



Third-Party Comments

Again this year, NSK asked Professor Yoshinao Kozuma of Sophia University's Faculty of Economics to provide third-party comments on this report.

Yoshinao Kozuma

Professor, Faculty of Economics, Sophia University, Japan

After leaving the Sophia University Graduate School of Economics upon earning credits in the latter half of the doctoral program, Professor Kozuma worked as a research assistant at the Nagoya Institute of Technology, a visiting researcher at the Limperg Instituut in the Netherlands, an associate professor at the University of Shizuoka, and an associate professor in the Faculty of Economics at Sophia University, before taking up his current position. He has held successive positions as the chair or member of various CSR or environment-related advisory panels, study groups, and research conferences for the Ministry of the Environment; the Ministry of Economy, Trade and Industry; the Ministry of Land, Infrastructure and Transport; the Ministry of Agriculture, Forestry and Fisheries; the Cabinet Office; and the Japanese Institute of Certified Public Accountants. His specialty is environmental accounting, and his recent work includes *Carbon Labeling to Visualize CO₂* (Chuokeizai-sha, Inc., in Japanese).

Contributing to a Sustainable Society

One of the themes for NSK's Fifth Mid-Term Management Plan, which began in 2016, is "Innovate and Challenge." This growth strategy focuses on the creation of new value for the future through new technologies, products and businesses. This growth strategy demonstrates that the Group's CSR policy, which aims to contribute to a sustainable society, is integrated into business activities.

The NSK Group's main products, such as bearings and linear motion components, directly impact the efficiency of energy use. As industrial components, they are indispensable to building a more sustainable society, which cannot be done without better energy-saving and resource-saving technologies. The relationship between NSK's business and global sustainability is made even clearer in that NSK's targets in the areas of improving the efficiency of resource utilization and expanding the introduction of environmentally friendly technology include references to the United Nations Sustainable Development Goals (SDGs). Rather than being satisfied with high aims, however, NSK has actually tripled the number of newly developed products that make an environmental contribution over the last ten years. In addition, more than eight times more of the products NSK develops have an NSK Eco-Efficiency Indicator (Neco) score of 1.2 or higher, compared to when the Neco scores were introduced. Both of these results should be highly praised. I hope to see NSK make even more efforts like these in the future.

Establishing Compliance Awareness

In 2016, NSK declared that July 26 every year will be Corporate Philosophy Day. It is no accident that July 26 is the date that the Japan Fair Trade Commission's on-site investigation into the cartel incident took place in 2011. NSK management is showing firm resolve, by establishing this date as an annual reminder, to ensure everyone remembers the lessons learned and to eradicate any chance of such a thing occurring again. The year 2016 has been a transformative year for compliance awareness. Several initiatives helped it to take root in the company: changing compliance month to start on the same day as Corporate Philosophy Day, carrying out the compliance awareness survey again this year, and launching a global anti-bribery initiative.

Globalizing CSR Management

With sales outside Japan representing 67% of consolidated sales, and with 150 sites in 29 countries, the NSK Group is a global business in both name and deed. NSK has been included in the Dow Jones Sustainability Asia Pacific Index and FTSE4Good Global Index, suggesting that its group CSR management is functioning well. In another sign of progress, NSK disclosed the percentage of women in the workforce and the lost-worktime injury rate for the first time in fiscal 2015. Many unexpected CSR risks, however, lurk in business environments around the world. I would like to see continued improvements as NSK works to enhance its capacity to address risks, especially those outside Japan.

Future Challenges

It is vital to address important CSR issues such as climate change, insufficient access to water, and human rights violations in the workplace, throughout the supply chain. However, since NSK does not disclose sufficient information on supply chain management, there is not enough transparency to enable a proper evaluation of the situation. There are a number of items remaining regarding disclosure of information that must be dealt with, such as, is the application of NSK Supplier CSR Guidelines effective beyond primary suppliers? Are there hot spots that can be reduced in the breakdown areas for Scope 3 emissions? And, are there serious CSR risks in community supply chains that operate outside Japan? I look forward to improvements in these areas in the future.

Response to Mr. Kozuma's Comments

Yukio Ikemura

Senior Vice President and CSR Division HQ-Head

Thank you very much for your valuable opinions.

I would like to express my sincere thanks for your commendation of points such as contributing to a sustainable society, establishing compliance awareness, and globalizing CSR management.

Thank you also for your helpful opinions regarding enhancing our information disclosure about supply chain management. Based on your comments, we will make efforts to further expand socially responsible procurement and green procurement activities to the entire global supply chain, and to improve information disclosure about these efforts.

The NSK Group aims to achieve sustainable growth by being a company that society can trust. We look forward to your continued support.

