

NITTO KOHKI CO.,LTD. Social & Environmental REPORT 2018 (Digest Version)

Fulfilling social responsibilities and creating a sustainable society through environmental initiatives

Continuing socially- and environmentally-conscious manufacturing

Akinder Gata

Representative Director, President*1 Nitto Kohki Co., Ltd.



Initiatives for society and the environment

In September 2015, the 2030 Agenda for Sustainable Development was adopted at the UN's Sustainable Development Summit. This agenda outlines common goals for the international community toward 2030. It consists of 17 Sustainable Development Goals, which are subdivided into 169 targets, and gets companies involved with social/ environmental issues in a variety of ways. We live in a time where corporate activities are closely linked with global environmental issues.

At Nitto Kohki as well, we plan to reduce the environmental burden caused by our business activities and contribute to the global environment with our products as a long-established manufacturer in the industry.

Business activities and ISO management systems

We have been applying EMS at all group companies since 2004, but QMS was only acquired by our product departments. Therefore, we took this revision of the ISO Standards as an opportunity to begin applying QMS on a company-wide scale^{*2}. Our group companies have also subsequently been working to apply the revised standards.

Green procurement

At Nitto Kohki, we have been implementing green procurement activities, based on the Green Procurement Standards (initially guidelines) established in 2004.

Following the establishment of the Japanese Industrial Standards "JIS Z 7201 (Management of chemicals in products)" in 2012, we reviewed our conventional green procurement system and established the Nitto Kohki Group Chemical Management System (CMS) in 2014. Currently we are cooperating with our suppliers to promote the CMS under a 5-year mid-term goal.

At Nitto Kohki, we will continue to contribute to society through product development based on environmental preservation, compliance, and unique technologies.

*2 See Topics 1 "ISO Management System Updates" (P5) for further details about the ISO Standards revisions.

Chapter

Management

Part

We will continue to serve our stakeholders with complete sincerity and accumulate confidence.

Corporate Governance / Internal Controls

Nitto Kohki recognizes that the aim of corporate governance is to continuously increase the corporate value of the company. As such, we strive to ensure that management is functioning properly so as to maintain transparency through timely information disclosure.

Corporate motto / Action principles

Corporate motto

Development provides corporate insurance.

The word "development" in the corporate motto carries four meanings.

- 1. Development of products that contribute to society.
- 2. Development of sales markets.
- 3. Development of human resources.
- 4. Development of a system for organization management.

Striving to realize these objectives energizes the company's management culture and ensures ongoing development of the business. In other words, such endeavors constitute "insurance".

Roles of the board of directors and internal controls

The board of directors currently consists of eleven directors (as of March 2018), who have regular meetings on a monthly basis. There are also extraordinary sessions as the need arises.

Of the eleven directors, two are outside directors who have no interest-based relationships with the company. Professionals such as lawyers and certified public accountants are chosen for these roles, as they are equipped to make objective judgments to increase corporate value.

By developing and properly managing our internal control system, we aim to fulfill our social responsibilities and improve corporate value.

As an independent internal audit department, our audit office contributes to sound and rational management by objectively

Action principles

- Mobilize creativity and accumulate technology.
- Cultivate morale and accumulate vitality.
- Act with complete sincerity and accumulate people's confidence.

The working environment should be a place for individual character building. Our action principles reflect the company's desire that its employees should be equipped and stimulated to lead rewarding lives. It also sets forth the code of conduct for employees.

assessing control activities, risk analysis, communication of information, business improvements, and compliance with laws and regulations, based on comprehensive planning by all internal divisions. As of March 2018, there have been no reports of regulation violations or complaints from stakeholders.

The audit committee currently consists of three auditors (as of March 2018), two of which are outside auditors.

The audit committee collaborates with and gathers information from individual directors, independent auditors, and the audit office. A regular audit committee meeting is held every month, where the committee members deliberate on the information gathered and take necessary measures such as making recommendations to management.



Internal control system organization chart

Creating the future of industry based on energy- and labor-saving technology

Business Fields / Financial Situation

Based on our corporate motto of "Development provides corporate insurance," we conduct business activities based on unique technologies.

Our business is divided into four fields:

- 1. Quick Connect Couplings "CUPLA", which includes a range of over 25,000 products.
- 2. Electric screwdrivers "delvo" and labor-saving tools like drilling machines "ATRA" and needle scalers "JET CHISEL".
- 3. Compressors and Pumps, including linear motor pumps and other products.
- 4. Door Closers are mechanical devices that quietly and safely close doors.

Each business provides products of high quality and high functionality to enrich lives and contribute to society.

Door Closers

Not requiring any outside power source, the AUTO-HINGE series of door closers are eco-friendly products that quietly close doors using hydraulics and springs, making for safer, more comfortable living spaces.

Our product line-up includes the center hanging type, the flag type, and the sliding door closer, all of which are aesthetically pleasing.



Quick connect couplings CUPLA can be used to quickly and securely connect/disconnect various fluid lines such as air, water, oil and chemicals. One of the world's top coupling brands, the CUPLA series is used in a wide variety of industries.

With a line-up that now exceeds 25,000 products, we have one of the largest market shares in the industry. We can propose and provide eco-friendly products and products for unconventional applications.



Financial data (consolidated financial indicators)







Compressors and Pumps

In addition to our core line-up of linear motor driven free piston type pumps, which are small, lightweight, quiet, eco-friendly, and long-lived, we also offer other vacuum pumps and compressors such as electromagnetic diaphragm pumps, DC motor pumps, and piezoelectric pumps.

We also have a range of unique applied products, such as blowers for septic tanks, based on these technologies.





Power & Machine Tools (Tools, delvo)

Our power & machine tools are used for a variety of processes, including drilling, cutting, grinding, and scaling of steel materials. We have different product groups for different types of processing and works situations, driven by pneumatic, electric, and hydraulic.

The electric screwdriver delvo, which realizes highprecision torque control, is used for assembling electronic devices. delvo is a trusted brand that is used all over the world for high-precision work like the assembly of digital consumer electronics.



Sales distribution ratio

(For the period ended March 2018)

Tools, delvo 33.3%

Profit attributable to owners of parent (consolidated)





Corporate Outline

Trade name Nitto Kohki Co., Ltd.

Founded October 22, 1956

Headquarters 9-4, Nakaikegami 2-chome, Obta-ku, Tokyo 1/6-8555

Ohta-ku, Tokyo 146-8555, Japan Capital

1,850 million yen (Common Stocks are traded in Tokyo Stock Exchange, First Section: Machinery)

Number of employees Consolidated 932 / Non-Consolidated 415 (as of March 31, 2018) Date of acquisition of ISO14001 May 2004

Date of acquisition of ISO9001 December 2017

Group companies in Japan: 3 Tochigi Nitto Kohki Co., Ltd. Shirakawa Nitto Kohki Co., Ltd.

Medotech Co., Ltd. Group companies

overseas: 6 U.S., Germany, Thailand,

Australia, China (as of March 31, 2018)

ISO Management System Updates

Following the revision of the ISO Management System Standards, the Nitto Kohki Group will review our operational systems for more beneficial and efficient operations.

For several years, our group companies have been laying the groundwork for upgrading our management systems in accordance with the revisions to the ISO 9001 and ISO 14001 standards. Here, we will introduce the initiatives of the Nitto Kohki Headquarters.

FY 2014: Started planning for the FY2015 version of QMS (Quality Management System) and EMS (Environmental Management System).

Second half of FY2014: Organized the QMS Integration & Expansion Project and started preparatory activities with 25 members from each Headquarters' division participating. Established a system and informed the participants by conducting various meetings that suit the members' different levels of understandings.

FY2016: Updated the conventional EMS that was adopted throughout the company to the FY2015 version prior to the

integration and group-wide adoption of QMS.

FY2017: Started operations with an integrated system and acquired integrated certification (November). However, integrated operations initially led to a few problems.

FY2018: Currently working on solving problems caused by the integration. Will continue to review and improve the system.

We are also updating our systems to the 2015 version at all group companies and working on integrated operations.

Both QMS and EMS are essentially management systems for making work easy and efficient. However, ISO Management Systems can be both beneficial and harmful for an organization depending on how they are applied. Keeping that in mind, the Nitto Kohki Group will promote effective and efficient use of ISO Management Systems.

Overview of Nitto Kohki's ISO Management System

Pros

 High affinity for QMS QMS is ideal for the administrative work of machinery manufacturers.

2. Visualization of workflow

Procedures of each division's tasks were visualized and modified in preparation for QMS.

3. Actualization of improvement points

Responsibilities and improvement points for machinery manufacturers, including manufacturing subsidiaries, have been actualized.

Cons

Increased burden on departments and employees

As a countermeasure, we are continuing our efforts to integrate the ISO Management System to reduce the burden.

Characteristics

1. Two-tiered internal audit

- Internal audits that were originally implemented under subdivisions will be continued in order to maintain and improve product and work quality.
- 2) Corporate-wide internal audits will also be implemented.

2. ISO internal auditor meetings

Prior to the internal audit, we conducted a skills training program and informed all members of the new audit policies. After the audit, we received feedback and the requests from the auditors, which we then reflected in our activities.

Preparation

- System harmonization
 Conducted harmonization of QMS and EMS operational organizations
 - in the Headquarters in order to establish ISO Management Systems.

2. Transition to the FY2015 version

We acquired certification for the 2015 version of EMS in 2016. We finished applying the elements of the 2015 version of EMS in the year before expanding and integrating QMS.

3. Core business activities as our foundation

As we had been shifting our EMS activities toward improving our core business from FY2014, we already had a foundation for integrating our businesses and QMS activities.



Aiming to create a better working environment where employees and families can work with peace of mind

Family Visit Day

At the Nitto Kohki Group, we are focusing on creating a workplace where employees can work with peace of mind. We aim to become a trusted company by having employees and their families understand our company through Family Visit Day.



A handicraft workshop for children is held before the official start of Family Visit Day. Every year many children participate in the Visit Day for the purpose of joining this workshop, making it one of the highlights of the day.











All participating children receive an original name card. We try to improve on the card every year. This year, an illustration was added on the reverse side.

Stamp rally for children. Children who have solved 4 missions and collected all of the stamps are awarded with a nice gift.



Social Initiatives

Part

Conserving the environment through proposal-based sales activities

Together with the Customer

The Nitto Kohki Group seeks to contribute to the conservation of the environment by promoting proposal-based sales including eco-friendly products.

Global sales office expansion

Nitto Kohki is now applying its philosophy of "contributing to society by realizing labor-saving products and improving working conditions in industrial circles" all over the world. Currently, we have ten subsidiaries in nine different countries and are continuing our global expansion by establishing agency networks and representative offices over the world. As Japanese companies attempt to enter global markets, new growth strategies are required. For this reason, we are focusing on developing the global market under our strong group ties. As with our domestic businesses, we seek to provide high quality products to satisfy customers all over the world.



New official YouTube channel

On the Nitto Kohki's website, we already have videos introducing how to use our products. However, to promote our products to an even larger audience, we have created an official YouTube channel for Nitto Kohki. In addition to English, we've also created Chinese and Spanish accounts to appeal to users from all over the world. You can access our global subsidiaries from these websites.



Contributing to society and building good relations with local communities

Our Bond with Local Communities

Nitto Kohki seeks to build bridges and grow together with local communities. In addition to business activities, we will also contribute to society and local communities through a wide range of activities in the future.

17th Eco Festa Wonderland – Thinking about the future of the earth in local communities

Eco festa is an annual event where environmental groups create exhibits and hold workshops in elementary schools so children can have fun learning about the environment. Nitto Kohki participated for the 8th time, once again providing our pinecone mini Christmas trees and holding a lease-making workshop using natural materials.

• Strengthening family bonds! Mini Christmas trees and lease making

Among the children enthusiastically creating festive decorations, we could also see parents diligently working on their crafts.

After finishing, we all took a commemorative photo with the works. Seeing the happy children, we felt a burst of pride, as a manufacturer does when they've put a smile on a customer's face. This hands-on creative experiment will have a lasting impact on these children.







 Kids staff working hard!

Our two elementary school assistants once again played a valuable role this year.



•Taking the grand prize for two consecutive years!

Environmental Photo Contest Every year at Eco Festa, there's a photo contest where participating organizations introduce photos related to the environment. Nitto Kohki took the grand prize in this contest for the second year in a row!



Chapter



Part

Dedicated to realizing sustainable management that is both people- and eco-friendly

Nitto Kohki's Ideal Environmental Management

Based on ISO9001 and ISO14001, Nitto Kohki gives ample consideration to the environment and people, strives to enhance customer satisfaction, and promotes sustainable management across all business activities, including product development, manufacturing, sales, marketing, and logistics.

Part

Considers conserving the environment and increasing customer satisfaction to be top priorities

Quality/Environmental Management Policy Quality/Environmental Management System

Quality/Environmental Management Policy (ISO9001/ISO14001)

- At Nitto Kohki, every employee efficiently utilizes ISO in all business processes, including design, development, manufacturing, and marketing of quick-connecting couplings, machine tools (pneumatic/hydraulic/electric), air compressors and pumps, and door closers. In this way, we seek to maintain quality, improve customer satisfaction, and conserve the environment.
- We strive to prevent pollution through eco-friendly products, green procurement, green purchasing, resource and energy conservation, recycling/reuse programs, and waste reduction.
- 3. We comply with all environmental regulations in our business activities.
- We set quality and environmental targets and periodically conduct internal audits and management reviews to improve our quality and environmental management systems.
- 5. We aim to clarify and improve business processes.
- 6. We will document this policy, keep employees informed about it, and disclose it at the request of stakeholders.



Quality/ Environment Management System

Pursuing safety that is both people- and eco-friendly

Initiatives Involving Chemical Substances in Products

Nitto Kohki is creating mechanisms to manufacture safer products through total compliance with all environmental laws and regulations, green procurement, investigations on chemical substances in products, and employee environmental education.

Status of compliance with environmental laws and regulations

We checked all products against Nitto Kohki's Green Procurement Standards and discovered that some products contained chemical substances exceeding regulation values. Details on countermeasures are published on our website. No other violations of laws, regulations, instructions, or complaints have been reported.

Green procurement

We are implementing an initiative to purchase raw materials, parts, materials and services with minimum environmental burden from suppliers.

1) Green Procurement Policy

The Green Procurement Policy defines the goals, scope, and other details relating to our procurement operations. It has been disclosed to those involved with Nitto Kohki and represents the corporate stance of our group.

2) Green Procurement Standard

This standard defines the concepts of our green procurement and requests that suppliers comply with them. It includes a list of Nitto Kohki controlled chemical substances. Suppliers can download a copy from the Nitto Kohki corporate website. It was first established in 2004, and as of April 2018, Version 8.3 has been released.

3) Investigation of chemical substances contained in Nitto Kohki products

Nitto Kohki is a member of JAMP*¹. In FY2017, we conducted an investigation based on AIS and MSDSplus*². The company is also considering the possibility of shifting to controls with chemSHER-PA*³.

- *1 JAMP (Joint Article Management Promotion-consortium): Organization launched for the proper management of chemical substance information in manufacturing industries.
- *2 AIS and MSDSplus: Communication tools for chemical substance information developed by JAMP.
- *3 chemSHERPA: Communication tools for chemical substance information based on AIS and conforming to IEC62474 international standards.

Status of environmental education implementation

This table shows the current status of environmental education implementation by Nitto Kohki and its group companies in FY2017. Going forward, all necessary education will be conducted from a variety of different perspectives.

	Nitto Kohki		Tochigi Nitto Kohki		Shirakawa Nitto Kohki		Medotech	
	Number of courses held	Total number of participants	Number of courses held	Total number of participants	Number of courses held	Total number of participants	Number of courses held	Total number of participants
Total	141 times	1,424 persons	35 times	386 persons	8 times	67 persons	13 times	220 persons

Contributing to environmental protection with unique technologies and design

Product Development

Nitto Kohki prioritizes eco-friendliness during product development. An example of this is our use of Design for Environment (DfE) evaluation. We will continue to protect the environment through our proprietary technology developments.

Concept of Nitto Kohki products

Since our foundation, we have conducted manufacturing with a focus on people and an emphasis on original technologies. Using these technologies, we aim to "contribute to society by realizing

labor-saving products and improving working conditions in industrial circles." Furthermore, the pursuit of original technologies will lead to sustainable development in the future.

Design for Environment

At Nitto Kohki, DfE is incorporated when new or upgraded products are designed. DfE is a design philosophy where environmental burdens are minimized at all stages from development to product disposal.

In FY2016, we conducted a re-evaluation based on DfE. Nitto Kohki introduced DfE in FY2004, and in the 14 years up till FY2017, we have developed, improved and re-evaluated a grand total of 314 environmentally friendly products.



конкі Product Stories

Four fastening settings on one screwdriver Brushless delvo C Series (Current control type)

The Brushless Delvo C Series (Current control type) is the first screwdriver developed by our company that controls torque value (fastening force) by electric current. By inputting torque values, up to four fastening settings can be used with a single screwdriver.

Previously, when fastening screws under different conditions, multiple electronic screwdrivers (mechanically controlled) with different torque values were required. In response to customer requests for a single screwdriver to alleviate this, we started developing a current-controlled type. This project was a success thanks to user research by Sales, new material information by Development, and new production methods by Manufacturing. These screwdrivers enjoy tremendous popularity both in Japan and other countries.





ECO Topics

L-shaped plugs and color variations added

CUBE CUPLA

CUBE CUPLA are small, lightweight plastic couplings. They can be easily connected by pushing a plug into a socket and disconnected by simultaneously pushing two buttons on the socket.

The addition of the L-shaped plug to the lineup improves flexibility when piping in narrow places while using different equipment.

We also added four colors for a total of five colors (ivory, pink, yellow, blue and green). This is in response to require-

Supporting different voltages and achieving high-class efficiency

DC Pump

Many different pieces of equipment utilizing air pressure are used in the medical, welfare, environment, analysis, semiconductor manufacturing, and hairdressing industries. Nitto Kohki air pumps are widely used as an air pressure supply source for many such pieces of equipment.

The DP0210T is a diaphragm air pump that incorporates a DC (Direct Current) driven brushless motor. Thanks to the employment of a DC-driven design, the pump can be used without being affected by different voltages in different countries. With this global voltage support and high-class efficiency, it contributes to effective use of resources and energy saving.



ments from equipment design, as color-coding can prevent incorrect pipe connections. In addition, all plastic parts are now made with materials that are in full accordance with the Food Sanitation Act.



Main features

- 1 Small and compact
- 2 Supports different voltages due to DC-driven design
- $3\, \mbox{Approx.}$ double the air volume compared to conventional products

Lightest model in the series

JET CHISEL JT-16, a high-speed pneumatic chisel with multi needles

A JET CHISEL is a tool that grinds down a surface by moving hard steel needles in a back-and-forth motion.

Based on changes in working environments, the JT-16 is the lightest model in the JET CHISEL series and is suitable for scaling not only weld slag but also paint and rust, in addition to chipping.

Main features

- 1 Small-sized and lightweight (1 kilogram or less)
- 2 Simple needles replacement
- 3 Narrow grip is easy to hold (34 mm diameter)
- 4 New structure to prevent the needles deflection

Aiming for the most effective activities in consideration of safety, quality, and the environment

Efforts by Manufacturing

As a manufacturer, improvement activities and environmental efforts in production areas are of critical importance for Nitto Kohki.

Presentation meeting for production improvement activities

Team representatives from Nitto Kohki Group manufacturing companies meet annually at Nitto Kohki Headquarters to present the results of their improvement activities.

In FY2017, in addition to three Japanese companies, Nitto Kohki Industry (Thailand) ("NKIT") participated in the event for the first time. The presentation meeting was held with four participating companies.

NKIT carried out 3S voluntary activities (Sort, Set in Order, and Shine), which were upgraded to 5S activities (Sort, Set in Order, Shine, Standardize, and Sustain) in all departments in FY2015, and made a presentation on the results. Going forward, NKIT will attempt to make further improvements based on identified



issues. They anticipate improved production efficiency and better results. The three Japanese companies tackled automation of the production process as their improvement themes.

Medotech reduced working time losses across all manufacturing processes. The automation of parts supply between processes resulted in reduced labor, a 50% reduction in processing times, and also the elimination of work delay times.

As was the case with Medotech, Shirakawa Nitto Kohki made a presentation on the reduction of operational times by using automation between manufacturing processes. By reviewing automatic parts feeding to processing machines, processing time was reduced by about 18%. This machine was designed by Shirakawa Nitto Kohki and manufactured by Engineering Division at Tochigi Nitto Kohki. In this way, all Nitto Kohki Group companies are working together to improve production.

Tochigi Nitto Kohki worked on saving labor and energy in their plant by introducing compressors for exclusive use at the 7th Factory that opened in 2015, introducing a facility to automatically carry chips and shavings, and revamping their obsolete automatic warehouse facilities.

Individual production companies belonging to the Nitto Kohki Group are striving to reduce environmental burdens by unique and inventive improvement activities.



Nurturing awareness of the environment at headquarters and research center surrounded by lush greenery

Efforts by Offices

Headquarters' offices employ cutting-edge energy saving technologies. We use the power of nature to keep our offices comfortable throughout the year without placing additional burdens on the environment.



The headquarters building of Nitto Kohki was built on a concept of "Headquarters and research center among lush greenery." There are many plants in and around the buildings. The atrium connecting offices and research buildings is an open space covered in natural sunlight.

In relation to the eco-friendliness of the buildings, there are green areas on the 4th and 5th floors and a 1.5-meter wide green belt surrounding the buildings themselves. Our premises are popular with the local residents as the 4,000 trees that we have planted are beautiful throughout the year.

The offices have large double glazed glass windows that bring in natural light. The reduction of heat going in and out also leads to power saving.

Our buildings are particularly distinctive for the louvers (motor-driven external blinds). They can cut radiant heat from the walls by approximately 90%, thereby contributing to energy saving. We use aluminum radiation air-conditioning panels installed in ceilings to keep our offices cool. Compared to conventional air-conditioners, this system has energy-saving effects of about 30%.

The water supply system of the buildings stores rainwater in underground tanks that are used as flush water for bathrooms. As a result, water consumption at headquarters is 40-50% less than conventional systems.

Vehicle initiatives

We have about 150 passenger cars and commercial vehicles (including trucks and advertising vehicles) in operation across Japan. We try to use eco-friendly cars, so 50 of our passenger cars are hybrids and one is a fuel cell car. We also adopt safety assistance systems to prevent accidents.



Regarding the publication of this report

Purpose of publication and editorial policy Nitto Kohki has published this report with the goal of promoting understanding of our environmental initiatives among stakeholders, including stockholders and customers, and deepening our communication with all of you. Additionally, from 2015, we have also been publishing a Social and Environmental Report. For more detailed financial and corporate information, please see our website.

http://www.nitto-kohki.co.jp/e/

Period

April 2017 – March 2018

Scope

In principle, the report covers Nitto Kohki Co., Ltd. We have also included some reports of environmental initiatives by group companies for reference.

Date of publication

Publication date:November 14,2018

Nitto Kohki has been publishing an Environmental Report (in Japanese) from 2010.

Guidelines (reference)

• The Ministry of the Environment's Environmental Report Guidelines (2012 edition)

Events after the reporting period

A new president was elected on June 20, 2018. No other relevant events have taken place.

Disclaimer

In addition to past and present facts about Nitto Kohki, this report also contains future plans, forecasts, and predictions. These are our assumptions based on the information we currently have available. However, future business activities may differ from the forecasts stated here due to changes in various conditions.



Focused on you

We have established "Focused on you" as the company slogan of the Nitto Kohki Group. This slogan expresses a management attitude that we have valued from the very beginning.

In addition to the trust, high quality, and technological capabilities that we have cultivated over the past 60 years, we will need to propose even more revolutionary products and services in the future. More than ever before, we need to think and act from the user's point of view.

*The company slogan above was established in 2017

日東工噐株式会社

Headquarters: 9-4, Nakaikegami 2-chome, Ohta-ku, Tokyo 146-8555

Tel: (+81) 3-3755-1111

Website: http://www.nitto-kohki.co.jp/e/

