The international community must cooperate to overcome a range of challenges including environmental problems in order to realize a sustainable world. As corporate activities expand globally, companies are expected to do their part to help solve the challenges of their respective countries and regions. They are called upon to contribute to the global community by providing helpful products and services through ethical business activities and by respect for local cultures and customs.

NSK’s Approach

Achieving Sustainable Growth by Increasing Management Transparency and Soundness

The NSK Group has established a corporate governance framework and follows a policy of transparent and sound management in order to achieve sustainable growth as a company while meeting the expectations of society.

NSK defines corporate governance as “a system in which operational organizations can carry out efficient and fair management under the supervision of the board of directors.” NSK endeavors to strengthen corporate governance based on management under the supervision of the board of directors.”

(1) Improve management efficiency and mobility by delegating authority from the board of directors to supervisory organizations and operational organizations;

(2) Ensure that supervisory organizations provide proper oversight of operational organizations by separating supervisory organizations and operational organizations;

(3) Strengthen supervisory organizations’ oversight of operational organizations through coordination between supervisory organizations and operational organizations; and

(4) Improve the fairness of management by strengthening the compliance system.

Corporate Governance System

NSK has strengthened its governance structure by adopting a “Company with Committees” structure. It is increasing management transparency and soundness through a system in which the following types of operational and supervisory functions are clearly defined (see Figure 1).

Operating functions: The CEO makes final management decisions, making reference to discussion in the Operating Committee and other bodies. The executive officers in charge see that these operations are carried out.

Supervisory functions: The Company has a board of directors that determines basic management policies and supervises executive officers, as well as an audit committee, a compensation committee, and a nomination committee (each committee is composed of one in-house director and two independent directors).

Goals and Performance

Goals

The NSK Group carries out activities aimed at achieving its vision of becoming “No. 1 in Total Quality.” This means increasing the quality of not only products but also information and services, and the quality of work performed in each department, in order to strengthen the foundation that supports sustainable growth.

Compliance

Basic Approach

The NSK Group specifies the universal philosophy that all officers and employees should adhere to in the NSK Code of Corporate Ethics. The Group aims to continue growing as a company that earns the trust of the international and local communities by following relevant laws and regulations in all of its corporate activities and acting with high ethical standards as a good corporate citizen (see Figure 2).

Resolved Issues While Safeguarding Users of the Whistle Blower System

The NSK Group operates a whistle blower “Hotline” system, available to officers and employees, to quickly identify and correct acts that may violate compliance. One hotline is in-house at the Compliance 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. Harassment consultation services for employees have also been established at each business site to provide closer assistance. In fiscal 2011, the hotlines were used twice in Japan.

Disclosure Issues

In fiscal 2011, explanations of the Group, and implementing the initiatives required will translate into growth for the entire supply chain.

In fiscal 2011, explanations of the NSK Supplier CSR Guidelines were given to 464 suppliers in Japan at briefing sessions. NSK sought to explain its procurement and green procurement policies in order to ensure the entire supply chain fully embraces the objectives of the CSR Guidelines. Replies on supplier status were also obtained via Self-Assessment Check-Sheets in order to encourage the spread of initiatives. In fiscal 2012, NSK is supporting suppliers’ activities by giving them feedback on the questionnaire results. It is also preparing to respond to the supply chain survey in conjunction with enforcement of the Conflict Minerals Disclosure Rule under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act.*1

NSK Code of Conduct Concerning Compliance (main chapter headings)

1) Compliance with Competition Laws
2) Compliance with Export-related Laws and Regulations
3) Restriction 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
8) Prohibition of Illegal and Antiscocial Conduct
9) Protection of Corporate Assets
10) Handling of Confidential Information
11) Relations with Customers
12) Relations with Suppliers
13) Relations with Competitors
14) Prohibition of Discrimination and Calibration of a Sexual Workplace
15) Report of Fundamental Rights at Work
16) Global Environmental Protection

NSK’s initiatives to strengthen compliance in fiscal 2011 included establishing the Compliance Committee, revising the NSK Code of Corporate Ethics and enhancing e-learning and lecture-based training programs. It also carried out efforts such as strengthening its business continuity plan (BCP) based on the experience of large-scale disasters such as the Great East Japan Earthquake of March 2011.

In House Education (compliance)

 Aren’t the examples of effective business practices related to sustainability and corporate governance also worth mentioning? It would be beneficial to highlight them in this report to showcase the company’s commitment to these principles. For instance, the company could discuss its efforts to adhere to environmental regulations and its commitment to ethical business practices. Additionally, the company could provide details on its employee training programs focused on compliance and sustainability. These efforts demonstrate the company’s dedication to responsible and transparent business practices.

Reference data is available on NSK’s website. www.nsk.com > Sustainability > CSR Reports

*1 Conflict Minerals Disclosure Rule under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act

In House Education (compliance)

NSK Supplier CSR Guidelines

NSK Code of Corporate Ethics (full text)
NSK is strengthening its information security to prevent information leaks. In fiscal 2011, the Company amended the NSK Group Information Security Guidelines, revising the important classified areas in internal R&D departments, and strengthening entry and exit controls. NSK prohibited photography inside company premises, and strengthened controls on the carrying of information-related devices on or off premises in order to prevent the leakage of information outside the Company.

Risk Management

Basic Approach

The NSK Group classifies and organizes potential risks into operating risks, hazard risks, compliance risks, and financial reporting risks. It designates responsible departments that supervise the prevention of risks and countermeasures in the event a risk event unfolds. Additionally, each site and group company carries out activities aimed at reducing risk under the supervision of responsible departments.

Risk Management System

The Internal Audit Office gathers risk reports from around the world each month, identifying and assessing important risks, conducting daily monitoring, routinely validating the risk assessment and management system, and striving to reduce risk throughout the Group. The permanent Crisis Management Committee acts to prevent risks and minimize damage in the case of a risk event by developing and strengthening management systems for natural disasters, outbreaks of infectious diseases, and major accidents. It also works at establishing and implementing BCPs.

Strengthening the Internal Audit System

The NSK Group monitors the status of business administration and risks through business audits and assessments of internal control over financial reporting, which are conducted by the Internal Audit Office. In fiscal 2011, the Group continued working on issues it addressed the previous year: (1) the establishment of internal audit systems in regional headquarters outside Japan; (2) the enhancement of basic internal control audits; and (3) strengthening risk identification and monthly monitoring activities. It also confirmed the effectiveness of internal control over financial reporting and obtained an audit certification (unqualified opinion) from Ernst & Young ShinNihon LLC.

Highlight 1: Strengthening the Internal Audit System

In the event of a crisis or disaster, a disaster response task force is set up at the head office and a local response headquarters established at the site of the crisis or disaster, and relevant departments cooperate to handle the situation quickly and accurately according to the circumstances.

highlight 3: Strengthening Information Security to Prevent Information Leaks

The NSK Group has strengthened its export management system, not only for exports from Japan but also for exports from sites in other countries. These moves are intended to secure peace and security in the global community by preventing the export of products and technology that could be used to develop and manufacture weapons. In fiscal 2011, the Group strengthened transaction screenings regarding indirect exports through customers in Japan, increasing the accuracy of determinations over whether or not products and technology could be used to manufacture weapons. At the same time, it adopted a system to improve the efficiency of issuing classification sheets, aiming to quickly issue sheets requested by customers.

Highlight 4: Export Management

NSK Action

Establishing J-SOX Compliance and Internal Auditing in Operations

The European Internal Audit Office was established in 2008 from the 2008 project to gain J-SOX compliance. Since then we have focused on establishing J-SOX internal controls evaluation at 11 group companies across 12 sites. As Europe is a diverse region with many languages and cultures, the team frequently travels to visit the companies, both to evaluate the effectiveness of their internal controls and to provide them with advice on how to improve their control environments. This is how the team helps improve the quality of local initiatives while deepening mutual understanding across the differences in language and culture. Currently, we are conducting a project to provide more internal controls coverage by implementing an internal audit function for Europe.

NSK Action

Assisting Reconstruction and Offering Emotional Support to People Afflicted by the Disaster

In the Great East Japan Earthquake of March 2011, the Tohoku Branch was hit by major shaking of a “6 upper” intensity on the Japanese scale. It suffered severe damage including buckling of the ceiling and walls and broken furniture and fixtures. In the midst of confusing information and a shortage of materials, food and other relief supplies started to arrive from other sites the following week, giving me a sense of ‘home’ among other disasters.

In the Great East Japan Earthquake, NSK has launched initiatives including strengthening disaster prevention activities at sites and ascertaining effects back up through the supply chain in order to mitigate the impact of a potential large-scale earthquake causing widespread damage.

Highlight 2: Supporting Suppliers’ Disaster Prevention Efforts

Learning from the Great East Japan Earthquake, NSK has launched initiatives including strengthening disaster prevention activities at sites and ascertaining effects back up through the supply chain in order to mitigate the impact of a potential large-scale earthquake causing widespread damage.

Earthquake Proofing of Plants

Aiming to ensure the safety of employees and minimize effects on production, the manufacturing divisions implemented emergency measures at all sites in Japan in 2011. This included steps to prevent production equipment from falling over or moving, prevent parts and instrument storage racks from falling over, and prevent drawers in instrument storage cabinets from flying open. Moreover, employees responsible for disaster prevention and safety at each site visited other sites to hold disaster prevention meetings and began efforts to carry out earthquake proofing in order to quickly roll out these initiatives.

NSK CSR Report 2012