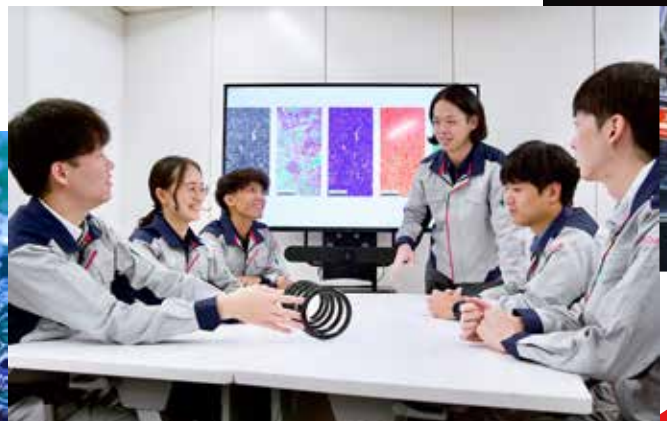
Integrated Report

NHK SPRING REPORT 2024

NHK SPRING CO.,LTD.

Manufacturing Derived from Springs.

-Technology to Change & Unchanged Reliance



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Editorial Policy

Since fiscal 2008, NHK Spring has published the NHK Spring Report, which summarizes and outlines our annual social, environmental, and financial activities, including those in the NHK Spring Group companies. Now in its 17th year, NHK Spring Report 2024 represents the second time for issue as an integrated report. This report is intended to convey the ways in which NHK Spring Group contributes to society and creates corporate value through “supplying key parts indispensable to society”.

Please read in tandem with the latest sustainability information and detailed information for shareholders and investors that can be found on our website.

NHK Spring website https://www.nhkspg.co.jp/en/

Scope of Reporting

This Report basically covers the NHK Spring Group's business activities. We have strived for accuracy in reporting by using "the NHK Spring Group" for activity reports covering the entire Group, "our Company/the Company" for activity reports covering NHK Spring Co., Ltd. alone, and the name of each company for activity reports covering Group companies.

Reporting Period

In principle, the Report covers our business activities from April 2023 to March 2024. Additionally, it also includes any major developments since April 2024.

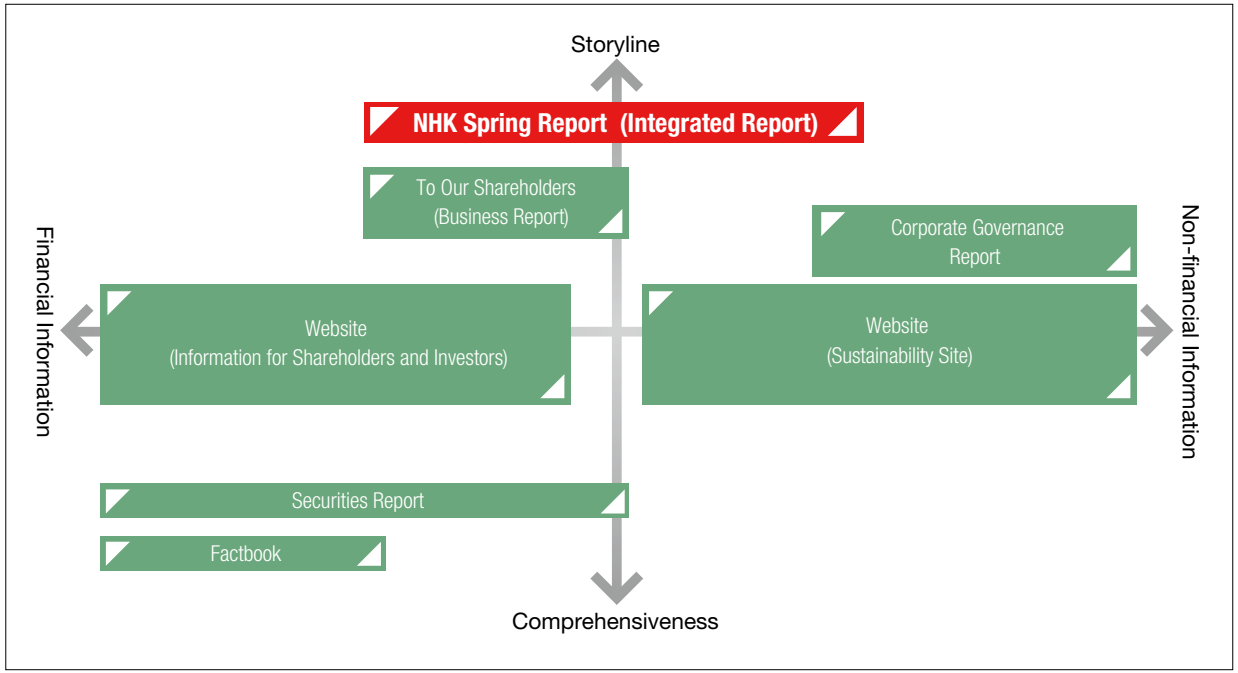
Intended Readers

This report is intended for our shareholders, investors, and other stakeholders.

Reference Guidelines

- International Integrated Reporting Framework (IFRS Foundation)
- Value Co-Creation Guidance (Ministry of Economy, Trade and Industry)
- GRI Standards (Global Reporting Initiative)

Information Disclosure System



Values Prized by NHK Spring Group

Guiding Principles

Guiding Principles

Continuous progress

Ceaseless excellence

Caring teamwork

Our Guiding Principles were established in 1964 by our third company president, Hisashi Sakamoto. They represent three principles that NHK Spring regards as important: 1) contributing to society through the growth of our business and our employees; 2) having the strong will to overcome difficulties and win out in competition; and 3) building relationships of trust with our employees and society.

Corporate Philosophy

Corporate Philosophy

To contribute to an affluent society through an attractive corporate identity by applying innovative ideas and practices, based on a global perspective, that bring about corporate growth.

Our Corporate Philosophy was announced in 1990 by our seventh president, Shohei Hamada. It clearly defines the way in which the Group provides value, challenging new ways of thinking and acting from a global perspective and returning the results of these efforts to society at large.

Values Cherished by NHK Spring Group

In 2013, we published the "NHK Spring Way" to clearly indicate the direction and desirable vision of NHK Spring Group. The employees of all Group companies are united in sharing the NHK Spring Group's values and character, which remain unaffected by changes in the business environment.

Speedy action

Making bold decisions and acting quickly

By valuing innovative ideas and quickly sensing the changing values of people and new needs of stakeholders in the midst of a changing social environment and evolving times, we strive to make bold decisions and take bold actions.

Innovation within innovation

Ongoing innovation and challenge

Progress day by day

We never stop moving forward

Recognizing that the spring-like flexibility and resilience of our temperament is the NHK Spring Group's strength, we will never stop moving forward and aiming for high goals in improvement activities, while striving to better our own abilities.

NHK SPRING WAY
ニッパツウェイ

Never give up

Never give up

Even when unexpected problems occur and we find ourselves in difficulties, we never give up but take prompt action to avoid damaging the trust and expectations of our superiors, colleagues, workplaces, customers, and society.

Relationship

Walking together and prospering together

Working together with our stakeholders to realize a better society, we contribute to the prosperity of all parties.

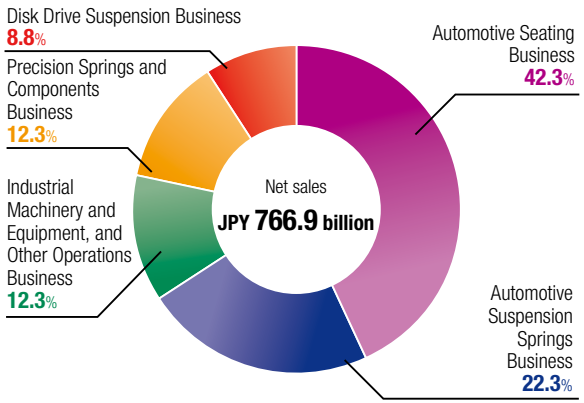
Grand vision

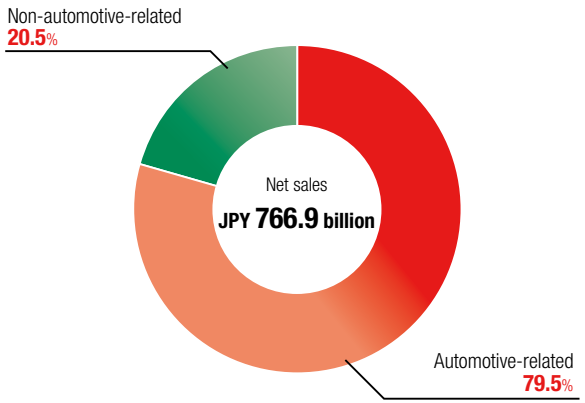
Having a high perspective and a broad view

As our business becomes increasingly global, we act with a high perspective and a broad view to ensure we are worthy of the trust of our various stakeholders in Japan and overseas.

At a glance

Net sales percentages *(as of the end of March 2024)*





NHK Spring in Figures *(as of the end of March 2024)*

Established **1939**	Number of consolidated employees **20,524** *Includes annual average number of temporary employees	Number of Group Companies **54 companies in 14 countries** *Incl. 38 consolidated companies 8 equity-method companies
Automotive suspension springs world share **1st** *Investigation by NHK Spring	HDD suspensions world share **1st** *Investigation by NHK Spring	Integrated metal substrates world share **1st** *Investigation by NHK Spring

NHK Spring Group's strengths

Metalworking and other core technologies that have been refined since the Company's founding and proprietary know-how

Understanding of industry trends, relationships of trust with customers, accumulation of know-how, and all-round strategies that only an independent company can provide

Quality-first manufacturing, a front-loading approach, and analysis and evaluation technologies that support quality

Product lines with high market share

At a glance

The NHK Spring Group, centered around NHK Spring, operates globally with 55 Group companies located all over the world.

We aim to further strengthen our global business base by developing local subsidiaries and their employees, in line with the growth of local markets.

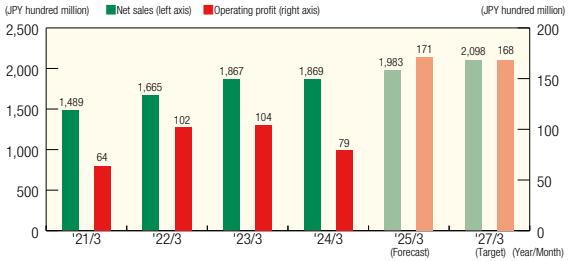
20 Group Companies
Incl. 10 consolidated subsidiaries
3 equity-method companies
8,160 employees

Head Office and **24** Group Companies
Incl. 19 consolidated subsidiaries
3 equity-method companies
9,834 employees

11 Group Companies
Incl. 9 consolidated subsidiaries
2 equity-method companies
2,530 employees

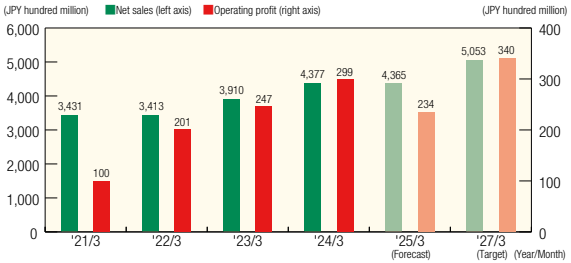
Asia

In 61 years since entering the Thai market, the Company has manufactured automotive parts and HDD suspensions.



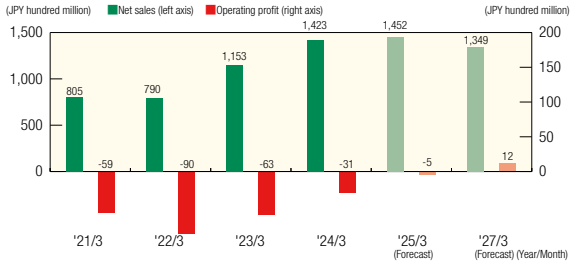
Japan

In Japan, the Company has the mother plants for all its products and also a research and development hub.



North America and Europe, etc.

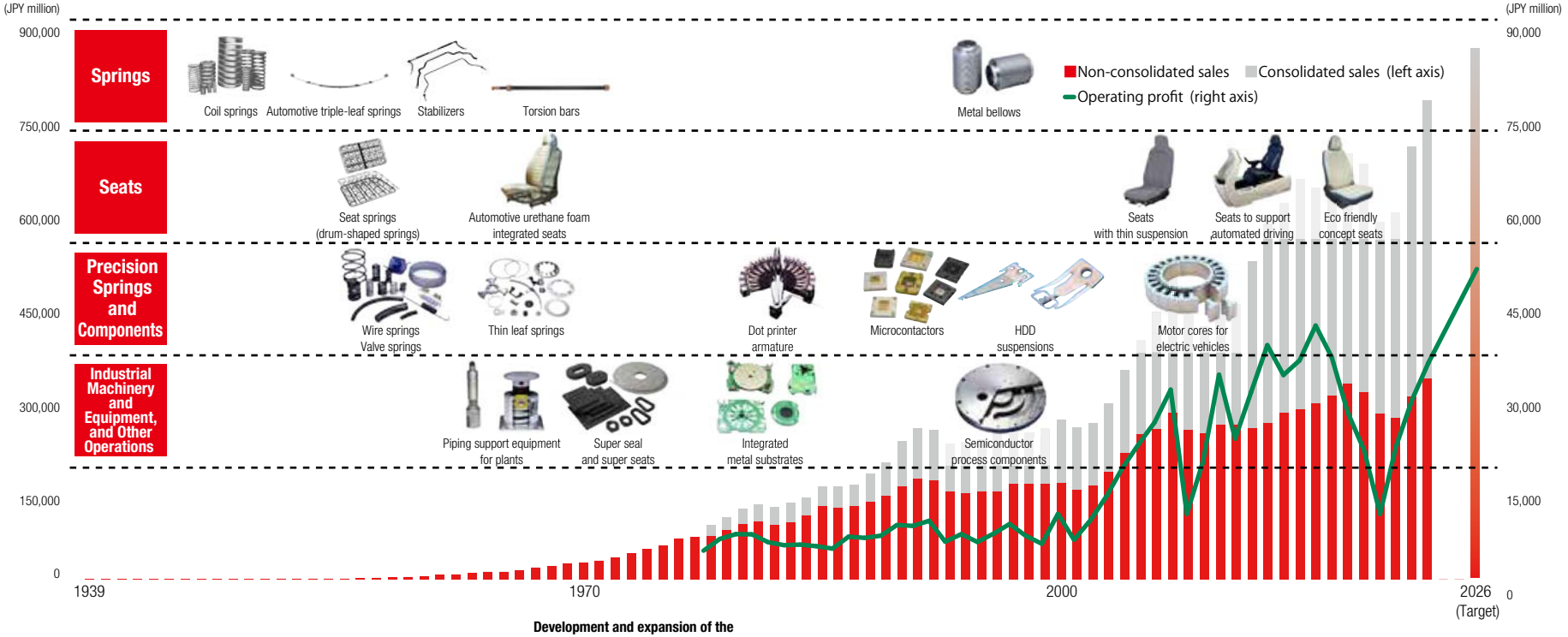
In 48 years since entering the United States, the Company has produced mainly automotive parts and established a research and development hub.

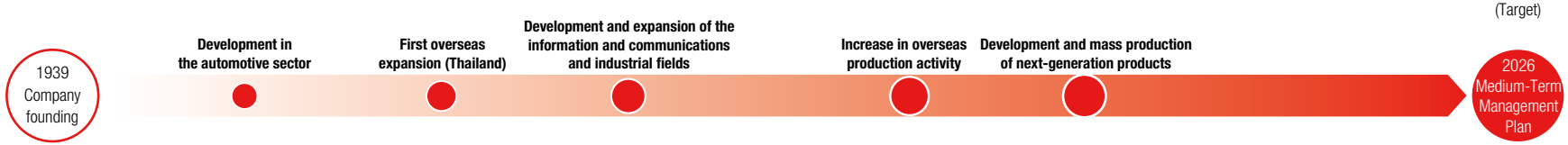


Trajectory of Value Creation

Trajectory of NHK Spring Group

Since its founding in 1939, the NHK Spring Group has continuously created value by conducting business activities in accordance with the spirit of its Guiding Principles and Corporate Philosophy, and by providing "indispensable key parts" in response to changes in society.





Externalities

●1923 Great Kanto Earthquake
Automobiles had been regarded as a luxury, however, due to the damage caused to railways by the earthquake, they came to play a more practical role in society.

●1939~1945 WWII
Following the end of the war, many automobiles were brought into Japan by the U.S. Occupation Forces.

●1973 Oil crisis
Suffering a sharp decline in orders for automotive parts, the Company scrambled to absorb the needs of its customers.

●1990 Bursting of Japan's economic bubble
Shift from high-end products towards individual and functional needs With more importance coming to be placed on safety and environmental pollution countermeasures, greater safety and riding comfort came to be demanded of automobiles.

●2006~
Acceleration of development related to automated driving of automobiles

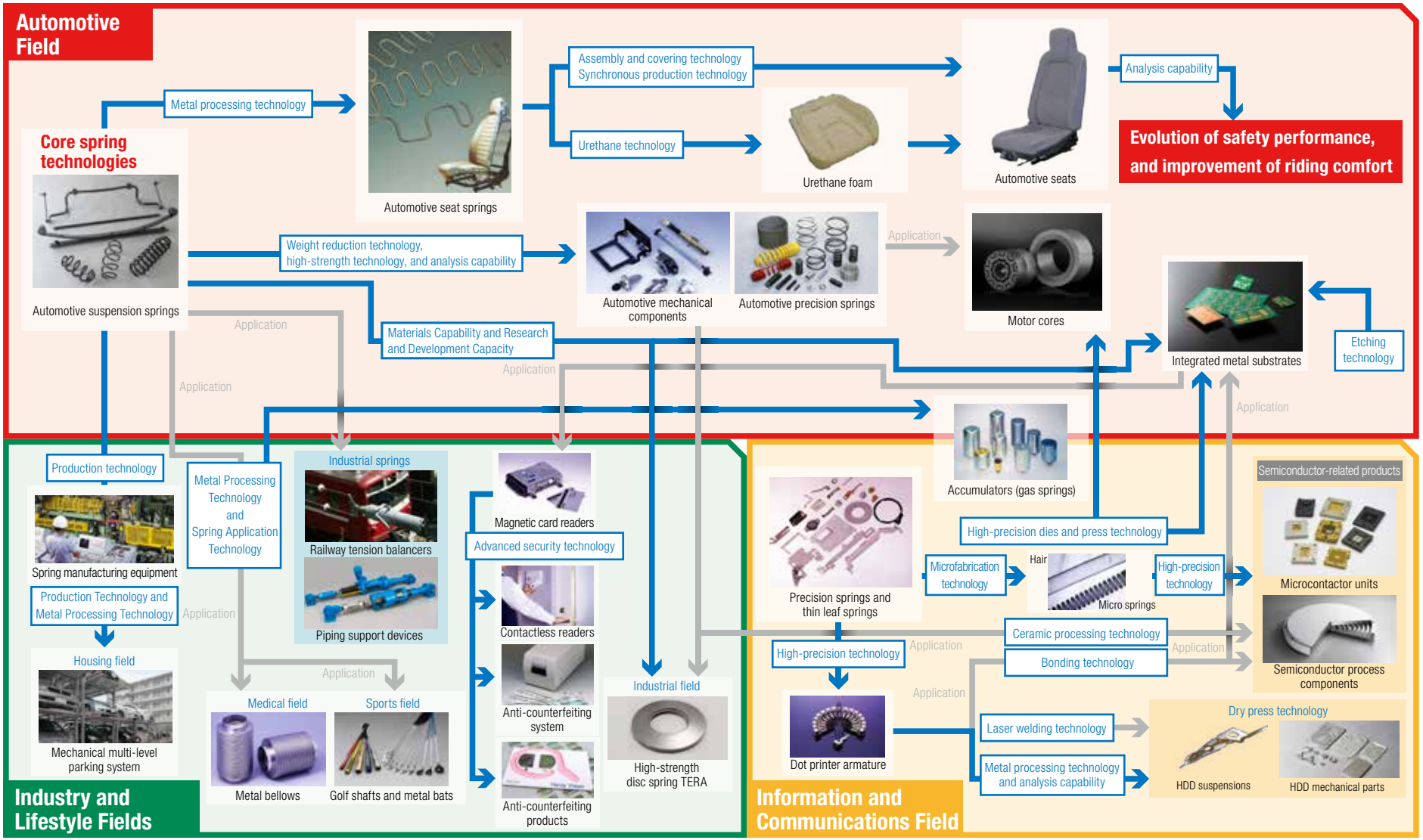
●2016~
"CASE" - the new trend of the automobile industry
Heralding a once-in-a-century transformation in the automotive industry

● 2020~present
In response to the Government of Japan's Carbon Neutral declaration, measures to address climate change are gaining momentum

* As we present the NHK Spring Group's key products according to their history, we use images from the early stages of production. Products that are no longer in production are also included.

Development of Core Technologies

NHK Spring Group has produced various products that contribute to society in response to the demands of the times. Having started out from automotive suspension springs, NHK Spring Group's business has developed into the Automotive, Information & Communication, Industry and Lifestyle Fields based on its core spring and metal processing technologies. NHK Spring Group will continue to provide "indispensable key parts" to the world and support social development through manufacturing.



Message from the Chairman and CEO

Review of the 2023 Medium-Term Management Plan and Results for the Year Ending March 2024

Looking back over the 2023 Medium-Term Management Plan, the NHK Spring Group experienced a very difficult time in its history due to the COVID-19 pandemic, transformation of the automotive industry, price hikes for various materials, and shortages of semiconductors among other challenges. In this environment, not only has the NHK Spring Group endured, but we have made substantial investments and focused on planting the seeds of core businesses for the future. Specifically, we have invested in the following areas: 1) developing components for vehicle electrification, 2) developing the semiconductor process components business and HDD suspension business against the backdrop of the advanced information and communication society, 3) developing environmentally friendly products and seats for automatic driving, and 4) developing the medical field and investing in flying cars.

As a result, in FY2023, we achieved our initial targets for the year, with net sales of JPY766.9 billion, operating profit of JPY 34.6 billion, ordinary profit of JPY 47.8 billion, and net income attributable to owners of the parent of JPY 39.1 billion. I believe that this was due to our ability to make up for the decline in the number of cars produced by changing the mix of car models, and to reflect increases in the cost of various materials in unit prices through conducting persistent negotiations with customers. In the non-automotive sector, we were helped by the buoyant AI and semiconductor markets and increased demand for data centers.

In this way, at each site and in each business, we were able to promptly and accurately meet the needs of our customers by responding flexibly to the ever-changing market environment, and this led to our good business results in FY2023.

Implementing the 2026 Medium-Term Management Plan with a New Structure

In the 2026 Medium-Term Management Plan, we will move forward with a new management structure with a view to further improving our corporate value. As Chairman & CEO, I am responsible for overseeing management, while our President & COO Mr. Uemura is responsible for implementing management plans as the top Corporate Officer. As President & COO, Mr. Uemura has built solid relationships of trust with many customers over many years on the front lines of sales. I hope that he will continue to work to maintain and improve our relationships of trust with our stakeholders, and lead the NHK Spring Group with enthusiasm and pride. I will make use of my own knowledge and experience to date to support the President & COO and the rest of the executive team to the best of my ability, with the aim of achieving the 2026 Medium-Term Management Plan.

Looking Forward as Chairman & CEO

Several months have passed since our new management structure was introduced in April 2024, and I feel that it has enabled us to strengthen our relationships with external parties and look at our Company's management from a more objective perspective. One of the reasons for this is that, in May 2024, I was appointed Chairman of the Japan Auto Parts Industries Association. The automotive parts industry accounts for JPY 35 trillion or 60% of the total value of shipments in the automotive industry, and it employs 670,000 people, compared to 180,000 by car manufacturers. The industry is closely linked with and supported by over 6,500 companies.

There are three main perspectives for advancing activities in this vast industry. The first is to contribute to the realization of a sustainable society and the construction of a future mobility society through responding to social demands such as carbon neutrality and the circular economy. The second is to maintain and strengthen the health of the entire supply chain.

And the third is to strengthen our ties with the government and related organizations. We will work to ensure that these activities benefit the Company and that the NHK Spring Group can lead and grow together with the industry.

Greetings

Ever since its founding, the NHK Spring Group has supplied "indispensable key parts". In today's rapidly changing society, to provide “indispensable key parts” for such changes and to contribute to the development of society is the mission and purpose of existence of the NHK Spring Group. To this end, we are committed to working together as a Company to tackle management issues in all areas including people, technology, management systems, and capital policy. I hope that this NHK Spring Report 2024 will give our stakeholders, including our shareholders and investors, a better understanding of some of the activities of our Company, and I look forward to your continued support.

Under the new management structure, taking a bird's-eye view of the NHK Spring Group, we will undertake the 2026 Medium-Term Management Plan.

T. Kayamoto Chairman & CEO and Representative Member of the Board

Message from the President & COO

Determination on Becoming President & COO

My name is Uemura, and I assumed the position of President and COO in April 2024. In September 2024, NHK Spring celebrated the 85th anniversary of its founding, and I feel humbled to be appointed President and COO at this juncture in the Company's history.

When I joined the Company, I was first assigned to production management at the factory. After that, I gained extensive sales experience at our main domestic locations and was also stationed in North America to gain experience in overseas business operations. Through these career experiences, I learned about the wonder of manufacturing that brings together the efforts of many people, the importance of a sincere attitude toward customers, and the importance of communication and teamwork. All of these firsthand experiences are firmly embedded in my thinking, even now as president.

Therefore, it was with strong conviction that I adopted the slogan “Respect for People” in the 2026 Medium-Term Management Plan of May 2024. "Respect for People” is a value that has been passed down through the generations in the NHK Spring Group by successive company presidents, and it has always held special importance for me. As president, having inherited this task, I will stay aware and continue to work on it as an important theme for further improving our corporate value. I will further encourage the “willingness to take on challenges” that is the strength of the NHK Spring Group's employees, and under the culture of “developing individuality and talent”, I will further increase employee satisfaction and link this to corporate results in guiding the Company's management. We will continue to take the lead in management by further enhancing employee satisfaction and linking this to corporate results.

The Value NHK Spring Provides and Our Long-term Vision

The NHK Spring Group's purpose of existence is "To contribute to an affluent society". Having defined this as our mission in our Corporate Philosophy, we share it as a universal goal and regard it as the basis of our management philosophy.

In order to practice this philosophy, the NHK Spring Group continues to supply "indispensable key parts" to society. "Indispensable key parts" refer to products that are essential for the sustainable development of society and possess overwhelming presence. They are high-function products that only the NHK Spring Group can create. Springs and seats that greatly improve the ride quality of cars, products for electric vehicles that contribute to global environmental conservation, and HDD suspension and semiconductor process components that support an advanced information society are all unique NHK Spring products that are essential for solving social issues. The NHK Spring Group is committed to contributing to the sustainable development of society and growing through these products.

"All-round Ability" - NHK Spring's Strength

Looking over the history of the NHK Spring Group, there have been many products that grew and blossomed after overcoming many years of hardship. Sharing the same goals and working together across departmental boundaries, such as sales and development, employees continue to turn the things they "want to do and want to continue doing" into business activities. It is precisely because we make it our Corporate Philosophy to be an indispensable presence in the development of society that 20,000 Group employees can exhibit all-round ability. In addition to establishing highly individual businesses in a wide range of fields, this “all-round ability” is also demonstrated effectively in the value chain through continued demonstration of high technological capabilities in all business fields and reliable manufacturing that is free of defects.

Contributing to the sustainable development of society with value that only NHK Spring Group can create

K. Uemura

President & COO, Representative Member of the Board, and Corporate Officer

Message from the President & COO

In addition, our core technologies have a wide range of applications and many possibilities for further development. The “New Business Exploration Team” established this year will continue to search for new business areas. In searching for new businesses, we will not necessarily rely solely on the Company's or the Group's capabilities, but will also consider collaboration, M&As, and business alliances with our customers and business partners as ways of exploring new areas with a flexible mindset.

2026 Medium-Term Management Plan Poster

2026 Medium-Term Management Plan

In the Medium-Term Management Plan, we will steadily advance plans based on the three pillars of “Respect for People”, “Contributing to Society”, and “Buy right, make right, sell right”.

We aim to become a corporate group in which more and more employees can feel “I'm glad to work for the NHK Spring Group” and have a sense of accomplishment. To this end, we will first clearly define the “Type of talent we seek” as our personnel policy, and based on this, we will change our personnel and training systems, as well as address issues such as the diversity of talent. Part of this effort is to further reduce the amount of heavy labor* at manufacturing sites and promote a safer and more secure workplace by reducing the physical load placed on employees.

We will enhance our corporate value by maximizing the sense of job satisfaction, fulfillment, and achievement of each individual and bringing them together as the power of the organization.

As a measure to enhance corporate value, we will build partnerships with our suppliers in the area of “purchasing” based on appropriate transactions so that suppliers will feel “happy to do business with NHK Spring”. In “manufacturing”, we will continue to pursue high quality manufacturing by leveraging IT and DX to find solutions to various problems that were previously impossible to solve. In “sales”, we will appropriately communicate the value of products as indispensable key parts to customers and emphasize the securing of appropriate profits in terms of sales prices. By integrating these conscious efforts in the areas of “purchasing”, “manufacturing” and “sales”, NHK Spring Group will further enhance its corporate value while increasing its competitiveness, thereby realizing continuous growth and “contribution to society”.

Our Approach to Growth Investment, and Introduction of New Indicators of Investment Efficiency

In the Medium-Term Management Plan, we will give priority to investments that are necessary for NHK Spring Group's continued growth over the medium to long term. In addition to business investment and R&D investment, we will plan and implement investments related to ESG issues (carbon neutrality investment of JPY 10 billion and human investment of JPY 50 billion) in line with the three pillars of the medium-term plan and our sustainability issues (materialities).

In addition to the conventional profitability index, we have adopted ROIC for the first time as an efficiency index to indicate the results of investment in growth, i.e., our progress in increasing corporate value. It will take a number of steps before awareness of cost of capital fully penetrates within the Company, but we will continue our business management with a greater awareness of capital efficiency as one of the indicators of corporate value.

Greetings

Throughout this Integrated Report, we would like to impart to our shareholders, investors, and other stakeholders an understanding of some aspects of the NHK Spring Group's thinking and activities, and provide opportunities for constructive dialogue aimed at improving our corporate value. We would like to thank you all for your continued support.

*Heavy labor...Work that entails lifting and carrying heavy objects

Value Creation Process

NHK Spring Group contributes to the development of an affluent society through "the supply of indispensable key parts".

Philosophy Framework (P.3~4)

- Guiding Principles
- Corporate Philosophy
- NHK Spring Group Employees Code of Conduct・NHK Spring Way
- NHK Spring Group Basic Global CSR Policy

Important Issues (Materialities) for NHK Spring (P.31)

- Reduction of CO_2 emissions
- Reduction of environmentally hazardous substances
- Creation of products that contribute to the environment
- Development of products that will contribute to resolving social issues
- Maximizing human value
- Respect for human rights
- Compliance
- Group management

External environment (P.16)

- Electrification of automobiles
- Realization of a decarbonized society
- Advent of an advanced digital society
- Decline in the working population
- Heightened geopolitical risk
- Growing momentum to respect human rights

Inputs

Management Resources for Supplying "Indispensable Key Parts" (P.13)

- Human Capital
- Intellectual Capital
- Manufacturing Capital
- Social Capital
- Natural Capital
- Financial Capital

2026 Medium-Term Management Plan (P.18)

Group's Basic Policy
~Respect for People, Contributing to Society~
~Further Promotion of Sustainability~

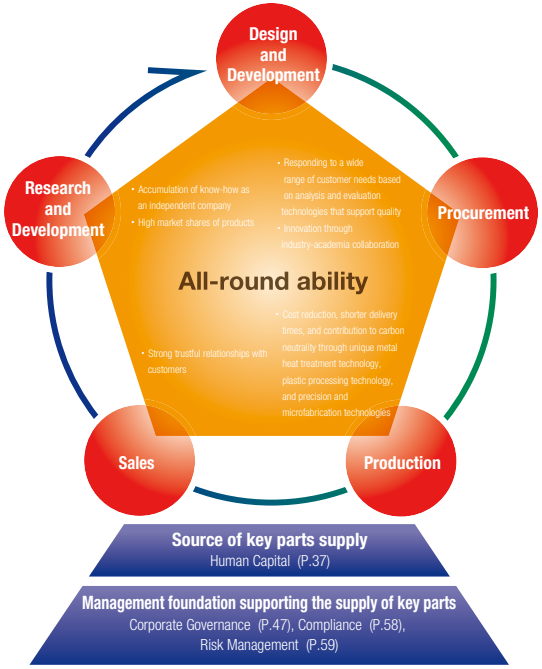
- Respect for People
- Contributing to Society
- Purchase appropriately, manufacture accurately, market and sell properly

Management Goals

Net sales	JPY 850 billion
Operating profit	JPY 52 billion
	(Operating profit ratio 6.1%)
Ordinary profit	JPY 57 billion
	(Ordinary profit ratio 6.7%)
Profit attributable to owners of parent	JPY 43 billion

Value Chain

Management Resources for Supplying "Indispensable Key Parts" (P.14)



Outputs

Supply of "Indispensable Key Parts"

Automotive Suspension Springs Business (P.25)

Automotive Seating Business (P.26)

Precision Springs and Components Business (P.27)

Disk Drive Suspension Business (P.28)

Industrial Machinery and Equipment, and Other Operations Business (P.29)

Outcomes

To Contribute to an Affluent Society through the Supply of Key Parts (P.15)

Stakeholders to whom NHK Spring provides value

- Shareholders and investors
- Employees
- Customers
- Suppliers
- Local residents

The social issues that NHK Spring resolves

- Climate change (Realization of a decarbonized society)
- Electrification of automobiles
- Zero fatalities and injuries from traffic accidents
- Responding to the diversification of lifestyles
- Realization of a highly digitalized society

A safe, secure and comfortable society

Management Resources (FY2023 results)

The NHK Spring Group realizes sustainable growth by allocating various management resources to its business activities and providing customers with “indispensable key parts”.

Human Capital

Based on the concept of “Respect for People”, by working on human resource development, organizational development, and the development of systems and culture, we aim to maximize the value of the talent that will lead to the realization of our management strategies.

- **Employees (consolidated):** 20,524
  *The number of employees including the average number of temporary employees
- **Total number of training hours:** 350 hours
- **Number of overseas trainee program participants:** 10

Intellectual Capital

We will work to create new technologies and products that anticipate changes in society by rigorously protecting and managing our intellectual property and by utilizing the knowledge and know-how we have accumulated over the years, including intellectual property.

- **Number of patents:** 3,370 (of which 2,121 are overseas)
- **R&D costs:** JPY 19.3 billion (Net sales ratio 2.5%)
- **Number of R&D sites:** 2

Manufacturing Capital

By establishing manufacturing bases around the world, we are building a global production and supply system, and we continue to actively invest in equipment in growth areas in order to create new added value.

- **Number of manufacturing centers:** 51
- **Plant investment:** JPY 37 billion

Social Capital

The NHK Spring Group aims to be “Caring teamwork” by building strong relationships of trust with all stakeholders based on sincere engagement, and growing together with them and society.

- **Total number of suppliers:** approximately 1,400
- **Total dialogues with shareholders and investors:** 245
- **Brand strength of "NHK Spring" in markets**

Natural Capital

Aiming for harmony between business activities and the global environment, we work to minimize the environmental impact of the NHK Spring Group's business activities, beginning with measures to address climate change.

- **Electricity use (purchased):** 154,097 MWh
- **Gas use:** 4,491 MWh
- **Water use (city water):** 222,000 m^3
  (Well water): 216,000 m^3

Financial Capital

We maintain a sound and robust financial base, while strengthening our earnings structure and implementing optimal capital allocation.

- **Free cash flow:** JPY 56.3 billion
- **Cash and cash equivalents:** JPY 93 billion
- **Total assets:** JPY 690.2 billion
- **Rating and Investment Information, Inc. (R&I) Credit Rating:** A (Stable)

Value Chain

At the NHK Spring Group, more than 20,000 employees pull together to supply "indispensable key parts" to our customers. The NHK Spring Group's strength, which makes it possible to supply “indispensable key parts”, is “all-round ability”. From research and development to sales, we demonstrate our all-round ability by making the most of our strengths in each process and ensuring that the entire value chain is closely tied together.

Creation of Key Parts through Demonstration of All-round Ability

Research and Development

Accumulating the core technologies and know-how of the NHK Spring Group, including metal processing technology, we develop new products and applied products that utilize these core technologies in collaboration with customers, business partners, research institutions, etc.

Design and Development

We work to realize the requests of our customers and propose high-value-added products that utilize NHK Spring's core technologies. We also promote front-loading to prevent quality problems from arising.

Procurement

We will conduct appropriate transactions in compliance with the Subcontracting Law, relevant laws and regulations pertaining to human rights, etc., and international rules. We will work with business partners to build a strong supply chain and procure the optimal materials and parts for manufacturing products.

Production

We will improve our production capacity and productivity and stably supply high-quality products while taking into consideration regional safety and environment.

Sales

We strive to build and maintain strong relationships of trust with our customers and improve customer satisfaction based on our understanding of industry needs and trends as an independent company.

Key Parts the NHK Spring Group Supplies to Society

The NHK Spring Group is committed to developing products that contribute to solving social issues, and we will continue to provide “indispensable key parts”.

Our Functions	Specific Products	Provided Value	Customer issues that NHK Spring resolves	Social issues that NHK Spring resolves through its customers
Supporting Conveying Holding Jumping Springing Stretching Attaching	**Automotive suspension springs** 	**High product performance** ・Weight reduction ・Increased strength	Weight reduction of cars Improved fuel efficiency Reduction of CO_2 emissions due to shift to EVs	**Climate change Realization of a decarbonized society** **Electrification of automobiles**
	Automotive seats 	**Product safety** **Product comfort** ・Fatigue reduction ・Seat weight reduction		
	Motor cores for electric vehicles 	**High product reliability** ・High production efficiency ・High machining accuracy ・High-efficiency products		
	Integrated metal substrates 	**High product performance** ・High heat dissipation ・High conductivity	Provision of safe, secure and comfortable mobility Flexible interior layout in cars	**Zero fatalities and injuries from traffic accidents**
	HDD suspensions 	**High product performance** ・Fine positioning accuracy ・Characteristics that suppress resonance	Increasing the capacity of HDDs	**Responding to the diversification of lifestyles**
	Semiconductor process components 	**High product performance** **High product reliability** ・Temperature control ・Corrosion resistance, durability	Development of digital infrastructure	**Realization of a highly digitalized society**
	Semiconductor inspection equipment parts (Contact probe-related products)	**High product performance** **High reliability** ・Solder resistance, abrasion resistance ・High-frequency characteristics	Stable supply of semiconductors	

Changes in External Environment, Risks, and Opportunities

We will introduce the risks and opportunities arising from changes in the external environment recognized by the NHK Spring Group, and how we are responding to them.

Changing External Environment	Risks	Opportunities	Countermeasures for Risks and Opportunities
① **Electrification of cars**	・Due to the progress of electrification, if the production volume of gasoline-powered vehicles decreases due to stricter regulations, it is expected that the NHK Spring Group's sales of parts for gasoline-powered vehicles will decrease.	・With the market expected to expand due to the advance of electrification, sales of the NHK Spring Group's electrification-related products are expected to increase.	・Accelerating the development of electrification-related products through proactive investment
② **Realization of a decarbonized society**	・As consumer preferences change and products with low environmental impact become more popular, there is a risk of the NHK Spring Group losing orders if we fail to respond in a timely manner.	・By actively promoting carbon neutrality and working to reduce environmental impacts in other ways, the Group can earn high praise from stakeholders.	・Realization of carbon neutrality ・Creation of environmentally friendly products (including electrification-related products), and proactive investment
③ **Advent of an advanced digital society**	・With the advent of a highly digitalized society, there is a risk of a decrease in the market share of HDDs and an increase in the market share of storage devices such as DRAMs and SSDs due to the falling price of semiconductors.	・As we move towards a highly digitalized society, we can expect to see an increase in the number of HDDs in data centers, as well as an increase in demand for high-performance products, such as miniaturized semiconductors.	・Increasing the precision of HDD suspensions and expanding production capacity ・Increasing the functionality of parts for semiconductor manufacturing equipment and semiconductor inspection equipment
④ **Decline in the working population**	・Due to the declining population of working age in Japan, there is a risk of a deterioration in productivity due to the difficulty of passing on skills.	・In order to make the most of our diverse talent, working to create workplaces that are both rewarding and comfortable to work in will lead to increased productivity and innovation.	・Strengthening of human capital management (securing and training talent, D&I, work style reform, personnel system reform, creating a safe and secure workplace) ・Improving labor productivity through labor saving
⑤ **Heightened geopolitical risk**	・There are parts procurement risks due to factory shutdowns and supply chain disruptions caused by large-scale natural disasters, etc.	・By implementing BCP measures and strengthening and diversifying the supply chain, we will strengthen our relationships of trust with customers and other stakeholders.	・Implementation of BCP measures ・Supply chain strengthening and diversification
⑥ **Growing momentum to respect human rights**	・If human rights violations arise in the supply chain, these can negatively impact business and lead to reduced sales.	・By soundly implementing human rights due diligence, relationships of trust with stakeholders will become even stronger.	・Strengthening of the human rights promotion system ・Implementation of human rights due diligence

Review of the 2023 Medium-Term Management Plan

During the 2023 Mid-Term Management Plan, the COVID-19 pandemic and the global shortage of semiconductors had a significant impact on production activities. Semiconductors are essential for many modern products, and shortages of them affected the manufacturing industry as a whole, with the disruption of the supply chain being particularly noticeable in the automotive and electronics industries. Even under these circumstances, we aimed to continue and grow our business, and steadily implemented the following items set out in the 2023 Medium-Term Management Plan.

Under the theme of “Further promotion of CSR activities”, we strengthened dialogue with shareholders and investors and worked to improve information disclosure. We also improved the fairness of our dealings with business partners, reviewed our personnel system, improved the effectiveness of our internal reporting system, and actively participated in local community activities, thereby strengthening our relationships of trust with stakeholders. With regard to environmental and social issues, we implemented the NHK Spring Group's Environmental Challenges and advanced specific actions.

We also conducted quality audits to improve quality control and reduce the number of quality issues.

Under the theme of “Accelerating responses to the dramatically changing business environment”, we focused on creating next-generation core businesses in order to strengthen our response to the electrification of automobiles and autonomous driving. We have developed motor cores, high-performance seats, integrated metal substrates, etc., and have established a mass production system for new products, as well as building manufacturing lines and strengthening quality control. As a result, we have strengthened our competitiveness in the next-generation automobile market.

Under the theme of “Securing of ‘profit’ for sustainable growth”, we promoted the development of high-value-added products. Our XT coil springs, biomass raw material sheet urethane, and non-tempered stabilizer bars have been favorably received, allowing us to further strengthen NHK Spring's competitiveness. Furthermore, we have succeeded in reducing costs by building a flexible production system and realizing an efficient production process.

Due to the results of these initiatives, the transfer of higher steel prices to sales prices, the impact of yen depreciation, and other factors, net sales greatly exceeded the numerical target. In automotive-related fields, the Automotive Seating Business was a driving force, but the impact of lower sales volumes in the HDD-related business and semiconductor process components business meant that the Group's overall operating profit fell short of the target. However, thanks to a foreign exchange boost and the sale of policy portfolio shares, ordinary profit and profit attributable to owners of parent for the period exceeded the targets.

Results of Initiatives Under Each Policy of the 2023 Medium-Term Management Plan

Basic Policy		Initiatives	Assessment
Further promotion of CSR activities	Further strengthening of relations of trust with stakeholders	Strengthening of dialogue with shareholders and investors, enhancement of disclosure, efforts to improve the appropriateness of transactions, review of the personnel system, improving the effectiveness of the internal reporting system, participation in local community activities	○
	Sincere efforts to tackle environmental and social issues	Implementation of initiatives geared to achieving NHK Spring Group's Environmental Challenges	○
	Thorough pursuit of quality-first manufacturing	Implementation of quality audits (reduction of important quality incidents)	○
Accelerating responses to the dramatically changing business environment	Strengthening of responses to electrification of cars and automated driving	Steady promotion of development of motor cores, high-function seating, integrated metal substrates, etc., combined with parallel development of mass production systems	○
	Creation of next-generation key businesses		
Securing of "profit" for sustainable growth	Development of attractive products	Development of new products and products with added value (XT coil springs, biomass raw material sheet urethane, non-tempered stabilizer bars, etc.)	○
	Further reduction in total cost	Establishment of a production system capable of responding to sudden plan changes, and promotion of rationalization underway	○

	Indicator	Target	Actual	Assessment
Net sales and profit/loss targets	Net sales	JPY **650** billion	JPY **766.9** billion	○
	Operating profit	JPY **40** billion	JPY **34.6** billion	×
	Ordinary profit	JPY **42** billion	JPY **47.8** billion	○
	Profit attributable to owners of parent	JPY **25** billion	JPY **39.1** billion	○
Financial indicator targets	Ordinary profit ratio	**6.5**%	**6.2**%	×
	ROE	**8.0**%	**10.4**%	○
	Dividend payout ratio	Results **30**%	**24.2**%	△

2026 Medium-Term Management Plan　Basic Policies

Stance and Background in Formulation of Basic Policy

In order to respond to the rapidly changing market environment and technological innovation and achieve sustainable growth, NHK Spring announced the 2026 Medium-Term Management Plan in May 2024. In addition to the intensification of global competition and diversification of needs in recent years, the progress of DX is having a significant impact on the business environment of the NHK Spring Group. In addition, environmental issues and social responsibility are becoming increasingly important issues in corporate management, and appropriate responses to these issues are required. Therefore, NHK Spring believes that it is important to address these issues and to set out a strategic direction for achieving sustainable growth. Accordingly, we have set out the three pillars of **"Respect for people", "Contributing to society" and "Purchase appropriately, manufacture accurately, market and sell properly"**, and we will steadily implement measures based on these over the next coming years.

Under the theme of **"Respect for People"**, we aim to be a corporate group where employees feel "I'm glad to work for the NHK Spring Group".

Under the theme of **"Contributing to society"**, aiming for carbon neutrality (CN) and zero industrial waste, we will develop environmentally friendly products and other products that contribute to resolving social issues, and promote contributions to local communities.

Under the theme of **"Purchase appropriately, manufacture accurately, market and sell properly"**, we will ensure appropriate profits by maintaining quality, strengthening competitiveness through the promotion of DX, and optimizing transactions.

Based on the above pillars, we aim to further promote sustainability activities, respect people, and contribute to society.

Priority Measures in the 2026 Medium-Term Management Plan

Stance and Background in Formulation of Priority Measures

We believe that the source of the NHK Spring Group's growth has always resided in and will continue to reside in our employees. Under the theme of “Respect for People", we aim to be a Company where employees feel “I'm glad to work for the NHK Spring Group”. To this end, we will address issues such as personnel systems, employee benefits, and the promotion of D&I with the keywords “creating a safe and secure workplace”, “creating a comfortable workplace”, and “creating a rewarding workplace”. Specifically, we will promote women's participation and career advancement, strengthen systems and education that enable flexible work styles, and create a workplace environment where people can play an active role regardless of gender. In addition, by automating heavy labor, we will reduce the load on workers and also improve production efficiency. We will further strengthen our relationships of trust by disclosing information in a way that is easy for stakeholders to understand, and by making improvements through ongoing dialogue with stakeholders.

Basic Policy	Priority Measures
Respect for People	**Creating safe and secure workplaces** • **Enhancement of health promotion** - We will strengthen our health-related consultation services.
	Creating a comfortable workplace • **Promotion of D&I** - We will establish working conditions that allow a diverse range of people to demonstrate their abilities. • **Improving the work environment** - We aim to create a comfortable workplace by automating heavy labor
	Creating a rewarding workplace • **Review of the personnel system** - We will reduce the seniority factor and switch to a personnel system that makes the most of individual abilities • **Review of the training system** - We will build a training system linked to the personnel system.
	Further strengthening of relationships of trust with stakeholders • **Dialogue with stakeholders** - We will promote mutual understanding through dialogue.

Priority Measures in the 2026 Medium-Term Management Plan

Stance and Background in Formulation of Priority Measures

The theme of "Contributing to society" refers to the promotion of sustainability activities. This is a social requirement that is consistent with NHK Spring's Corporate Philosophy. Specifically, we aim to achieve carbon neutrality and zero industrial waste by 2039, and promote the creation of products that contribute to the environment and solve social issues. We also engage in ongoing community service activities to build relationships of trust with the local community.

The theme of “Purchase appropriately, manufacture accurately, market and sell properly” mainly refers to efforts to ensure proper transactions. In procurement, we will comply with CSR procurement and subcontracting laws; in manufacturing, we will enhance competitiveness by maintaining quality and promoting DX; and in sales, we will secure appropriate profits by appropriately communicating product value to customers.

State the Reasons for and Background to Selecting the Priority Measures

Basic Policy	Priority Measures
Contributing to Society	• To achieve the goals set forth in NHK Spring Group's Environmental Challenges, we are working to solve social issues by reducing CO_2 emissions and industrial waste. • We develop products that resolve social issues required by the automotive and telecommunications industries.
Purchase appropriately manufacture accurately market and sell properly	• We will comply with the standards of the Subcontract Act and the Act on the Promotion of Small and Medium-Sized Enterprises, and strive to ensure appropriate transactions. • Establish front-loading and strive to optimize both quality and cost. • By promoting DX, we will develop the infrastructure for business transformation with the aim of updating core systems and improving business efficiency. • We strive to secure appropriate profits commensurate with the value of our products.

2026 Medium-Term Management Plan (Management Indicators)

Establishment of New Management Indicators

The 2026 Medium-Term Management Plan establishes new business management indicators from various perspectives of profitability, efficiency, soundness, and growth, in addition to the indicators related to net sales and profit/loss adopted in the 2023 Medium-Term Management Plan. (See chart on the right). The guidelines have been developed taking into account not only internal issues, but also the requirements of the stock exchange and the requests and expectations of shareholders and investors.

Initiatives to Improve Capital Efficiency

Shareholders and investors are demanding management that is conscious of capital efficiency and cost of capital, and NHK Spring also considers this to be an important perspective for further improving corporate value. NHK Spring discloses ROE (return on equity) as a measure of investment efficiency. In addition, from the 2026 Medium-Term Management Plan, we will introduce ROIC (return on invested capital) as a business management indicator to raise awareness of cost of capital and improve capital efficiency.

			Year ending march 2024 (Results)	2026 Medium-Term Management Plan (targets)
Net Sales and Profit/Loss		Net sales	JPY 766.9 billion	JPY 850 billion
		Operating profit (Operating profit ratio)	JPY 34.6 billion (4.5%)	JPY 52 billion (6.1%)
		Ordinary profit (Ordinary profit ratio)	JPY 47.8 billion (6.2%)	JPY 57 billion (6.7%)
		Profit attributable to owners of parent (current term net profit ratio)	JPY 39.1 billion (5.1%)	JPY 43 billion (5.1%)
Financial Indicator	Investment efficiency	ROE	10.4%	10% or higher
		ROIC	6.1%	7% or higher
	Shareholder return	Dividend payout ratio	24.2%	30% or higher
	Annual Average Growth Rate (CAGR) of Sales * 1: Year ended March 2024 - Year ended March 2031	Motor cores	—	14%
		Semiconductor process components	—	18%
		Integrated metal substrates	—	24%
	Soundness	Stockholders' equity to total assets ratio *2	58.7%	50% or higher
	Policy stock holdings	Net asset ratio	20.4%	Less than 20%

: Newly added management indicators

*2: Stockholders' equity to total assets ratio is adopted as an indicator of soundness. The level to aim for in terms of capital policy is under review.

2026 Medium-Term Management Plan (Cash Allocation)

Stance and Background in Formulation of Basic Policy

Human Capital Investment

The strength of NHK Spring Group lies in our talent, so strengthening human capital is essential for our medium- and long-term growth. We will implement measures while monitoring the effectiveness of the investment.

DX Investment

We will promote DX not only by introducing systems, but also by reviewing business processes and considering ideal operations.

CN Investment

NHK Spring aims to achieve carbon neutrality (CN) by 2039 as part of “NHK Spring Group's Environmental Challenges”. We will continue to work toward this goal with an eye on developing new technologies.

R&D Investment

Among the CASE topics that are attracting attention in the automotive industry, NHK Spring is focusing on E (electrification). By directing efforts to research and development of products such as motor cores and integrated metal substrates, we aim to develop key products that will support our next growth.

Business Investment

In addition to strengthening our “Quality first” manufacturing capabilities, we will also work to increase production capacity in growth areas, expand plants, upgrade facilities, and innovate manufacturing using the IoT.

Shareholder return

We have raised the dividend payout ratio and set a share buyback amount. We intend to continue to pay stable dividends and actively return profits to shareholders.

Cash In	Cash Out		
Operating CF JPY 270 billion*	Investment JPY 250 billion	Human capital investment JPY 50 billion	■ Improvement in employee engagement through better treatment and improved working environment
		DX investment JPY 20 billion	■ Promoting business reform through investment in core systems and AI technology
		CN investment JPY 10 billion	■ Promotion of CN activities through electrification of production facilities and purchase of renewable energy
		Research and Development investment JPY 70 billion	■ Accelerating activities for new product development and market launch, and promoting measures to improve the value of existing products
		Business investment JPY 100 billion	■ Strengthening of “Quality first” manufacturing capabilities through continuous technological innovation
Sale of policy stock holdings JPY 15 billion	Shareholder return JPY 60 billion	Dividends JPY 40 billion	■ Stable dividends based on comprehensive consideration of consolidated financial results, dividend payout ratio, etc.
New loans from financial institutions JPY 25 billion		Acquisition of treasury stock JPY 20 billion	■ Shareholder return through the acquisition and cancellation of treasury stock, and the realization of a capital structure taking into account efficiency and safety

*: Operating CF JPY 270 billion is the original operating CF of JPY 170 billion plus JPY 100 billion included in the cash out investment (personnel investment JPY 30 billion, DX investment JPY 4 billion, R&D investment JPY 66 billion).

CFO's Message

Looking Back on Results in FY2023

In FY2023, thanks to the recovery in automobile production made possible by resolution of the semiconductor shortage, net sales were JPY 766.9 billion, operating profit JPY 34.6 billion, ordinary profit JPY 47.8 billion, and profit attributable to owners of parent was JPY 39.1 billion. Although depreciation of the yen also helped to boost sales, the growth of the Automotive Seating Business was a particularly significant contributor. In addition, we were able to pass on the increased cost of raw materials to sale prices by carefully explaining the situation to our customers, with whom we have built relationships of trust over many years.

Operating profit was boosted by the effect of increased revenue, the effect of a weaker yen, and productivity improvements made possible by rationalization. As a result, profits increased year-on-year, but fell short of the target in the 2023 Medium-Term Management Plan. This was due to the impact of a decrease in the volume of HDD suspension parts caused by production adjustments by HDD manufacturers and a decrease in the volume of semiconductor process components arising from a downturn in the sluggish semiconductor market. Looking ahead, we believe that demand for these parts and components will recover and that the market will continue to expand over the long term, and we will work to ensure that this future expansion in demand translates into orders.

ROE, an indicator of capital efficiency, improved significantly during the 2023 Medium-Term Management Plan, reaching 10.4%, which exceeded the target of 8.0%. In addition to improvement in operating profit due to the steady performance of our core businesses, the gains on the sale of policy stock holdings also contributed to the improvement in ROE. We will continue to work to improve capital efficiency.

About the 2026 Medium-Term Management Plan

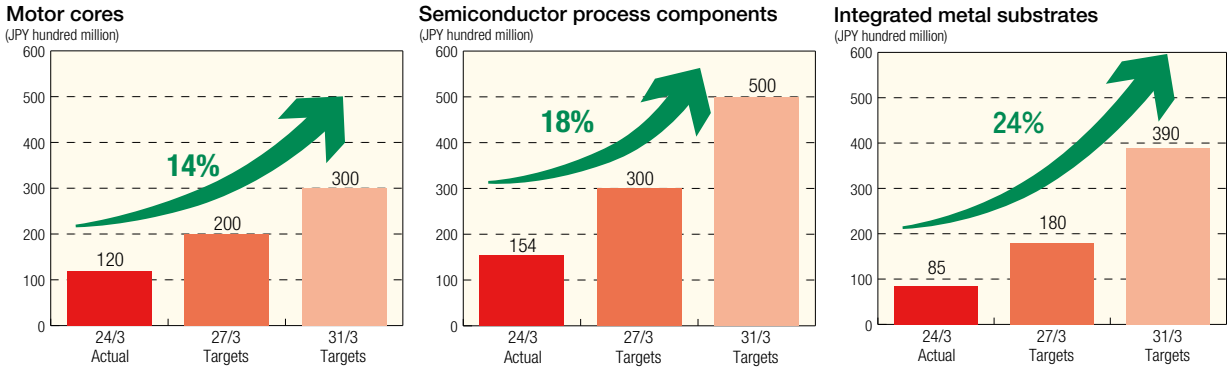
Towards management that also considers capital efficiency

In the 2026 Medium-Term Management Plan, we will manage the Company from the multifaceted perspectives of profitability, efficiency, soundness, and growth. New management indicators have been added, including CAGR (compound annual growth rate of net sales), ROIC (return on invested capital), stockholders' equity to total assets ratio, and net asset ratio of policy stock holdings.

The new indicators were introduced partly in response to external expectations, such as requests from stock exchanges and shareholders and investors. At NHK Spring too, striving for our ideal form of business management, we must establish management that is conscious of efficiency in addition to profitability.

With regard to CAGR, we have set target values for the growth businesses of “motor cores”, “semiconductor process components” and “integrated metal substrates” from the fiscal year ending March 2024 to the fiscal year ending March 2031. We are aiming for 14% for motor cores, 18% for semiconductor process parts, and 24% for integrated metal substrates, and we will develop these as pillars of revenue for the next generation.

Compound Annual Growth Rate of Net Sales (CAGR)



A new growth strategy in the 2026 Medium-Term Management Plan towards management that also takes capital efficiency into account

H. Yoshimura Executive Vice President & CFO and Representative Member of the Board, Corporate Officer

CFO's Message

Working to increase the capital turnover rate

ROIC is the product of the net sales profit margin and the capital turnover rate, and I believe that my role is to promote improvement of both these indicators.

With regard to improving the sales profit ratio, the NHK Spring Group has been working hard to improve marginal profit ratio and reduce fixed costs, and we believe that this has deeply penetrated into the minds of our employees. In addition, we aim to improve net sales profit ratio by increasing productivity through human capital investment and DX investment as set out in the 2026 Medium-Term Management Plan, ensuring appropriate profits by thoroughly implementing our policy of “Purchase appropriately, manufacture accurately, market and sell properly”.

On the other hand, improving the rate of return on capital is a new initiative for NHK Spring, and we will need to start by understanding the current situation and then proceeding from there.

In terms of operation, we will focus on “inventory assets” and “fixed assets” as the objects to be managed, and aim to improve the rate of return on invested capital. Through these initiatives, we aim to raise ROIC from 6.1% in the fiscal year ending March 2024 to 7% or more in the 2026 Medium-Term Management Plan.

Optimization of the ratio of policy stock holdings and the stockholders' equity to total assets ratio

In addition, in order to improve capital efficiency, we have set the ratio of policy stock holdings to net assets at less than 20%. The Board of Directors regularly reviews stock holdings to determine whether they contribute to the improvement of NHK Spring's corporate value. Specifically, we will gradually reduce our policy stock holdings while examining trends in the amount of transactions with our business partners and our future relationships with them. At the same time, we will maintain a stable financial base by ensuring that the stockholders' equity to total assets ratio is 50% or more so that financial leverage does not have an excessive effect in terms of capital costs.

Our Stance on Cash Allocation

As a Group, we are pursuing improvements in cash-generating capacity and capital efficiency, and over the three years of the Medium-Term Management Plan, we are planning to generate JPY 270 billion in operating cash flow, JPY 15 billion from the sale of policy stock holdings, and JPY 25 billion in external financing.

We aim to achieve operating cash flow through increased net sales and improved profit margins through rationalization.

Next, regarding cash out, we have set a JPY 250 billion investment limit for the term of the 2026 Medium-Term Management Plan, and we are planning to return JPY 60 billion to shareholders. Regarding the investment budget, we will give priority to investments in our growth businesses of “motor cores”, “semiconductor process components”, and “integrated metal substrates”. In addition, when selecting investments, we will carefully examine projects from the perspective of investment efficiency while also focusing on the payback period, and we will implement investments that are well-balanced for growth. In addition, under the 2026 Medium-Term Management Plan, we plan to invest an unprecedented amount of JPY 50 billion in human capital in order to maintain the high motivation of employees, combine the power of each individual as the power of the organization, and maximize their potential.

With regard to shareholder return, we recognize that the distribution of profits to shareholders is our most important task. NHK Spring's policy is to continue stable dividend payments based on comprehensive consideration of consolidated business performance, dividend payout ratio, and investment and other funds needed for medium- to long-term improvement of corporate value, in order to establish a long-term management base. The goal of the 2026 Medium-Term Management Plan is to maintain a payout ratio of 30% or more, with a planned dividend amount of JPY 40 billion, and we will consider raising this further. In addition, we also regard the acquisition of treasury stock as a measure to return profits to shareholders, and we plan JPY 20 billion for this purpose.

For higher shareholder value

In terms of improving capital efficiency and strengthening shareholder returns, NHK Spring aims to achieve a return on invested capital (ROIC) that exceeds the weighted average cost of capital (WACC). As CFO, I will pursue an optimal capital structure to reduce the WACC, and based on dialogue with shareholders and investors, I will also work on NHK Spring's sustainability issues.

As Chairperson of the Sustainability Promotion Committee, which was newly established in April 2024, I believe that promoting sustainability initiatives will reduce management risks over the medium to long term, and will ultimately lead to a reduction in WACC.

As CFO, building on relationships of trust with shareholders and investors, I will continue to actively engage in dialogue, reflect the content of that dialogue in management, and strive to increase shareholder value as CFO.

Growth Strategy by Business Segment **Automotive Suspension Springs Business**

Business Overview

In the Automotive Suspension Springs Business, we supply suspension springs used mainly in automobiles.

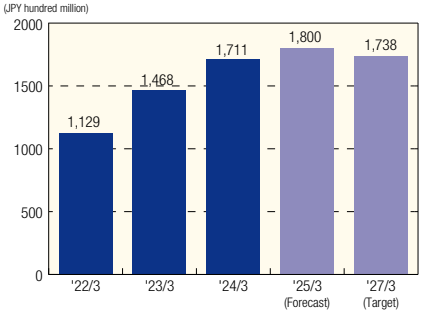
○Main Products

Coil springs, leaf springs, stabilizer bars, accumulators, torsion bars, stabilizer links, stabilinkers, etc.

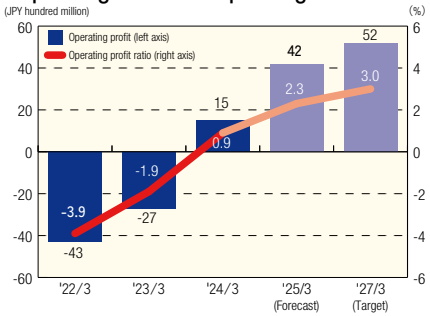
Trends in Net Sales and Operating Profit/Operating Profit Ratio

There was a recovery in production, which had been affected by shortages of semiconductors and other automotive parts, and the Company was also able to pass on the increased cost of materials and other materials to product prices. As a result, net sales were JPY 171,148 million (up 16.5% year-on-year), and operating profit was JPY 1,599 million (operating loss of JPY 2,734 million in the previous year), so the Company returned to operating profitability.

Net sales



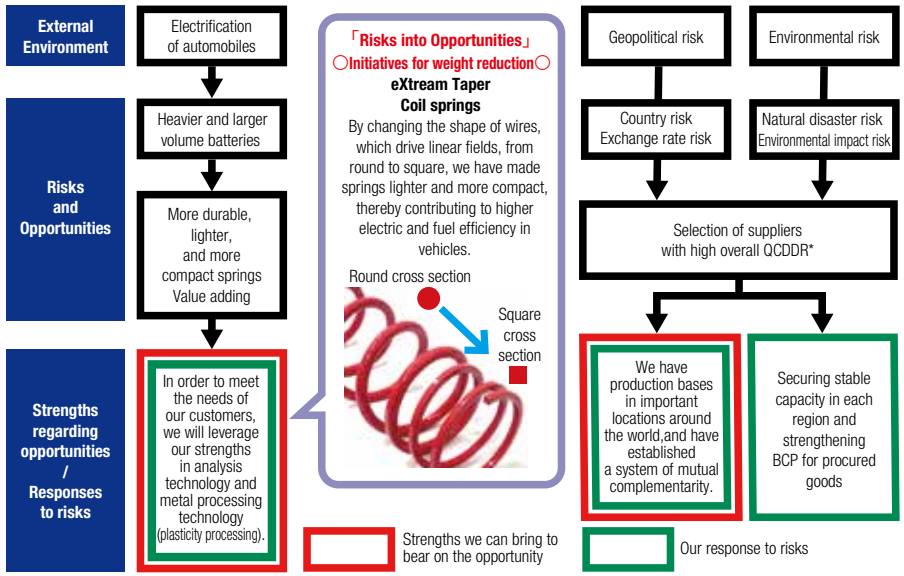
Operating Profit and Operating Profit Ratio



Business Risks and Opportunities

With the automotive industry facing procurement risks such as parts shortages and exchange rate fluctuations, there is an urgent need to strengthen supply chains. We will strive to strengthen our competitiveness by viewing these risks as opportunities and by establishing a stable global supply system.

Main External Environment, Risks and Opportunities



Growth Strategy and Future Outlook

In the Automotive Suspension Springs Business, in order to respond to changes in the market and achieve sustainable growth, we are working to strengthen manufacturing at our global bases. To improve QCDDR globally while responding to the diversification of customer needs, we are working to build the next-generation production line from the following three perspectives.

① Promotion of carbon neutrality: We are switching to electricity for the lines installed in each facility, and we are also promoting the adoption of energy-saving and renewable energy technologies.

② Utilization of DX: By promoting digitization in production activities, we will create lines that can easily and quickly reflect factor analysis and countermeasures, and by improving the shape accuracy of springs and the level of equipment management, we will achieve a 25% improvement in productivity compared to FY2023.

③ Response to EVs: In response to expected further acceleration of the shift to EVs, we will manufacture springs that are lightweight, compact, and highly durable.

We are planning to gradually introduce next-generation lines, which incorporate these perspectives, starting with our bases in Japan in 2025, and then expanding to our overseas bases.

To meet the needs of a global and diverse market, we will strive to strengthen our competitiveness by building a robust production system endowed with mutual complementarity against various risks.

* QCDDR…Quality, Cost, Delivery, Development, Response

Growth Strategy by Business Segment **Automotive Seating Business**

Business Overview

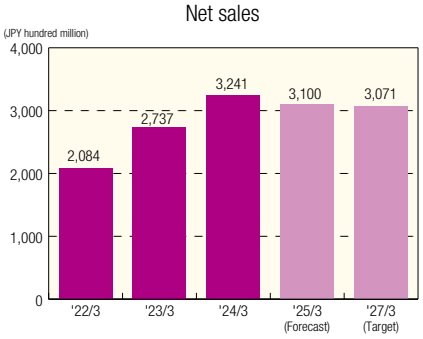
In the Automotive Seating Business, we mainly supply seats that are used in automobiles.

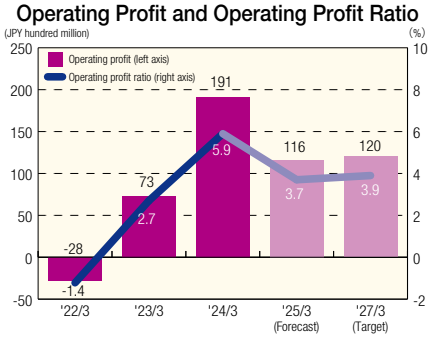
O Main Products

Automotive seats, seat components, interior components, etc.

Trends in Net Sales and Operating Profit / Operating Profit Ratio

Thanks to a recovery in production, which had been affected by shortages of semiconductors and other automotive parts, net sales were JPY 324,122 million (up 18.4% year-on-year), and operating profit was JPY 19,121 million (up 161.5% year-on-year).

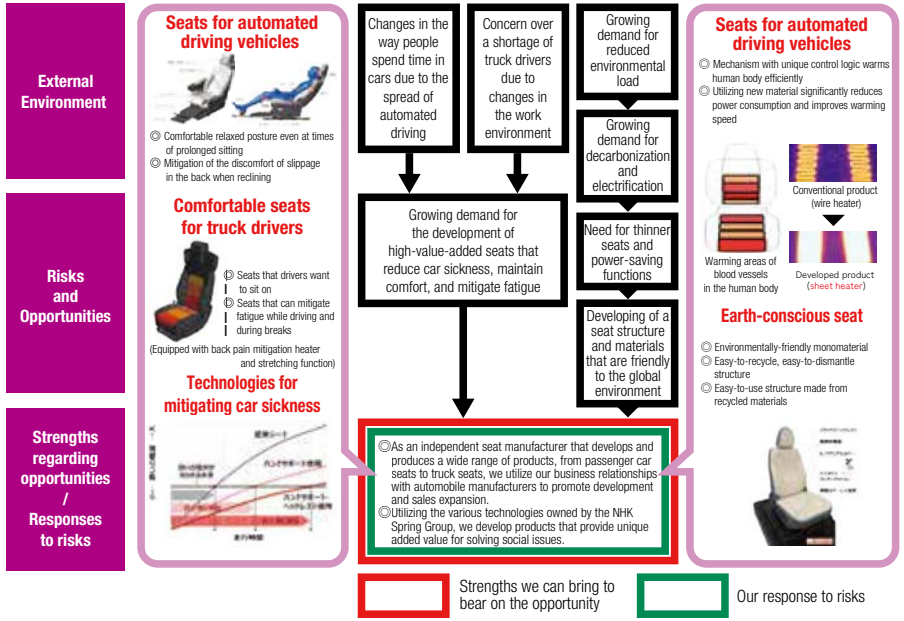




Business Risks and Opportunities

Against a backdrop of electrification, carbon neutrality, and automated driving, we need to promptly respond to diversifying needs for automotive seats.

Main External Environment, Opportunities and Risks



Growth Strategy and Future Outlook

Amidst recent reforms and innovations, such as CASE, MaaS, and carbon neutrality, the pace of change is so fast that it is difficult to predict the long-term direction of the times. We will continue to develop attractive new products and technologies by anticipating the future needs of the market and meeting the diverse needs of our customers. In addition, we will aim to maintain and improve the profitability of our business by maintaining our cost advantage through steady implementation of measures utilizing AI and virtual technology to strengthen our competitiveness in manufacturing, which is the foundation of our business as an automotive seat manufacturer. Moreover, by leveraging our reliability and benchmark capacity as an "independent automotive seat manufacturer" endowed with cutting-edge technology in a wide range of materials and processing, and extensive business relationships with all Japanese automobile OEMs, we will continue to respond quickly to the needs of each domestic automobile manufacturer and aim for continuous and stable transactions.

Growth Strategy by Business Segment **Precision Springs and Components Business**

Business Overview

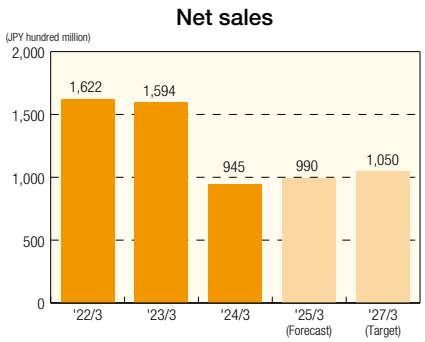
In the Precision Springs and Components Business, we supply products in a wide range of fields, including automobiles and information and communications, by leveraging our strengths in metal material analysis and high-precision press processing.

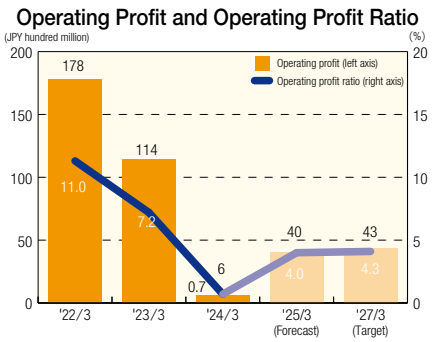
○ Main Products

HDD mechanical components, wire springs, thin leaf springs, motor cores, etc.

Trends in Net Sales and Operating Profit / Operating Profit Ratio

Thanks to a recovery in production, which had been affected by shortages of semiconductors and other automotive parts, net sales were JPY 94,501 million, and operating profit was JPY 660 million.



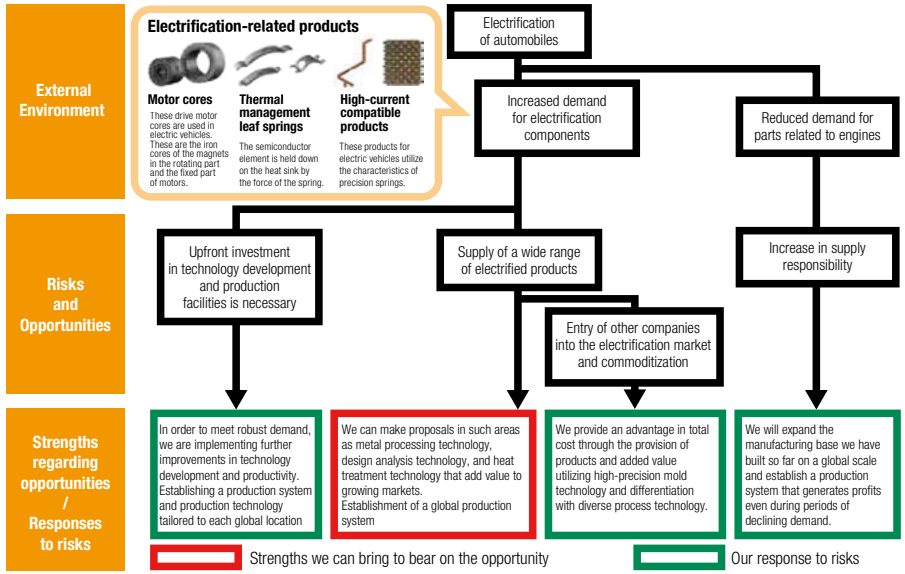


* In line with separation of the DDS Business from the Precision Springs and Components Business after the final settlement for the fiscal year ending March 2025, figures for the period ending March 2024 and beyond do not include the DDS Business.

Business Risks and Opportunities

As the electrification of vehicles spreads rapidly, demand for high-performance electrification components is increasing due to advances in battery and drive control technologies. For companies that can provide competitive products, there are opportunities to achieve significant growth, however, the electric vehicle market is unstable due to government policies and economic conditions. Therefore, it is necessary to make investments in areas such as technology development and production facilities based on long-term forecasts of the fluctuating market.

Main External Environment, Opportunities and Risks



Growth Strategy and Future Outlook

In the Precision Spring Business, we regard motor cores and electrical control-related springs for electric vehicles as a future growth area, while demand for existing wire springs and disc springs used in engines and transmissions is declining due to the increasing electrification of cars.

Amidst the global trend toward decarbonization, the demand for drive motors for electric vehicles and other applications is expected to remain brisk, and we intend to expand this as a new pillar of earnings by further promoting the establishment of a global supply system and responding to customer needs. Concerning motor cores, we will expand the business by boosting production capacity at our Atsugi plant and Mexico plant, while closely monitoring profitability. In order to respond to technological needs and differentiate our technology from competitors, we will pursue even higher precision in stacking technology to add value and strengthen our global market competitiveness.

In the longer term, the demand for electrified or electrically controlled components other than motor cores is expected to increase. We will focus on the development of next-generation products that take advantage of our strengths in metal press processing technologies, and will aggressively promote sales expansion activities.

Concerning existing engine parts and transmission-related wire springs and disc springs, demand is expected to decline. It is necessary to establish a profit structure that is not affected by the shrinking market size.

Growth Strategy by Business Segment **DDS Business**

Business Overview

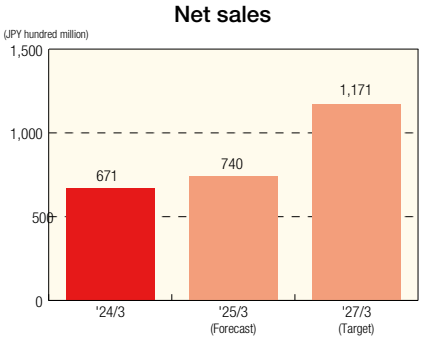
In the DDS business, we primarily provide HDD suspensions, which are specialized spring products that control the magnetic head position on HDDs.

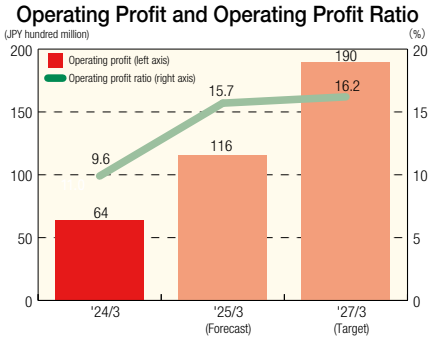
O Main Products

HDD suspensions, contact probes (Microcontactor®)

Trends in Net Sales and Operating Profit / Operating Profit Ratio

While the DDS business had been progressing favorably with high profit margins, we have experienced continued production reductions since the second half of 2022. As a result, net sales totaled JPY 67,199 million, and operating profit was JPY 6,456 million.

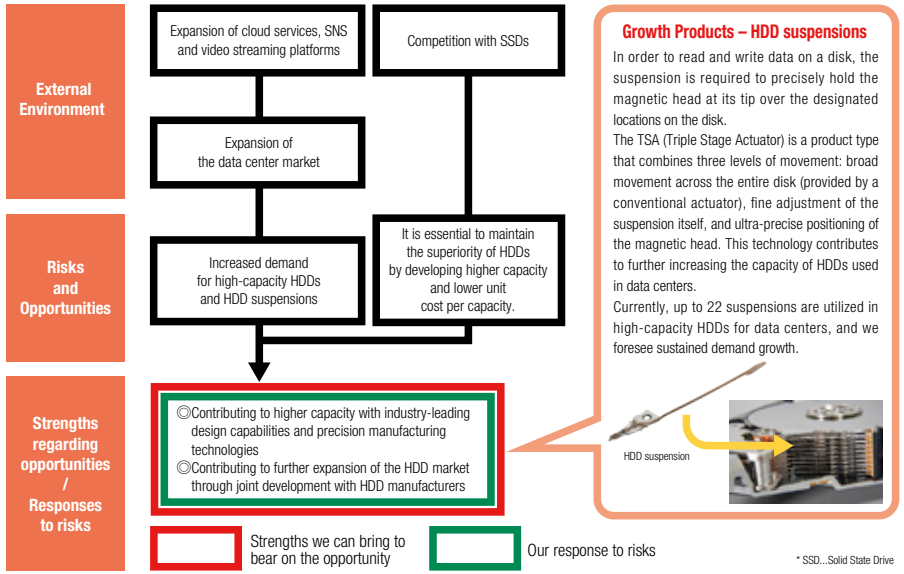




Business Risks and Opportunities

Although HDDs have increasingly been replaced by SSDs* in mobile PCs and other devices, the technical superiority and cost advantage of HDDs remains unchanged for data center applications that require high capacity. We anticipate that HDD demand will continue to increase in line with the expansion of the data center market, driven by the growing use of cloud computing and the emergence of generative AI.

Main External Environment, Opportunities and Risks



Growth Strategy and Future Outlook

To capitalize on the growing demand for high-capacity HDDs in data centers and translate this demand into increased sales of our HDD suspensions, it is imperative that we steadily maintain and expand our market share amidst competitive pressures.

We continue to leverage our design and analysis capabilities to support our customers' development of higher capacity HDDs and to provide suspensions that enable new technologies. Concurrently, on the production front, we will further increase the throughput of our production lines, and we will automate inspection and ancillary processes to pursue both higher production volume and greater cost competitiveness. Additionally, we will utilize DX initiatives to optimize production conditions and enhance product quality. Through these efforts, we aim to strengthen our presence and achieve sustained share growth in the market.

Microcontactor is another DDS product line which is used as contact probes for semiconductor inspection processes. In line with the further development of the information society, there is no doubt that demand for these products will continue to grow in the future.

While our current market is modest, we are actively pursuing growth through strategic initiatives. Our focus is on product development closely aligned with customer needs, while utilizing our advanced production automation technologies refined in our HDD suspension business. These efforts aim to increase production volume and enhance our cost competitiveness, with the goal of expanding our market presence.

Growth Strategy by Business Segment **Industrial Machinery and Equipment, and Other Operations**

Business Overview

In the Industrial Machinery and Equipment, and Other Operations Business, we manufacture a wide variety of products in such fields as electric vehicles, semiconductors, railways, and leisure products.

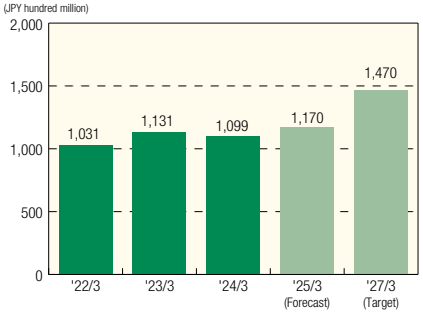
○ Main Products

Semiconductor process components, integrated metal substrates, piping support equipment, multilevel parking equipment, security products, lighting fixtures, golf shafts, marine products, etc.

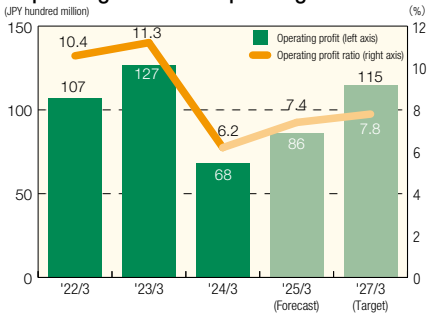
Trends in Net Sales and Operating Profit / Operating Profit Ratio

Affected by the downturn in the semiconductor market, the volume of semiconductor process parts decreased. Net sales were JPY 109,962 million (down 2.9% year-on-year), and operating profit was JPY 6,813 million (down 46.7% year-on-year).

Net sales



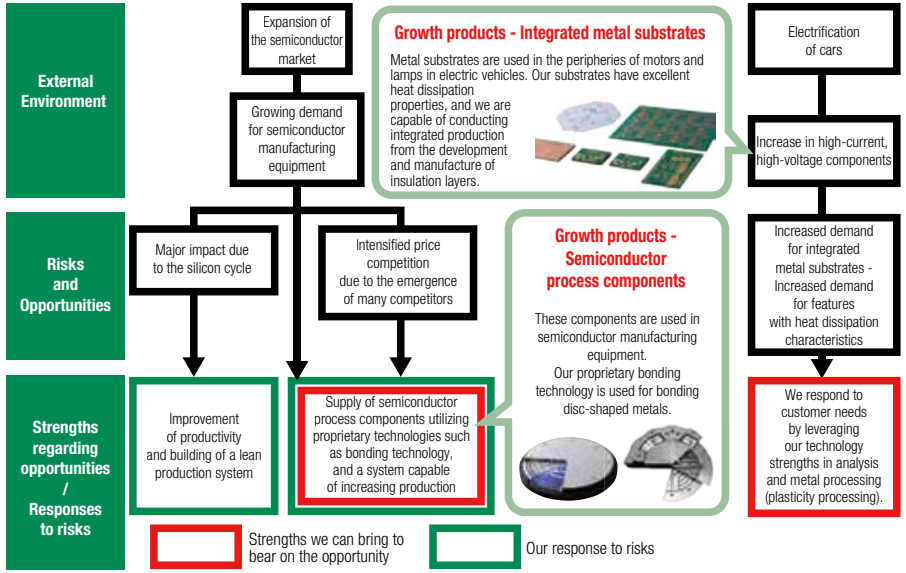
Operating Profit and Operating Profit Ratio



Business Risks and Opportunities

We see opportunities in the increase in demand for semiconductor manufacturing equipment due to the expansion of the semiconductor market, and the increase in demand for integrated metal substrates due to the expansion of the market for power modules for electric vehicles and industrial applications. On the other hand, we see the decline in demand associated with the semiconductor silicon cycle and intensifying price competition as risks.

Main External Environment, Risks and Opportunities



Growth Strategy and Future Outlook

In the Industrial Machinery and Equipment, and Other Operations Business, we see semiconductor process components and integrated metal substrates as future growth products. In the area of semiconductor process components, our Miyada Plant, which began full-scale operations in the second half of FY2020, has been gradually expanding its production capacity to meet strong demand and optimally allocating production with the existing Isehara Plant. We have expanded to expand the Miyada Plant and will work to further improve profitability as well as respond to further increases in demand in the future. In addition, we will continue to develop multilayered and miniaturized semiconductors to meet the demand for more diverse and precise functions and characteristics. With regard to integrated metal substrates, we will expand sales of existing products, such as those for automotive LED, as well as promote the development and sales expansion of products that respond to the electrification of automobiles, such as power modules and AC-DC/DC-DC converters, while also increasing the capacity of our Komagane and NHK Spring (Malaysia) plants.

Basic Sustainability Policy and Promotion Structure

Basic Sustainability Policy

The NHK Spring Group is committed to contributing to the realization of a sustainable society and resolution of social issues by continuing to provide “indispensable key parts”. Moreover, concerning the NHK Spring Group's legal, ethical and social responsibility, in 2016 we established our “Basic Global CSR Policy”, under which we declared the following five principles: “Maintain transparency”, “Act ethically”, “Preserve the global environment”, “Nurture people”, and “Engage globally as a Group”, and we strive to enhance our corporate governance and comply thoroughly with laws and regulations. The NHK Spring Group aims to continue earning the trust of society by strengthening the competitiveness and management base in our core businesses, increasing our corporate value, and returning the fruits of our efforts to our respective stakeholders.

NHK Spring Group Basic Global CSR Policy

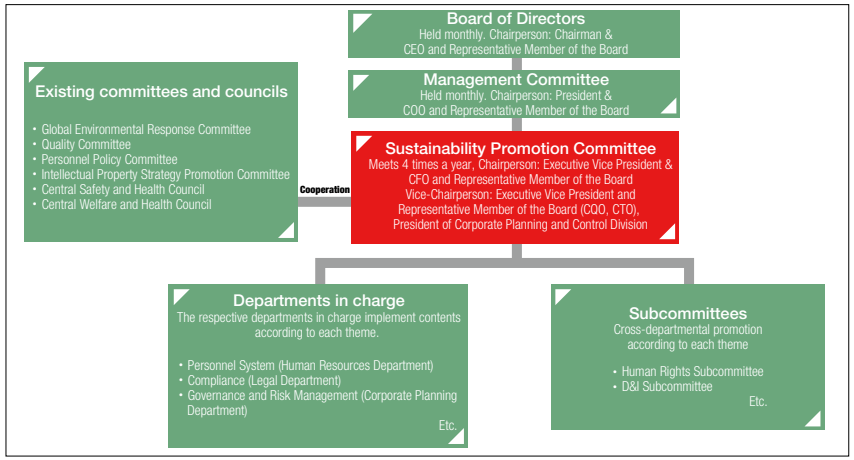
The basic policy of the NHK Spring Group to take onthe challenge of solving the various social issues that exist in society at large, based on our Guiding Principles and Corporate Philosophy.

We are committed to solving a broad range of social issues that pervade society by making the best use of our abilities. Our basic policy for achieving this is as follows:

1. **Maintain transparency ...** We will always maintain transparency and accountability in our corporate activities that affect society, the environment, and the economy.
2. **Act ethically ...** We will not only comply with international norms and each country’ s laws and regulations, but also act ethically.
3. **Preserve the global environment ...** We will make every effort to preserve the global environment.
4. **Nurture people ...** We will uphold human rights, advocate D&I, care for others, and nurture people.
5. **Engage globally as a Group ...** All members of the NHK Spring Group will share this basic policy, and we will globally engage in CSR activities.

Sustainability Promotion Structure

The NHK Spring Group established the Sustainability Promotion Committee in April 2024. Regarding important matters for promoting sustainability management, the Sustainability Promotion Committee, Management Committee, and Board of Directors discuss and deliberate on contents, and the Board of Directors makes decisions on important matters.



Purpose of the Sustainability Promotion Committee

This committee is intended to improve the NHK Spring Group's medium- to long-term corporate value by promoting Company-wide sustainability, based on accurate management decisions, while disclosing, publicizing, and disseminating information to all employees and stakeholders.

Role of the Sustainability Promotion Committee

- Planning for promoting sustainability
- Promotion and follow-up of sustainability-related measures
- Collection, sharing and discussion of internal and external information related to sustainability

Members of the Sustainability Promotion Committee

The Committee is made up of the Chairperson, who is the Executive Vice President and Representative Member of the Board (CFO), the Vice-Chairpersons, who are the Executive Vice President and Representative Member of the Board (CQO, CTO) and the President of the Corporate Planning and Control Division, and the Standing Committee Members, who are the department directors in each related field.

Main Themes Handled by the Sustainability Promotion Committee

- Identifying materialities (important issues) and promoting initiatives
- Activities to promote sustainability
- Review of the Company's significance of existence and long-term vision
- Clarification of Key Performance Indicators (KPIs)
- Advancing of governance and risk management
- Promotion of measures that lead to stakeholder engagement

Linking of the Sustainability Promotion Committee with Management

This committee meets four times a year, and the content discussed at the committee meetings is reported to the Management Committee and Board of Directors as necessary.

Linking of the Sustainability Promotion Committee with Related Departments and Subcommittees

The content discussed by this committee is further discussed by the subcommittees (cross-departmental) or the departments in charge of each area before specific measures are formulated and implemented.

Materialities

Process for Identifying Materialities (Important Issues)

NHK Spring has identified materialities (important issues) through the following process.

STEP1 Identification of issues (candidate materialities)

A cross-divisional project involving several related divisions was launched to identify social issues as candidate materialities with reference to the SDGs, GRI standards, various ESG assessments, etc.

STEP2 Verification and analysis of importance

The importance of candidate materialities to the Company is verified and analyzed in light of the business environment in which the Company operates, our Guiding Principles and Corporate Philosophy, and our basic CSR policy. Interviews are also held with external experts to verify and analyze the importance of the candidate materialities for our stakeholders.

STEP3 Identification of materialities (important issues)

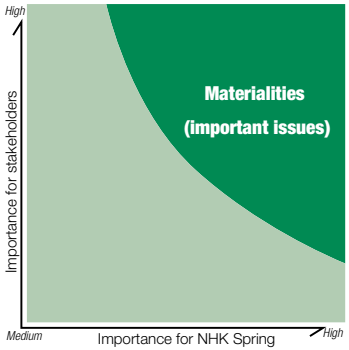
Based on the findings of Step 1 and Step 2, plotting is carried out to identify the materialities (important issues).

STEP4 Analysis of materialities (important issues)

Among the materialities (important issues) identified in Step 3, "responses to global environmental conservation activities (Environmental Challenges)" and "maximization of the value of human resources" are identified as the items with particularly large financial impacts.

STEP5 Discussion with top management and approval in the Board of Directors

Following discussion with top management, the materialities (important issues) are approved in the Board of Directors.
Periodic reviews will be conducted from now on.



Materialities (Important Issues) and Concrete Initiatives

NHK Spring has identified the following eight materiality issues, and we will take concrete initiatives for each.

Category	Materialities (Important Issues)	Major initiatives	Corresponding pages
Business activities	"NHK Spring Group's Environmental Challenges" ・Reduction of CO_2 emissions ・Reduction of environmentally hazardous substances	・Initiatives aimed at achieving the following targets -Achievement of carbon neutrality by 2039... Electrification, reviewing production processes, introducing renewable energy, etc. -Achievement of zero industrial waste by 2039…Reduction of non-recyclable wastes	32～34, 36
	・Creation of products that contribute to the environment	・Development and production of motor cores, integrated metal substrates, and other electric motor-related products	35
	・Development of products that will contribute to resolving social issues	・Development and production of HDD-related parts and semiconductor process components to meet the demand for big data	15
Management base	・Maximizing human value	・Securing and training talent ・D&I promotion ・Work style reform ・Personnel system reform ・Creating a safe and secure workplace	37～40
	・Respect for human rights	・Renewal of the respect for human rights policy ・Strengthening the human rights promotion system	41
	・Compliance	・Ongoing education for executive officers and employees	58
	・Group management	・Group and global initiatives for each of the above items	—

NHK Spring Group's Global Environmental Conservation Activities

NHK Spring Group's Environmental Challenges

Since publication of the Environmental Voluntary Plan in 1993, the entire NHK Spring Group has worked to implement global environmental conservation activities. To further clarify NHK Spring Group's future role in helping to realize a sustainable society, the President & CEO personally declared "NHK Spring Group's Environmental Challenges" in September 2021.

In our efforts to achieve "NHK Spring Group's Environmental Challenges", we are promoting initiatives that are related to "Reduction of CO_2 emissions" and "Reduction of environmentally hazardous substances", which the Company has targeted as materialities (important issues).

<NHK Spring Group's Environmental Challenges>

① Achieve carbon neutrality by 2039. To this end, reduce CO_2 emissions by 50% from the FY2013 level by 2030.

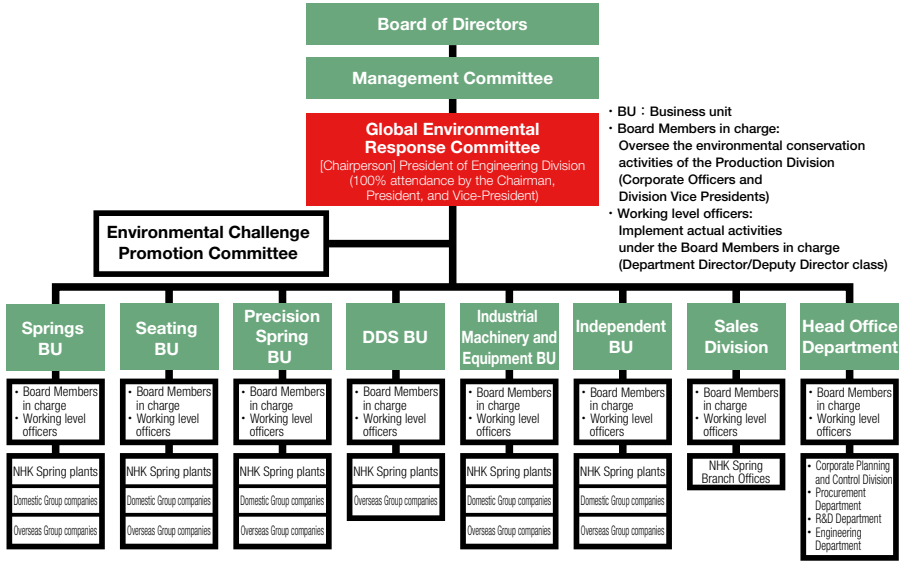
② Aim to realize zero industrial waste by 2039. To this end, reduce industrial waste by 95% compared to FY2013 by 2030.

At present, in line with our Medium-Term Management Plan through to FY2026, we are promoting measures to reduce CO_2 and industrial waste emissions in each of our production divisions. The Global Environmental Response Committee is checking our progress towards achieving the Medium-Term Management Plan, and we are working on further reduction measures while discussing them in the committee. Up to FY2023, the Company has achieved its planned targets. In FY 2024, we aim to complete the setting of targets for CO_2 emissions at overseas Group companies, and we will also make preparations for collecting and compiling SCOPE 3 information.

Item	Emissions		Main Measures Geared to Reduction	Specific Measures Implemented in 2023
	FY2022	FY2023		
CO_2 (thousand t-CO2)	136	120	・Promotion of energy saving ・Electrification of equipment, fuel conversion, line rearrangement ・Technical innovation in production processes and product development ・Plant investment in solar power generation, etc. ・Purchase of electric power derived from renewable energy	・Updating of factory lighting equipment ・Electrification of forklifts ・Electrification of equipment, prevention of heat loss ・Improvement of air leaks ・Switching from LPG to LNG ・Updating of air conditioning equipment, etc.
Industrial wastes (t)	71	38	・Re-examining of recycling contractors ・Promotion of free recycling ・Conversion of waste materials into valuable resources	・Conversion of waste plastic into valuable resources using material judgment equipment ・Re-verifying sludge recycling companies

(Note) The above emissions are the total for NHK Spring and consolidated subsidiaries in Japan.

Promotion Structure



・The President appoints the Corporate Officers of each BU and Department as members of the Global Environmental Response Committee to promote activities on a top-down basis.
・Through the Environmental Challenge Promotion Committee, which is composed of working level members, specific measures are deployed.
・Each BU and the Head Office Divisions oversee the Group companies and promote activities on a top-down basis.

Based on the "NHK Spring Group's Environmental Challenges" declaration, the Global Environmental Response Committee has compiled a long-term plan of environmental activities for each business and strengthened activities with a view to realizing a sustainable society in the NHK Spring Group. The Global Environmental Response Committee meets two times a year. The Committee sets medium- to long-term goals related to the Environmental Challenges, and compiles scenarios and promotes activities geared to realizing them. It periodically reports on the progress of activities to the Management Committee so that they can be reflected in the management strategy.

Reduction of CO_2 Emissions

Indicators and Targets

NHK Spring Group has set reduction targets for CO_2 emissions calculated according to the amount of energy consumption, and we are committed to implementing global environmental conservation activities. Since FY2021 we have switched to managing based on total emissions with a view to achieving the "NHK Spring Group's Environmental Challenges" declaration.

Medium- and Long-term Targets

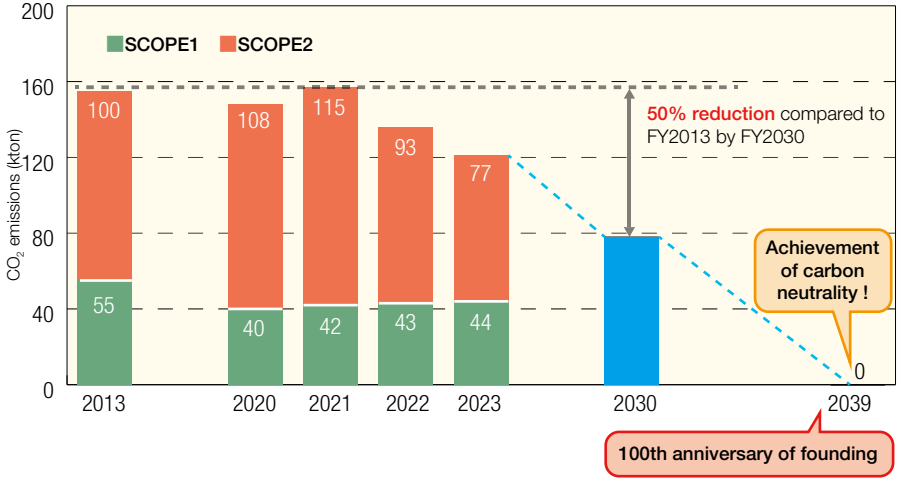
Item	Year of achievement	Target value
CO_2 Emissions	2030	CO_2 emissions in SCOPE 1 + SCOPE 2 50% down compared to FY2013
	2039	Zero CO_2 emissions in SCOPE 1 + SCOPE 2

* SCOPE 1: Direct emissions of greenhouse gases by business operators (fuel combustion, industrial processes)
* SCOPE 2: Indirect emissions arising in line with use of electricity, heat and steam supplied by other companies

CO_2 Reduction Activities in FY2023

In FY2023, following on from the previous year, we implemented measures such as (1) updating compressors to optimize control, (2) replacing aging air conditioners, (3) electrifying boilers that use fossil fuels, and (4) reducing and discontinuing use of equipment. In addition, we introduced solar power generation facilities and purchased renewable energies. As a result, both the total amount of CO_2 emissions and the CO_2 emissions per unit of sales decreased at NHK Spring and Group companies in Japan.

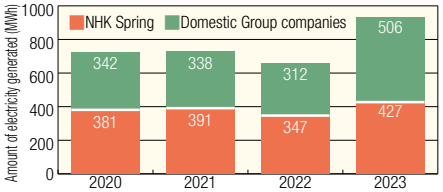
Transition in CO_2 Emissions and Reduction Targets (NHK Spring + Domestic Group Companies)



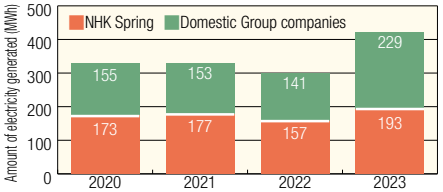
Utilizing Renewable Energy - Amount of Solar Power Generated

NHK Spring Group is promoting the introduction of solar power generation equipment with the aim of switching to non-fossil energy. To date, we have introduced solar power generation equipment at 5 NHK Spring factories and 15 of Group companies in Japan, for a total of 20 business sites. In order to achieve carbon neutrality, we are currently planning to introduce and expand solar power generation facilities at multiple business sites.

Electricity Generated by Solar Power Generation



CO_2 Reduction Due to Use of Solar Power



Fostering a Corporate Culture Geared to Achieving Carbon Neutrality

1. Carbon Neutrality Contribution Award

Seat finishing process

In order to share the technological measures being taken to achieve carbon neutrality across the entire Group, we are giving awards to recognize cases of CO_2 emissions reduction. In 2023, there were 29 entries from NHK Spring and domestic Group companies, and the President's Award was presented to the NHK Spring Seating Division Gunma Plant for "Improvement of steam energy conservation in the seat finishing process".

Outline of "Improvement of steam energy conservation in the seat finishing process": In the process of removing wrinkles from seats using a steam iron, steam was previously released constantly for safety, quality and productivity reasons, however, by changing the equipment so that steam is only released when necessary, it has been possible to improve steam energy conservation in the process.

2. Strengthening monitoring using environmental website

The Safety and Environmental Activities Dept. has set up an environmental website on the NHK Spring intranet. This site makes it possible to check energy consumption and CO_2 emissions in the Company and domestic Group companies. The Safety and Environment Department monitors trends in emissions through the website and conducts monthly follow-ups on facilities that are lagging behind.

Reduction of Environmentally Hazardous Substances

Industrial Waste Reduction Targets (NHK Spring Group's Environmental Challenges)

Management item	Target year	Contents
Amount of non-recyclable wastes	2030	Reduce emissions by 95% compared to FY2013.
	2039	Aim for zero emissions

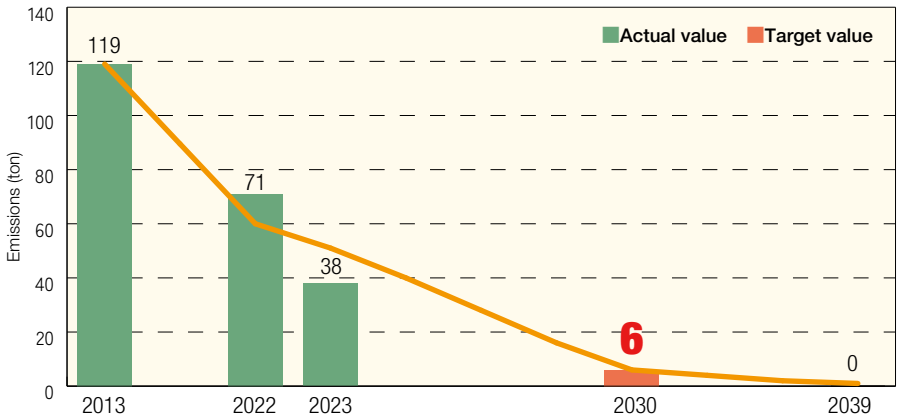
NHK Spring and domestic Group companies are working to reduce industrial waste as part of our global environmental conservation activities, and we have achieved our group target of a "recycling rate of 99% or more" every year. Furthermore, in accordance with the industrial waste targets set out in the "NHK Spring Group's Environmental Challenges" declaration of September 2021, we will work to achieve even stricter targets for reducing the amount of non-recyclable wastes*. At present, we define thermal recycling as a resource recovery process, however, because CO_2 is generated during incineration, we are considering switching to material or chemical recycling in the future.

*Non-recyclable wastes = industrial wastes that are not reused and recycled due to landfilling or otherwise

FY2023 Reduction Results and Future Reduction Plans

In FY2023, we reduced industrial waste emissions by 68% compared to the FY2013 level, achieving our reduction target. We will continue to work on waste reduction activities in order to achieve the goals set out in NHK Spring Group's Environmental Challenges.

Reduction Results and Future Reduction Plans for Non-recyclable Wastes in NHK Spring Group



Concrete Initiatives (Examples)

We introduce some of the initiatives that NHK Spring and domestic Group companies are implementing to achieve NHK Spring Group's Environmental Challenges. The following are the main activities for reducing non-recyclable wastes.

(1) Thorough sorting and conversion of waste plastic into valuable resources using material judgment equipment

(2) Re-examining of recycling contractors capable of conducting recycling

(3) Promotion of free recycling and conversion of waste materials into valuable resources

Case① Reduction of non-recyclable wastes through a review of industrial waste disposal methods (NHK Seating Mizushima)

Because some of the waste plastic discharged from the factory was treated as mixed plastic, it was previously disposed of by landfilling as non-recyclable waste, however, by improving the sorting process and conducting recycling, it has been possible to change all of it to recycled materials.

Results Reduction of non-recyclable wastes by **3.0t** per year

Case② Converting waste plastic into valuable resources and recycling of materials (NHK FLEX)

Previously, the plant carried out thermal recycling of waste materials generated in the extrusion molding process, however, by sorting the waste plastic by type and reviewing the processing subcontractor, it has been possible to convert wastes into valuable resources and achieve material recycling.

Results Conversion of **8.3t** of waste plastics into valuable resources and revision of conventional **thermal recycling to material recycling**

Creation of Products that Contribute to the Environment

NHK Spring creates environmentally friendly products from two perspectives: “products with functions that contribute to the environment” and “products that reduce environmental impact in the manufacturing process”.

Overview of Environmentally Friendly Products

1 Products with Functions that Contribute to the Environment

Direct			Indirect
Weight reduction	Miniaturization (space saving)	High durability (longer life)	Manufacture of electric vehicle parts
Energy saving	Recyclability	Heat dissipation	

2 Products that Reduce Environmental Impacts in the Manufacturing Process

Reducing CO_2 emissions in the manufacturing process

Electrification	Reduction of processes	Power reduction
Use of biomass materials	Use of recycled materials	

2 Products that Reduce Environmental Impacts in the Manufacturing Process

Electrification

- Hollow stabilizers

By switching the tempering process from a gas furnace to an electrically powered device, we are able to reduce CO_2 emissions during the manufacturing process.

Effect : 15t-CO_2 reduction per year per line (FY2023 results)

Stabilizer electric heating

1 Products with Functions that Contribute to the Environment

Weight reduction

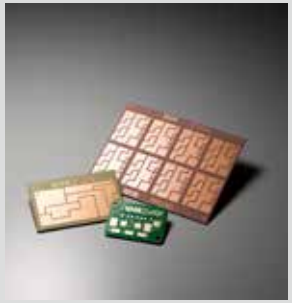
- **Coil springs made from high-strength steel**

By using high-strength steel materials developed in collaboration with material manufacturers, NHK Spring has achieved weight reduction while increasing strength.

Heat dissipation

- **Integrated metal substrates**

This component is installed in the inverters and converters of electric vehicles. It supports the electrification of vehicles through high heat dissipation.



Recyclability

- **Environmentally-friendly concept seats**

Conventional seats used a metal fitting called a hog ring when assembling the cover and pad. As a result, there were issues due to it taking a long time to disassemble the parts and having difficulty sorting them out.
As a result of reviewing the structure of the covering, the environmentally friendly concept seat can now be dismantled in about half the time it used to take. In addition, the seat is highly recyclable, as it is easy to sort the materials when disposing, and it uses a cushion pad that has obtained biomass mark certification.

Manufacture of electric vehicle parts

- **Motor cores**

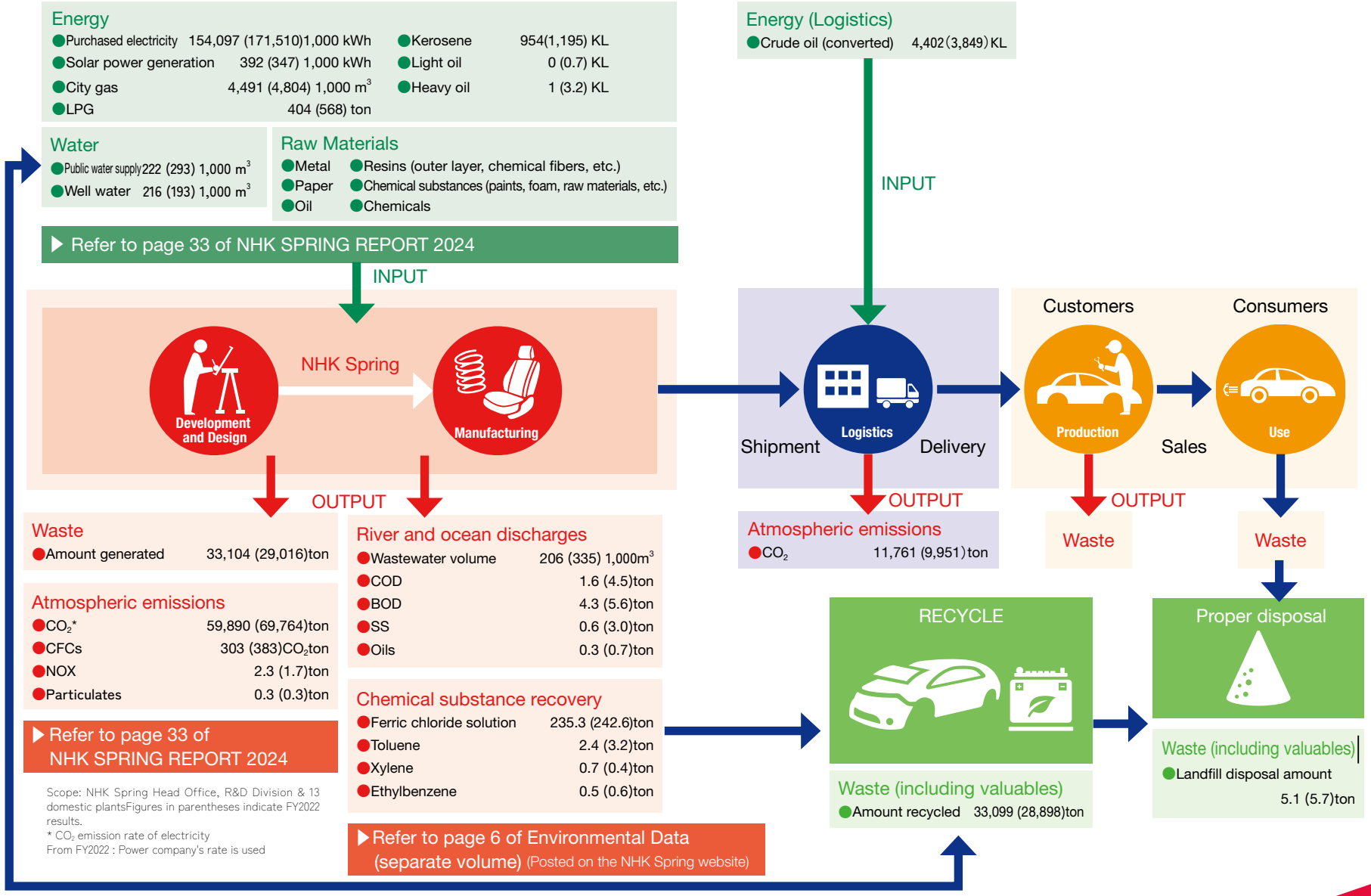
This component provides the driving force for the motor of an electric vehicle. Through electric vehicles, we contribute to the environment by reducing CO_2 emissions.

- **Leaf springs for holding**

This spring is used to improve the cooling effect by pressing a heat-generating element such as a power semiconductor against a cooler using the force of the spring. Improved cooling efficiency leads to improved fuel efficiency.

Business Activities and Life-cycle Flow

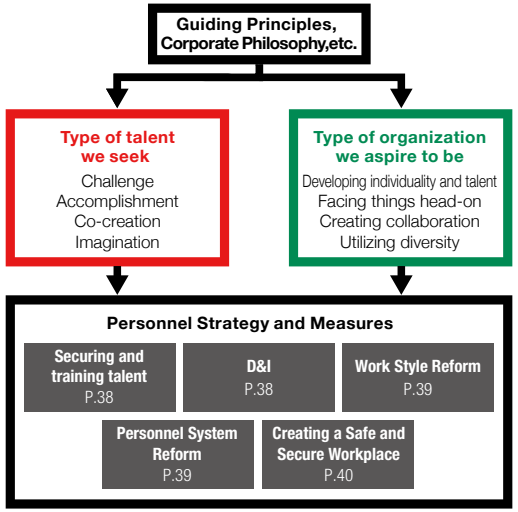
By taking a lifecycle view of the entire business and quantitatively grasping inputs and outputs, we are using the results as basic data for advancing NHK Spring Group's Environmental Challenges. We also aim to realize a recycling-oriented society that takes into account the circular economy through the efficient use of resources and recycling of wastes.



Strengthening of Human Capital Management

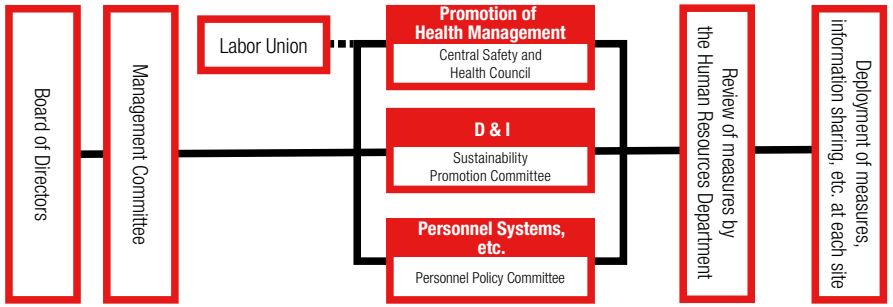
Basic Approach

In order to promote the "maximization of human value" that we have set out as a materiality, in 2024 we established the "Type of talent we seek" and "Type of organization we aspire to be" based on our Guiding Principles, Corporate Philosophy, etc., and organized specific talent strategies and measures to achieve them. NHK Spring aims to maximize the value of people by combining the "individual power" of each person with the "organizational power" that makes the most of each individual, and by fostering an organizational culture in which diverse talent can feel a sense of growth and fulfillment and demonstrate their abilities.



Promotion Structure

Priority measures related to personnel are discussed, deliberated and decided upon by the Management Committee or its subordinate body, the Personnel Policy Committee (the Sustainability Promotion Committee for D&I, and the Central Safety and Health Council for health management promotion). A system is in place to ensure that the direction of the business and personnel strategies are aligned and promoted.



Type of Talent We Seek, and the Organization We Aspire To Be

The internal and external environment surrounding NHK Spring has been undergoing dramatic changes in recent years, and we need to modify our approaches in terms of "people" and "organization". We also need to maximize the respective value of diverse human capital.

In order to continue being a company that is needed in the future, we have summarized the values and behaviors we cherish in the "type of talent we seek" and the "type of organization we aspire to be". Based on these, we will create a workplace that is fulfilling to work in through consistent personnel strategies and measures.

Type of Talent We Seek			
Challenge People who are willing to take on new challenges	・People who can create new businesses and people who can transform existing businesses and operations are essential. ・In order to make new developments and improvements and build capacity, it is important for people to push their limits without fearing failure.	**Accomplisment** People who take responsibility and see things through to the end without running away	・It is important to see new initiatives through to the end and link them to subsequent successes. ・Further improvement of "manufacturing capabilities" and "quality" is needed.
Co-creation People who create value by combining individual strengths	・It is necessary to create value while promoting collaboration between organizations and utilizing external resources. ・Collaboration and cooperation in factories will continue to be important	**Perspective** People who can think about things from a high perspective and with a broad view	・It is necessary to be aware of changes and take anticipatory action. ・It is important to have a medium- to long-term perspective that encompasses the entire factory and company, not just your own work and customers.

Type of Organization We Aspire To Be			
An organization that develops individuality and talent and gives opportunities to people who take on challenges and grow	・For NHK Spring as a whole, we need to continue to support people who take on challenges and grow, and to provide opportunities for further challenges and growth. ・It is necessary to recruit and train people who can bring about change, and to create an environment where they can thrive.	**Facing things head-on** An organization that is sincere to all stakeholders	・It is important to have a sense of responsibility towards employees, customers, suppliers and society, and to respond sincerely to societal demands.
Creating collaboration An organization in which people cooperate while transcending self-interest	・It is essential to systematically encourage competition by actively implementing changes to systems and structures and providing opportunities.	**Utilizing diversity** An organization where people with diverse strengths can play active roles	・It is important to create an environment where a diverse range of talent with different perspectives, views and values can play active roles.

Strengthening of Human Capital Management

Securing and Training Talent

As an independent manufacturer supplying various products in a wide range of fields including automobiles, IT, industry, and lifestyle, we employ talent in Japan and overseas who are engaged in diverse fields such as R&D, design, procurement, production, sales, management, etc. In order to secure talented people who are endowed with a high degree of expertise in each field and leadership skills for proactively guiding innovation in response to environmental changes inside and outside of the Company, we will continue to focus on recruitment and training.

Background to Measures

In order to contribute to the Company's business development, we believe it is important to acquire a wide range of excellent talented people with the knowledge and skills that NHK Spring seeks, to create an educational environment where diverse talent can feel a sense of growth and fulfillment, and to maximize the value of talent. Based on this idea, we are working to introduce new recruitment measures, improve our education system, and expand our training contents.

Measures in FY2023

- Establishing the "type of talent we seek" and the "type of organization we aspire to be" as the foundation of our recruitment and training policies
- To increase channels for recruiting mid-career hiring, we have started a referral recruitment program* in the Nagano area.
- Implementation of department director training aimed at improving organizational capabilities
- Trial implementation of career training as an opportunity to reconsider one's future

* Referral recruitment: a recruitment method in which employees introduce their acquaintances and friends to the Company

Planned Measures in FY2024

- Recruitment by job classification to secure technical personnel for strategic businesses
- Start of Company-wide referral recruitment
- Start of alumni recruitment* to further increase career recruiting channels
- Development of a training structure that will serve as the foundation for NHK Spring's training system
- Expansion of training for department directors
- Expansion of the number of people eligible for career training

*Alumni recruitment … A recruitment method for rehiring employees who have left NHK Spring for whatever reason

Results and Goals

Indicators	Goals
Number of regular hires of technical personnel in FY2024	100% achievement in FY2024
Ratio of regular hires of females for career track positions	20% achievement in FY2024
Development of training structure	Completion in FY2027

D & I

We believe that creating a rewarding workplace where each employee can maximize his or her individuality and abilities through D&I promotion efforts will create a corporate culture that fosters innovation and lead to the sustainable growth of the Group.

Background to Measures

As a result of discussions centered on the Company-wide D&I Promotion Project (the current D&I Subcommittee), which was launched in FY2021, four priority issues aimed at realizing the potential of diverse talent were identified. As described below, we are implementing initiatives to address these issues.

Measures to Address Important Issues in FY 2023

Issue 1 Promotion of understanding for D&I

- Implementation of D&I training for new managers
- Website renewal and expansion of information disclosure
- Labor-management co-sponsored events (cooking classes for parents and children)

Issue 2 Support for work-life balance

- Career training for returning workers and employees on shorter working hours
- Distribution of caregiver handbooks
- Expansion of support measures for balancing infertility treatment and childcare-related systems, etc.

Issue 3 Encouragement of male employees to take childcare leave

- Dissemination of information through rank-based training and internal newsletters, etc.

Issue 4 Promotion of women's participation and career advancement

- Training of female career-track leaders
- Strengthening of hiring of female new graduates for career track positions

Planned Measures in FY2024

In the 2023 Medium-Term Management Plan, we worked on the theme of "fostering D&I" and made progress in spreading understanding of D&I among employees.

In the 2026 Medium-Term Management Plan, under the theme of "expansion and deepening of D&I promotion activities," we will promote initiatives in areas that were not addressed in the previous Medium-Term Management Plan, such as participation and career advancement of senior talent and LGBTQ+. In addition, we will promote D&I promotion activities in all Group companies by expanding NHK Spring's past efforts, including expansion of systems for promoting women's participation and career advancement and support for better work-life balance.

Roadmap

~FY2020
Expansion of Personnel Systems and Benefits
- Expansion of childcare and nursing care systems
- Creating a system for diverse work styles

FY2021~2023
Building Momentum to Promote D&I
- Establishment of the D&I promotion structure and systems
- Promotion of Company-wide and continuous activities

FY2024~
Expansion and Deepening of D&I Promotion Activities
- Promotion of activities to support participation and career advancement of seniors, people with disabilities, foreign employees, etc.
- Initiatives to support LGBTQ+
- Expansion to the NHK Spring Group

Results and Goals

Indicators	Results	Goal for FY2030
Ratio of female managers	2.8%	5%
Ratio of female new graduates hired for career track positions	11.1%	20%
Ratio of male employees taking childcare leave	47.2%	60%

Target: Non-consolidated

Strengthening of Human Capital Management

Work Style Reform

At NHK Spring, we believe that creating a rewarding and comfortable workplace with top priority given to the physical and mental wellbeing of our employees, and enabling each member of our diverse workforce to fully exhibit their abilities, is essential for the sustainable development of the Company. Based on this, we are implementing various work style reform initiatives.

Background to Measures

For the sustainable development of NHK Spring, we believe that activities aimed at improving productivity through work style reform are important. Improving productivity requires both efforts to reduce the total working hours per employee and efforts to increase the value of the labor produced by each employee.

Efforts to reduce total working hours are based on the theme of “improving work efficiency” while efforts to increase added value are based on the theme of “improving employee engagement” through a variety of measures.

Measures in FY2023

<Improvement of work efficiency>

In addition to continuing existing measures, we are reviewing our ERP system and other core systems, and utilizing the latest IT solutions to improve our business structure and processes. In addition, we have been preparing for the Company-wide launch of DX promotion starting from the 2026 Medium-Term Management Plan by surveying the current status of our operations, selecting themes to be addressed, and creating a dedicated promotion structure.

(Main Measures)

Review and study of expense reimbursement system

Introduction of electronic year-end adjustment procedures and cloud system

Introduction of electronic signatures on contracts

<Improvement of employee engagement>

We are continuously working with labor and management to improve work-life balance by introducing telecommuting systems and other measures to promote diverse and flexible work styles, reducing total working hours, and encouraging employees to take annual leave. In addition, since FY2022, we have conducted an annual Employee Engagement Survey to visualize survey results and issues and measures to be taken at each workplace, thereby establishing a system for continuous implementation of organizational improvement initiatives.

(Main Measures)

Ongoing implementation of measures to reduce total working hours and encourage employees to take annual leave

Organizational improvement initiatives (career development support, permeation of the Corporate Philosophy, improvement of the work environment, etc.) using the Employee Engagement Survey.

Planned Measures in FY2024

<Improvement of work efficiency>

Measures to achieve the goals of the 2026 Medium-Term Management Plan are now in full swing.

(Main Plans)

Start of project activities for replacement of the core system

Switching from an in-house expense management system to a modern cloud system

Launch of the DX Promotion Project

<Improvement of employee engagement>

We will continue to implement initiatives that bring together labor and management, such as reducing total working hours. Also, in FY2024, we will conduct an Employee Engagement Survey and implement various measures to improve employee engagement.

(Main Plans)

Ongoing implementation of measures to reduce total working hours and encourage employees to take annual leave

Improvement of the work environment through reduction and elimination of heavy-duty work

Strengthening communications for permeating the Corporate Philosophy

Results and Goals

	Results in FY2023	Goal for FY2030
Employee Engagement Score	67.1 pt	75pt

Personnel System Reform

In order to realize the goal of "Build a safe and secure company and a rewarding and comfortable workplace” as set out in the Group's Basic Policy in the 2026 Medium-Term Management Plan, we are promoting personnel system reform as a foundation for maximizing the value of the people who work at NHK Spring.

Background to Measures

The internal and external environment surrounding NHK Spring is undergoing significant change, and the values of our employees have also become more diverse. In order to ensure that our diverse talent can feel a sense of growth and fulfillment, and to enable them to make further contributions towards the realization of the 2026 Medium-Term Management Plan, we are currently reviewing our personnel system, including making sure that each employee is rewarded in accordance with their contribution.

Measures in FY2023

In FY2023, we revised the personnel system for managers to reduce the seniority factor and create a flexible system that is more responsive to the contributions made. In addition, we greatly expanded eligibility for the license allowance system, which is provided to employees who hold public qualifications, etc., with a view to securing and training talent with expertise, achieving sustainable growth and strengthening the competitiveness of the Company.

Planned Measures in FY2024

We will promote personnel system reform based on the “type of talent we seek” and “type of organization we aspire to” that we have established, and implement measures to “build a safe and secure company and a rewarding and comfortable workplace”, leading to the maximization of human value.

Strengthening of Human Capital Management

Building a Safe and Secure Workplace

In the 2026 Medium-Term Management Plan, NHK Spring has established the Group's Basic Policy as to “Build a safe and secure company and a rewarding and comfortable workplace”. We believe it is important for the Company's sustainable growth that employees can continue to work with good physical and mental health and vitality, which will lead to improved performance. To this end, we will actively promote health management aimed at improving the health of our employees.

Background to Measures

The number of employees taking time off work due to personal injury or illness is on the rise, and the increase in the rate of absence due to mental health problems is one of the contributing factors.

Although the rate of absence from work due to lifestyle-related diseases has remained almost unchanged, the increasing trend in the number of people with abnormal findings could lead to health problems in the future. Accordingly, it is necessary to promote prevention and take steps to avert health deterioration.

By working to improve the physical and mental health of employees, we believe we can reduce absenteeism (absence rate and number of days absent) and improve presenteeism (reduction of health risks).

Measures in FY2023

<Mental Healthcare>

In order to reduce the number of people suffering from mental health problems and shorten the length of time they are absent from work, we are implementing measures to prevent mental health problems and to detect them at an early stage.

As a result of improving the workplace environment, which was one of the measures, effects were realized by reducing the average value in 15 high-risk workplaces in FY2023.

(Main Measures)

- Mental healthcare training
- Utilization of stress checks (improving the work environment through individual follow-up and group analysis results)

<Physical Healthcare>

Because lifestyle-related diseases tend to become more serious and the period of illness to be prolonged, we are implementing measures to prevent them and stop them from worsening.

As the results of the health checkups show that the higher the BMI, the greater the likelihood of abnormalities due to lifestyle diseases, we have worked on reducing BMI as one countermeasure.

When we recruited participants for health promotion events as part of our measures, we confirmed a decrease in BMI values among participants in the “Health Visualization Program” with a BMI of 25 or higher."

As one countermeasure, we will increase the number of participants in the “Health Visualization Program” and encourage its use.

(Main Measures)

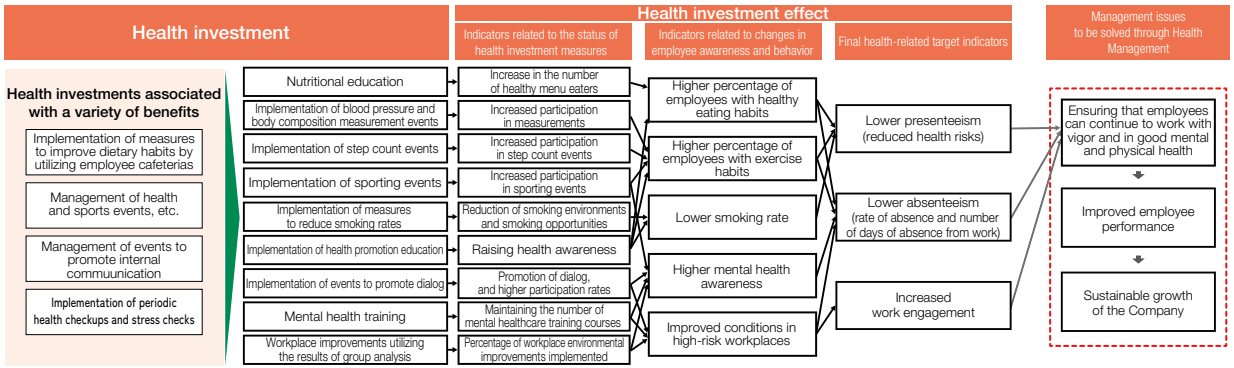
- Implementation of health events leveraging the Health Visualization Program, and provision of dietary education and healthy meals
- Efforts to prevent secondhand smoking

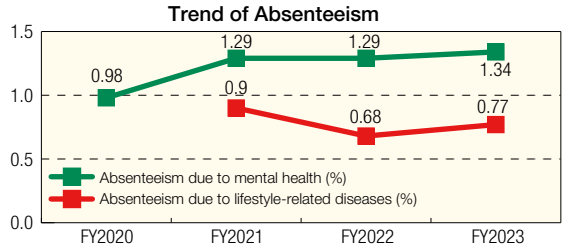
Planned Measures in FY2024

As a new initiative, believing that setting up specialized consultation services would be effective, we have established a “Mental Health Consultation Service (EAP: Employee Assistance program)” and a “Consultation Service for Gender-Specific Diseases” . By responding to a wide range of issues, including the diversifying mental and physical concerns of employees and the anxieties they face, we will continue to promote the mental and physical health of our employees.

We aim for a cheerful, fun, and energetic workforce by making the mental and physical health of our employees our top priority.

Goal





	3-year goal from FY2024
Absenteeism due to mental health	1.0% or less
Absenteeism due to lifestyle-related diseases	0.8% or less*

*To achieve this, the target values have been left unchanged from the previous 3-year plan.

Respect for Human Rights

Human Rights Policy

In order to further strengthen the NHK Spring Group's efforts to respect human rights, in August 2024, we renewed our existing "Approach to Human Rights" and formulated a new "NHK Spring Group Human Rights Policy".

Respect for human rights is an important part of the NHK Spring Group's business activities around the world, as we provide "indispensable key parts" and continue to be a necessary presence in society. In addition to the thinking behind the NHK Spring Group's Global CSR Basic Policy, this policy respects international norms such as the Guiding Principles on Business and Human Rights, the Universal Declaration of Human Rights, and the ILO Declaration, and is composed of the following items. Based on this policy, the NHK Spring Group works to identify and appropriately address human rights issues in its business activities.

1. **Commitment to Respect for Human Rights**
2. **Scope of Application**
3. **Human Rights Due Diligence**
4. **Remediation**
5. **Education**
6. **Information Disclosure**
7. **Dialogue and Consultation with Stakeholders**
8. **Management System**

Click here for the full text of our Human Rights Policy.
https://www.nhkspg.co.jp/sustainability/society/humanrights

Roadmap of Initiatives

The challenges that face the NHK Spring Group in its efforts to respect human rights are as follows.

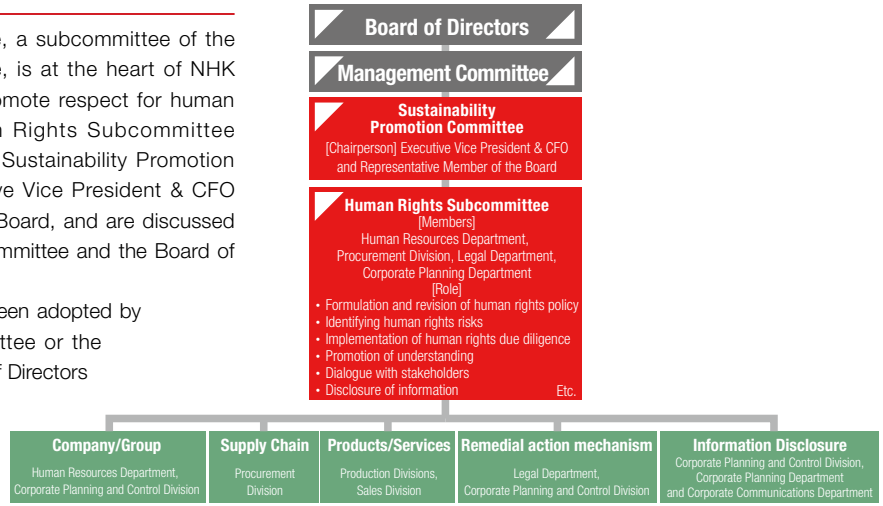
- **Promotion of group-wide initiatives and strengthening of the promotion structure**
- **Promotion of understanding and penetration of sustainability promotion activities within the Company**
- **Implementation of human rights due diligence throughout the supply chain**
- **Identification, analysis and assessment of human rights risks**
- **External disclosure of information**

In order to address these issues, we plan to provide job level-separate education, start operation of human rights due diligence, and hold briefing sessions for suppliers during the 2026 Medium-Term Management Plan period starting in FY2024, as described on the right, and we will steadily implement these initiatives.

Promotion Structure

The Human Rights Subcommittee, a subcommittee of the Sustainability Promotion Committee, is at the heart of NHK Spring Group's overall efforts to promote respect for human rights. Discussions at the Human Rights Subcommittee are reported and discussed by the Sustainability Promotion Committee, chaired by the Executive Vice President & CFO and Representative Member of the Board, and are discussed and reported to the Management Committee and the Board of Directors as necessary.

Contents of resolutions that have been adopted by the Sustainability Promotion Committee or the Management Committee and Board of Directors are implemented and monitored by the Human Rights Subcommittee or the relevant departments with respect to stakeholders.



2026 Medium-Term Management Plan

	~FY2023	FY2024	FY2025	FY2026	FY2027
Policy formulation	Formulation of the "Approach to Human Rights"	Formulation of the "NHK Spring Group Human Rights Policy"			
Promotion system	Establishment of the CSR Promotion Committee	Establishment of the Sustainability Promotion Committee and Human Rights Subcommittee			
Activities to promote understanding among employees	Respect for Human Rights and Compliance Disseminating information to raise awareness	Education by job level (top management, middle management, general employees, etc.), implementation of internal communication activities using the Company newsletter, etc.			
Activities to promote understanding among suppliers	Implementation of CSR Procurement Guidelines and questionnaire surveys		Review of CSR Procurement Guidelines Implementation of education and briefings		
Identification, analysis and evaluation of human rights risks		Implementation of human rights risk assessments targeting major businesses	Review (re-evaluation) of human rights risk assessment, implementation of preventative measures against negative impacts, monitoring		
Human rights due diligence	Conduct in-house voluntary inspections	Establishment and implementation of a system for Group companies and major Tier 1 suppliers	implementation for all Tier1 suppliers	Continuous implementation and improvement based on the human rights due diligence system	
Complaint handling mechanism	Establishment of internal reporting and supplier reporting contact points, and implementation of awareness-raising activities	Establishment of a complaints handling mechanism	Operation based on the complaint handling mechanism (corrective actions), and continuous improvement		
Other	Implementation of Compliance Awareness Survey and Employee Awareness Survey (Engagement Diagnosis)				

Supply Chain Management

Basic Stance on Procurement

Basic Procurement Policies

NHK Spring procures supplies based on three basic policies for procurement: "Building long-term partnerships based on mutual trust," "Fair and open procurement," and "Compliance and confidentiality". In addition, from the perspective of conducting business activities that take sustainability into account throughout the supply chain, we have established the "NHK Spring Group CSR Procurement Guidelines" and "Green Procurement Guidelines" and are making these known to our business partners.

Basic Policies for Purchasing Supplies

- **Building long-term partnerships based on mutual trust**
  We aim to build long-term relationships of trust as the best partner and grow together, through mutual efforts and fair transactions.
- **Fair, equitable and open procurement**
  We are open to all suppliers, regardless of country of origin, size, or affiliation, and select suppliers based on comprehensive consideration of quality, price, service, technology, and development capabilities.
- **Compliance and confidentiality**
  All our procurement activities are premised on compliance (adherence to laws and regulations, work rules, corporate ethics, and social norms). We do not make any unauthorized disclosures to third parties of any confidential information we may acquire through our business partners.

NHK Spring Group
CSR Procurement Guidelines
guideline_21206.pdf
(nhkspg.co.jp)

NHK Spring Group
Green Procurement Guidelines
guideline_green202311.pdf
(nhkspg.co.jp)

Initiatives to Conduct Fair Transactions

In the 2026 Medium-Term Management Plan, one of the Group's Basic Policies is defined as "Purchase appropriately, manufacture accurately, market and sell properly."

With regard to "Purchase appropriately," as a member of the Japan Auto Parts Industries Association (JAPIA), NHK Spring is working with the Japan Automobile Manufacturers Association to promote the following initiatives to ensure fair trade in accordance with the Automobile Industry Fair Trade Guidelines, which were formulated by the Ministry of Economy, Trade and Industry as part of its efforts to promote fair competition and strengthen competitiveness in the automobile industry.

・Strengthening engagement with business partners

In February or March 2024, on behalf of our company president, we sent a letter entitled "Regarding the NHK Spring Group's Efforts to Realize Fair Trade" (hereafter, "this letter") to all of our business partners with whom we do business. By communicating that NHK Spring is working to promote fair trade and pass on appropriate prices, we aim to share and strengthen awareness of our stance on fair trade. From now on, based on this letter, we will gradually reflect the increased costs of labor, raw materials, energy, etc. in transaction prices. In addition, we held webinars in February and August 2024 with the aim of raising awareness among procurement staff within the NHK Spring Group, and more than 350 people attended. We will continue to encourage the entire Group to review and appropriately adjust transaction prices with our business partners.

・Bearing of bank transfer fees by the Company

NHK Spring switched subcontractor payments to cash transfer at the end of November 2022, and undertook to uniformly bear transfer fees from October 2023. Through these activities, we are working to support the business activities of our subcontractors.

・Establishing systems and mechanisms within the Group

In addition to the regular audits conducted by the Internal Audit Department, the Procurement Department also conducts audits of the Subcontracting Law and other regulations. As with other audits, we follow up until the issues raised are resolved, and we confirm that appropriate subcontracting transactions are being carried out.

・Holding Purchasing Committee Meetings

The NHK Spring Group Purchasing Committee has held meetings since 2012 with the aim of strengthening Group's purchasing power and communications. Procurement managers from each Group company participate in this meeting, which is held once a year to discuss procurement methods, price analysis and reduction methods, etc., as well as to share information on steel prices. We also set aside time in each meeting to explain the Subcontracting Law and the Act on the Promotion of Small and Medium-sized Enterprises, and we work to ensure compliance across the entire NHK Spring Group by sharing information on changes to the law and audit findings.

Initiatives to Respect Human Rights in the Supply Chain

Against the backdrop of growing global interest in sustainability, there is a strong demand for companies to consider human rights in their business activities.

In September 2022, the Ministry of Economy, Trade and Industry established the "Guidelines for Respecting Human Rights in Responsible Supply Chains, etc." and began requiring that companies consider human rights throughout the supply chain.

In light of such changes in the external environment, we established the "NHK Spring Group Human Rights Policy" in August 2024, and are promoting initiatives to respect human rights in the NHK Spring Group supply chain.

・Addressing responsible mineral procurement

NHK Spring has formulated a policy on conflict minerals in response to the issue of such minerals being mined in the Democratic Republic of the Congo and surrounding countries. Based on this policy, we ask our business partners to engage in responsible procurement of resources and raw materials, and we conduct a survey of conflict minerals using the CMRT and EMRT once a year.

Quality Initiatives for Creating Safe and Reliable Products

NHK Spring has been working to improve quality and customer satisfaction by listening more closely to customer feedback under the slogan “Quality-first manufacturing”. Moreover, in order to create products that are even safer and more reliable, we are fostering a high level of quality awareness by focusing on “Fostering a culture of quality” and placing importance on “Human resource development” and “Organizational development”. By promoting these initiatives and applying them to “front-loading manufacturing”, we are working to prevent quality issues before they arise, and to further improve customer satisfaction and earn the trust of our stakeholders. We are making tireless efforts to maintain the “reliable quality” that firmly supports NHK Spring's “indispensable key parts”.

Fostering a Culture of Quality

We value “Human resource development” and “Organizational development” by increasing the opportunities for each individual to play an active role, creating a rewarding environment, and improving the sense of solidarity within the team. Building on this corporate culture, we are cultivating a high quality awareness in all departments by deepening our understanding of the importance of listening to our customers' opinions, the importance of following the rules, and a sense of responsibility.

Human Resource Development

In addition to general knowledge education covering such topics as statistical processing, NHK Spring's quality-related training also includes content intended to raise awareness of “logical thinking and team discussion,” which leads to “Human resource development.” The training is not only for employees involved in manufacturing and quality control, but also for those in sales, operations, design and development, and is conducted as part of a training program for different levels of staff. Through this training program, we are instilling a strong quality mindset in our employees at all levels and in all areas of the Company.

In addition to group training, we continuously communicate the way of thinking that is required for organizational activities through e-learning, on-demand content, and in-house newsletters. This has fostered quality awareness in not only the quality department but across all departments based on the belief that “quality is created through the participation of everyone”, and this has led to “Creating safe and reliable products”.

Organizational Development

Quality Committee

NHK Spring has established a Quality Committee under the Management Committee. Having the Executive Vice President and Representative Member of the Board & CQO (Chief Quality Officer) as Chairperson, and comprising members from the Quality Control Department of the Head Office Engineering Division, quality assurance departments of each production division, the Corporate Planning and Control Division, the Research and Development Division and the Sales Division, the Quality Committee formulates quality policies for each fiscal year, shares information on quality issues, and discusses the medium- to long-term goals and future direction of initiatives.

The content discussed at the Quality Committee is shared with departments through each production division's quality assurance department, ensuring that the direction of policies and initiatives is shared. In addition, the Quality Management Department at the head office conducts quality audits based on this content, as described later.

Responding to quality issues

With the slogan “Bad News First (Fast)”, NHK Spring encourages the early launch of countermeasures and the immediate sharing of information with those involved when problems occur, and we always remain highly aware of quality risks.

In cases of particularly important quality issues, reports are made to the CQO and other relevant parties, and discussions on how to respond are held promptly. If an issue is difficult to resolve, a project team is set up with members from across the organization. In this way, a system is in place to quickly and flexibly address quality issues.

Quality audits

In order to maintain a system for delivering safe and reliable products to our customers, NHK Spring regularly audits the quality control status of plants under the jurisdiction of the quality assurance department of each production division. Moreover, the Quality Control Department at Head Office conducts an “audit of audits” from a third-party perspective, also covering the results of quality audits conducted at each production division. In addition to checking actual sites, actual products, actual situations, and principles, the “audit of audits” also involves interviewing and surveying the people involved, including those in the design and development departments, to check for problems and the status of information sharing within the organization, and to make recommendations for creating a workplace with good communication.

As part of the “audit of audits” activities, we also hold lectures (training) on quality compliance and team building.

Through activities that combine auditing and education, we are working to create an organization where teams can work together to tackle issues.

Manufacturing innovation activities

The Engineering Division Production Research Department and each production base work together to promote manufacturing innovation activities. Identifying areas for improvement in manufacturing at production bases from the perspective of quality and productivity, we discuss countermeasures and link them to on-site improvements. By having Head Office and production bases work together, this leads to the creation of a culture where all staff pull together to manufacture products, rather than leaving things to the people on the factory floor.

QC Circles

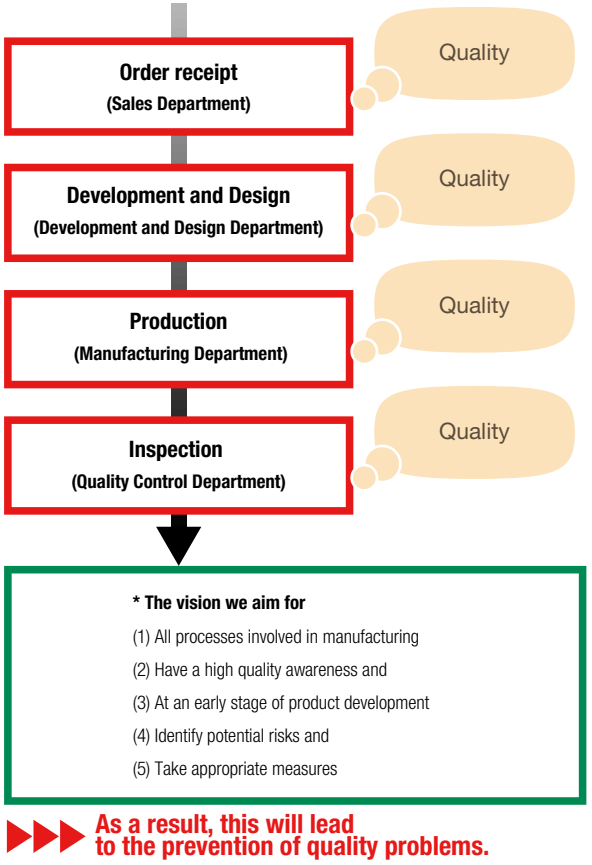
Since 1965, NHK Spring has continued QC circle activities in small groups using QC methods as a workplace improvement activity based on the creativity and mutual inspiration of employees. At the NHK Spring QC Circle Convention, 13 circles including those from domestic and overseas Group companies participate every year to make presentations, etc. This is an opportunity to hone global and other on-site capabilities, as well as a place where the results of workplace improvements in team capabilities in departments and sections are announced.

Click here for information regarding acquisition of international quality certifications.
(NHK Spring website)
https://www.nhkspg.co.jp/en/sustainability/society/certification

Quality Initiatives for Creating Safe and Reliable Products

Manufacturing Based on Front-loading

In addition to the idea of building quality into the process, NHK Spring promotes the idea of “front-loading”, which means that all manufacturing processes have a high quality awareness and identify and address potential risks at an early stage of product development. This approach helps to prevent quality problems.



As a result, this will lead to the prevention of quality problems.

Results of Front-loading Activities (Automotive Seating Business)

The Seating Division of NHK Spring has traditionally faced the following issues: (1) how to work before receiving orders, (2) how to prevent problems in the early stages of mass production, (3) how to improve the efficiency of design staff, and (4) how to train young designers.

To resolve these issues, based on the keyword “early quality creation through front-loading of work”, we implemented business process reforms in the upstream processes from order receipt to mass production. These included the establishment of processes for discovering and solving quality issues, such as design reviews (DR)*1 and gate management*2, as well as the clarification of the responsibilities and roles of each department (elimination of gray zones) and the reduction of design-related work. The activities, carried out by a total of 70 members over a period of five years, resulted in streamlining of the workflow from the pre-order stage to the start of mass production, and led to the establishment of a quality awareness from an early stage.

By spreading these good practices across the Group, we are using them to further develop our quality culture and strengthen our systems.

Initial members of the Seat Business Reform Project established in 2016

NHK Spring employees (Seat Business Reform Project Leaders) giving a presentation about the project at an external forum.

Customer Reviews (2022 to 2023)

The NHK Spring Group's products have been highly evaluated by many customers in Japan and overseas. We will continue to work tirelessly to maintain the trust of our customers.

		Customer (titles omitted)	Name of Commendation	Products
2022	Domestic	Nissan Motor	Certificate of Appreciation for Outstanding Quality	Springs
		Honda Motor	Certificate of Appreciation for Excellence (Quality Division)	Precision Springs and Components
		Daihatsu Motor	Quality Excellence Award	Precision Springs and Components
		AISIN	Quality Excellence Award	Precision Springs and Components
		JATCO	Regional Quality Award	Precision Springs and Components
		EXEDY	Outstanding Quality Award	Precision Springs and Components
	Overseas	Toyota Motor North America	Quality Achievement (SEAT)	Automotive Seating (NSA)
		TOYOTA Kilroska Motor	Zero PPM & Quality Certification	Springs（NSI）
		Honda Cars India Ltd.	BRONZE AWARD "NON-CURRENT"	Springs（NSI）
		JATCO Guangzhou & Suzhou	Quality Award	Precision Springs and Components（NSPG）
2023	Domestic	Toyota Motor Corporation TOYOTA GAZOO RACING COMPANY	Certificate of Appreciation for Technology and Quality	Precision Springs and Components [Racing valve springs]
		Nissan Motor	Certificate of Appreciation for Outstanding Quality	Springs, Automotive Seating, Precision Springs and Components
		Nissan Shatai	Certificate of Appreciation for Quality Contribution	Springs
		Hino Motors	Outstanding Quality Control Award	Springs, Automotive Seating
		EXEDY	Outstanding Quality Award	Precision Springs and Components
	Overseas	Nissan North America	Quality Master Certificate	Springs（NASCO）
		ISUZU ENGINE MANUFACTURING Thailand	FY2023 QD Awards	Precision Springs and Components（NHK-THAILAND）
		HINO Motors Thailand	Best Quality Performance, Silver Award	Springs, Automotive Seating, Precision Springs and Components（NHK-THAILAND）
		JATCO Guangzhou & Suzhou	Quality Award	Precision Springs and Components（NSPG）
		Jatco Mexico	Quality Award	Precision Springs and Components（NSPA、NASCO）
		FCC FCC Foshan	Quality Excellence Award	Precision Springs and Components（NSPG）

Some examples of awards received from customers

*1 Design Review (DR)…A meeting or review to evaluate and confirm the quality, performance, suitability, etc. of a product at the design stage in the product development process.

*2 Gate management: A management method in which progress is evaluated and a decision as to whether to proceed to the next stage is made at each specific stage (gate) of the product development process.

Research and Development

Basic Stance

Working under the slogan "Technology Experts NHK/ Manufacturing Experts NHK", the NHK Spring Group conducts a variety of basic and applied research with the aim of developing new products that will form the pillars of the next generation. In particular, in order to respond to the rapidly changing social environment, we have set out a policy of creating next-generation core businesses. Moreover, in order to create "indispensable key parts" that contribute to sustainable growth, we are actively investing in the necessary research and development, promoting co-creation through open innovation, and collaborating with universities.

In addition, NHK Spring believes that the development of specialized talent is the most important aspect of research and development. In a culture of "developing individuality and talent", we are strengthening human resources development and taking on new challenges in fields such as medicine and flying cars with flexible thinking.

Research and Development Structure

NHK Spring's R&D system is based on two pillars: development and intellectual property (IP).

With regard to development, we select development themes aimed at creating products that will contribute to solving social issues through lively discussions at the "Development Project Review Meeting". Attended by members of the Board, the R&D Headquarters, Engineering Division, and the development departments of each production division, the Review Meeting makes rapid decisions.

With regard to IP, our policy is to ensure that we obtain IP rights for the products and technologies we develop, and that we do not infringe on the IP rights of other companies. Based on this, the IP Strategy Committee discusses and decides on IP strategies, and manages progress. In addition, since FY2021, we have been actively filing patent applications, and we are continuously implementing patent application analysis, IP education, and invention discovery activities that are specialized for each production division with the aim of improving quality and differentiating ourselves from our competitors.

New Approaches to New Theme Exploration Activities

The R&D Division's "Exploratory Activities for Development Themes", which started in FY2021, aiming to create new businesses, have produced a number of promising ideas. In FY2023, we took up these seeds as specific development themes and worked to promote and strengthen development. In addition, we have continued to explore the battery field, where market expansion is expected in the future.

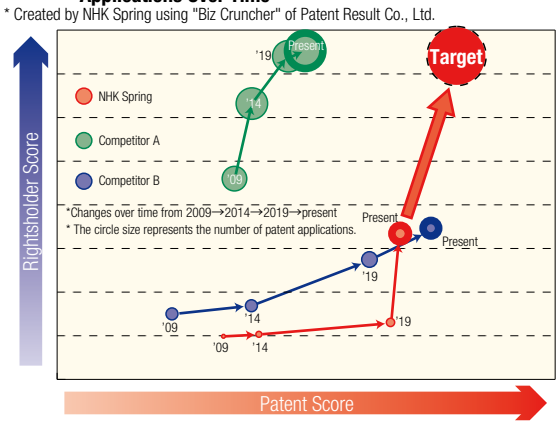
In FY2024, as a new initiative, we will accelerate our efforts to commercialize products by exploring with a diverse team of dedicated members comprising various age groups, job levels, and specialties.

Growth Strategy and Intellectual Property Rights

We have defined motor cores as a key product in our gorwth strategy for the shift to electrification and are working to enhance our business competitiveness by strengthening our IP rights. As a result, our "Rightsholder score," which represents the overall strength of patent-owing companies, and our "Averaged patent score," which represents the value of individual patents, have increased rapidly over the past 10 years. We will continue to improve the quantity and quality of our IP rights as we aim to become the industry leader. (See Figure 1)

Figure 1 Changes in Our Portfolio of Motor Core-related Patent Applications Over Time

* Created by NHK Spring using "Biz Cruncher" of Patent Result Co., Ltd.



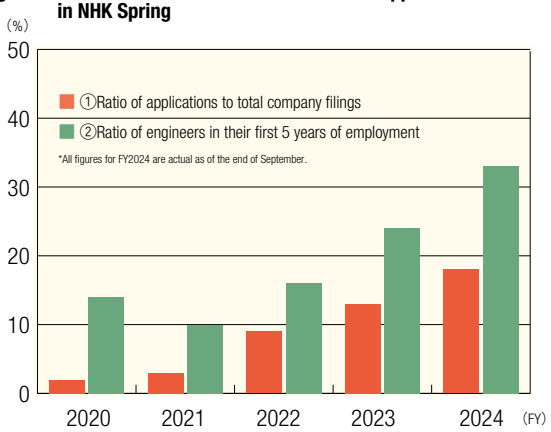
Establishment of the Intellectual Property Strategy Team

In FY2023, we established a new strategic team within the IP Department to strengthen our intellectual property strategy for key products, including motor cores. As a result, the number of patent applications for motor core-related products has increased significantly and is expected to account for close to 20% of our total applications in this fiscal year (see ① in Figure 2). Under the new structure, we will continue to provide strong support for the acquisition and utilization of IP rights to ensure the competitive advantage of our motor core business.

Increase in patent applications by young engineers

As a result of our efforts to provide IP education for engineers who have little experience in filing applications, including information on patents held by competitors and explanations of what types of inventions can be patented, the percentage of patent applications made by engineers with less than five years at the company has increased in the field of motor core-related patent applications (see ② in Figure 2). By further focusing on IP education for engineers, we will establish a culture of reliably acquiring and utilizing developed technologies as IP, thereby contributing to the sustainable enhancement of our competitiveness.

Figure 2 Overview of Motor Core-related Patent Applications in NHK Spring

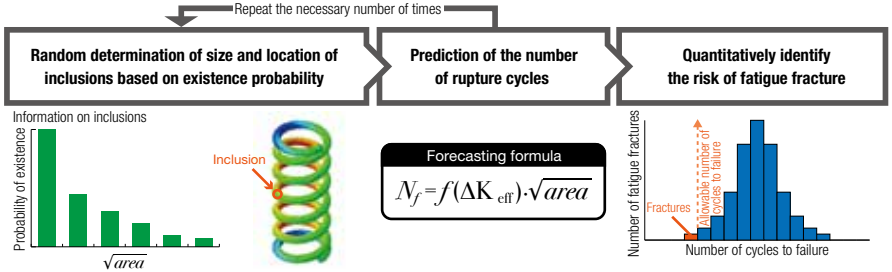


Research and Development

New Initiatives Geared to Improving Competitiveness

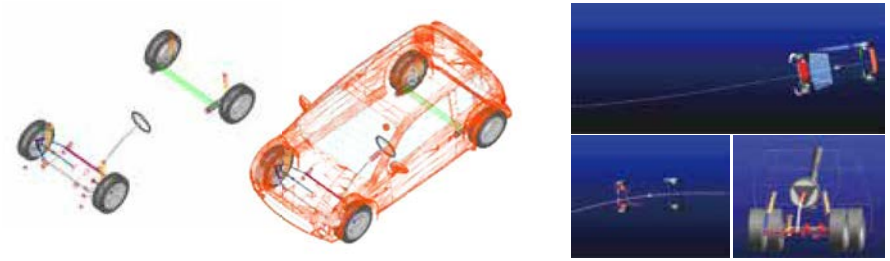
The NHK Spring Group is focusing on deepening and creating fundamental technologies to improve its competitiveness. As front-loading is the focus of attention in product design and development, in addition to existing fundamental technologies, we are actively promoting collaboration with universities in areas such as AI and data science, to foster the development of specialized talent.

Fatigue design of springs based on probability theory



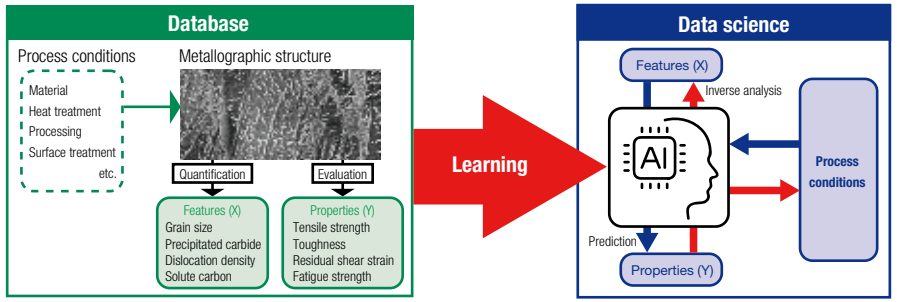
For springs, the balancing of weight reduction and reliability is a perennial theme. To secure reliability in this area, we have relied on fatigue testing of actual products based on past rules of thumb. Now, however, we are working on establishing fatigue design technology that aims for higher reliability by combining mathematical theories such as probability theory with simulations.

Analysis of Vehicle Behavior



In the future electrification of automobiles and the autonomous driving society, it will be necessary to address new riding comfort needs due to changes in vehicle structures and passenger postures. As the only Company that manufactures both the suspension springs and the seating products that are essential for riding comfort, NHK Spring aims to optimize combinations of both products while utilizing simulations.

Forecasting of Material Characteristics by Utilizing AI



We will expand areas for utilizing AI and data science from production technologies to R&D. With a view to eliminating the need for prototypes and greatly shortening development lead times, we are advancing the optimization of process conditions based on, for example, prediction of material properties and inverse analysis. By also leveraging joint research with universities, we are linking such activities to the development of human resources in the fields concerned.

Flexible Joints with Unique Structure

By utilizing the characteristics of springs to create soft and bendable joints, we are entering the medical equipment field. We expect to see future market expansion in this industry and so it is considered a potential next-generation core business. These joints make full use of the advanced production technologies we have cultivated over the years, such as precision coiling and welding of ultra-small parts, combined with our spring design and analysis capabilities to achieve high reliability.

Corporate Governance

Basic Policies for Corporate Governance

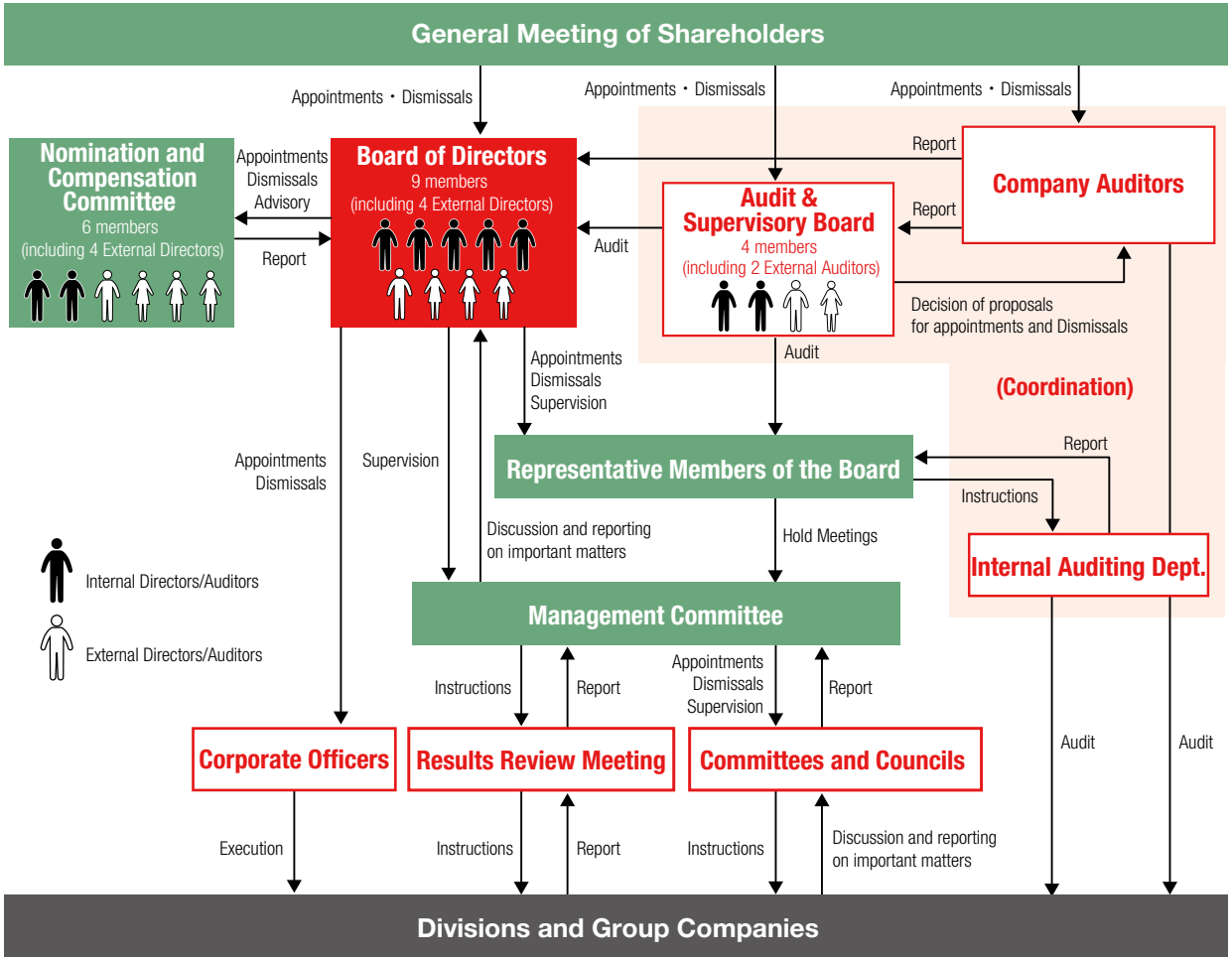
Basic Idea

- We aim to maintain sound management and increase corporate value from the medium- to long-term perspective by developing management organizational structures and mechanisms and implementing the necessary measures.
- To achieve this, we have adopted the following five basic policies.

Basic Policies for Corporate Governance

1. We ensure the rights and equality of our shareholders and strive to create an environment in which they can exercise their rights appropriately.
2. We work to sustain good relationships by fulfilling our responsibility as a Company to stakeholders, such as our shareholders, customers, partners, local communities, and employees.
3. We appropriately conduct disclosure based on the law while also independently striving to provide information other than that required by law.
4. The Board of Directors will intensively deliberate on agenda items, determine the optimal management policy, and supervise business management trends based on each member's knowledge and experience underpinned by a thorough understanding of the business. In addition, the Board will actively discuss management issues derived from the agenda items in order to fulfill its appropriate roles and responsibilities.
5. We will endeavor to engage in constructive dialogue with shareholders, and strive to disseminate and share information by providing feedback to management and members of the Board on the opinions and other information collected through such dialog.

Governance Structure (as of June 25, 2024)



Corporate Governance

Purpose, Meeting frequency, etc. of Each Conference Body

Following the passing of a resolution to increase the number of external directors by one at the NHK Spring General Meeting of Shareholders held in June 2024, the ratio of external directors in the Board of Directors and Nomination and Compensation Committee increased as shown below. We are working to further strengthen our supervisory functions and improve the fairness and transparency of our management by utilizing external know-how.

<Ratio of External Directors>

Board of Directors	**37.5%**(FY2023)	→ **44.4%**(FY2024)
Nomination and Compensation Committee	**60.0%**(FY2023)	→ **66.7%**(FY2024)

Name of Conference Body	Functions and Roles	Members	Meeting frequency Figures in parentheses () are actual figures
Board of Directors	In order to achieve sustainable growth and medium- to long-term improvement in corporate value for NHK Spring and Group companies, we exercise our supervisory function over all aspects of management to ensure fairness and transparency. In addition, we seek optimal decision-making through important business decisions, etc., while appropriately dealing with the risks we face.	Internal Directors **5** members / (including 4 Representative Members of the Board) Independent External Directors **4** members Total **9** members * Members of the Audit & Supervisory Board also attend as observers.	In principle, **once** per month (FY2023: 13 times)
Audit & Supervisory Board	In order to respond to the requests of shareholders and to maintain public trust, we audit the execution of duties by members of the Board as an independent organization, and we also implement matters that are stipulated by laws, regulations, and the Articles of Incorporation. As such, it is our duty to contribute to the establishment of a high-quality corporate governance system that will enable the sound and sustainable growth of NHK Spring and its group companies.	Internal Members of the Audit & Supervisory Board **2** members / External Members of the Audit & Supervisory Board **2** members Total **4** members	In principle, **once** per month (FY2023: 16 times)
Nomination and Compensation Committee	In order to ensure objectivity and transparency in matters such as the compensation and selection of members of the Board, we have established the Nomination and Compensation Committee as a voluntary advisory body to the Board of Directors.	Internal Directors **2** members / External Directors **4** members Total **6** members	**2**~**3** times per year (FY2023: 3 times)

Past Initiatives to Strengthen Corporate Governance

	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
External Factors	・Publication of the Ito Report	・Enactment of the revised Companies Act ・Table of Corporate Governance Code			・Revision of CG Code			・Revision of CG Code	・Review of market segmentation		
Board of Directors		Appointment of the first External Director	Addition of 1 External Director				Addition of 1 External Director				Addition of 1 External Director
Members of the Board (Internal)	7 members(0 females)	6 members(0 females)	5 members(0 females)	5 members(0 females)	5 members(0 females)	5 members(0 females)	5 members(0 females)	5 members(0 females)	5 members(0 females)	5 members(0 females)	5 members(0 females)
Members of the Board (External)	0 members(0 females)	1 members(0 females)	2 members(1 females)	2 members(1 females)	2 members(1 females)	2 members(1 females)	3 members(2 females)	3 members(2 females)	3 members(2 females)	3 members(2 females)	4 members(3 females)
Total	7 members(0 females)	7 members(0 females)	7 members(1 females)	7 members(0 females)	7 members(0 females)	7 members(0 females)	7 members(0 females)	8 members(2 females)	8 members(2 females)	8 members(2 females)	9 members(3 females)
Nomination and Compensation								Establishment of the Nomination and Compensation Committee (3 External Directors + 2 Internal Directors)Establishment of standards for judging the independence of outside directors		Introduction of a stock benefit trust (stock-based compensation)	Addition of 1 External Director to the Nomination and Compensation Committee (4 External Directors + 2 Internal Directors)Addition of 1 External Director to the Nomination and Compensation Committee (4 External Directors + 2 Internal Directors)
(Reference) **Reduction of Cross-Shareholdings**		Sale of 1 brand	Sale of 1 brand	Sale of 1 brand			Sale of 6 brands	Sale of 3 brands	Sale of 1 brand	Sale of 10 brands	
Shareholding ratio (end of year)	24.6%	20.5%	23.7%	21.8%	18.8%	15.3%	20.1%	18.8%	18.2%	20.8%	
Disposal amount	-	JPY 15,000,000	JPY 42,567,000	JPY 2,409,939,000	-	-	664,229,000	125,005,000	41,046,000	16,602,780,000	

Skill Matrix

The skills, abilities and experience of the Members of the Board and Members of the Audit & Supervisory Board in order for NHK Spring to achieve the 2026 Medium-Term Management Plan and contribute to a sustainable society by providing “indispensable key parts” are as follows.

(Note) The list below does not represent all the expertise possessed by Members of the Board and Members of the Audit & Supervisory Board. In the list below, out of the skills we expect from each candidate, those that each member is endowed with are marked with a circle, and those we expect them to demonstrate in particular are marked with a double circle.
We will continue to review the skills we expect each Member of the Board and each Member of the Audit & Supervisory Board to have according to changes in the business environment and the Company's management policies.

Name	Title	Gender	Affiliation	Qualifications	Expected Skills									
					Corporate Management	Engineering, R&D, Manufacturing	Finance & Accounting	Sales and Marketing	Overseas Experience, International Perspective	Global Environment	Human Resources, Labor, Human Rights	Corporate Governance	Risk Management, Compliance, Legal Affairs	IT, DX
Takashi Kayamoto	Chairman and Representative Member of the Board & CEO	Male	Nomination and Compensation Committee Member		◎	◎		○	○	○		◎		
Kazuhisa Uemura	President & COO and Representative Member of the Board, Corporate Officer	Male	Nomination and Compensation Committee Member		◎		○	◎	○		○	○	○	
Kiyohiko Kammei	Executive Vice President and Representative Member of the Board, Corporate Officer, CQO, CTO	Male			○	○		○	○	◎				◎
Hidefumi Yoshimura	Executive Vice President and Representative Member of the Board, Corporate Officer, CFO, President of Procurement Division	Male			○		◎		○		◎		○	
Shunsuke Sasaki	Member of the Board, Senior Corporate Officer, President of Sales Division	Male			○		○	◎	○					
Keiichiro Sue	Members of the Board (External)	Male	External Independent Nomination and Compensation Committee Member	Lawyer					○			○	◎	
Katsuko Tanaka	Members of the Board (External)	Female	External Independent Nomination and Compensation Committee Member	Physician					○		◎			
Hiromi Tamakoshi	Members of the Board (External)	Female	External Independent Nomination and Compensation Committee Member	Lawyer Certified Public Accountant			○					○	◎	
Reiko Furukawa	Members of the Board (External)	Female	External Independent Nomination and Compensation Committee Member		○						◎	○		○
Masakazu Toyoda	Audit & Supervisory Board Member	Male			○		◎		○			○	◎	
Naoya Mizutani	Audit & Supervisory Board Member	Male					◎					◎		
Ichiro Ebihara	Audit & Supervisory Board Member (External)	Male	External Independent	Certified Public Accountant	○		◎					◎	○	
Yuko Yamada	Audit & Supervisory Board Member (External)	Female	External Independent	Certified Internal Auditor Certified Public Accountant (USA)			◎		○			○	○	

Definition of Skills

Corporate Management
Ability to assess changes in the business environment, develop appropriate strategies, and support responsible business execution

Engineering, R&D, Manufacturing
Ability to secure world-class quality through innovative research and technological development

Finance & Accounting
In addition to accurate financial and accounting reporting, the ability to support the formulation of financial strategies that contribute to sustainable improvements in corporate value.

Sales and Marketing
Ability to formulate sales strategies that accurately capture the business environment and customer needs, and secure market superiority.

Overseas Experience, International Perspective
Understanding of diverse values and cultures, and ability to make decisions from a global perspective

Global Environment
Ability to promote the creation of a decarbonized society through the reduction of CO_2 emissions and the realization of zero industrial waste.

Human Resources, Labor, Human Rights
Ability to drive a corporate culture of “Respect for People”, and promote the growth and success of a diverse range of human resources.

Corporate Governance
Understanding of the status of governance of business execution and ability to raise appropriate issues

Risk Management, Compliance, Legal Affairs
Understanding the status of risk control and ability to raise appropriate issues

IT, DX
Ability to utilize the latest IT and DX knowledge to drive improvements in productivity and operational efficiency

Corporate Governance

Policy and Procedures in Appointing Candidate Members of the Board

Policy in Nominating Members of the Board

Candidates for NHK Spring's Board of Directors are selected and nominated based on a comprehensive judgment of their high level of insight into NHK Spring's business, their ability to cooperate with other Corporate Officers to solve problems based on NHK Spring's Corporate Philosophy, and their high level of awareness of compliance with laws and corporate ethics. In addition, the basic policy is to consider the balance of the entire Board of Directors (including the number of External Directors) as well as the experience, authority and expertise of each individual, in order to create the optimal structure that can accurately respond to the management issues of the NHK Spring Group business.

Approach to Developing Managerial Talent

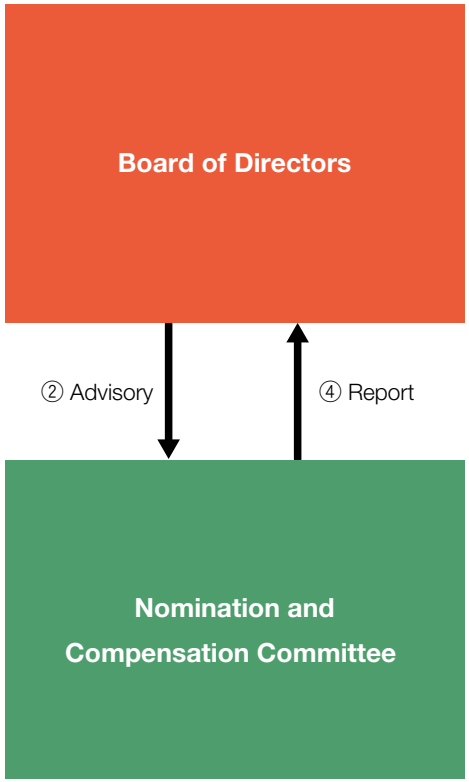
NHK Spring considers the selection of the President and other senior executives to be one of the most important roles and functions of the Board of Directors. NHK Spring is working to develop management talent by strategically placing members of the Board and Corporate Officers who are candidates for succession to positions such as President and other management positions, so that the most suitable people can be appointed to these positions in a timely and appropriate manner, thereby enabling the Group as a whole to achieve sustainable growth and long-term improvements in corporate value.

Procedures for Nominating Candidate Members of the Board

With regard to the nomination and selection of candidate members of the Board, after the selection of candidates by the representative members of the Board, the Nomination and Compensation Committee (two-thirds of the members of which are External Directors), which is an advisory body to the Board of Directors, thoroughly examines whether the content is in line with the above policy, and reports its findings to the Board of Directors. The Board of Directors makes a decision based on the results of the said report.

Procedures for Dismissal of the President and other Senior Management

NHK Spring will dismiss the President and other senior executives if it is objectively determined that dismissal is appropriate due to serious violations of laws or the Articles of Incorporation, etc., after deliberation by the Board of Directors.



① Selection by representative members of the Board

⑤ Resolution in the Board of Directors

③ Deliberation and advice in the Nomination and Compensation Committee

Corporate Governance

Compensation of Corporate Officers

NHK Spring has established the following rules regarding compensation of Corporate Officers.

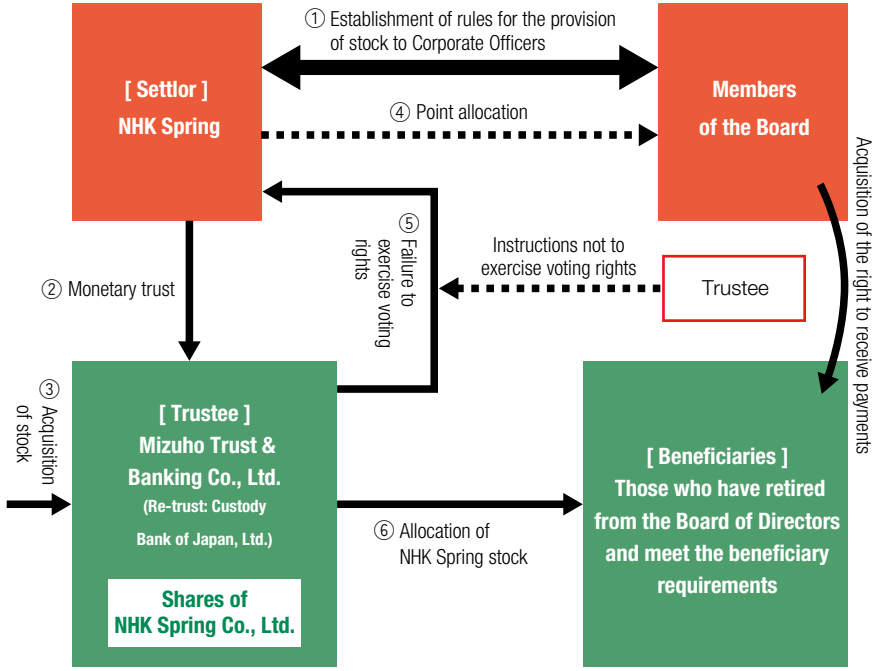
- The compensation of NHK Spring's members of the Board is structured to consist of a basic fixed compensation, performance-linked compensation, and non-monetary compensation, based on the Basic Policy of setting compensation at an appropriate level in line with the responsibilities of each individual member of the Board.
- With regard to External Directors, only basic compensation is paid, in light of their duties.
- The ratio of basic compensation to performance-linked compensation and non-monetary compensation will be appropriate in line with the sharing of interests with shareholders and the continuous improvement of corporate value.
- With regard to the amount of compensation for each individual, the Board of Directors shall delegate the decision on the specific details to the representative members of the Board, based on the results of the report by the Nomination and Compensation Committee.
- The members of the Audit & Supervisory Board receive fixed compensation within the limit of the total compensation amount as decided by the General Meeting of Shareholders. The specific allocation of compensation to each member of the Audit & Supervisory Board is determined through discussions at meetings of the Audit & Supervisory Board.

Compensation Category	Contents
Fixed compensation (basic compensation)	Monthly fixed cash compensation based on job responsibilities for each position
Performance-linked compensation (bonus)	In order to raise awareness of improving performance each fiscal year, cash compensation reflecting performance indicators* is paid as a bonus at a certain time each year. * A figure calculated based on the level of consolidated ordinary income for the current period and the amount of increase/decrease compared to the previous period.
Non-monetary compensation (stock benefit trust)	In order to provide an incentive to improve NHK Spring's medium- to long-term business performance and increase its corporate value, stock-based compensation is provided through a stock benefit trust. At a certain time each year, points are granted based on the officer's position, and after the officer's term of office ends, NHK Spring shares are provided on retirement in accordance with the number of points earned during the term of office.

Actual compensation, etc. for members of the Board and Members of the Audit & Supervisory Board for FY2023

Category	The total amount of compensation, etc. (JPY million)	Total amount by type of compensation, etc. (JPY million)			Number of Corporate Officers covered
		Basic compensation	Performance-linked compensation	Non-monetary compensation	
Members of the Board (External)	419 (30)	312 (30)	90 (-)	17 (-)	9 (3)
Members of the Audit & Supervisory Board (number of external members)	75 (12)	75 (12)	- (-)	- (-)	4 (2)
Total (number of External Directors)	494 (42)	387 (42)	90 (-)	17 (-)	13 (5)

How the stock benefit trust works



Corporate Governance

Board of Directors effectiveness evaluation

Board of Directors effectiveness evaluation

NHK Spring believes that it is important to continuously strengthen corporate governance in order to achieve sustainable growth and improve corporate value over the medium to long term. In order to increase the confidence of stakeholders in NHK Spring's corporate governance, we have been analyzing and evaluating the effectiveness of the Board of Directors every year since fiscal 2017 in accordance with the “Basic Policy on Corporate Governance”, and we are working to improve the identified issues.

Evaluation Method and Contents

STEP1 Implementation of a questionnaire

Self-evaluation by questionnaire is conducted for Members of the Board and Members of the Audit & Supervisory Board.

STEP 2 Analysis of results

Reporting the aggregated results to the Board of Directors

STEP 3 Initiatives for improvement

Examination of improvement measures based on the results

Questionnaire content

1) Composition of the Board of Directors
2) Operation of the Board of Directors
3) Enhancement of Board deliberations
4) Operation of the Nomination and Compensation Committee
5) Communication with shareholders and investors
6) Institutional design
7) Support system and information provided to external members of the Board

Overview of Evaluation Results in FY2023

The results of the feedback for each evaluation item were generally high overall. In particular, the evaluation regarding questions “2) Operation of the Board of Directors” and “7) Support system and provision of information for External Directors” have improved as a result of the continuous efforts to improve the efficiency of the secretariat's operations and the further enhancement of prior explanations to External Directors.

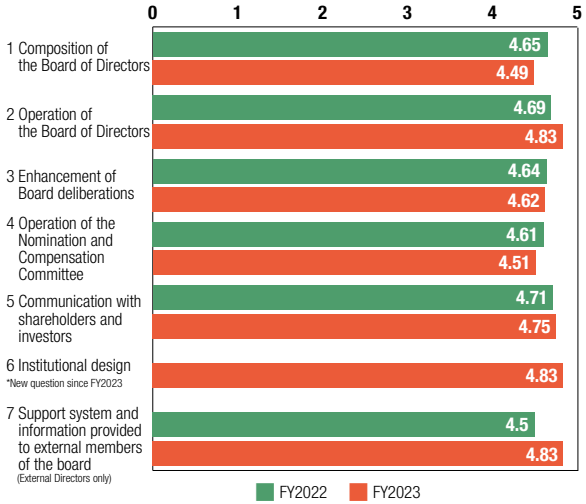
On the other hand, with regard to “Enhancing the deliberations in the Board of Directors”, it was recognized that there is a need to further enhance discussions not only on the resolution of individual proposals, but also on medium- to long-term management policies, etc.

Implementation of Improvement Measures

Based on the evaluation results for FY2023, we will work to improve the following points in FY2024.

1. **Review of existing Board of Directors agenda items in order to secure time for robust discussions on management**
2. **Utilization of the expertise of External Directors and Audit & Supervisory Board Members (External) regarding important medium- to long-term management themes**
3. **Realization of efficient and effective deliberations through further deepening of communication with External Directors**

Board of Directors effectiveness evaluation Responses (Scores)



Dialogue with Shareholders and Investors

NHK Spring is actively engaged in IR and SR activities to help shareholders and investors deepen their understanding of the Company. In addition to disclosing information in a timely, appropriate and fair manner, we aim to deepen mutual understanding through conducting continuous and constructive dialogue and holding explanatory meetings, and we will feed back the opinions and results of dialogue received from shareholders and investors to management.

IR and SR Activity Structure

Internal Promotion Structure

Under the supervision of the CFO, who is responsible for IR information, NHK Spring has established an IR Group within the IR & Corporate Communications Department at Head Office. The IR Group takes the lead in promoting IR initiatives in collaboration with related departments such as the Corporate Planning Department, Accounting Department, Finance Department, Human Resources Department, and Legal Department. Under this system, we are working to enhance our dialogue and communication tools, including meetings with shareholders and investors, information disclosure, holding events such as financial results briefings, operating our IR website, publishing shareholder newsletters and NHK Spring Reports (integrated reports), and responding to the mass media.

Management Feedback System

At NHK Spring, we reflect the opinions of shareholders and investors in management by appropriately summarizing and reporting the opinions and concerns we have identified through dialogue to the Board of Directors and Management Committee as necessary.

Contents	Frequency	Reporting Method
Investor and analyst comments (Content that should be shared immediately)	When needed	Directly or by email, etc. to the relevant executive officers
Investor and analyst comments (Reactions at the time of the earnings announcement)	On day of announcement	Email to the relevant executive officers
Investor and analyst comments (Comments arising from dialogue)	Once/ month	Email to the relevant executive officers
IR strategy, annual plan, and progress report	Twice/ year	Directly at the Board of Directors and Management Committee

Implementation of Various Events for Shareholders and Investors (FY2023)

Name of Event	Contents	Main Speakers (Presenters)	Timing
General Meeting of Shareholders	Appropriation of surplus, appointments of Members of the Board, Members of the Audit & Supervisory Board, etc.	Members of the Board, Members of the Audit & Supervisory Board	June
Financial results briefings (Full-year results, 2nd quarter results)	Business results, earnings forecasts, and progress of the Medium-Term Management Plan	President & COO and Representative Member of the Board, Executive Vice President & CFO and Representative Member of the Board	May, November
Small meetings for investors and analysts	Top management's responses to questions from investors and analysts	President & COO and Representative Member of the Board, Executive Vice President & CFO and Representative Member of the Board	As needed FY2023: 2 times
Business briefings for investors and analysts	Business strategy, plant tours, etc.	President & COO and Representative Member of the Board, President of the settlement division, and Project Director	As needed FY2023: 1 time
Briefings for individual investors	Company profile, business performance, business strategy	President of Corporate Planning and Control Division	As needed FY2023: 1 time

Summary of individual dialogues (FY2023)

Number of dialogues/ Total number of companies	Outline of the other parties	NHK Spring representatives
127/176	• Shareholders and institutional investors with a wide range of investment styles • Various areas of responsibility (analyst, fund manager, ESG manager, proxy voter, etc.)	President & COO and Representative Member of the Board, Executive Vice President & CFO and Representative Member of the Board, President of Corporate Planning and Control Division, Corporate Planning Department, Finance Department, Accounting Department, Human Resources Department, Corporate Communications Department, etc.

Main Topics in Dialogue

Main Topics	Contents
Latest results	The state of production in the United States, trends in the automobile and information-related markets, etc.
Initiatives toward electrification	Trends in orders for motor cores and integrated metal substrates, investment strategies, etc.
Shareholder returns	Capital cost, cash allocation, balance sheet thinking, etc.
ESG-related	Initiatives for carbon neutrality, human capital management, governance philosophy, etc.

Insider Information Management

In order to prevent leaks of insider information, NHK Spring observes a “silent period” before announcing financial results, refraining from any dialogue regarding financial results during this time. In addition, the Company strictly manages insider information in accordance with our insider trading prevention regulations and confidential information management regulations.

Disclosure Policy (NHK Spring website)

https://www.nhkspg.co.jp/en/ir/disclosure-policy

Messages from the External Directors/Auditors

Member of the Board (External)

Keiichiro Sue

Concerning institutional design

In addition to the Audit & Supervisory Board, of which half the members are external directors, and the Board of Directors, which comprises almost 50% external directors, NHK Spring introduced a voluntary Nomination and Compensation Committee with a majority of independent external directors in 2021. Given the current state of NHK Spring's governance, we do not believe that there are any significant benefits to be gained by improving governance through transitioning to a company with a nomination committee, etc. or a company with an audit committee, etc. Of course, we should consider making further improvements to governance, but I think that a multifaceted and careful examination is needed that takes into account regarding appropriate institutional design. We should consider issues such as how to ensure that external directors at companies with a nominating committee, etc. can fulfill their monitoring functions, and how to ensure self-auditing at companies that have an auditing committee, etc., and we need to tailor the design to the actual situation of NHK Spring's system of internal and external directors and governance.

Dialogue between shareholders and external directors

Members of the Board are entrusted by shareholders to manage the Company in a way that not only maximizes short-term, medium-term and long-term shareholder profits, but also takes into account the wishes of a wide range of investors and the demands of society. External directors are expected not only to monitor the management, but also to provide their own knowledge and opinions from the perspective of external stakeholders, including shareholders and investors, and to participate in the decision-making process. It is necessary to correctly understand market trends and shareholders' intentions. Therefore, we believe that exchanging opinions with shareholders and investors to a reasonable extent is beneficial and should be positively considered if it is required.

Operation of the Nomination and Compensation Committee

We expect to make more transparent and objective decisions regarding the appointment of corporate officers, including the President, by receiving explanations from external directors concerning the reasons for their selections and by adding an outside perspective to the appointments. The same applies regarding the appropriate level of compensation and incentives for corporate officers. Although the Nomination and Compensation Committee does not have direct decision-making authority on these matters, we believe that it can make a beneficial and important impact by allowing external directors, who make up almost half of the Board, to be involved in the decision-making process. The voluntary Nomination and Compensation Committee itself was established in response to recommendations from our external directors, and we will check the way it is operated from time to time to further improve its governance.

Member of the Board (External)

Katsuko Tanaka

Concerning diversity of the Board of Directors

In order to continue to provide “indispensable key parts” amidst a once-in-a-century transformation in the automotive industry, we believe that NHK Spring should be equipped with the specialized skills necessary to respond appropriately to changing externalities. Most recently, at the General Meeting of Shareholders held in June 2024, Mr. Furukawa, who has management experience in different industries, joined the external directors, thereby increasing the diversity of the Board. In the future, we will need to strengthen the DX knowledge that will contribute to NHK Spring's manufacturing, expertise in global economics that will influence NHK Spring's business strategy, and expertise in risk management that will enable us to identify and address possible risks to NHK Spring.

Concerning operation of the Board of Directors

In the Board of Directors, it is easy for external directors to freely express their opinions, and we receive appropriate responses to our comments. I feel that my knowledge of NHK Spring's business and the business environment surrounding NHK Spring has been further deepened thanks to the responses to my comments and issues raised by the other Board members who have different expertise.

In addition, requests from external directors, such as for the prior sharing of Board of Directors materials by the secretariat, have been appropriately addressed and have led to improvements.

Member of the Board (External)

Hiromi Tamakoshi

Concerning operation of the Nomination and Compensation Committee

The Nomination and Compensation Committee is chaired by the Chairman and Representative Member of the Board (CEO). From the time the committee was established until now, the chairperson has provided sufficient explanations of the decision-making process to the committee members, including external directors, regarding personnel matters and compensation decisions, and I have no particular problems with how the committee is run. However, from the viewpoint of shareholders and investors and other external parties, it is necessary to consider the possibility of choosing the chairperson from the external directors to improve transparency and ensure objectivity.

In addition, the committee needs to discuss the concept, good points, and areas for improvement of corporate officer appointments in the Company, based on the values of “Respect for People” that NHK Spring upholds.

System of support for external directors

To support the external directors, meetings are held regularly to exchange opinions between the external directors and internal and external members of the Audit & Supervisory Board. Since opinion exchange meetings are held in conjunction with site tours not only at Head Office but also at other domestic locations, participants can see manufacturing sites and management conditions that they would not otherwise have the opportunity to learn about, and thus deepen their understanding of NHK Spring. We also consider such meetings to be valuable opportunities to hear information and opinions about NHK Spring from Audit & Supervisory Board Members, who know the Company very well.

Concerning capital policy

We actively discussed the capital policy disclosed in the 2026 Medium-Term Management Plan, with discussions especially focusing on the Company's human capital investment and DX investment, which seems to be small at JPY 2 billion over three years. Concerning this point, the Company responded that the DX promotion project is currently studying the matter and plans to add to it in the future, so it will be necessary to continuously and regularly check the status of DX promotion from now on. Shareholder returns are JPY 60 billion, and human capital investment is JPY 50 billion, and the Company also responded that it may also review human capital investment in the future.

While it is of course important for the Company to be attractive to investors, it goes without saying that it is essential to motivate our employees, and we believe that this should be a top priority.

Messages from the External Directors/Auditors

Member of the Board (External)

Reiko Furukawa

Concerning diversity of the Board of Directors

The Board of Directors discusses various investment projects geared to the future. As globalization requires investment in more diverse areas, the participation of external directors who are experienced in making and recouping corporate investment will contribute greatly to NHK Spring's growth and risk management. In order to respond to social demands in the area of sustainability, it is also necessary to appoint a corporate officer in charge of sustainability. By clarifying the strategic policy and establishing a reporting system, the Board of Directors will be able to properly grasp progress and oversee the whole process.

Concerning operation of the Nomination and Compensation Committee

The Nomination and Compensation Committee is required to be deeply involved in the entire succession planning process, including identification, development, evaluation, and appointment of management personnel. The external directors are responsible for monitoring the progress of this process and providing appropriate advice to enhance the transparency and fairness of the plan. Therefore, it is important to ensure that the Nomination and Compensation Committee meets with enough frequency to promote ongoing discussions.

Message on Appointment as an External Director

I served as Audit & Supervisory Board Member (external) until last year, and I became an external director in June 2024. The theme I am particularly focusing on is the promotion of DX. Digital technology will greatly contribute to the growth of NHK Spring, and I would like to contribute to its promotion by exchanging opinions with the corporate officers and employees.

In order for NHK Spring to grow further, it is essential to utilize human resources with diverse backgrounds and skills. We will do our utmost to support NHK Spring so that it can develop into a company that provides high value-added products to the world by leveraging its diversity as its strength.

Concerning dialogue with shareholders and investors

Communicating NHK Spring's business strategy and vision for the future to our shareholders and investors so that they can understand the attractiveness of the Company is our important responsibility in demonstrating our corporate integrity. We believe that we should continue to strategically promote dialogue with shareholders and investors. As external directors, we also recognize our important role in advising NHK Spring from an external perspective and communicating our advice to shareholders and investors in an appropriate manner.

Audit & Supervisory Board Member (External)

Ichiro Ebihara

Concerning capital policy

Compared to the 2023 Medium-Term Management Plan, the major advance in the 2026 Medium-Term Management Plan is the establishment of new business management indicators and capital cost and cash allocation.

Institutional investors analyze financial information published in annual securities reports and other documents and consider the sustainability of their investments. In this sense, the addition of this new disclosure item is very significant, as it declares the numerical targets for the next three years for internal stakeholders, and also makes the progress clear to those outside the Company.

In particular, I believe it is groundbreaking that we have clearly stated the CAGR of NHK Spring's new businesses of motor cores, semiconductor process components, and integrated metal substrates.

Among the challenges we face, we had already cleared some of the new management indices by FY2023, making it difficult to predict how things will progress in the 2026 Medium-Term Management Plan. Also, although the FY2023 results for ROIC were disclosed for the entire Company and for each business segment, the target for Company-wide ROIC is disclosed in the 2026 Medium-Term Management Plan.

We look forward to further progress being made in the next Medium-Term Management Plan.

Concerning dialogue with shareholders and investors

Ensuring that the opinions of shareholders and other stakeholders are properly reflected in the Board of Directors is one of the important roles of external directors, as well as monitoring and strengthening corporate governance. For this reason, external directors are being called upon to act with this awareness at all times, and it is necessary to set up opportunities for communication between the external directors and shareholders.

In recent years, some companies have begun to allow external directors to express their opinions at general meetings of shareholders, and some external directors have begun to directly communicate with major shareholders. However, such companies are still in the minority, and many companies are still reluctant to allow external directors to communicate with shareholders. In order to dispel such a situation, it is important to share information about the Company between internal corporate officers and external directors, and to strengthen the relationship of trust between them.

In order to maintain and strengthen the relationship of trust between the two parties, NHK Spring has been implementing various measures, such as distributing minutes of the Management Committee meetings in advance, giving advance briefings on the agenda the day before the Board of Directors meetings, hearing activity status reports from each production division before the Board of Directors meetings, holding lunch meetings after the Board of Directors meetings, and conducting factory tours during the mobile Board of Directors and Audit & Supervisory Board meetings held at NHK Spring's domestic bases.

In order to further strengthen the relationship of trust, I think it would be beneficial to set up a forum for the exchange of opinions between Company employees and external directors, and to have external directors attend the explanatory meetings for institutional investors that are held every term.

Audit & Supervisory Board Member (External)

Yuko Yamada

Concerning capital policy

By disclosing capital measures, the Company provides investors and shareholders with a variety of useful information. In particular, the addition of “ROIC” as a management control indicator makes clear the contribution of operating profit (after tax) to invested capital, and I think that it will prove useful for NHK Spring's management when considering the production departments that “generate earnings” and appropriate financing and cash allocation. Although the actual work is complex, measures are also being planned to help people understand the concepts when introducing the new indicators, and I will be watching the progress and results closely.

Message on Appointment as an Audit & Supervisory Board Member (External)

Even before I was appointed to the Audit & Supervisory Board, I thought of NHK Spring as a company with reliable technology and integrity, and my impression of it has only strengthened each time I have visited their production facilities. Although it is difficult for Audit & Supervisory Board Members (External) to attend day-to-day operations, I would like to first listen carefully to the Board of Directors meetings to fulfill my role as an auditor (someone who listens) and ensure that free and open exchange of opinions that contribute to management is taking place, and that the information being shared is not biased. In addition, I will learn about the issues specific to the manufacturing industry as they arise in relation to the information I receive from the two Audit & Supervisory Board Members of the Company and the Company Auditors, and, while coming from a different industry, I will use my knowledge from previous internal audits and as a Member of the Audit & Supervisory Board to correctly understand the situation. As a member of the organization responsible for governance, I would like to help realize NHK Spring's Corporate Philosophy.

Management Structure (as of June 25, 2024)

Management Structure (as of June 25, 2024)

BOD Number of Board of Directors meetings attended
A&S Number of Audit & Supervisory Board meetings attended
Tenure For members of the Board, this indicates years as a Member of the Board; for members of the Audit & Supervisory Board, this indicates years as a Member of the Audit & Supervisory Board.

Members of the Board

1 Takashi Kayamoto

Chairman and Representative Member of the Board, CEO

Tenure 9 years BOD 13/13 meetings

Apr. 1979 Joined the Company
Jun. 2010 Corporate Officer, Vice President of Research and Development Division and Director of Development Department
Apr. 2013 Senior Corporate Officer and President of Suspension Spring Division
Jun. 2015 Member of the Board, Senior Corporate Officer and President of Sales Division
Apr. 2016 Member of the Board, Executive Corporate Officer and President of Sales Division
Apr. 2017 President & COO and Representative Member of the Board, Corporate Officer
Apr. 2019 President & CEO and Representative Member of the Board, Corporate Officer
Apr. 2024 Chairman & CEO and Representative Member of the Board (present)

2 Kazuhisa Uemura

President & COO and Representative Member of the Board, Corporate Officer

Tenure 6 years BOD 13/13 meetings

Apr. 1983 Joined the Company
Apr. 2014 Corporate Officer, Vice President of Sales Division and Director of Seating & Component Sales Department
Apr 2018 Senior Corporate Officer, President of Sales Division
Jun. 2018 Member of the Board, Senior Corporate Officer, President of Sales Division
Apr. 2022 Member of the Board, Executive Corporate Officer, President of Sales Division
Apr. 2023 Member of the Board, Executive Corporate Officer, President of Corporate Planning and Control Division
2024. 4. President & COO and Representative Member of the Board, Corporate Officer (present)

3 Kiyohiko Kammei

Executive Vice President and Representative Member of the Board, Corporate Officer, CQO, CTO

Tenure 5 years BOD 13/13 meetings

Apr. 1980 Joined the Company
Jun. 2011 Corporate Officer, Vice President of Seating Division and Director of Global Business Promotion Department
Apr. 2015 Senior Corporate Officer, President of Seating Division
Apr. 2018 Executive Corporate Officer, President of Engineering Division
Apr. 2019 Executive Corporate Officer, President of Engineering Division, CQO
Jun. 2019 Member of the Board, Executive Corporate Officer, President of Engineering Division, CQO
Director of Takano Co., Ltd. (non-executive)
Apr. 2020 Executive Vice President & CQO and Representative Member of the Board, Corporate Officer
Apr. 2022 Executive Vice President and Representative Member of the Board, Corporate Officer, CQO, CTO (present)

4 Hidefumi Yoshimura

Executive Vice President and Representative Member of the Board, Corporate Officer, CFO, President of Procurement Division

Tenure 3 years BOD 13/13 meetings

Apr. 1981 Joined the Company
Jun. 2007 Director of Administration Department, Suspension Spring Division
Apr 2014 Corporate Officer; President & CEO and Member of the Board, NHK of America Suspension Components, Inc.
President & CEO and Member of the Board, NHK New Mather Metals, Inc.
Apr 2015 Corporate Officer, Director of Human Resources Department, Corporate Planning and Control Division
Apr. 2017 Senior Corporate Officer, Vice President of Corporate Planning and Control Division and Director of Human Resources Department
Apr. 2020 Senior Corporate Officer, President of Corporate Planning and Control Division
Apr. 2021 Executive Corporate Officer, President of Corporate Planning and Control Division
Jun. 2021 Member of the Board, Executive Corporate Officer, President of Corporate Planning and Control Division
Apr. 2022 Member of the Board, Executive Corporate Officer, President of Corporate Planning and Control Division and President of Procurement Division
Apr. 2023 Executive Vice President and Representative Member of the Board, Corporate Officer and President of Procurement Division (present)
Jun. 2023 Director of Takano Co. Ltd. (non-executive) (present)

5 Shunsuke Sasaki

Member of the Board, Senior Corporate Officer and President of Sales Division

Tenure 1 year BOD 10/10 meetings

Apr. 1987 Joined the Company
Apr. 2018 Executive Corporate Officer, Vice President of NHK International Corporation
Apr. 2019 Corporate Officer, Vice President of Suspension Spring Division and Director of Administration Department
Apr. 2022 Senior Corporate Officer, Vice President of Suspension Spring Division and Director of Administration Department
Apr. 2023 Senior Corporate Officer and President of Sales Division
Jun. 2023 Member of the Board, Senior Corporate Officer and President of Sales Division (present)

6 Keiichiro Sue

Member of the Board External Independent

Tenure 9 years BOD 13/13 meetings

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

7 Katsuko Tanaka

Member of the Board External Independent

Tenure 8 years BOD 13/13 meetings

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

8 Hiromi Tamakoshi

Member of the Board External Independent

Tenure 4 years BOD 13/13 meetings

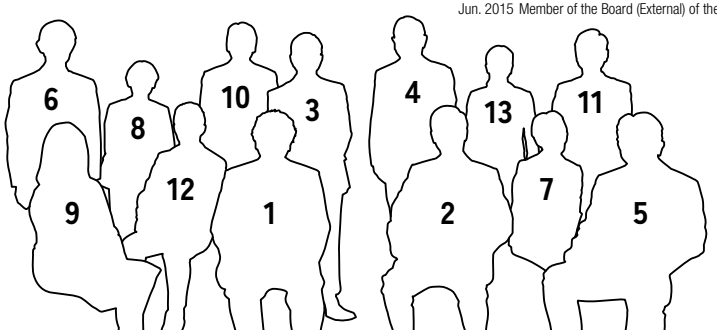
Oct.1987 Joined Chuo Audit Corporation
Apr. 1999 Registered as Attorney at Law (Kanagawa Bar Association)
Joined Ryoji Kimura Law Office
Apr. 2017 Auditor of Yokohama City University (present)
Jun. 2020 Member of the Board (External) of the Company (present)
Apr. 2021 Established Yokohama Nagomi Law Office (present)

9 Reiko Furukawa

Member of the Board External Independent

New appointment

Apr. 1981 Joined Nippon Univac Kaisha, Ltd. (now BIPROGY Inc.)
Apr. 2005 Nihon Unisys Excelutions (now UEL Corporation)
General Manager of Service Department, Mechanical Solutions Division
Apr. 2007 General Manager of Industry Development Dept. in the above company
Apr. 2009 Executive Officer in the above company
Apr. 2011 UNIADEX, Ltd., MBK Outsourcing Center
General Manager of Outsourcing Planning Department
Apr. 2014 General Manager of Quality Assurance Dept.
Jul. 2017 Audit & Supervisory Board Member of Uniadex, Ltd.
Jun. 2022 Audit & Supervisory Board Member (External) of the Company
External Member of the Board, Hanwa Co., Ltd. (present)
Jun. 2024 Member of the Board (External) of the Company (present)



Members of the Audit & Supervisory Board

10 Masakazu Toyoda

Audit & Supervisory Board Member

Tenure 5 years BOD 13/13 meetings A&S 16/16 meetings

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

11 Naoya Mizutani

Audit & Supervisory Board Member

New appointment

Sep. 1990 Joined the Company
Apr. 2012 Senior Manager, Accounting Department, Corporate Planning and Control Division
Apr. 2014 Senior Manager, Corporate Planning Department, Corporate Planning and Control Division
Apr. 2018 Director of the Internal Auditing Department
Jun. 2024 Audit & Supervisory Board Member of the Company (present)

12 Ichiro Ebihara

Audit & Supervisory Board Member External Independent

Tenure 4 years BOD 13/13 meetings A&S 16/16 meetings

Sep. 1985 Joined Tohmatsu Aoki & Co. (now Deloitte Touche Tohmatsu LLC)
Apr. 1989 Registered as Certified Public Accountant
Oct. 2013 Executive Officer in charge of finance and administration
Nov. 2015 Group CFO of Deloitte Tohmatsu LLC
Aug. 2016 Managing Partner of Deloitte Tohmatsu Services Co., Ltd.
Jun. 2019 Ichiro Ebihara Certified Public Tax Accountant Office (present)
Jun. 2020 Audit & Supervisory Board Member (External) of the Company (present)

13 Yuko Yamada

Audit & Supervisory Board Member External Independent

New appointment

Jul. 1983 Joined Marubeni Corporation
Apr. 1988 Assigned to Marubeni UK
Apr. 1995 Assigned to Marubeni USA
Oct. 1999 Assigned to Koyo Steamship Co., Ltd. (now MMSL Japan Co., Ltd.)
Apr. 2005 General Manager of the Financial Affairs & Accounting Department in the above company
Nov. 2006 Senior Auditor, Auditing Department, Marubeni Corporation
Apr. 2019 Marubeni Pulp & Paper Sales Co., Ltd.
(Now Marubeni Forest Links Corporation) Audit & Supervisory Board Member
Jun. 2024 Audit & Supervisory Board Member (External) of the Company (present)

Compliance

Basic Stance

The NHK Spring Group regards compliance as an important foundation and cornerstone for contributing to the realization of a sustainable society through manufacturing. In addition to legal compliance, we believe that adhering to our Employees Code of Conduct, Company Rules, and social norms (manners and morals) constitutes fulfillment of our social responsibility and leads to the building of relationships of trust with stakeholders, and we strive to raise employee awareness and prevent violations.

Compliance Promotion Structure

Under the supervision of the President & COO, the Director of the Legal Department in the Corporate Planning and Control Division has been appointed as the person responsible for promotion, with the directors of each department responsible for providing guidance and the Legal Affairs Department acting as the promotion secretariat. In addition, the Company systematically conducts compliance education and awareness-raising activities to prevent the occurrence of legal violations and antisocial behavior.

Whistleblowing System (Compliance Hotline) and Partner Reporting Desk

As a mechanism for employees of the Company and its domestic subsidiaries to consult or report internally when they have questions or doubts, a Compliance Hotline, which allows anonymous reporting, has been established at a contact point operated by an external third-party organization from the viewpoint of neutrality and impartiality.

In the event where a whistleblower makes a report, the Company reports the matter to the Compliance Promotion Manager and conducts an investigation to ascertain the facts. If a problem is confirmed to exist, corrective measures are taken and the whistleblower is briefed on the response if they desire feedback. In addition, the Company has a system in place for appropriately reporting to the Board of Directors on serious matters.

At global locations, similar systems have been introduced in overseas Group companies including those in North America, China, Thailand. In addition, we have set up a ""Partner Reporting Desk" on our website for business partners to report any compliance violations in the course of doing business with us. The Company has established a system for realizing the early detection and correction of problems by appropriately handling reports that are made to these contact points.

Transitions in the Number of NHK Spring Group Compliance Hotline Reports (excluding overseas)

	FY2021	FY2022	FY2023
Number of reports	81 cases	152 cases	163 cases

Partner Reporting Desk - number of reports: 0

Compliance Awareness Survey

Since FY2021, the Company has conducted a Compliance Awareness Survey of employees in NHK Spring and domestic Group companies. The results of this survey are reported to top management and fed back to the Group companies and divisions. Moreover, the degree of penetration of compliance awareness is confirmed and, based on the results, a compliance activity plan for the next fiscal year is formulated.

(Number of respondents to the awareness survey in FY2023: 8,772)

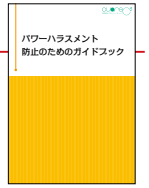
Training and Activities to Promote Understanding

NHK Spring is continuously implementing training and awareness-raising activities for its employees. In addition to the training listed in the table below, we also disseminate a monthly Compliance newsletter and designate November as the "Month for Strengthening Ethical Values". We also disseminate messages from top management in multiple languages, post posters, and take other dissemination measures. Through these initiatives, we aim to raise the awareness of each and every employee.

Type of Training	Training contents
Group-wide	Group-wide Compliance Training
Rank-based	New Recruit Training, Mid-career Recruit Training, Newly Appointed Senior Manager Training, Newly Appointed Manager Training, Newly Appointed Floor Supervisor Training
Employees engaged in work responding to whistleblowing	Caution points, etc. in responding to whistleblowing
Antitrust Law Training	Updates in antitrust laws
Overseas Assignment Advance Training	Importance of compliance, risks, etc.

Anti-harassment Measures

The "NHK Spring Group Human Rights Policy" states that "We do not tolerate any form of harassment". By implementing training, distributing guidebooks, and providing e-learning, we are cultivating employee awareness and creating a safe and secure Company and a workplace that is both rewarding and easy to work in.



Guidebook distributed to all employees of the Group

Anti-Bribery and Anti-Corruption Initiatives

We have formulated the "NHK Spring Group Anti-Corruption Policy" and are implementing it throughout the Group. In addition, we have established the "NHK Spring Group Guidelines for Entertainment and Gift-Giving" to clearly indicate prohibited acts related to bribery. In the event that an individual faces a bribery risk or a similar situation, guidelines and advance application and approval procedures have been established to make fair and honest judgments, and a system to prevent bribery is being implemented.

We make sure that all employees are aware of the importance of our anti-bribery and corruption policy through various training programs, etc., and we also check for any violations or signs of violations in the workplace through compliance awareness surveys.

Security Export Control

In response to a worldwide strengthening of laws and regulations concerning security export control, NHK Spring Group has formulated and implements security export control regulations and detailed rules and conducts training and awareness promotion to ensure compliance with security export control-related legislation.

Risk Management

Basic Stance

NHK Spring aims to prevent risks that could affect sound company management, and minimize losses in the event where risks do occur.

Risk Management Organization

NHK Spring has built a risk management structure in which the President & COO and Representative Member of the Board acts as the chief responsible officer and the President of the Corporate Planning and Control Division is placed in charge of promotion. We work to prevent risks from arising and minimize damage if risks do occur, and the Sustainability Promotion Committee manages the progress of these efforts.

In addition, in the event where a major risk arises, a report is made immediately to the President & COO and Representative Member of the Board, and countermeasures are taken. A system is in place to report to the Sustainability Promotion Committee an overview of the case, including measures to stop the risk from reoccurring.

Major risk category	Minor risk category	Risk Description	Measures to Address Risks
External risk	Sudden fluctuation in the global economy	・Market contraction and shrinking demand exceeding expectations in major markets around the world, including Japan, Asia, the United States, and Europe	・Diversification of business ・Improving the accuracy of demand forecasting ・Flexible production system ・Global expansion of production bases ・Creation of products that contribute to the environment ・Development of products that contribute to solving social issues
	Exchange rate fluctuation	・Impact of exchange rate fluctuations on consolidated financial statements ・Reduced price competitiveness in the global market due to appreciation of the yen ・Rising costs of procuring raw materials due to depreciation of the yen	・Agile currency hedging transactions ・Global expansion of production bases ・Appropriate transfer of raw material procurement costs to prices
	Price fluctuations in raw materials, supplies, and energy, as well as shortages of raw materials and parts	・Impact on business performance due to large fluctuations in prices of raw materials, various materials and energy caused by changes in market conditions, and the time lag in passing on price increases ・Shortages of raw materials and parts due to unforeseen accidents or natural disasters at suppliers, changes in export or import regulations, the impact of Russia's invasion of Ukraine and other political developments between countries, and soaring resource prices	・Introduction of price adjustment clauses in contracts ・Strengthening and diversification of the supply chain ・Optimization of inventory management
	Violation of legal regulations	・Risk of increased costs, social sanctions, and reputational damage in the event of failure to comply with business and investment permits, national security or other import/export regulations, and laws and regulations related to trade, antitrust, patent, consumer, tax, foreign exchange, employment, and policies on environment and recycling in the countries in which we operate	・Formulation of compliance regulations ・Implementation of compliance training ・Implementation of compliance awareness surveys ・Collaboration with outside experts
	Impact of disasters, etc.	・Risk of additional costs and disruption to the supply chain due to equipment failure or damage at manufacturing sites caused by natural disasters such as earthquakes, typhoons, floods, fires, accidents such as power outages, and infectious disease outbreaks	・Formulate BCP and risk management regulations ・Establishment of BCP system ・Conducting evacuation drills and other educational and awareness activities ・Earthquake and disaster prevention measures for facilities ・Strengthening and diversification of the supply chain
Strategic risk	Risks related to new product development	・Risk of insufficient funds due to the development of new products that require a long development period ・Risk of becoming unable to recoup investment in new product development that requires large-scale financial outlay and investment of other resources ・Risk of declining profitability due to falling sales prices caused by intensifying competition with competitors ・Risk of losing cost advantage due to losing technological originality in development and distribution because of development of new technology by competitors or changes in market needs	・Utilization of diverse financing methods ・Appropriate response to CASE and other development needs ・Active practice of basic and applied research on new technologies ・Building partnerships ・Promotion of open innovation
	Business expansion into overseas markets	・Difficulty in securing human resources due to unforeseen changes in laws or regulations, changes in the labor market, etc., outbreaks of labor disputes, and rapid increases in labor costs ・Social disruption due to radical demonstrations, riots, terrorism, and other factors	・Identifying and responding to country risks ・Developing standards and manuals to serve as guidelines for deportation ・Improvement of working environment and safety measures ・Securing diverse channels to the labor market
Operational risk	Infringement of intellectual property rights	・Risk of unauthorized use or infringement of intellectual property rights by third parties ・Risk of product discontinuation, disputes, licensing or settlement costs in the event of unintentional infringement of intellectual property rights of other companies by NHK Spring Group	・Acquisition and appropriate management of intellectual property rights necessary to enhance the value of NHK Spring Group ・Education and enlightenment of employees
	Product quality defects	・Risk of incurring significant costs and losing trust in the event of product defects that could lead to major recalls or product liability	・Manufacture of products according to global quality control standards ・Purchase of product liability insurance ・Implementation of quality training and audit ・Fostering a culture of quality ・Establishment of internal whistleblowing system
	Occurrence of human rights and labor environment-related issues	・Risk of impacts on production and procurement and loss of reputation in the NHK Spring Group due to occurrence of human rights issues such as child labor, forced labor, discrimination against foreign workers, harassment, and industrial accidents in the Group or in the supply chain, and failure to respond appropriately to these issues	・Formulation of human rights policy ・Implementation of human rights due diligence ・Enhancement of human resource management ・Enhancement of internal audits and compliance ・Improvement of the work environment and safety measures
	Risks related to information security	・Risk of outages of core information systems and leakage of corporate and personal information due to cyber-attacks, unauthorized access, etc. that exceed expectations	・Establishment of a company-wide cross-functional organization (CSIRT) as an incident response system ・Provision of information security education to employees ・Strengthening of systems

Financial Highlights

		Year ended March 31, 2014	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2021	Year ended March 31, 2022	Year ended March 31, 2023	Year ended March 31, 2024
Net sales	(JPY hundred million)	5,697	6,014	6,405	6,269	6,597	6,810	6,644	5,726	5,869	6,932	7,669
Operating profit	(JPY hundred million)	374	327	350	406	355	266	207	104	213	288	346
Operating profit ratio	(%)	6.6	5.4	5.5	6.5	5.4	3.9	3.1	1.8	3.6	4.2	4.5
Ordinary profit	(JPY hundred million)	414	390	361	416	364	314	212	145	306	373	478
Ordinary profit ratio	(%)	7.3	6.5	5.6	6.6	5.5	4.6	3.2	2.5	5.2	5.4	6.2
Profit attributable to owners of parent	(JPY hundred million)	246	238	215	250	204	71	46	93	319	215	391
Ordinary profit ratio	(%)	4.3	4.0	3.4	4.0	3.1	1.0	0.7	1.6	5.5	3.1	5.2
ROE (Return on Equity)	(%)	12.1	9.9	8.3	9.3	7.2	2.5	1.7	3.4	10.5	6.4	10.4
ROIC (Return on Invested Capital)	(%)	9.8	7.6	7.6	8.7	7.5	5.7	4.5	2.4	4.4	5.5	6.1
ROA (Return on Assets)	(%)	9.3	7.9	7.0	8.0	6.6	5.5	3.8	2.7	5.3	6.3	7.4
EPS (Earnings Per Share)	(JPY)	101.60	98.29	88.90	103.70	86.45	29.97	19.46	40.45	140.33	94.50	173.27
PER (Price Earnings Ratio)	(Times)	9.4	12.8	12.1	11.9	13.0	33.2	36.4	20.5	6.3	10.0	8.6
PBR (Price-to-Book Ratio)	(Times)	1.1	1.2	1.0	1.0	0.9	0.8	0.6	0.7	0.6	0.6	0.8
Total assets	(JPY hundred million)	4,649	5,265	5,062	5,379	5,683	5,731	5,326	5,607	5,880	6,060	6,902
Stockholders' equity	(JPY hundred million)	2,182	2,626	2,572	2,796	2,928	2,811	2,709	2,839	3,226	3,492	4,050
Stockholders' equity to total assets ratio	(%)	46.9	49.9	50.8	52.0	51.5	49.0	50.9	50.6	54.9	57.6	58.7
Capital expenditures	(JPY hundred million)	207	206	273	256	340	449	398	249	232	280	370
Depreciation & amortization	(JPY hundred million)	210	214	235	231	241	250	264	274	283	288	286
R&D expenses	(JPY hundred million)	138	157	163	161	161	168	184	156	160	175	193
R&D per sales ratio	(%)	2.4	2.6	2.5	2.6	2.4	2.5	2.8	2.7	2.7	2.5	2.5
Cash dividends	(annual payout per share) (JPY)	20	20	22	23	23	24	17	17	27	32	42
Dividend payout ratio	(%)	19.7	20.3	24.7	22.2	26.6	80.1	87.4	42.0	19.2	33.9	24.2
Amount of treasury stock acquired	(JPY hundred million)	—	—	—	67	—	—	13	54	—	14	73
Net cash provided by operating activities	(JPY hundred million)	437	448	426	556	498	367	366	296	345	136	667
Net cash arising from/incurred in investing activities	(JPY hundred million)	△ 279	△ 244	△ 351	△ 277	△ 329	△ 422	△ 458	△ 241	49	△ 417	△ 103
Free cash flow	(JPY hundred million)	158	204	75	279	168	△ 55	△ 91	55	394	△ 281	563
Net cash arising from/incurred in financing activities	(JPY hundred million)	△ 162	△ 52	△ 136	△ 169	△ 59	73	△ 169	27	△ 276	△ 115	△ 209
Cash and cash equivalents at end of year	(JPY hundred million)	619	834	722	824	950	984	743	789	918	578	930

*Following application of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the fiscal year ended March 31, 2022, the figures for the fiscal year ended March 31, 2022 and thereafter are based on application of the said accounting standards.

Non-Financial Highlights

			Scope	Year ended March 2021	Year ended March 2022	Year ended March 2023	Year ended March 2024	
E (Environment)	CO_2 emissions Scope1	(kton-CO_2)	Domestic	40	42	43	44	
	Scope2	(kton-CO_2)	Domestic	108	115	93	77	
S (Society)	Number of employees		Non-consolidated	5,482	5,460	5,530	5,618	*1
	Number of female employees		Non-consolidated	746	746	782	809	*1
	Ratio of female employees	(%)	Non-consolidated	13.6	13.6	14.1	14.4	*1
	Average length of service Male	(years)	Non-consolidated	16.2	17.2	17.3	17.1	
	Female	(years)	Non-consolidated	16.8	18.1	18.7	18.1	
	Percentage of continued employment after 10 years of service Male	(%)	Non-consolidated	61.6	68.2	66.7	62.9	
	Female	(%)	Non-consolidated	42.9	60.0	83.3	85.7	
	Number of female managers		Non-consolidated	14	16	17	21	*1
	Ratio of female managers	(%)	Non-consolidated	1.8	2.1	2.3	2.8	*1
	Ratio of female new graduates hired for career track positions	(%)	Non-consolidated	11.8	16.7	11.3	11.1	*1
	Ratio of childcare leave utilization Male	(%)	Non-consolidated	5.4	14.9	30.1	47.2	
	Female	(%)	Non-consolidated	100	100	95.8	100	
	Average amount of childcare leave taken Male	(days)	Non-consolidated	60.8	43.4	62.0	52.6	
	Female	(days)	Non-consolidated	460.8	422.4	530.0	458.6	
	Number of foreign employees		Non-consolidated	94	80	79	71	*1
	Ratio of foreign employees	(%)	Non-consolidated	1.7	1.5	1.4	1.2	*1
	Number of senior employees (rehired after retirement)		Non-consolidated	184	208	229	282	*1
	Ratio of senior employees (rehired after retirement)	(%)	Non-consolidated	3.4	3.8	4.1	5.0	*1
	Number of employees with disabilities		Non-consolidated	153.5	153.5	154.5	167	*2
	Ratio of employees with disabilities	(%)	Non-consolidated	2.37	2.36	2.35	2.48	*2
	Number of mid-career hires		Non-consolidated	1,819	1,822	1,872	1,944	*1
	Ratio of mid-career hires	(%)	Non-consolidated	33.2	33.4	33.9	34.6	*1
G (Governance)	Number of Independent External Directors		Non-consolidated	3	3	3	3	
	Ratio of Independent External Directors	(%)	Non-consolidated	37.5	37.5	37.5	37.5	
	Number of female Members of the Board		Non-consolidated	2	2	2	2	
	Ratio of female Members of the Board	(%)	Non-consolidated	25	25	25	25	

(*1) As of April 1. Information as of April 1, 2024 is included in the "Year Ended March 31, 2024" section.
(*2) As of June 1

Company Profile and Stock Information (as of March 31, 2024)

Company Profile

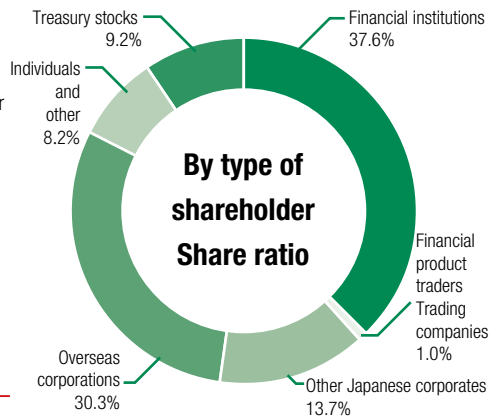
Trade name : NHK SPRING CO., LTD.
Founding : September 8, 1939
Capital : JPY 17,009,566,312
Employees : 5,197 (non-consolidated) 20,534 (consolidated)
*The number of employees including the average number of temporary employees
Net sales : JPY 766.9 billion (consolidated)
Head office : 3-10 Fukuura, Kanazawa-ku, Yokohama, 236-0004, Japan
Divisions : Suspension Spring Division, Seating Division, Precision Spring & Components Division, DDS (Disk Drive Suspension) Division, Industrial Machinery and Equipment Division
Plants : Yokohama Plant (Suspension Springs/Seating), Shiga Plant, Gunma Plant, Toyota Plant, Atsugi Plant, Ina Plant, Komagane Plant (DDS/Industrial Machinery & Equipment), Isehara Plant No. 1 and No. 2, Miyada Plant, Yasu Plant
Sales Head office : Yokohama Minatomirai
Branches : Kita-Kanto, Hamamatsu, Nagoya, Osaka, Hiroshima, Fukuoka
Group companies : 23 Domestic, 31 Overseas

Basic Stock Information

Securities Code : 5991 (Metal Products)
ibemoreTokyo Stock Exchange
Prime Market
Business year : April 1 to March 31 of the next year
Ordinary General Meeting of Shareholders : Every June
Dividend Record Date Year-end : March 31
Interim : September 30
Number of shares per unit : 100

Stock situation

Total number of authorized shares : 600,000,000 shares
Total number of shares issued : 244,066,144 shares
Total number of shareholders : 11,741



Breakdown of shareholders

Major shareholders

Name of shareholder	Number of shares held (1,000 shares)	Shareholding ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	22,778	10.28
Mitsubishi UFJ Trust and Banking Corporation Retirement Benefit Trust Daido Steel Account Joint Trustee: The Master Trust Bank of Japan, Ltd.	22,392	10.10
Sojitz Corporation	13,199	5.95
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST (Permanent Agent: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	9,807	4.42
Mizuho Trust & Banking Co., Ltd. (Kobe Steel,Ltd. Retirement Benefit Trust Account) Re-trustee: Custody Bank of Japan, Ltd.	9,504	4.29
Custody Bank of Japan, Ltd. (Trust Account)	9,240	4.17
Daido Steel Co., Ltd.	8,507	3.84
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust (Mizuho Bank Account) Re-trustee: Custody Bank of Japan, Ltd.	5,753	2.60
The Bank of Yokohama, Ltd. (Standing proxy: Custody Bank of Japan, Ltd.)	5,718	2.58
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS (Permanent Agent: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	4,475	2.02

External Evaluations

See the NHK Spring website for external evaluations.
https://www.nhkspg.co.jp/en/ir/evaluation

Contact to

Corporate Communications Department, Corporate Planning & Control Division, NHK SPRING CO., LTD.
3-10 Fukuura, Kanazawa-ku, Yokohama, 236-0004, Japan
TEL: 045-786-7513 FAX: 045-786-7598
NHK Spring website : https://www.nhkspg.co.jp/en/
Email : b2101@nhkspg.co.jp