

NSK Compliance Guidebook 2018

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I Introduction

In 2013, we published the first edition of the NSK Compliance Guidebook. This guidebook was issued with the dual purpose of showing that the NSK Group is actively committed to pursuing stronger compliance and helping NSK employees to understand the rules and guidelines they are expected to observe. In the five years since the guidebook was first published, laws, regulations, and societal expectations have continued to emerge and evolve. In order to reflect these changes, we have created the NSK Compliance Guidebook 2018, with certain content and expressions added and revised.

The NSK Code of Corporate Ethics, explained in this guidebook, lays down the fundamental principles for conducting all company activities. Through this Code, we aim to ensure that the NSK group continues to prosper as a company that acts in a sincere and fair manner, and which is respected and trusted in international and regional society. We must make sincere efforts to respond to the expectations of society while maintaining a strong sense of ethics in order to ensure that NSK fulfills its responsibility as a global citizen. Regardless of how the business and social environment may change in coming years, a strong commitment to compliance will always be paramount to our efforts.

I ask all officers and employees to thoroughly read this guidebook and understand the expectations placed on you as a member of the NSK Group. Please take the initiative to translate understanding and awareness into active efforts to enhance compliance.

June 2018

Tamami Murata
Head of CSR Division HQ
NSK Ltd.

In the NSK Group, “compliance” is not limited to compliance with laws and ordinances. It also includes compliance with company regulations, social norms, and the NSK Corporate Philosophy.

II NSK Corporate Philosophy

▶ Mission Statement

NSK contributes to a safer, smoother society and helps protect the global environment through its innovative technology integrating Motion & Control™. As a truly international enterprise, we are working across national boundaries to improve relationships between people throughout the world.

▶ Management Principles

1. To provide our customers with innovative and responsive solutions through our world leading technologies.
2. To provide challenges and opportunities to our employees, utilizing their skills and encouraging their creativity and individuality.
3. To identify the needs of the present and future, and to meet these needs by being flexible, agile, and dynamic.
4. To contribute to the communities in which we operate.
5. To manage our business from an international perspective and to develop a strong presence throughout the world.

▶ Corporate Message

Responsive and Creative
MOTION & CONTROL™

▶ Action Guidelines

Beyond Limits, Beyond Today

Beyond Frontiers
Beyond Individuals
Beyond Imagination
Beyond Perceptions
Challenging the Future

III About the NSK Code of Conduct Concerning Compliance

The NSK Code of Corporate Ethics is comprised of “NSK Corporate Ethics Policies” and the 16-item “Code of Conduct Concerning Compliance.” This guidebook concretely explains the objectives and background of each item listed in the Code of Conduct Concerning Compliance, and the NSK Corporate Ethics Policies can be found in the appendix at the end of the book.

1. Compliance with Competition Laws

Personnel must not make agreements with competitors to set selling price or territorial sales markets, restrict resale price, or perform other anticompetitive acts. Personnel will conduct legitimate trade through free and fair market competition.

01

Objectives / Background

Competition laws worldwide aim to develop and maintain free and fair competition in the market to promote a healthy global economy. A free and fair market also encourages originality, ingenuity, and vitality through the competition of market participants. As a participant in global, regional, and local markets, NSK is obligated to engage in free and fair competition.

02

Compliance Requirements

- (1) Personnel shall not make arrangements that will hinder competition, including agreements with competitors on prices, quantity, customers, and sales channels. Personnel shall not exchange information that might hinder competition.
- (2) In principle, personnel should not contact competitors. If personnel need to attend conferences, such as those sponsored by customers, which competitors are expected to attend, personnel should attend in compliance with internal rules and avoid contact with competitors insofar as possible. When personnel come into contact with a competitor, they must record and report information such as date and time, person(s) spoken with, and content of conversation.
- (3) When obtaining and reporting information regarding competitors, personnel shall clarify the source(s) of the information.
- (4) If personnel notice any conduct that violates (or might violate) competition laws, personnel must promptly notify the company via the Whistleblowing System (Compliance Hotline).
- (5) Personnel shall not restrict the resale prices of products sold by distributors or make unreasonable demands by abusing a dominant bargaining position.
- (6) Personnel shall not conduct illegal acts which prevent free competition.

03

Explanation

- (1) A “cartel” is defined as a group of independent companies that cooperate to set product prices, production quantity, customers, sales channels, and other matters that affect competition in the market. Cartels are prohibited by competition laws worldwide. Cartels include both explicit and implicit arrangements, so anti-competitive cooperation can be sanctioned even if no formal agreement is in place. When asked to participate in any agreement or activity that could constitute a cartel, personnel should resolutely and clearly express that they will not participate in such illegal acts.
- (2) Competition laws in some countries strictly prohibit any exchange of information that could affect competition with competitors. Additionally, when obtaining information related to competitors, personnel should record the source(s) of the information to dispel any doubt of it being obtained directly from a competitor.
- (3) The act of contacting competitors in itself could be suspected as a violation of competition laws. Contact with competitors should be limited to a minimum, and only when there is a legitimate reason for doing so.

- (4) Competition laws often have leniency systems to reduce or exempt punishment for companies and individuals who voluntarily confess and provide evidence of participation in a cartel. If personnel discover that superiors, colleagues, subordinates, etc. are involved (or may be involved) in a cartel, they should promptly notify the company via the Whistleblowing System (Compliance Hotline).
 - (5) Restricting distributors' resale prices or making unreasonable demands using a dominant bargaining position could violate competition laws worldwide as acts hindering free and fair competition.
 - (6) If a violation of a competition law is found, the company may incur significant damage in the form of administrative penalties (administrative fines, etc.), criminal penalties (fines, etc.), and compensation for civil damages. Additionally, individual employees involved may face criminal prosecution, fines, imprisonment, and other penalties.
-

2. Compliance with Import and Export Related Laws

Compliance with international rules is essential for freedom of global business activities. Personnel must comply with all import and export related laws.

01

Objectives / Background

When importing or exporting products, personnel are required to comply with import and export related laws. To prevent the development, manufacture, and use of weapons of mass destruction, as well as the excessive buildup of conventional weapons, many countries define the goods and technologies that require control when exporting. Some countries place restrictions on the nations with which such goods and technologies can be traded. Personnel are required to follow the appropriate import and export procedures in accordance with customs laws and regulations.

02

Compliance Requirements

- (1) Personnel shall not engage, without the approval of all relevant internal and external entities, including government bodies, in transactions of products that could be used for military purposes.
- (2) Personnel shall not engage in the illicit export of goods or supply of technology.
- (3) Personnel shall strictly control technological information.
- (4) When making import and export declarations, personnel shall comply with the customs laws, etc. of the relevant countries.
- (5) Country-of-origin labeling for products shall be properly prepared in accordance with the regulations of the country of destination.

03

Explanation

- (1) If it is possible that goods or technologies being exported could be used for military purposes or for the manufacture of arms, personnel must ensure the goods and technologies are subject to export screening. In Japan in particular, the export of weapons, etc. is prohibited by law.
- (2) Please make sure that goods and technologies being exported are not restricted by security export control related laws. If the goods or technologies are regulated, the necessary procedures must be conducted in order to receive permission, etc. to export. The following may be restricted under security export control related laws:
 - Transporting abroad manufacturing equipment, maintenance parts, materials, oils and greases, products, prototypes, test samples, exhibits, etc.
 - Sending or transmitting abroad design drawings, technological data, manuals, etc.
 - Providing technical support and technical guidance to entities or individuals in other countries.
 - Providing technical training to trainees from other countries or to people who are only temporarily returning to their home countries.
 - Presenting technical information to visiting foreign nationals.
- (3) Technical information related to restricted goods and technologies must be protected by strict security measures.
- (4) If personnel violate security export control related laws, there is a risk of receiving criminal or administrative penalties (e.g. cancellation of export permits, suspension of exports). Some countries such as the US apply their laws and regulations to other countries (extraterritorial application), so personnel must thoroughly confirm the classification and status of goods which are manufactured in or imported from the US and other such countries.

- (5) Import and export related activities must be conducted appropriately in accordance with the laws of each applicable country while taking into account the conditions of the countries involved. This includes proper classification and designation using tariff/customs nomenclature, import declaration based on proper customs valuations, prompt amended declaration in the case of price adjustments after passing through import custom clearance, application of preferential tariff systems granted for proper management, etc.
 - (6) Some countries require country-of-origin labeling on products by law. It is necessary to research the laws of the country of destination and properly display the country of origin as necessary.
-

3. Prohibition of Commercial Bribery (handling of entertainment, gifts, etc.)

In giving and receiving of entertainment and gifts, bribery - as well as any act deviating from socially-accepted norms - is prohibited. Personnel must not provide entertainment and gifts to officials and employees of public institutions unless there are special reasons for doing so.

01

Objectives / Background

Judgment regarding whether or not to engage in business transactions should be based on quality, price, delivery date, etc. of products. If the offering or provision of meals, entertainment, gifts, favors, etc. warps this judgment significantly, the meaning of company efforts to improve quality and reduce costs will decrease, leading to the creation of an unhealthy and unfair market.

Depending on the country, meals, entertainment, gifts, and favors offered not only to public officials but also employees of private companies may be subject to criminal prosecution. At the same time, it is also a fact that in order to secure business contracts it is necessary to build good relationships with customers. Meals, entertainment, gifts, favors, etc. provided for this purpose are not necessarily prohibited.

In consideration of the above, when providing meals, entertainment, gifts, favors, etc. to the members of private companies, it is necessary to do so in moderation and within the confines of the law and social norms.

02

Compliance Requirements

- (1) Regardless of the cost, personnel shall not offer meals, entertainment, gifts, or favors with the expectation of receiving preferential treatment that would be considered illicit, unfair, or deviate from social norms.
- (2) Regardless of the objective, personnel shall not offer excessive meals, entertainment, gifts, or favors deviating from social norms.
- (3) Personnel shall not receive nor solicit excessive meals, entertainment, gifts, favors, etc. deviating from social norms.
- (4) In principle, personnel should not provide meals, entertainment, gifts, or favors to members of public institutions.

03

Explanation

- (1) In some countries, it is considered a crime to offer “benefits” to officers and employees of private companies with the objective of obtaining specific advantages in return. Benefits include not only money but also product orders, meals, entertainment, gifts, and other favors such as golf, travel, mahjong, etc. Benefits are sometimes offered under the pretext of gratitude for donations or travel expense reimbursement for seminar lecturers.
- (2) Following social norms, it may be necessary to provide meals, entertainment, or gifts (e.g. items for sales promotions or monetary gifts for condolence/celebration) to employees of a private company. Personnel must ensure this occurs within the boundaries of the law and social norms. Judgment as to whether a gift is acceptable or not must be made on the basis of consideration of issues such as the position of the recipient and the economic situation of the country in question. Additionally, some companies instruct their officers and employees not to receive gifts from other companies. Taking this and other factors into account, meals, entertainment, gifts, etc. should be provided only after careful consideration, even if the recipient in question is an employee of a private company.

- (3) When receiving meals, entertainment, gifts, or favors from business partners, etc., it is necessary to take care that they are not outside the boundaries of the law or of social norms, that they are not excessive, and that they are not received with the expectation of preferential treatment in return that would be considered illicit or unfair by normal social standards. When making business judgments such as selecting suppliers, taking into account meals, entertainment, gifts, or favors received could constitute a breach of duty and the personnel involved may be subject to disciplinary action.
-

4. Transactions with Public Institutions and Handling of Political Donations

Personnel must comply with all laws related to transactions with public institutions. Personnel must also comply with all laws related to political donations and must avoid questionable expenditures/provision of benefits.

01

Objectives / Background

Offering bribes to those in government service, such as civil servants and employees of public enterprises, (hereinafter “civil servants, etc.”) is prohibited by anti-corruption laws worldwide. Additionally, many countries such as the US, UK, and Japan have established laws which allow for the punishment of bribery conducted in other countries. When offering meals, entertainment, gifts, etc. to civil servants, etc., there is a risk of being suspected of bribery by the authorities. Personnel should take additional precautions when providing meals, entertainment, gifts, etc. to civil servants, etc. to ensure that provision is within the boundaries of the law and social norms. Additionally, it is necessary to comply with all applicable laws when making political donations.

02

Compliance Requirements

- (1) Personnel shall not offer bribes to civil servants, etc. Additionally, personnel shall not propose or make the promise of providing bribes. If solicited for bribes by civil servants, etc., personnel must resolutely refuse.
- (2) To avoid falling under suspicion of bribery, personnel shall not make dubious expenditures. Regardless of the objective or pretext, personnel should strictly refrain from offering favors including meals, entertainment, and gifts.
- (3) When dealing with governmental organizations, public enterprises, etc. via a third party, personnel should be careful that the third party does not offer bribes to civil servants, etc.
- (4) When making political donations, personnel shall comply with all applicable laws and regulations.

03

Explanation

- (1) Offering benefits, etc. to civil servants, etc. with the objective of receiving specific favors or advantages in return is bribery. Additionally, in some countries, meals, entertainment, etc. is strictly regulated by ethics policies for civil servants. For this reason, even in cases which would not constitute bribery, personnel should strictly refrain from offering the cost of food and drinks, travel expenses, or other benefits to civil servants, etc. In some countries, payment of a small amount of money is offered to ensure government affairs go smoothly. However, this could be considered bribery as well. Which persons are considered civil servants, etc. may vary with the laws and regulations of each country. When dealing with executives and employees, etc. of companies that receive investment from the government or companies largely related to national interests, such as energy or infrastructure companies, personnel should carefully examine whether the executives/employees of such companies are regarded as civil servants or not.
- (2) The US punishes bribery conducted overseas under the US Foreign Corrupt Practice Act (FCPA). Additionally, the UK is working to actively apply UK law to bribery conducted outside the UK. Personnel committing bribery may be punished not only by the law of the country where the bribes were offered, but also by the laws of countries such as the US and UK.

- (3) It is also necessary to take care to avoid bribery by third parties such as brokers. When a middleman, broker, etc. offers bribes, the client may also be held responsible. Accordingly, when using a broker, etc., it is important to confirm in advance whether the broker is reliable or not. It is also important to set an appropriate amount of commission for the broker, and to conduct payment through a third party in order to prevent the broker from offering bribes to civil servants, etc.
-

5. Accurate Recording and Processing

All business activities must be accurately recorded and archived, and processed appropriately in accordance with related laws and regulations. In the event of an audit, whether internal or external, personnel must cooperate fully and provide honest information.

01

Objectives / Background

All business activities must be accurately recorded and managed without error or falsehood. Falsifying or fabricating information such as quality assurance data or technical data and information can seriously endanger the safety of end users, and significantly damage confidence and trust in the NSK Group on a global basis. Financial reports contain extremely important information necessary to company decision making, and provide shareholders, investors, etc. with information on business performance. It is essential for the NSK Group to ensure the reliability our financial reporting in order to maintain and improve the trust placed in us by society. At the same time, inaccurate financial reports could significantly damage the Group's reputation and negatively impact stakeholders.

02

Compliance Requirements

- (1) Personnel shall accurately record and manage information pertaining to the procurement, evaluation, inspection, production, distribution, and sales of materials and components.
- (2) Personnel shall not falsify or fabricate data and information used in quality assurance documents, technical documents, and other materials.
- (3) Personnel shall perform accounting and tax filing in accordance with all applicable laws and regulations.
- (4) Personnel shall be honest and provide accurate information during external and internal audits and investigations.

03

Explanation

- (1) Falsification and fabrication of quality assurance data and technical information includes, for example, the following.

Falsification: Deliberately altering test results, evaluation results, inspection results, data, etc. and any other deliberate misuse, diversion, omission, or misapplication of evaluation results, test results, inspection results, etc.

Fabrication: Failing to carry out the necessary evaluation, testing, and inspection processes, and making up data or results as though the necessary evaluation, testing, and inspection processes had actually been carried out.

Scope	Results of investigations into returned products, design performance evaluation results, test results, and experiment data, manufacturing inspection data, product inspection results, etc.
	Technical information and materials released to the public (patent application contents, scientific papers, presentation summaries, technical journal articles, etc.)
	Technical information and materials for internal use (experiment result reports, internal technology deliberation and appraisal materials, etc.)

- (2) Financial reports refer to externally released financial statements and the disclosure of information that bears significance on their reliability. Financial reports include consolidated and non-consolidated financial statements, and disclosure matters other than financial statements in securities reports, etc. The NSK Group is required by the Financial Instruments and Exchange Act to assess and report on a quarterly basis the internal controls in place to ensure the reliability of its financial reports.
 - (3) Each corporate entity of the NSK Group shall obey all laws and regulations applicable in the countries in which it operates, submit tax filings as appropriate, and pay taxes within the designated payment period. Further, sufficient documentation and evidence of tax filings and payment must be recorded and archived.
-

6. Prohibition of Insider Trading

Personnel must not trade in stock or other securities with the knowledge of non-public insider information or provide said information to any third party, including family members.

01

Objectives / Background

“Insider trading” is the buying or selling of stocks or other securities with knowledge of material non-public information, and is illegal worldwide. “Material information” is any information that a reasonable investor would consider significant in determining whether to buy, sell, or hold a company’s securities.

Personnel are not permitted to buy or sell stocks or other securities with knowledge of material non-public information of the company or of a third party. At the same time, material non-public information must be properly managed and controlled.

02

Compliance Requirements

- (1) Personnel with knowledge of material non-public information about the NSK Group or a third party (e.g. another company) are not permitted to buy or sell stocks or other securities of that company prior to the public release and dissemination of such information.
- (2) Personnel with knowledge of material non-public information about the NSK Group or a third party shall not convey said information to family members, friends, etc. to induce the purchase or sale of stocks or other securities.
- (3) Personnel shall properly manage and control material non-public information about the NSK Group and other companies.

03

Explanation

- (1) Personnel who trade in stocks or other securities with knowledge of material non-public information have an unfair advantage over those who do not have access to this information. If such transactions were permitted, general investors would be put in an extremely disadvantageous position and trust in the whole securities market would be lost. Insider trading is illegal worldwide for this reason.
- (2) If an employee of the NSK Group obtains material non-public information during their employment and buys or sells stocks or other securities prior to the public release of said information, the employee could be prosecuted for violation of insider trading regulations and the NSK Group could be criticized for failures in its information management systems. Personnel with knowledge of material non-public information are prohibited from buying or selling stocks or other securities of the companies in question. Note that simply posting information on the NSK website does not qualify as “releasing” material non-public information (i.e. does not qualify as having made public). There are specific procedures that must be followed for the information to be considered to have been made adequately available to the public.
- (3) If personnel convey material non-public information to a third party, such as family members or friends, and if that third party buys or sells stocks based on the information received, the person who bought or sold the stocks will be prosecuted for violation of insider trading regulations, and the person who conveyed the information may also be suspected of violating the same regulations. Personnel who gain knowledge of material non-public information about the NSK Group or other companies are not permitted to make this information known outside of required ordinary business operations.



7. Handling of Intellectual Property Rights

Personnel shall strive to create, protect, and utilize intellectual property, such as inventions, and must handle intellectual property rights with great care. In addition, personnel must not infringe the intellectual property rights of others.

01

Objectives / Background

Technology and knowledge gained through work, investments etc. are valuable intellectual property rights of the NSK Group. It is important to protect these rights from infringement by third parties. The same also applies to the intellectual property rights of third parties, and it is necessary to ensure the rights of others are not infringed.

02

Compliance Requirements

- (1) Personnel shall protect the inventions, devices, know-how, etc. of the company.
 - When disclosing information to third parties, issuing news releases, giving conference presentations, etc., personnel shall coordinate with their superiors and the Intellectual Property Department of NSK Ltd. to ensure appropriate measures are taken.
- (2) Personnel shall not infringe the intellectual property rights of third parties.
 - Personnel shall review patents of third parties in advance, and must not design or manufacture products that infringe these patents.
 - Personnel shall not copy commercial software nor use copyrighted work of third parties without their permission (e.g. books, magazines, texts from websites, photos, graphs, and diagrams).
- (3) Personnel shall not misuse confidential information obtained from third parties, and shall conduct proper management to prevent the leakage of such information.
 - Personnel shall not disclose confidential information of third parties or apply for patents without obtaining their consent.

03

Explanation

- (1) Intellectual property rights collectively refers to rights related to creations (e.g. inventions, devices, and copyrighted work), display of products or services (e.g. trademarks and trade names) for sales activities, and technical or sales information useful to sales activities. In Japan, intellectual property rights are classified as follows.

Intellectual Property Rights		Applicable Law	Item Covered	Example
Industrial Property Rights	Patent	Patent Law	Invention	Bearing heat treatment methods
	Utility Model Rights	Utility Model Law	Device	Shapes of seals for bearings
	Design Rights	Design Law	Design	Product design
	Trademark Rights	Trademark Law	Trademark	NSK's corporate logo
Copyrights		Copyright Law	Work	Software, presentation materials, etc.
Trade Secrets		Unfair Competition Prevention Law	Information	NSK's original manufacturing methods handled as secrets in the company

- (2) Trade secrets include technical information, and are classified as follows.
- Any information treated as classified.
 - Any information valuable to business activities.
 - Any information not known to the public.
- (3) “Know-how” refers to information or technical knowledge, etc. necessary for development, production, etc. of products. Although know-how is an important intellectual property, unless it is a trade secret satisfying certain criteria, it is not protected legally. Know-how is not protected as a trade secret in the event it is leaked, so it is important to handle such information carefully.
-

8. Prohibition of Illegal and Criminal Conduct

Personnel must adopt a resolute stance against illegal or antisocial conduct and must not interact with organizations that are engaged in criminal activities or threaten social order and security.

01

Objectives / Background

Personnel must not conduct illegal or antisocial acts, and must not interact with criminal organizations or antisocial groups. In addition, personnel must resolutely refuse unreasonable demands from criminal organizations, etc. and contribute to the establishment of a safe and peaceful society.

02

Compliance Requirements

- (1) Personnel shall not conduct illegal or antisocial acts.
- (2) Personnel shall not interact with criminal organizations.
- (3) Personnel shall confirm in advance if its business counterparties have relations with criminal organizations.
- (4) Personnel shall resolutely refuse unreasonable demands from criminal organizations, both on an individual basis and as an organization.

03

Explanation

Criminal organizations often take the disguise of ordinary companies, citizens, political organizations, etc. when approaching personnel. They sometimes make unreasonable demands under the pretense of a business transaction or request donations pretending to non-profit organizations, etc. In addition, they may take advantage of scandals involving the company or employees to make monetary or other such demands. If a business counterparty appears suspicious, personnel must inquire whether the counterparty is involved in criminal activity by consulting with the police, etc. It is dangerous to attempt to confront criminal organizations as an individual or single department, and those who attempt to do so may find the situation escalate. When contacted by a suspected member of a criminal organization or if a counterparty of a business transaction is suspected of criminal activity, personnel should immediately consult with the General Affairs or Legal Department and the situation should be handled on a company level. The company employs a team of lawyers and maintains strong relations with external organizations, like the police, to respond to such situations. Personnel must not respond to the demands of criminal organizations with ambiguity or give them any reason to believe their demands may be met.



9. Protection of Corporate Assets

Personnel must use corporate assets in an appropriate manner, solely for the purpose of corporate operations, and endeavor to protect such assets. Personnel must avoid the misuse and waste of corporate facilities, equipment, tools, materials, spare parts and network systems.

01

Objectives / Background

Corporate assets should be used solely for corporate operations. Appropriate use and protection of these assets is necessary to ensure proper business operations and to obtain the trust of society.

02

Compliance Requirements

Personnel shall not use corporate assets (e.g. inventory, production facilities, information systems, and fixtures) for private purposes.

03

Explanation

In addition to the desks, chairs, and production facilities, any personal computers, mobile phones, phone lines, and network systems provided by the company for corporate operations all constitute corporate assets. Use of these for private purposes is classed as misappropriation of corporate assets.

Intellectual property rights such as patents, copyrights etc. also belong to the company. The use of NSK brand logos, etc. without permission infringes the intellectual property rights of the company.

Taking corporate inventory, equipment, etc. for purposes other than business operations could be considered theft. In addition, using a corporate car for private purposes may also be treated as a crime.

If personnel notice a superior, colleague, or subordinate committing any such act, they should promptly notify the company via the Whistleblowing System (Compliance Hotline), or other means.



10. Handling of Confidential and Personal Information

Personnel must not obtain confidential information of companies, customers, suppliers, etc. through wrongful means, disclose such information to any third party, nor use for private purposes, including after leaving the company. Personnel must manage personal information appropriately in order to protect privacy.

01

Objectives / Background

Information of the NSK Group and third parties shall be appropriately obtained, managed and used, with great caution taken to prevent leakage of such information. Protection of personal information is required by law. As such, personnel are to handle such information appropriately and prevent damage to individuals.

02

Compliance Requirements

- (1) Handling of Trade Secrets
 - (i) Trade secrets shall be handled appropriately in accordance with internal rules.
 - (ii) Security measures should be taken appropriate to the level of importance of trade secrets, such as limiting access.
 - (iii) Personnel shall not leak or use for private purposes trade secrets obtained through work, including after leaving the company.
 - (iv) Trade secrets disclosed by other companies shall be properly handled in accordance with contracts and internal rules.
- (2) Protection of Personal Information
 - (i) When obtaining personal information, personnel shall inform the individual in question of the purpose of use, and shall use the information solely for the stated purpose.
 - (ii) Personnel shall properly handle personal information in accordance with internal rules.
 - (iii) To use personal information for purposes other than the original intended use, personnel are once again required to obtain the consent of the individual.
 - (iv) When providing personal information to a third party, personnel are required to obtain prior consent of the individual whose personal information will be disclosed.
 - (v) If requested by an individual, personnel are required to disclose any personal information of the individual in the possession of the company, explain the purpose of use, and amend, delete, or cease the use of the information as requested.

03

Explanation

- (1) To prevent leakage of information, it is necessary to properly manage information by means such as limiting access.
- (2) Some information possessed by companies may be legally protected as trade secrets. Obtaining through illicit means, using, or disclosing trade secrets may be considered a crime.
- (3) "Personal information" is defined as information that can identify a specific individual, such as information on business cards, profiles of job applicants, employee information, etc. There are many laws regulating the acquisition and use of personal information around the world, such as the European Union's General Data Protection Regulation (GDPR). Personnel collecting, handling, and managing personal information must ensure they follow all applicable laws and regulations.

11. Relations with Customers

Personnel must always provide high-quality, safe, and secure products and services. Personnel must always commit themselves to fair trade practices, being sincere in attitude and proactively making proposals in order to enhance trust in the NSK brand.

01

Objectives / Background

The NSK Group aims to continue its development as an honest, fair, and trusted organization in local communities and on the international stage. To achieve this objective, personnel must maintain a strong sense of ethics in all business operations in order to ensure that NSK fulfills its responsibility as a global citizen. Accordingly, when conducting sales activities (i.e. interacting with customers), personnel should aim to heighten trust toward the NSK Group by accurately understanding customer needs, actively making proposals to respond to these needs, and offering safe, high quality products and services.

02

Compliance Requirements

- (1) Personnel shall comply with applicable laws and act with high ethical standards.
- (2) Personnel shall be fair and honest in relationships with customers.
- (3) Personnel should utilize the full technical capabilities of the NSK Group when making proposals in response to customers' needs.
- (4) Personnel should offer safe, high quality products and services to customers.

03

Explanation

To continue its development as a trusted company at international and local levels, the NSK Group must conduct its activities in a fair manner. By acting fairly, the NSK Group protects the interests of its customers. To ensure fairness in interactions with customers, the NSK Group complies with laws, including competition laws, which are the basis of a free market economy. Each employee should be sincere in their interaction with customers and maintain high ethical standards.

The NSK Group's customers span a variety of industrial fields including automotive, machine tools, steel, construction equipment, semiconductors, etc., and each has their own different requirements. The NSK Group will continue to secure the trust of its customers by actively proposing solutions that utilize the technological capabilities of the NSK Group in order to offer safe, high-quality products to meet customers' needs. This will allow the NSK Group to continue developing as a trusted organization both locally and internationally.

12. Relations with Suppliers

Selection of suppliers must be based on fair criteria. When conducting business with a supplier, personnel shall comply with relevant laws and treat the supplier as an equal business partner. In addition, personnel shall not solicit nor receive personal profit or benefits using a dominant bargaining position.

01

Objectives / Background

During procurement transactions, the buyer (commissioning entity) possesses a dominant bargaining position. Abusing this dominant position by demanding favors (including personal favors) violates social norms, can damage trust and confidence in the company, and could potentially result in legal sanctions.

Personnel should be aware that they are representing the company when dealing with business partners (including subcontractors, suppliers, etc.). At the same time, personnel are required to strictly comply with applicable laws, and to choose business partners based on fair assessment criteria when conducting procurement transactions. In addition, personnel should ensure that business partners are not involved with antisocial organizations or engaged in illegal acts. It is also important to check whether prospective business partners are involved in environmental conservation activities.

02

Compliance Requirements

- (1) Personnel shall be fair in the selection of subcontractors, suppliers, etc.
- (2) Personnel handling procurement shall always be fair and sincere to suppliers.
- (3) Personnel shall not abuse dominant positions in order to solicit or receive personal benefits.
- (4) If the country where the transaction taking place has laws to protect subcontractors etc., personnel shall comply with such laws when conducting transactions.

03

Explanation

- (1) Japan's Antimonopoly Act prohibits "the abuse of a dominant bargaining position" as an unfair business practice. Abuse of a dominant bargaining position is defined as utilizing a dominant bargaining position to conduct actions unreasonable or illicit in the context of normal business practices. The following conduct, for example, is considered abuse of a dominant bargaining position.
 - (i) Demanding that a subcontractor purchase products or services other than those related to the business transaction in question.
 - (ii) Demanding money, services, or other economic benefits.
 - (iii) Imposing conditions that will be disadvantageous to business partners, such as refusing the receipt of products, returning products, delaying payments, reducing payments, one-sided setting of compensation amount, and forcing re-work.
- (2) Alongside the Antimonopoly Act, the Subcontract Act is part of competition law in Japan. It was enacted to protect small and medium size companies. The Subcontract Act defines the following 4 duties and 11 prohibited acts for commissioning entities. Many actions considered to be violations of the Subcontract Act are also prohibited under the Antimonopoly Act. Accordingly, personnel must always exercise due caution to ensure that transactions do not constitute abuse of a dominant bargaining position, even in cases in which the Subcontract Act is not applicable, such as when dealing with large size companies.

· Duties of Commissioning Entity

- (i) Duty to supply documents
- (ii) Duty to set the date of payment
- (iii) Duty to prepare and preserve documents
- (iv) Duty to pay interest in case of delay in payment

· Prohibited Acts

- (i) Refusing to receive the work done by a subcontractor
 - (ii) Delaying payment
 - (iii) Reducing the amount of payment without reasons attributable to the subcontractor
 - (iv) Returning goods without reasons attributable to the subcontractor
 - (v) Unjustly setting prices at a level conspicuously lower than the price ordinarily paid for the same or similar content of work
 - (vi) Coercing a subcontractor to purchase designated goods or to use designated services except in cases where it is necessary to standardize or to improve the work performed by the subcontractor or where there are other justifiable grounds
 - (vii) Reducing transaction volume, suspending transactions or applying other disadvantages when the subcontractor informs the authorities of a violation of this act
 - (viii) When the subcontractor buys semi-finished goods, parts, accessories or raw materials necessary for the work from the ordering party, without reasons attributable to the subcontractor, deducting all or part of the price of the raw materials, etc. from the amount to be paid, or causing the subcontractor to pay all or a part of the price of the said raw materials, etc. at a time earlier than the date of payment for the subcontracted work
 - (ix) Using a negotiable instrument, which is difficult to redeem by the payment date, as payment
 - (x) Forcing a subcontractor to provide cash, services or other economic benefits
 - (xi) Forcing a subcontractor to change the content of work or to perform re-work after receipt of the work, without reasons attributable to the subcontractor
-

13. Prohibition of Acts Discrediting Competitors

Business must be conducted in accordance with the principles of free and fair competition. Personnel must not unfairly undermine competitors' credibility by disseminating arbitrary information about competitors or their products, including libel, slander, or defamation.

01

Objectives / Background

Damaging the reputation of competitors through defamation or slander, or spreading information regarding competitors' products, etc. that is not based on objective facts could be considered an illegal act that violates the principles of free competition.

02

Compliance Requirements

- (1) Personnel shall not spread misinformation to customers or third parties in an attempt to gain an advantageous position.
- (2) When asked for opinions on matters such as competitors' products from customers, etc., personnel shall convey opinions based on an objective analysis grounded in reliable information.

03

Explanation

Free competition benefits society only when conducted in accordance with laws and regulations, business ethics, etc. Defaming or slandering competitors, or spreading information about competitors' products, etc. that is not based on objective facts in order to gain an unfair advantage over competitors constitutes unfair business practice and could violate the law.



14. Prohibition of Discrimination, Cultivation of a Sound Workplace

Personnel must respect the rights of individuals and shall not unfairly discriminate on the basis of race, appearance, belief, gender, social status, lineage, ethnicity, nationality, age, marital status, physical disability, or other inappropriate reason. In addition, personnel must not engage in acts that are disturbing or threatening to others.

01

Objectives / Background

When conducting business activities globally, it is important for personnel to understand that people have various backgrounds and that the rights of each individual must be respected. It is also important to create a work environment in which all employees can fully utilize their abilities and focus on their work.

02

Compliance Requirements

- (1) Prohibition of discrimination
 - Personnel shall not discriminate on the basis of race, appearance, belief, gender, social status, lineage, ethnicity, nationality, age, marital status, sexual orientation, gender identity, physical disability, etc. when determining working conditions such as hiring, promotion, dismissal, disciplinary action, wages, terms of employment, employee benefits, welfare, etc.
 - Personnel shall not unreasonably request private information from employees.
- (2) Prohibition of harassment
 - Personnel shall not conduct sexual harassment.
 - Personnel shall not conduct power harassment (e.g. abuse of authority).
 - Personnel shall not conduct maternity harassment.
 - Personnel shall not conduct harassment of others for taking childcare leave, caregiver leave, or other such leave.

In addition, personnel shall not engage in any other threatening or hostile behavior that impairs the dignity of individuals or creates an unpleasant workplace environment.

03

Explanation

- (1) "Sexual harassment" is defined as coercion or harassment that places employees at a certain disadvantage or worsens the working environment through use of sexual language or behavior that causes discomfort to others.
- (2) "Power harassment" is defined as coercion or harassment by means other than sexual language, or behavior such as abuse of organizational rules, customs, or position of authority.
- (3) "Maternity harassment" is defined as coercion or harassment of female employees during pregnancy or childbirth, including dismissal/discontinuation of employment, or mental or physical abuse in the workplace.
- (4) "Harassment of others for taking childcare leave, caregiver leave, or other such leave" is defined as behavior preventing employees from utilizing childcare and caregiving related systems. Illicit behavior also includes harassment, dismissal/discontinuation of employment, or suggesting that the use of such systems could lead to other disadvantages.

(5) In addition, personnel shall not engage in any kind of harassment based on sexual orientation, or gender identity that creates an unpleasant workplace environment for others. Sexual orientation is defined as a person's sexual identity in relation to the gender to which they are attracted, or in relation to the preferred gender of sexual partners. Gender identity is defined as a person's perception of having a particular gender.



15. Respect of Fundamental Rights at Work

Personnel must not use forced or child labor. In addition, personnel must comply with all labor laws and respect fundamental rights at work.

01

Objectives / Background

It is important to prevent the abuse of human rights by forced labor and to ensure that children gain proper opportunities for growth and education. In addition, it is important to provide a safe working environment that allows employees to maintain their mental and physical health, ensuring individuals can work with peace of mind and enjoy a lifestyle that meets reasonable standards. For this reason, the dialogue between labor-management should also be maintained and respected.

02

Compliance Requirements

- (1) Prohibition of forced labor
 - Personnel shall explain the content of labor contracts during the hiring process. Labor contracts should be signed with the agreement of both parties.
 - Personnel shall not use forced labor.
 - Personnel shall not prevent employees leaving their job of their own free will.
- (2) Prohibition of child labor
 - Personnel shall not employ those who have not reached the age designated by labor laws.
 - Late night shifts and dangerous or hazardous work by those under the age of 18 shall be restricted.
- (3) Management of Working Hours
 - Personnel shall comply with legally designated working hours, breaks, and rest days.
 - Personnel shall track working hours appropriately.
- (4) Appropriate wages
 - Personnel shall comply with legally designated minimum wages, additional wages for overtime work, etc.
 - Personnel shall provide pay slips to employees in a timely and appropriate manner.
 - Personnel shall not unjustly reduce wages.
- (5) Safe workplaces
 - Personnel shall take and implement appropriate safety measures for machinery and equipment.
 - Personnel shall strive to achieve safe and clean workplaces and facilities.
 - Personnel shall strive to prevent work-related accidents and illnesses.
 - Personnel shall be prepared to respond in the case of an emergency.
 - Personnel shall be careful when conducting physically demanding work.
 - Personnel shall strive to protect the health of employees.
- (6) Labor-management dialogue
 - Personnel shall guarantee the right of employees to directly communicate with management, without fear of retaliation, threats, or harassment.

03

Explanation

- (1) International treaties specify that the minimum age of employment should not be less than the age of completion of compulsory schooling, should not be less than 15 regardless of the above, and that the minimum age for admission to perform work which by its nature or by the circumstances in which it is carried out is likely to jeopardize the health, safety, or morals of young persons should not be less than 18. Accordingly, in Japan, the Labor Standards Act specifies that “An employer should not employ children until the end of the first 31st of March that occurs on or after the day when they reach the age of 15 years”, and also restricts performance of night work and dangerous or harmful jobs by “a person under 18 years of age”.
 - (2) In Japan, the Labor Standards Act specifies general standards for working hours. If there are differences between this act and the company’s rules of employment for working hours, the one most favorable to employees will apply.
-

16. Global Environmental Protection

Personnel must comply with environment-related laws and internal rules. In addition, personnel must be conscious of the effect their work has on the environment, and strive to prevent pollution as well as protect human health and the ecosystem in order to pass on a better environment to the next generation.

01

Objectives / Background

Current human lifestyles, particularly corporate and economic activities, risk damaging the global environment and impacting the livelihood of future generations. For this reason, a variety of laws and economic measures have been enacted to protect the global environment. Personnel should not only comply with these laws, but also pay attention to how their actions affect the environment and strive to protect the global environment during all corporate activities.

02

Compliance Requirements

- (1) Personnel shall establish and operate environment management systems.
- (2) Personnel shall comply with laws and establish internal rules.
- (3) Personnel shall strive to prevent environmental pollution.
- (4) Personnel shall strive to promote global warming countermeasures.
- (5) Personnel shall strive to promote resource conservation and recycling.
- (6) Personnel shall control substances of concern, and refrain from using prohibited substances.
- (7) Personnel shall strive to preserve biodiversity.

03

Explanation

The NSK Group has established an environment management system to promote its global environment protection activities and set targets for conservation, and is conducting a range of initiatives to achieve these targets.

It is important that the NSK Group identifies the environmental laws relevant to its business, responds to the latest revisions in a timely manner, and improves and ensures compliance with its environment-related internal rules.

Day-to-day management is essential in order to prevent environmental pollution.

It is also important to measure and reduce air and water pollution, and to properly treat waste materials. In addition, procedures to minimize damage in the event of an accident should be specified.

When conducting global warming countermeasures, resource conservation and recycling, it is important to develop and popularize environmentally friendly products, and to promote energy conservation and 3R activities (Reduce, Reuse, and Recycle) during the business activities of all divisions, including design, production, sales, management, etc.

For substances of concern, the current usage status should be identified, and these substances should be reduced and controlled accordingly. This includes promotion of green procurement.

Personnel should also pay attention to the preservation of biodiversity.



NSK used environmentally friendly paper and printing methods for this publication.