies was having trouble securing lumber supplies because of this, so we introduced them to one of our group companies in Kanto that dealt in lumber. The customer and this group company negotiated successfully, resulting in the group company winning more business from that large company. This example is not directly related to the Sash Hardware Division, but it did provide a new business opportunity for that group company.

— Do you have any alliances that leverage the NKC Group's advantages?

Nishigaki: The group company I just mentioned also specializes in the processing of local specialty ceramics and stone materials. This caught the eye of one of our customers, a large housing equipment company, and we received an order for the processing and production of such items. At the moment, we have reached the stage of participating in the development of new products. Also, this group company has its own specialist team and consultants, and sells furniture under original brands. We are considering pursuing an alliance within the group that takes reference from these projects.

Nurturing highly motivated people who have a comprehensive perspective

— Tell us about the people in the Sash Hardware Division. What is your impression of them?

Nishigaki: Many of them seem a little quiet. I'm sure that, as individuals, they all have good ideas, but I wish they would be more proactive about promoting them, such as having more lively discussions. When pursuing and considering a certain theme, aggressiveness is needed to a certain extent, and I would like to make the

people in the division more motivated and lively.

— For example, what kind of atmosphere do you want to cultivate?

Nishigaki: An atmosphere in which lively opinions fly around the room in discussions, transcending hierarchies, where the whiteboard is covered with key words written on sticky notes, and where everyone discusses those key words and produces outcomes from them. I want to create an atmosphere in which everyone is lively and united. This will surely create the driving force for the division for the future.

— Could you give us your ideas for the people the Sash Hardware Division needs for a thriving business?

Nishigaki: As I mentioned earlier, one of our key features is ODM, and our strength lies in the ability to engage in an all-in-one project from design to production. For this reason, we need people who excel at ODM. I also want them to have the ability to understand the entire ODM process consistently based on their skills and experience, and the ability to make proposals. Most people who fit that description

tend to be experienced workers, but I would like to develop our people so we can appoint younger employees to this kind of work as well.

A Return to San-Gen Shugi

— What are your own intentions toward Monozukuri?

Nishigaki: In a *Monozukuri* company, the *San-Gen Shugi* I mentioned earlier is an important fundamental. Without it, we would not be able to survive. I started with this philosophy myself, and I was always happy to go out onto the factory floor. Lately, as more highly-educated people have joined the company, I have become a little concerned that this *San-Gen Shugi* has become less important. This has the potential to impact greatly on human resources development. On the other hand, a case I saw in China was completely different, which I found very interesting.

— Did you see actual San-Gen Shugi over there?

Nishigaki: When we were installing some equipment in a factory in China, the local staff all gathered around to watch. They were unbelievably

enthusiastic. I had never experienced that level of enthusiasm in Japan, so it was quite a shock. That experience in China is what prompted my concern that *San-Gen Shugi* is being neglected here in Japan. Having observed the Chinese workers' enthusiastic attitude to absorbing technologies, it may have given me complicated feelings about the Japanese being too reserved.

— Thank you. Could you conclude with a message for all of the employees?

Nishigaki: I was interested to see products being made exactly as they appeared in the drawings, and delighted that people at the production sites were finally manufacturing the products. On the other hand, our customers care greatly about usability, durability, and safety, but we cannot fulfill their requirements simply by manufacturing the products according to the drawings. Accordingly, as people involved in *Monozukuri*, we need to listen carefully not only to our bosses and others within the company, but also to our customers, and turn the know-how that comes from listening into our assets. And to achieve that, we must not forget *San-Gen Shugi*. That is my message.

Teruo Nishigaki

Executive Officer and General Manager, Sash Hardware Division



San-Gen Shugi is the starting point of everything

* ODM: Stands for Original Design Manufacturing. Refers to the design and production of a product under a consignor's brand.

NEXT NKC

Voluntary Activities in the Company by Employee Volunteers

Activities by company-wide teams that transcend workplace boundaries

The NEXT NKC Project was launched in the NKC Group with the objective of taking action ourselves to make NKC a company we can be proud to work for. It was launched by a group of employee volunteers from various divisions and departments. The independence of the members is emphasized above all else. The group's main activities are monthly meetings and autonomous hosting of seminars and events when the need arises. One purpose of this initiative is to turn unproductive daily worries and complaints into ideas for improving the situation and stepping up to the next level. The group aims to create a place where ideas will be realized with their own dynamism and ability, with the slogan of "projects of employees, by employees, and for employees." In FY2018, the group hosted a business seminar with the title, "Growth Mindset," given by an external lecturer, which was attended by more than 50 people. It also held the Meeting of NKC Parents and Guardians, which was attended by more than 30 staff members who are currently raising children. The entire group is currently working on a "Mission, Vision, Value" (MVV) project. Through these activities, we are building the foundation for the NKC Group's future business activities.



Seminar by external lecturer



NKC Parents and Guardians Meetings



— The NKC Group has embarked on new businesses with the aim of offering further value to society. Our new businesses revolve around themes that meet society's needs of the future, such as renewable energy, improving the efficiency of farm work, and lifestyles supported by pets. Gathering together the expertise we have cultivated to date alongside the latest technologies, these various businesses are providing products and services of high quality.

Environmental products and renewable energy business

Today, the world is actively engaged in environmental actions to prevent global warming, such as the reduction of CO₂ emissions and breaking free from dependence on fossil fuels. From these perspectives, the NKC Group has been pursuing the development of environmental products and products related to renewable energy. Our product range includes small wind-powered generators, solar-powered streetlights, waste disposal equipment, storage cells, and HEM sets for the home. We designed these products after first asking our customers what they wanted. They are manufactured with meticulous care before being delivered to our customers. We have also started working on a solar power generation business and a biomass power generation business, succeeding



in operating the equipment and generating power according to plan. In addition to the appropriate operation of the equipment, NKC head office conducts regular safety audits to ensure equipment maintenance and site safety, and we strive to maintain stable power generation and accident-free sites.

New endeavors seen in the development of agricultural robots

Smart agriculture using robotics and ICT has been attracting much attention lately. The background to this is the large volume of highly labor-intensive work that Japan's farmers carry out to grow agricultural products of high quality. To offer new value to people involved in agriculture, the NKC Group has planned and developed a farming robot named "agbee." As well as following behind the farm worker to help carry loads, it can also measure the condition of the soil in the crop area and harvest yields, forecast harvest yields based on that information, and use applied AI technologies to perform a wide range of farming tasks. In this way, it makes an excellent partner for farmers.

As a new endeavor in the agricultural sector, we established a strawberry farm on Awaji Island in Hyogo Prefecture in the second half of FY2018. The farm grows strawberries in plastic greenhouses spanning some 6,000 square meters. Strawberries of high quality, the result of thorough temperature and moisture control, have been harvested and are already providing new value to customers, just like the cherry tomatoes being grown in greenhouses in Konan, Shiga Prefecture.



New Businesses Responding to Society's Needs of the Future

"Catroad+" introduces the B to C model

Pets are cherished members of the family, and it has become a very normal thing in recent times to see them living together with their owners as their valued partners. To respond to the needs of these owners and their pets, the NKC Group has leveraged the expertise it has cultivated as a manufacturer to venture into the pet-related market with the launch of a new brand, "animacolle" to propose "spaces for living with pets." "animacolle" is a B to C brand being led by the Sash Hardware Division. It targets the general consumer, a group that we have not engaged with in the past. It is a new and unprecedented style of business model for the division, one that adapts its expertise in housing-related accessories, the division's core business, to develop new products. The new product that has already been launched is a cat step (a product for cats to play on indoors) called "Catroad+." It is easy to install and dismantle and can be freely arranged in different layouts. As well as being exhibited at various pet events, it is also now available on the major online



shopping sites. In this way, the NKC Group is turning its eyes to future lifestyles and continuing to take on new challenges. We are actively engaging in these kinds of new approaches based on the NKC Group vision of "striving to be a company that is constantly evolving and whose employees always have pride in working." Going forward, the NKC Group will respond flexibly and appropriately to the changes in society and the environment and to the needs of the marketplace, and move forward with our business activities and, through them, the creation of a sustainable society.



SOCIETY & COMMUNITY

NKC Group's Philosophy

Through various social contribution activities for the present and future, the NKCC Group aims to build good relationships with local communities, so that both the company and society will survive, grow, and prosper. We place particular value in dialogue with the people of the local community. By giving back to the community with our Group's knowledge, technology, and management resources, we are carrying out social contribution activities that are truly needed.

Social Contribution Activities

Building good relationships with local communities

Nakani-Wa and Children's Cafeteria

The NKCC Group opened a "Children's Cafeteria" in Miyakojima Ward, Osaka, in August 2018. In October of the same year, we opened a multipurpose interaction space, called "Nakani-Wa." At Nakani-Wa Children's Cafeteria, children and other members of the local community can enjoy a free meal of curry and rice, and the space is open for children to interact with each other, or children and their parents or guardians to communicate with each other. Various activities are held throughout the year, such as events to mark the seasons. In FY2019, coaching classes were held for parents and children to foster self-esteem and independence in children. In future, we plan to launch social contribution activity projects conducted by NKCC Group employees, prompted by the local community interaction taking place here.



Nakani-Wa's mascot
Nakani-Wani



Various events, including seasonal celebrations, are held at Nakani-Wa



Nakani-Wa Children's Cafeteria for local residents

Nationwide activities

Social contribution activities in Japan

13 locations 128 activities

For many years, the NKCC Group has actively engaged in social contribution activities at each of its locations. Since FY2013, the social contribution activities of all locations have been consolidated at head office and they are now being pursued in a more systematic way.

Welcoming tours by local schools and children

The NKCC Group welcomes company tours by high school students and children who will take Japan into the next generation. As well as tours of the offices, factories, and employee wellbeing facilities, we also introduce groups to projects that are taking place in the company at the time, and hold *Monozukuri* workshops and other programs. In FY2018, we welcomed groups of local junior and senior high school students for a variety of reasons, including as part of their social studies or to research a particular topic, or to see the company as a potential place of employment in the future.

As an in-house event, we also hold a "Bring Your Child to Work Day" for local employees and their children, providing a place for family communication.



Welcoming many groups to tour the company



Fostering an awareness of co-existence

Initiatives for improving communities' disaster response capabilities

Concluded a disaster preparation partnership agreement

The NKCC Group concluded a disaster preparation partnership agreement with Osaka's Kita Ward in 2014. The aim of this agreement is to improve the region's capabilities in the prevention and mitigation of disasters and in responses to them. In a program to cooperate with local residents and government agencies at times of large-scale disaster, we have continued to donate disaster-preparation goods and medical supplies. In FY2018, we donated tarp tents for use in disaster preparation and provided water stockpiled by NKCC for a local disaster preparation training event.



We received a Certificate of Appreciation from Osaka's Kita Ward for the disaster-preparation tarp tent we donated.



We provided drinking water stockpiled in NKCC premises for a local disaster-readiness training event.



HUMAN RESOURCES

NKC Group's Philosophy

Based on the NK Group Vision of "striving to be a company that is constantly evolving and whose employees always have pride in working," the NK Group is pursuing the active assignment and appropriate development of our diverse human resources, and also developing working environments that will enable our people to demonstrate their individual strengths to the fullest and contribute to society's growth and prosperity. Further, in addition to constantly maintaining fair relationships between labor and management, the entire group is striving together in active initiatives for the creation of new value.



Greater promotion of telecommuting



Health promotion tabletop displays

Development of Working Environment

Promotion of work-life balance

Greater promotion of telecommuting

The NK Group is promoting working styles that emphasize work-life balance. In 2017, it introduced in earnest a work-from-home scheme for administrative facilities, the objective of which is to reduce commuting times and secure time to concentrate on the work, so that both male and female employees can balance their work and home lives. Further, since FY2018, we have been stepping up our promotion of telecommuting to realize flexible and autonomous working styles, so that our increasingly diverse personnel can build up their own respective experience, perspectives, and personal networks.

To embark on this initiative, we first conducted training to inform managers about telecommuting and help them understand its benefits. This was followed by a telecommuting trial that included those employees who took part in the training. A subsequent questionnaire survey found that the trial participants were able to work in a flexible way, fitting telecommuting in with the contents of their work and plans such as business trips and outside meetings, and that the sense of refreshment the change of scenery gave them helped them to come up with new ideas. Incidentally, during the trial period, a trial satellite office was set up as a teleworking space, and it appears that, along with Cross Park at head office, the employees made good use of the space.

We will continue to promote teleworking, in the hope that it will lead to an autonomous approach to their work among more employees, as well as improved operational efficiency, paperless operations, and better IT literacy.



Manager telecommuting training

Safety / Health management / Labor-management relations

Fostering safety awareness on a global scale

Regular World Safety Conventions

The NK Group constantly approaches health and safety in the factories as a critical issue. While pursuing the penetration of measures in Japan, we have also worked on extending them to our overseas factories and sharing information with them. To raise the standard of those measures, we believe that, in addition to improvement activities based on the current status of their own factories, it is important that workers turn to other factories to find new discoveries and learnings.

To that end, since 2016, the NK Group has held a biennial World Safety Convention with the objectives of sharing information and building stronger relationships among our factories in Japan and overseas. The health and safety officers of all of our domestic and overseas factories gathered under one roof at the 2nd Convention, which took place on September 6-7, 2018. There were lively exchanges of opinions on individual themes aimed at establishing and improving safety awareness. There were also presentations of safety activity case studies at individual facilities, sharing of best practice examples at individual factories, factory tours, and risk experience training.

We intend to keep holding the World Safety Convention as a forum to share examples and mutually raise awareness among our factories.



Communication between labor and management

Agreement on full-time employment in principle

The NK Group holds regular meetings of the Labor-Management Council to encourage appropriate communication between labor and management, for the improvement of the staff's employment and workplace environments. In FY2017, the Council's Post-Retirement Re-Employment Scheme Deliberation Committee arranged a labor-management agreement for such a scheme, making it possible for employees themselves to choose how they want to work after they reach retirement age. Going forward, to strive for further improvements in work-life balance, the Council will continue to discuss labor-management initiatives for the improvement of employee satisfaction (ES), including the reduction of total working hours.

Physical and mental health management

Various health events

In its aim for "health-oriented management," the NK Group conducts a range of initiatives designed to promote and manage the health of our employees. A brief overview of those initiatives is as follows.

Health Promotion 2018 Event

NKC walking event

Walking events were held for the whole month of October, with all employees welcome to join in. Original maps and pedometers were distributed, and in 2018, the third year of the event, more than 1,000 people took part.

Reinforcement of no-smoking measures

We have strengthened no-smoking measures in consideration of employees' health and in response to social trends. We have reduced the number of smoking areas on all company premises and hold quit-smoking seminars.

Health trivia

We asked employees to send in their health-related tips and produced a health trivia booklet. Prizes were presented to the employees whose tips were chosen.

Health promotion tabletop displays

We produced tabletop displays listing information about diet, alcohol, smoking, and sleep. These displays have been placed in employee cafeterias for greater visibility.



GLOBAL ENVIRONMENT

NKC Group's Philosophy

The NKC Group has long practiced proactive environmental measures in our business activities, and all of our employees have engaged in their work with a consciousness of protecting the global environment. Those efforts are not confined to energy conservation. They are also evident in the creation of renewable energies through environmental businesses. Through these activities, we are contributing to the prevention of global warming. Efforts to protect the global environment are also being appropriately and actively pursued at the NKC Group's overseas production facilities (the United States, Sweden, the Philippines, and China), in accordance with the laws, regulations, and local customs of each country.

Reduction of Environmental Burden, Prevention of Global Warming

Energy conservation activities

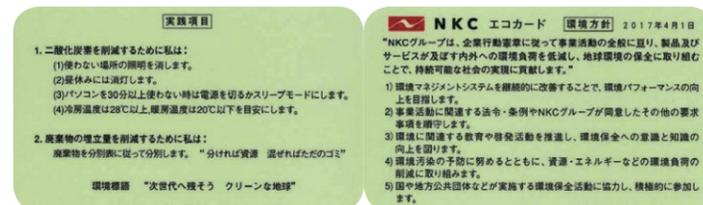
Rate of introduction of environmentally-friendly vehicles for corporate fleet 98%

The NKC Group promotes energy conservation efforts for the prevention of global warming at our workplaces and production environments in Japan and overseas. For example, we have actively installed energy-saving production equipment, air-conditioning systems, lighting fixtures, and other equipment, and insulated the roofs and walls of our buildings. For our corporate fleet, we have achieved an almost 100% rate of introduction of economically friendly vehicles in our production facilities in Japan, including corporate headquarters. So that our employees can participate in energy-saving activities in their daily lives, we have adopted the Ministry of the Environment-advocated programs, "Fun to Share"¹, "Cool Biz"², "Warm Biz"³, and "Cool Choice"⁴, and are putting in place things that each individual can do to protect the global environment.

Energy conservation activities

Distribution of Eco Card

In accordance with the NKC Group Corporate Code of Conduct, we have established an environmental policy as the standards for the entire Group. A document called the NKC Eco Card, which contains this environmental policy and actions that individual employees can take, has been distributed to all employees. With a motto of "Let's leave a green Earth for future generations," our people make efforts to improve the environment in their daily work. This Eco Card has been translated into English and Portuguese for circulation among our non-Japanese employees.



NKC Eco Card



NKC's Environmental Awareness-Raising Activities

Protection of biodiversity

Carbon offset

Total offset until FY2018 337 tonnes

In addition to reducing CO₂ emissions at its workplaces and production facilities, the NKC Group has also introduced carbon offsets, reaching a total of 281 tonnes in offsets in FY2017 and 337 tonnes in FY2018. The NKC Group's carbon offset initiative was published in the 4th and 6th collection of case studies of the Carbon Offset Awards. These awards are conducted by the Carbon Offset Promotion Network and sponsored by the Ministry of the Environment, Ministry of the Economy, Trade and Industry, and Ministry of Agriculture, Forestry and Fisheries. The NKC Group will continue to strive for the reduction of CO₂ emissions as part of our biodiversity protection efforts.

Resources conservation actions

Zero emissions 12 consecutive years

The NKC Group is engaging in company-wide resources conservation activities as well as energy conservation. We promote 3R (reduce, reuse, recycle) for the reduction of waste at its various business premises and production facilities, achieving zero emissions⁵ for the 12th consecutive year in FY2018. To reduce the burden on the environment, we strive to conduct appropriate environmental management, such as conducting regular questionnaire surveys of our partner companies.



Resources recycling

Rate of waste plastic recycling 100%

The NKC Group is engaged in the recycling and appropriate disposal of waste products. Plastic waste, particularly in the oceans, has become a serious issue throughout the world. The NKC Group was quick to start appropriate separation and reduction of waste and to seek out appropriate recycling businesses. Single-material waste is sent for material recycling, and waste products that are more difficult to re-use are sent for chemical recycling, or are turned into solid fuel, RPF (Refuse Paper and Plastic Fuel), and thermal-recycled for use as fuel for paper manufacturers and other businesses. We have continued to maintain our record of almost 100% plastic recycling.

Evaluation of environmental measures

Awarded FY2018 Osaka City Environmental Award

In recognition of our proactive environmental activities and contributions to society, including the establishment of the NKC Group Environmental Policy, our thorough environmental management through ISO14001 certification, and the publication of our CSR Reports, the NKC Group was presented with a FY2018 Osaka City Environmental Award in the Business Operator category. The award cited our long-running clean-up activities in the vicinity of our business premises and our active participation in local activities.

*1 Fun to Share: A campaign to share and communicate environmental initiatives for the creation of a low-carbon society. The initiatives of declaring companies can be viewed on the website.
 *2 Cool Biz: Campaign that encourages light business attire with the objective of saving electricity in summer (campaign period: May – September).
 *3 Warm Biz: The winter version of Cool Biz, this campaign aims for a comfortable working environment even at a room temperature of 20°C, by encouraging people to dress warmly, so as not to rely on excessive heating (campaign period: November – March).
 *4 Cool Choice: Campaign to combat climate change and reduce greenhouse gas emissions in homes and workplaces.
 *5 Zero emissions: A concept that strives to achieve zero final waste through thorough recycling, so that all waste products are completely used up on a society-wide scale. Also refers to activities in line with that concept.



CUSTOMER & QUALITY CONTROL

NKC Group's Philosophy

Quality assurance and improvement is an important promise that we have made to our customers who use NK Group's products, technology, and services. Since our foundation, the NK Group has been making tireless efforts to fulfill that promise and to deliver consistently high-quality and reliable products, technology, and services to all of our customers. This commitment is evident in our development of frameworks based on quality assurance and control policies and the various initiatives for the maintenance and further improvement of our products, technology, and service quality provided by the individual divisions and departments. To respond to any request of our customers around the world, we strive to maintain our quality control at consistently high standards not only at our production facilities in Japan and overseas, but also in cooperation with our partner companies and suppliers. The NK Group has established original quality management standards and will not deliver any product, technology or service unless it is of an equivalent standard to that of our competitors. We are continuously refining ourselves to meet these high standards that we have set for ourselves.



Quality Assurance & Quality Management

Bearing Retainer Division

With its slogan, "Achieving the highest quality in the market economically," the Bearing Retainer Division, united with the Quality Assurance Group in the Technology Division and our production facilities in Japan and overseas (7 in total), endeavors to maintain and improve product quality. Through these initiatives, the division conducts thorough quality management in accordance with international quality management standards such as ISO9001^{*1} and IATF16949^{*2} for a wide range of products. Those products include its flagship bearing retainer products and other products for automobiles, windmills, and Shinkansen rolling stock. It also combines these initiatives with internal audits. To enhance its quality management and quality assurance frameworks on a global scale, the division shares its quality management principles through information exchanges among relevant personnel at monthly quality meetings and annual global quality meetings. It also endeavors to raise awareness on the ground through grade-based training courses at its production facilities in Japan conducted by Corporate Headquarters' Quality Assurance Group. The Bearing Retainer Division's track record of quality assurance and management has been well received by many customers. To deliver more trustworthy products to customers and to maintain and raise the reputation of our products, the Bearing Retainer Division is implementing new technology such as AI and IoT and developing its personnel.

Conveyor Division

With its slogan of "conveyors that will not stop, or that can be immediately restored even if they do", the Conveyor Division constantly strives to improve and maintain quality. The Conveyor Division has three facilities in Japan and overseas. Important information such as the results of deliberations at regular management meetings are communicated from the Head Office to each site. This provides the facilities with frameworks for sharing information and responding swiftly and appropriately to any eventuality. The Conveyor Division has positioned the Shiga Plant, its production facility in Japan, as its global "mother plant" and pursues thorough quality management there, working in tandem with Corporate Headquarters. Feedback from customers, plants and other front-line workplaces is incorporated into drawings to make further improvements

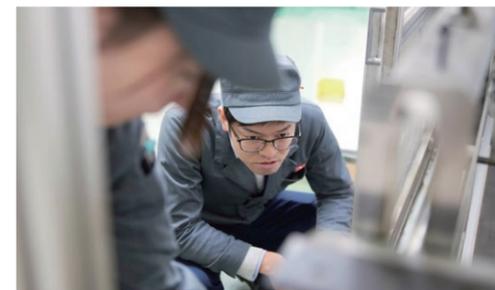


to quality. Further, the Shiga Plant has prepared a skill distribution map for each employee by establishing operational matrices that set evaluation criteria for each department. The Plant uses this map and the plant's unique Meister Program to make the skills of its workers visible at a glance. This system enables us to provide employees with instruction and education that is appropriate to their individual skill levels, to ensure that quality is maintained and improved. The Conveyor Division will continue to engage in various initiatives, including those described here, to win high praise from its customers and to allow it to create products that can contribute to society.

Sash Hardware Division

With its slogan, "Achieving the highest quality in the market economically," the Sash Hardware Division is working with all of its on-site employees to establish management frameworks at its three locations in Japan and overseas. The division decides its quality management policies based on the previous year's performance and customers' wishes. It strives to manufacture parts and finished products safely and securely, together with its production plants in Japan and overseas and its partner plants. In terms of production processes, the division has achieved results by improving things that bother employees and inefficient processes of its own accord. It extends those results across the group by sharing them with production facilities in Japan and overseas. Regarding quality management, the division is seeking new ways to improve quality management standards and is pursuing initiatives for quality consistency. In these ways, the Sash Hardware Division strives to raise its management standards through human resources development both inside and outside the company for the creation of frameworks for quality management. In so doing, it engages in initiatives for the pursuit of manufacturing that will be well received by its customers. It is developing initiatives for the pursuit of "Monozukuri" that will receive even greater praise from its customers.

*1 ISO9001: International standard for establishment and maintenance of Quality Management System, while evaluating ongoing improvement of its effectiveness.
*2 IATF16949: International standard for quality management systems for the automobile industry, administered by the International Automobile Task Force.



Compliance

Compliance training

To foster awareness of compliance throughout the entire company, the NK Group conducts knowledge acquisition training and practical workshops through case studies. We also conduct similar training during new employee orientation in April every year, and in FY2018, we held training sessions for mid-ranking management, delivered by external instructors. In FY2019, we started training sessions for newly appointed managers. With these initiatives, we are continuously striving to foster awareness of compliance.



Orientation for new employees



Training courses for middle management

Overview of NKC

The NKC Group established a conveyor manufacturing facility in Memphis, Tennessee, USA in 1980. Since then, we have established design, manufacturing, and sales facilities around the world to deliver high quality technologies, products, and services that respond to our customers' trust in us.

With production facilities nationwide, the NKC Group surely delivers high-quality, high-performance products to our customers. With our outstanding technologies, production systems, and meticulous services, we respond to our customers' needs with precision.

Overseas Facilities



- Europe**
- Sweden
 - United Kingdom
 - Hungary
 - Spain



NKC MANUFACTURING SWEDEN AB

- Asia & Oceania**
- Japan
 - China
 - Philippines
 - Australia
 - Taiwan
 - Malaysia
 - Thailand
 - India
 - Indonesia



NKC MANUFACTURING PHILIPPINES CORPORATION



NKC CONVEYOR FOSHAN CO., LTD

- North America, Latin America**
- USA
 - Canada
 - Mexico



NAKANISHI MANUFACTURING CORPORATION



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Editor's Note

On the Release of NKC Report 2019

We, the NKC Group, have been issuing our CSR Report to our precious stakeholders since 2009. While the contents and style of the Report have gradually changed over the past ten years, it has played an important role as a communication tool for stakeholders to gain a broad knowledge of the various aspects of our business. During the production and publication of this milestone 10th edition of our CSR Report, we reassessed the origin of NKC Group's Business Activities. At the same time, we placed a particular focus on our people, who will lead the NKC Group into the future, and on the shape that the NKC Group's diversity and inclusion policies, which support our people, will take over the next 10 years and beyond. Society is in constant motion and we are facing many challenging global issues. Hand-in-hand with our stakeholders, the NKC Group will contribute to the creation of a sustainable society as a responsible corporate citizen and as a company whose employees can take pride in working there.

Let's Get Rolling

We, the NKC Group will continuously and actively promote various initiatives to meet the expectations of all our stakeholders.



Let's Get Rolling

NKC Report 2019

Nakanishi Metal Works Co., Ltd. 2018-2019 Activity Report 10th Edition

[Publication date]	September, 2019
[Planning/Supervision/Publication]	Nakanishi Metal Works Co., Ltd.
[Editing]	CSR Office, CSR Department
[Editing Cooperation/Design]	Daishinsha Delight Inc.
[Printing/Binding]	Live Art Books Inc.
[Publisher/Publication Location]	Nakanishi Metal Works Co., Ltd. 3-3-5, Tenmabashi, Kita-ku, Osaka 530-8566 CSR Office, CSR Department
	www.nkc-j.co.jp