

Chapter
1

Governance

Management Structure Supporting Sustainable Growth

Any company that wants to be worthy of the trust and hopes of society must exercise strong corporate governance. Strengthening governance structures and practicing sound, highly transparent management also does much to increase corporate value.

- Corporate GovernanceP. 17
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Corporate Governance

Basic Approach

NSK recognizes that having a system for implementing transparent, fair, and swift decision-making is critical to its effort to continue increasing corporate value. Toward that end, it has established a corporate governance structure based on the following four policies.

● Policies of the Corporate Governance Structure

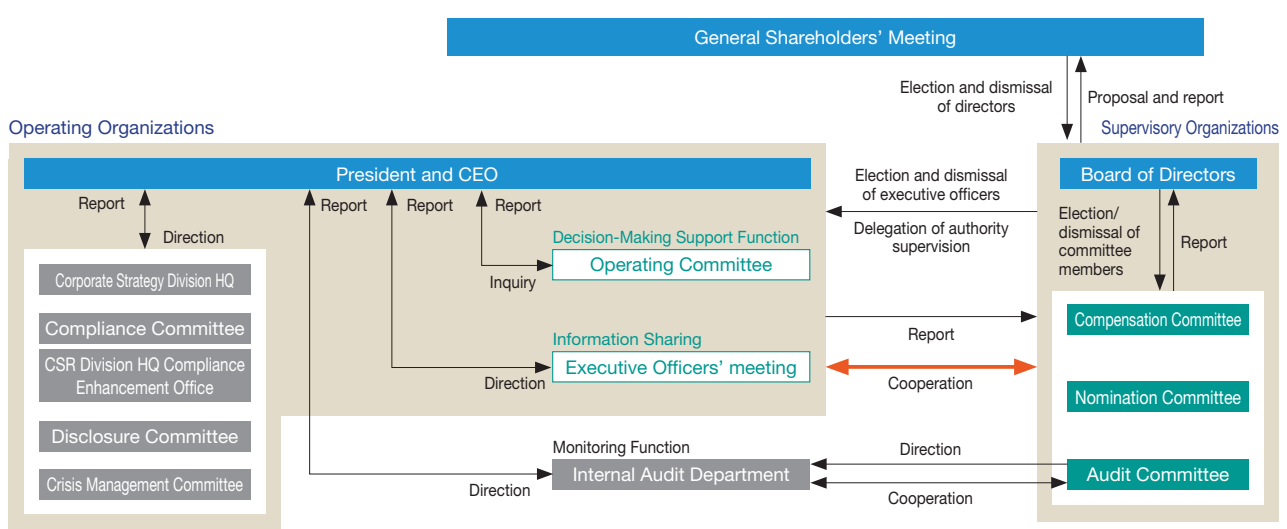
- (1) Improve management efficiency and flexibility by delegating more authority from the Board of Directors to operational organizations;
- (2) Ensure the supervision of the operational organizations by the supervisory organizations by separating the former and the latter;
- (3) Strengthen the supervision of the operational organizations by the supervisory organizations through close coordination between the former and the latter; and
- (4) Increase management fairness by strengthening the compliance system.

NSK has articulated this basic approach to corporate governance and its structure in its Corporate Governance Rules, which guide the directors and executive officers as they manage the Company's business.

Corporate Governance Structure

NSK has adopted a “company with a nomination committee, etc.” structure for corporate governance. By clearly defining the executive and supervisory roles, the Company increases management soundness and transparency and practices fair and swift decision-making. NSK will continue working to strengthen its governance system to address social expectations, pursuing sustainable growth and enhanced corporate value over the medium- to long-term.

● Corporate Governance Structure (as of July 2016)



Effectiveness of the Supervisory Function

The Board of Directors is defined as the organization that makes decisions regarding important management matters, such as basic management policies, and serves as a supervisory body for the operating organizations. In order to strengthen this supervisory function, NSK established the Nomination Committee, Audit Committee, and Compensation Committee, each of which comprises a majority of independent directors.

Board of Directors

NSK's Board of Directors consists of 12 directors. As of July 2016, the makeup of the Board of Directors is as follows.

● Executive directors: 6 ● Non-executive directors: 2 ● Independent directors: 4

The chairperson of the Board of Directors is nominated by a one-third consensus of the Board. Two vice-chairpersons are elected by the Board of Directors, and one of them is required to be an independent director.

In the fiscal year ended March 31, 2016, the Board of Directors met 10 times, with a 97.5% attendance rate on the part of independent directors.

Policy Regarding the Appointment of Directors

NSK's Board of Directors is expected to fulfill a supervisory function over management in light of the actual conditions of business. For this reason, director candidates are required to have deep knowledge of general business management or of NSK's business, as well as deep insight into corporate governance and other specialized fields. Persons who can contribute to NSK's sustainable growth and medium- to long-term enhancement of corporate value are appointed considering a good balance of the Board of Directors.

Supplementary Requirements Regarding the Independence of Independent Directors

One criterion for appointment as an independent director is that candidates have no special relationship with NSK's management team or principal shareholders and are at no risk of having a conflict of interest with general shareholders. When making appointments, the Company also checks to make sure candidates will be able to secure enough time to fulfill their duties as NSK directors in accordance with company rules.

Each NSK independent director meets this criterion relating to independence established by NSK as well as independence criteria established by the Tokyo Stock Exchange, and each has been reported to the Tokyo Stock Exchange as an independent officer.

Criteria for Independence of Independent Directors

The following persons are ineligible to become independent director candidates of NSK Ltd. (NSK).

- 1) Persons holding positions at a company which constituted 2% or more of the previous year's consolidated sales of NSK, or persons who held such a position until recently.
- 2) Persons holding positions at a company which made 2% or more of its previous year's consolidated sales to NSK or a subsidiary of NSK, or persons who held such a position until recently.
- 3) Persons holding positions at a financial institution which NSK relies on for funding, or persons who held such a position until recently.
- 4) Consultants, accounting or legal professionals receiving significant financial compensation in addition to compensation for the NSK independent director position, or persons who held such a position until recently.
- 5) Persons belonging to a company or organization which held 10% or more of NSK's total stock at the end of the most recent financial reporting period, or persons belonging to such a company or organization until recently.
- 6) Persons belonging to a company or organization of which NSK holds 10% or more of the total shares outstanding at the end of the most recent financial reporting period, or persons belonging to such a company or organization until recently.
- 7) Relatives within the second degree, or family members living in the same household as persons specified in items 1) to 6) (excluding non-key posts). ("Key posts" are generally assumed to refer to executive or senior managers of relevant companies or trading partners, chartered public accountants belonging to relevant audit firms, and legal professionals belonging to relevant legal firms.
- 8) Persons who hold executive positions at NSK or a subsidiary of NSK, or relatives within the second degree or family members living in the same household of persons who held such positions until recently.

The wording "recently" in the items above shall be assumed to be a period of three years or less from the date NSK elects directors.

Self-Assessment of the Board of Directors

Outside experts are used to conduct analyses and evaluations of the administrative performance and effectiveness of the Board of Directors in an effort to validate the function of the Board of Directors and further enhance its effectiveness.

The evaluation results are used to ensure that the Board of Directors is functioning effectively as a system for conducting transparent, fair, and appropriate decision-making. They also help to identify issues for further improvement, such as the streamlining of the operation of the Board of Directors and the enhancement of training.



Reference data is available
on the following website.

Tokyo Stock Exchange / <http://www2.tse.or.jp/disc/64710/140120160530405538.pdf>

● Notice of the Ordinary General Meeting of Shareholders

■ Training for Directors and Auditors

Training on applicable laws and regulations such as Japan's Companies Act, NSK's financial, business, and governance matters, and other topics is provided to directors and auditors as needed, such as at the time of appointment. Visits to business sites in different locations are conducted especially for independent directors to deepen their knowledge of matters particular to the NSK Group and encourage lively discussion at board meetings. In addition, detailed explanations are given in advance regarding the agenda of board meetings.

● Nomination Committee

The Nomination Committee consists of three people: one internal director and two independent directors. The Nomination Committee decides on the appointment and dismissal of directors.

In the year ended March 2016, the Compensation Committee was convened five times. The attendance rate for independent directors was 100%.

● Audit Committee

The Audit Committee consists of three people: one internal director who is not concurrently an executive officer and two independent directors. The Audit Committee audits the directors' and executive officers' execution of duties as well as the NSK Group's governance and corporate risk.

A full-time secretariat has been established as an organization to assist the Audit Committee, which conducts audits in cooperation with the Internal Audit Department.

In the year ended March 2016, the Audit Committee met 14 times. The attendance rate for independent directors was 100%.

● Compensation Committee

The Compensation Committee consists of three people: one internal director and two independent directors. The Compensation Committee decides the compensation policy and individual compensation values for directors and executive officers.

In the year ended March 2016, the Compensation Committee was convened five times. The attendance rate for independent directors was 100%.

■ Policy and Record Regarding Officer Compensation

Compensation for NSK's officers aims to provide longer-term incentives with a package consisting of fixed compensation, performance-based salary, stock options, and retirement benefits. Compensation for directors and compensation for executive officers are decided separately. Where a director is concurrently an executive officer, compensation is paid for both positions combined. The period covered by performance-based salary is up to about three years.

■ Total Amount of Officer Compensation and Proportions of Fixed Compensation and Performance-Based Salary

1. Director compensation: Director compensation, as a general rule, consists of fixed compensation and stock options.

- (1) **Fixed compensation:** Fixed compensation is decided based on factors such as position as an independent or internal director, committee membership, and role in the Board of Directors.
- (2) **Stock options:** Stock options are issued according to position as an independent or internal director, aiming to ensure that directors and shareholders share common interests, with the goal of increasing performance for the entire NSK Group and raising corporate value.
- (3) **Other:** Retirement benefits (pension) are granted to internal directors who are not concurrently executive officers according to the number of years in office.

2. Executive officer compensation: Executive officer compensation consists of fixed compensation, performance-based salary, stock options, and retirement benefits.

- (1) **Fixed compensation:** The amount of fixed compensation is decided according to an executive officer's position, and executive officers with the right of representation receive an additional amount.
- (2) **Performance-based salary:** The total amount of performance-based salary is decided based on the consolidated operating income margin and consolidated ROE given in the Mid-Term Plan as well as on single-year numerical goals for return on operations, cash flow, and indicators that evaluate quality activities. The amount of salary for each individual is paid based on his or her position and evaluation of performance on duties.
- (3) **Stock options:** Stock options are issued according to an executive officer's position, aiming to ensure that executive officers and shareholders share common interests, with the goal of increasing performance for the entire NSK Group and raising corporate value.
- (4) **Retirement benefits:** Retirement benefits are paid as a lump sum based on the fixed compensation paid and the number of years in office and as a pension based on the position held at the time of retirement and the number of years in office.



Reference data is available
on NSK's website.

www.nsk.com > Company > Corporate Governance

● Corporate Governance Report (only in Japanese)

www.nsk.com > Investors > IR Documents

● Securities Report

● Total Compensation Paid for the Year Ended March 2016

	Total of Compensation, etc.	Fixed Compensation		Performance-Based Salary		Stock Options		Retirement Benefits	
		No. of Directors/Officers	Amount	No. of Directors/Officers	Amount	No. of Directors/Officers	Amount	No. of Directors/Officers	Amount
Directors (Non-independent)	¥132 million	9	¥113 million	—	—	9	¥17 million	2	¥2 million
Directors (Independent)	¥54 million	6	¥42 million	—	—	6	¥12 million	—	—
Executive Officers	¥1,990 million	38	¥801 million	33	¥643 million	39	¥187 million	32	¥357 million

* Compensation for directors (non-independent) includes compensation for directors who also serve as executive officers.

* The amount of performance-based salary is the payment amount as of July 1, 2016, based on the results for the year ended March 31, 2016. The payment amount of performance-based salary as of July 1, 2015, based on the results for the year ended March 31, 2015, was ¥794 million.

* The amount of the retirement benefit is the accrued officers' retirement benefits in the year ended March 31, 2016. Retirement benefits to three executive officers who retired in the year ended March 31, 2016, were ¥176 million.

* Figures listed above are rounded down to one million yen.

● Compensation by Officer

Name	Total of Consolidated Compensation, etc.,	Title	Company	Amount of Each Item of Consolidated Compensation, etc.			
				Fixed Compensation	Performance-Based Salary	Stock Options	Retirement Benefits
Toshihiro Uchiyama	¥122 million	Director	NSK Ltd.	¥6 million	—	¥1 million	—
		Executive officer	NSK Ltd.	¥38 million	¥43 million	¥12 million	¥20 million
Bernard Lindsay	¥208 million	CEO	Consolidated subsidiary NSK Americas Inc.	¥68 million	¥114 million	¥7 million	¥17 million
Adrian Browne	¥128 million	Executive officer	NSK Ltd.	¥78 million	¥24 million	¥4 million	¥20 million
Jürgen Ackermann	¥100 million	CEO	Consolidated subsidiary NSK Europe Ltd.	¥58 million	¥32 million	¥5 million	¥3 million

* Only officers whose total consolidated compensation is ¥100 million or higher are listed.

Strengthening the Business Execution Function

As a “company with a nomination committee, etc.,” NSK has actively delegated decision-making for business execution to its executive officers in an effort to improve management efficiency and flexibility. As for operating organizations, the Company has put in place a system under which 35 executive officers appointed by the Board of Directors execute business under the direction of the president and CEO in accordance with policies established by the Board of Directors.

● Operating Committee

An Operating Committee chaired by the president and CEO has been established as an organization to assist with decision-making on business execution. The president and CEO refers to the results of discussions of the Operating Committee when making final decisions on business execution.

● Executive Officers' Meeting

An Executive Officers' Meeting has been established as a place to report on the business organizations. Executive officers regularly report to the president and CEO on the status of business execution in the areas that they are responsible for. In this way, NSK shares information on business execution and tries to unify the direction and understanding of business development to appropriately ensure the efficiency and flexibility of business execution.

Internal Controls and Risk Management

● Basic Approach

With the global expansion of its business, the NSK Group recognizes the great importance of initiatives to minimize risk. Accordingly, it is taking steps to ensure that various risks are properly identified and managed.



Reference data is available on NSK's website.

www.nsk.com > Investors > IR Documents

● Securities Report (only in Japanese)

● Establishment of an Internal Control System

NSK's Basic Policies for Establishment of an Internal Control System specified matters needed to develop a system for ensuring that the NSK Group's business is conducted appropriately and in accordance with the law, articles of incorporation, and internal rules, and also to enable checks by the Audit Committee to be carried out effectively.

Since these policies were first adopted by a resolution of the Board of Directors in April 2006, they have been revised with subsequent changes in social expectations of companies. The Board of Directors checks and votes on the content of these policies every year.

● Risk Management Systems

NSK has established a fundamental policy for risk management and risk management systems as part of its in-house rules. NSK classifies and organizes risks identified by the Group into business risks, disaster risks, compliance risks, and risks to reliability of financial reporting. It designates responsible divisions that supervise the prevention of risks and countermeasures in the event that a risk materializes.

■ Identification of Risk

Every year, all of the business sites perform their own risk assessment, where they analyze the status of internal risk management, changes in the social environment, the frequency of risk occurrence, the size of impact, and other factors. This is done to identify risks that should be addressed and ensure appropriate responses. In addition, each business site identifies the risks that it needs to manage, and submits a monthly risk report to the headquarters in charge of risk. The Internal Audit Department then performs a Group-wide risk assessment based on the site risk assessment results, before creating the annual audit plan and conducting audits in cooperation with the Audit Committee. Monthly risk monitoring also helps confirm that the Group's risk management systems are sufficient.

By employing practices like these, the NSK Group not only prevents risks from materializing, but also strives to foster a corporate culture that is prepared to respond appropriately should a risk materialize.

● Status of the Development of Internal Control and Risk Management Systems

The following organizations in the NSK Group perform a critical role in the creation and operation of internal control systems and risk management systems.

■ Internal Audit Department

Serves as an internal audit organization, and is responsible for conducting audits to determine the legitimacy, adequacy, efficiency, etc., of operations, and for monitoring performance of operations. Also responsible for overseeing the evaluation of the effectiveness of internal controls over financial reporting.

■ Corporate Strategy Division HQ

Cooperates with each business, functional and regional headquarters, supports the president and CEO, and oversees and manages general risks related to management of the NSK Group. Responsible for maintaining and enhancing the internal control systems necessary for the operation of the NSK Group's global business.

■ Compliance Committee

Creates policies designed to strengthen the compliance of the overall NSK Group, sets and promotes measures to strengthen compliance to realize these policies, and monitors and supervises their implementation. Periodically reports to the Board of Directors on the progress of these activities.

■ CSR Division HQ Compliance Enhancement Office

Responsible for enacting measures to strengthen compliance, based on the policies set by the Compliance Committee. Conducts educational initiatives to ensure that the Company acts as a good corporate citizen with a sense of social responsibility in all situations, and plans, proposes, enacts, and monitors measures to ensure compliance with laws, rules, and corporate ethics. Also reports periodically to the Compliance Committee on the progress of compliance strengthening measures.

■ Disclosure Committee

Responsible for ensuring appropriate and timely disclosure of important corporate information that is likely to influence investors' investment decisions, based on the relevant laws and regulations.

■ Crisis Management Committee

Responsible for preparing and strengthening the management system against major risks to the Company, such as natural disasters, pandemics, or major accidents, in order to prevent such risks from arising or minimize damage, also responsible for leading a swift and appropriate response in the event of a disaster.

● Internal Control over Financial Reporting

The Internal Audit Department assessed the status of design and operation of internal control over the NSK Group's financial reporting for the year ended March 31, 2016. Based on this assessment, the Company concluded that its internal control over financial reporting was effective. The Group also obtained an audit certification (unqualified opinion) from its external auditing firm evaluating the assessment process as effective.

● Responding to Disaster Risk

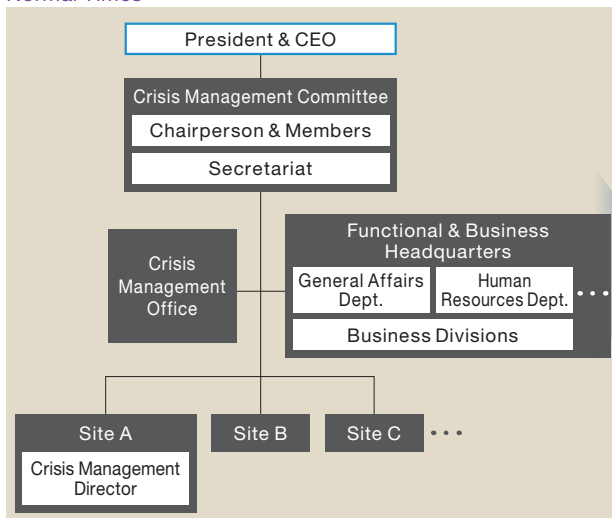
■ Crisis Management Systems for Disaster Risk

The NSK Group has established a permanent Crisis Management Committee to oversee Group-wide initiatives to address disaster risk, including natural disasters, infectious disease outbreaks, and other major incidents. The Committee plans and implements measures to prevent crises and minimize damage in the event that these risks materialize, and is also responsible for establishing and improving business continuity plans (BCP).

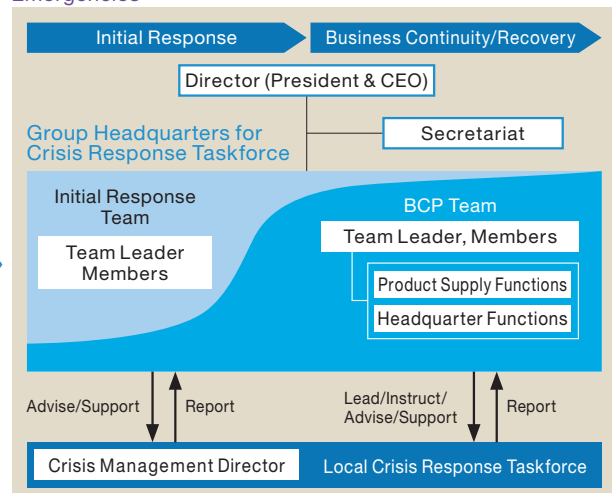
In the event of a crisis, crisis response task forces are set up at the head office as well as at the site of the crisis, and relevant departments cooperate to handle the situation quickly and accurately according to the circumstances.

● Crisis Management Structure for Disaster Risks

Normal Times



Emergencies



■ Strengthening Risk Response Capabilities with Business Continuity Planning

The NSK Group has established a business continuity plan (BCP) addressing the risk of major earthquakes in Japan. In fiscal 2015, the Group added concrete plans for crisis preparation, including creating a complete organizational structure and introducing the necessary procedures and tools for preparedness at all the business sites of Group companies in Japan. It also conducted drills to confirm the viability of the plan and then addressed the issues that emerged during the drills.

The Group also continued to take steps to minimize the potential for damage, including earthquake-proofing buildings and preventing equipment from falling over or moving, enhancing emergency communication and reporting systems, and adopting earthquake-resistant IT infrastructure.

In fiscal 2016, the Group continues to reinforce its risk response capabilities, while also addressing issues and expanding the scope of sites where drills are conducted.

In regions outside Japan, the Group is implementing measures to minimize damage during a crisis and establishing BCPs for severe disaster risks.

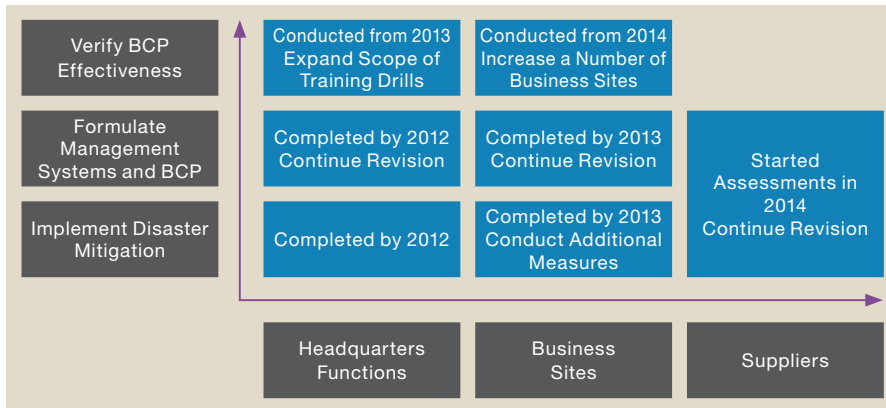
■ Initiatives to Build a Disaster-Resistant Supply Chain

The NSK Group has built a system for quickly identifying the extent of damage at suppliers in the event of a disaster. The Group continues to work to create a structure that will enable rapid assessment of problems after a disaster and facilitate a precisely targeted response in cooperation with suppliers. Drills are conducted regularly to ensure sites are sufficiently prepared to use the system appropriately in an emergency.

The Group has also asked major suppliers to create their own BCPs and verified their progress in order to strengthen risk management throughout the supply chain. By continuing to forge cooperative relationships with suppliers, the Group is determined to build a more disaster-resistant supply chain.

● BCP Formulation Status

Initiative Levels and BCP Formulation Scope



Compliance

Basic Approach

Acting with the Highest Ethical Standards and Striving to Maintain the Trust of Society

The NSK Group specifies the common standards of conduct that all officers and employees should adhere to in the NSK Code of Corporate Ethics. The Group aims to continue growing as a global enterprise that earns the trust of the international and local communities by following relevant laws and regulations in each country where it operates, across all of its corporate activities, and by acting with high ethical standards as a good corporate citizen.

Toward that end, the Group has put in place policies and a management system related to compliance, constantly enhances its education and training for officers and employees, conducts internal audits, and has established an internal whistle blowing system. It also strives to fulfill its corporate social responsibility through initiatives such as preventing information leaks and addressing issues related to conflict minerals.

● NSK Code of Corporate Ethics (Established: February 22, 2002, Revised: May 1, 2014) (Excerpts)

The NSK Code of Corporate Ethics sets out the universal approach for the Company and its officers and employees as they engage in a range of corporate activities, in accordance with the NSK Group vision and philosophy.

* NSK Code of Corporate Ethics applies to NSK Ltd., its consolidated subsidiaries.

1. Compliance with Competition Laws
2. Compliance with Import- and Export-Related Laws
3. Prohibition of Commercial Bribery (handling of entertainment, gifts, etc.)
4. Transactions with Public Institutions and Handling of Political Donations
5. Accurate Recording and Processing
6. Prohibition of Insider Trading
7. Handling of Intellectual Property Rights
8. Prohibition of Illegal and Criminal Conduct
9. Protection of Corporate Assets
10. Handling of Confidential and Personal Information
11. Relations with Customers
12. Relations with Suppliers
13. Prohibition of Acts Discrediting Competitors
14. Prohibition of Discrimination, Cultivation of a Sound Workplace
15. Respect of Fundamental Rights at Work
16. Global Environmental Protection



Reference data is available on NSK's website.

www.nsk.com > Company > Compliance

● NSK Code of Corporate Ethics

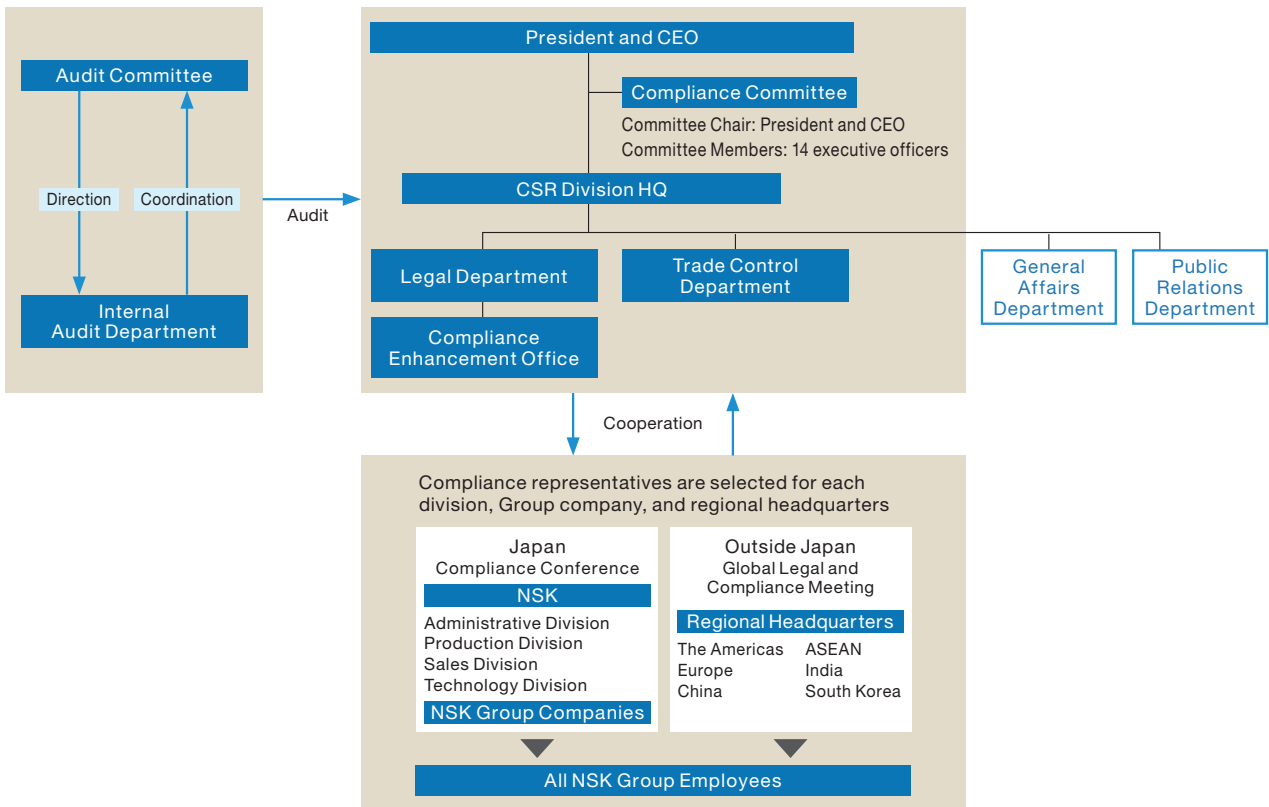
Management

NSK has established a Compliance Committee to formulate and promote policies aimed at strengthening compliance. The committee also checks the level of policy implementation, and reports regularly to the Board of Directors.

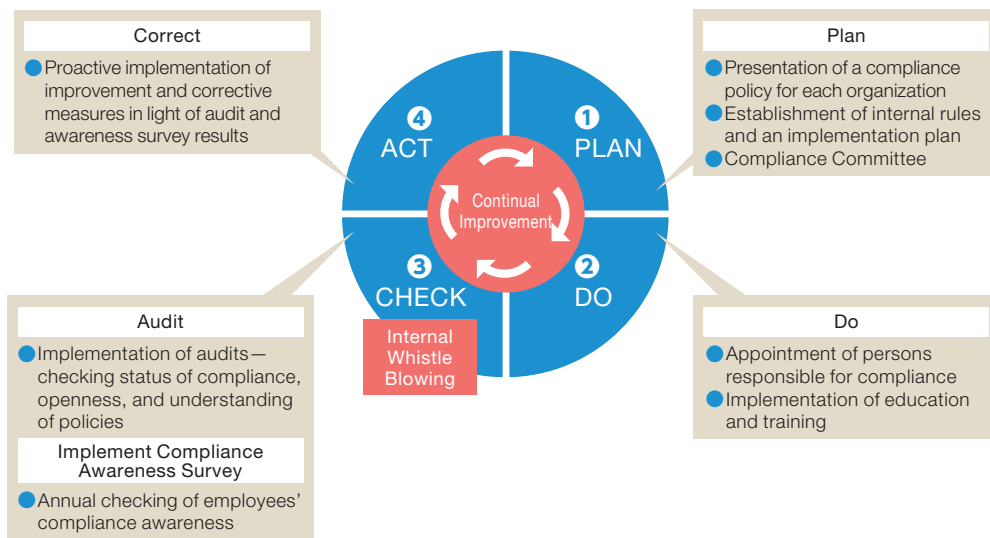
● Compliance Promotion System

NSK has also established a Compliance Enhancement Office under the CSR Division Headquarters and tasked it with overseeing the practical work related to compliance across the entire NSK Group based on the decisions of the Compliance Committee. The Group has appointed persons responsible for compliance in each department, site, and NSK Group company in Japan as well as each headquarters outside Japan to serve as key contact points for all information related to compliance and conduct risk management.

● NSK Group Compliance System (As of July 2016)



● PDCA Cycle for Continual Compliance Improvement



● Global Legal and Compliance Meetings

In order to strengthen the global compliance system, global legal and compliance meetings were held in May and November 2015. At these meetings, members responsible for compliance from the Americas, Europe, China, ASEAN, India, and South Korea gathered at the head office in Japan and reported on activities in their respective regions and countries. They also shared information on laws that required special attention in each country, seeking ways to improve future efforts in each country. The meetings in 2015 especially focused on anti-bribery regulations and laws, how to handle a recall, and the standardization of contract examination procedures and criteria. In addition, at the Global Legal and Compliance Meeting held in May 2016, information was shared about the UK Modern Slavery Act, which came into force in October 2015.



Global Legal and Compliance Meeting

● Internal Reporting System (Internal Whistle Blowing System)

The NSK Group operates a whistle blower “Hotline” system, available to all employees, to quickly identify and correct acts that may violate compliance-related rules. One hotline is in-house at the CSR Division Headquarters and another is staffed by an outside lawyer. The system allows users to remain anonymous and ensures they suffer no unreasonable loss from using the Hotline.

In fiscal 2015, the whistle blower hotline was contacted 26 times in Japan. After taking steps to ensure that the whistle blowers would not suffer repercussions, the incidents were quickly investigated and resolved, including implementation of corrective actions where needed.

● Compliance Audits

NSK’s Compliance Enhancement Office visited sites in cooperation with the Internal Audit Department and conducted internal audits on the status of compliance with competition law (Japan’s Antimonopoly Act). In fiscal 2015, audits were conducted on 49 business sites and no major non-conformities were found.

Evaluations of internal controls related to compliance were also carried out. In fiscal 2015, audits were conducted on 169 business sites using a self-inspection technique and no major non-conformities were found.

Initiatives to Strengthen Compliance

NSK and its Group companies are making Group-wide efforts to ensure thorough legal compliance and striving to enhance business activities based on corporate social responsibility. The main compliance strengthening measures already implemented are outlined below.

Also, no major legal violations were found when checked in fiscal 2015.

● Main Compliance Strengthening Measures to Date

* See the NSK website for the latest information

Item	NSK Group Initiatives	Date	Item	NSK Group Initiatives	Date
Strengthening System	Established Compliance Committee (meetings held four times a year)	March 2012	Strengthening Education and Awareness Raising Activities	President issued a message to employees calling for thorough compliance efforts (followed by periodic reminders)	August 2011
	Established Compliance Enhancement Office	July 2012		Started implementing compliance e-learning for officers and employees (twice a year)	January 2012
	Started holding Global Legal and Compliance meetings (number of meetings increased from one to two per year)	August 2012		Implemented Antimonopoly Act (competition law) compliance training for sales departments, plants and Group companies	February 2012
	Started holding Compliance Conference (twice a year)	December 2012		Started monthly Compliance Newsletter	November 2012
Establishing Systems for Relevant Regulations	Began operation of a system to investigate whether or not to participate in meetings attended by competitors	August 2011	Officers and employees submitted written oaths on compliance to the president	March 2013	
	Revised the NSK Code of Corporate Ethics Established the Rules for Compliance with the Competition Law	April 2012	Implemented antitrust law compliance training for sales departments (once a year)	May 2013	
	Revised the Compliance Rules	May 2012	Established October as Compliance Month and held a slogan competition	October 2013	
	Revised Internal Regulation for Preventing Insider Trading	November 2012	Held Compliance Leadership Training for sales department leaders	March 2014	
	Distributed the NSK Compliance Guidebook to officers and employees	March 2013	Strengthening Monitoring	Initiated internal audits of sales departments relating to Antimonopoly Act (competition law) compliance	August 2013
	Revised internal rules for competition law compliance and hotline operation	June 2013		Conducted first compliance awareness survey for officers and employees including those of Group companies	August 2014
	Published and distributed the NSK Compliance Guidebook 2015	March 2015			

Main FY2015 Initiatives

● Compliance Education

The NSK Group conducts a variety of mandatory compliance education and training sessions with the aim of further heightening officers' and employees' awareness of compliance issues.

In fiscal 2015, training on Japan's Antimonopoly Act was provided to 1,678 employees in 105 sessions (899 employees in 74 sessions in Japan and 779 employees in 31 sessions outside Japan). The NSK Group strives to realize fair and free business transactions by ensuring employees are aware of and comply with competition law and by prohibiting agreements with competitors regarding such matters as price, quantity, customers, and sales outlets as well as the exchange of information that could impact competition with competitors. In the future, the Group will continue this training on the Antimonopoly Act, incorporating discussion among participants.

In addition to training for sales departments, training sessions on compliance were also held for plants and engineering departments (provided to 1,475 employees in 38 sessions) and basic education on compliance was given to Group companies (provided to 143 employees in seven sessions). The Group also continued the e-learning that it conducts twice a year (taken by 7,613 employees with a 100% participation rate).

Additionally, in fiscal 2015 the Group published the NSK Compliance Guidebook and distributed it to all officers and employees throughout the NSK Group. The Guidebook is produced in multiple languages (Japanese, English, Chinese, Korean, Polish, Indonesian, Thai, etc.) so that employees can understand its content in their native language. After confirming the importance of compliance, all officers and employees submitted a written oath of compliance adherence.

Furthermore, through the NSK Supplier CSR Guidelines, the NSK Group shares its awareness with suppliers and asks them to understand and practice compliance, including compliance with competition law. (See p. 29 for details.)



NSK Compliance Guidebook

● Establishment of NSK Corporate Philosophy Day

Five years have passed since the day the Japan Fair Trade Commission raided NSK's offices in 2011. As of 2016, that day—July 26—has been designated as NSK Corporate Philosophy Day, in order to revisit the lessons learned from past incidents and commit to acting based on the Corporate Philosophy so no anti-competitive incident or any other corporate misconduct occurs again. On the first NSK Corporate Philosophy Day in 2016, the president gave a speech and outside instructors gave lectures.

● Compliance Month

In 2013, NSK began observing Compliance Month every October. The Company conducts a range of awareness raising activities during this month.

In fiscal 2015, employees were invited to submit compliance slogans. Of the 6,775 entries received, two were selected as outstanding slogans, along with three honorable mentions. Posters featuring the two outstanding slogans were designed and distributed to all NSK sites. Also, starting in fiscal 2016, NSK re-designated Compliance Month as the month beginning with the abovementioned NSK Corporate Philosophy Day. NSK will conduct a variety of compliance-related activities during this period every year.



Compliance slogan posters

● Surveying Employees on Compliance Awareness

NSK commissioned its second compliance awareness survey to an outside research company in August 2015 in order to confirm the compliance awareness of its officers and employees. This research company collected responses from 13,061 Japanese-speaking officers and employees working in and outside Japan. Several issues became apparent based on the survey results. In response, NSK implemented measures including strengthening compliance education for manufacturing divisions and ensuring all employees are aware of the whistleblowing system. Also, among the Group's locations outside Japan, a compliance awareness survey was given to local employees in the ASEAN region, China, South Korea, India, and Taiwan for the first time. These survey results were also analyzed and appropriate measures implemented in response. In fiscal 2016, the Group will continue conducting the survey, reaching even more employees.



Reference data is available
on NSK's website.

www.nsk.com > Company > News > Press Releases

● Press Release

● Strengthening Anti-Bribery Measures

Given stronger anti-bribery regulations in many countries, the NSK Code of Corporate Ethics was revised in May 2014, in order to prevent any potential instances of bribery by NSK Group employees. In addition to tightening rules on providing entertainment or gifts to public officials, NSK also established Anti-Bribery Standards in May 2014. These standards have been rolled out globally. The Group established Anti-Bribery Rules for China and the ASEAN region in May 2015 and for South Korea in December 2015 and is striving to prevent bribery according to each country's specific laws and situation.

Preventing Insider Trading

The Internal Regulation for Preventing Insider Trading applies to all officers and employees. It requires NSK and its Group companies' officers and employees to submit a form whenever they buy or sell NSK shares. Awareness of this regulation is being promoted in e-learning programs and the Compliance Newsletter.

Additionally, in September 2014 NSK adopted an approval application system.

Security Export Control Initiatives

The NSK Group has strengthened its system of controls for preventing the export of products and leakage of technology related to the development, manufacture, and use of weapons, based on Japan's Foreign Exchange and Foreign Trade Acts.

In fiscal 2014, NSK in Japan started improving the technical information regime regarding plant machinery. In addition, NSK sought to reinforce the shipment regime, including inspecting the customs entry results of controlled products. In fiscal 2015, NSK developed and started using a technology provision inspection system associated with equipment maintenance and overhaul as well as a drawing inspection system associated with the procurement of equipment from outside Japan. In fiscal 2016, NSK plans to continue such initiatives and extend the scope of items subject to management.

Complying with Regulations for Disclosure of Conflict Mineral Information

■ Basic Approach

NSK's procurement policy seeks to ensure that its entire supply chain is free from any payment to anti-social armed forces engaging in human rights violations.

Whenever the possibility of such payments is discovered, NSK takes measures to avoid the use of the parts, raw materials, or other supplies concerned.

■ Action Update

The Disclosure Rule under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act in the United States requires an annual survey and disclosure of information on the status of use of four conflict minerals (tin, tantalum, tungsten, and gold) originating in the Democratic Republic of the Congo and surrounding countries. Its goal is to cut off the source of funding for armed groups and rebels involved in human rights violations. This rule took effect in January 2013. NSK is not listed on a U.S. stock exchange and so is not subject to these rules. Nevertheless, NSK has adopted a policy of avoiding the use of conflict minerals and is working with its suppliers on this issue.

In 2013, NSK added an article concerning conflict mineral initiatives to the NSK Supplier CSR Guidelines in order to communicate this policy to suppliers. In fiscal 2015, the Group's supplier survey found no evidence that NSK's suppliers used conflict minerals. The Group will continue to conduct surveys with suppliers in fiscal 2016.



Reference data is available
on NSK's website.

www.nsk.com > Company > Compliance

● NSK Compliance Guidebook 2015

Building a Robust Information Security Governance System

In June 2003, the NSK Group issued the NSK Basic Policy on Information Security as well as Rules of NSK Information Management. Subsequently, it has provided education on security measures for IT devices to officers and employees and taken other steps to strengthen security from both hardware/software and human perspectives.

Meanwhile, there have been several recent scandals worldwide involving leakage of personal information and corporate secrets. This is sparking calls for more rigorous laws and regulations on information security. In response, the NSK Group is developing a global approach to strengthening its information security measures in order to make them more comprehensive and ensure that they cover all business operations. In April 2015, the Company established a new Information Security Enhancement Office under the Corporate Strategy Division Headquarters and started a number of projects to raise the level of information security throughout the Group. It also established security management committees in each region and strengthened global cooperation.

In fiscal 2016, NSK will further improve its infrastructure for increasing information security and continue to strengthen its cyberattack countermeasures.

Information Security Governance System



Supply Chain Management

Basic Approach

In order for a company to grow sustainably, it must be aware of and live up to its social responsibilities. NSK works hard to meet the expectations of society while reinforcing the base that supports its management. In the area of procurement, NSK understands that it is vital to build a shared awareness with suppliers and to pursue CSR initiatives with them, in tandem.

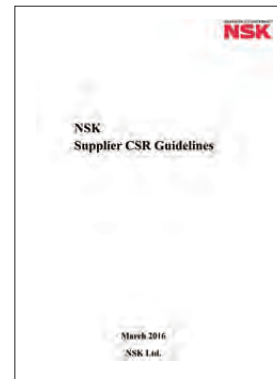
Establishing Relationships of Trust with Suppliers

Recognizing that mutual development with suppliers is important, the NSK Group works at establishing solid relationships of trust—long-term cooperative relationships. The Group shares its procurement policy and emphasizes the importance of CSR with suppliers at briefings and using other means, pursuing greater understanding through mutual communication. Conversely, the Group takes requests from suppliers seriously and strives to ensure fair and impartial business transactions.

CSR Procurement Initiatives

NSK publishes and distributes the NSK Supplier CSR Guidelines and asks its suppliers to provide safe products, comply with laws and regulations, and pay consideration to matters such as environmental protection, human rights, safety, and health. In response to the UK Modern Slavery Act, which came into force in October 2015, NSK partially revised the NSK Supplier CSR Guidelines and published the third edition in fiscal 2015 in an effort to do more to prevent human rights violations throughout the supply chain. In fiscal 2016, the Group will ensure that suppliers around the world are aware of the revised contents and will implement self-assessments based on the Guidelines.

See p. 74 for information about the NSK Group's green procurement initiatives.



NSK Supplier CSR Guidelines

Business Transactions with Suppliers

The NSK Group obtains the understanding and acceptance of the NSK Supplier CSR Guidelines and the NSK Green Procurement Standards from all suppliers when establishing a new business relationship.

The Group also regularly gives a CSR questionnaire to existing suppliers to investigate compliance items and their status of the achievement. NSK feeds the questionnaire results back to suppliers and requests that they continually step up their CSR activities. Additionally, environment, society and governance (ESG) clauses are included in basic transaction agreements.

Related information

PP. 39-40 Initiatives Aimed at Enhancing Supplier Quality



Reference data is available on NSK's website.

www.nsk.com > Sustainability > Initiatives in the Procurement

● Basic Procurement Policy ● NSK Supplier CSR Guidelines