

Material Issue: Compliance

Basic Philosophy

NSK has formulated the NSK Code of Corporate Ethics and clarified its "NSK Corporate Ethics Policies" and "Code of Conduct Concerning Compliance" with the aim of outlining universal principles for conducting all of the Company's activities in accordance with the NSK Corporate Philosophy. NSK aims to continue developing as a company that is trusted by international society and local communities by adhering to the laws and regulations of each country in its corporate activities around the world, and by taking actions based on high ethical standards as a corporate citizen.

NSK's Efforts to Enhance Compliance

Key initiatives to enhance compliance undertaken to date are as follows.

(1) Strengthening NSK's Compliance Systems

- ① Compliance Committee
NSK established this committee in March 2012 and continues to hold it four times a year.
- ② Global Legal and Compliance Meetings
NSK has held these meetings with the members responsible for compliance from regional headquarters since August 2012. In Fiscal 2017, meetings were held in the United States in June and in Japan in October.
- ③ Compliance Conferences
NSK has held these conferences with the compliance representatives from each division and Group Company in Japan twice a year since December 2012.

(2) Establishing Relevant Regulations & Systems

- Operates a system for examining whether to participate in meetings attended by competitors
- Distributes the "NSK Compliance Guidebook" (revised in 2018)
- Formulates and revises the "Rules for Compliance with the Competition Law," "Operational Rules of Hotline," "Anti-Bribery Standards," "Personal Information Protection Regulations," and "Internal Regulation for Preventing Insider Trading"

(3) Strengthening Education and Awareness Raising Activities

- Regularly distributes the president's message calling for stringent compliance with laws and regulations
- Implements e-learning for officers and employees (twice a year)
- Conducts compliance training at sales divisions, plants, engineering sections and Group companies
- Designated July 26 as "NSK Corporate Philosophy Day"

- Conducts a compliance slogan contest during compliance month (July 26 -August 31)
 - Internally shares compliance violation information
- ### (4) Strengthening Monitoring
- Conducts internal audits of sales divisions relating to Antimonopoly Act compliance
 - Evaluates internal control related to compliance for the NSK Group
 - Conducts a compliance awareness survey for the NSK Group
 - Operates a whistleblowing system (hotline) in each region

Examples of Key Initiatives in Fiscal 2017

(1) Preventing Violations of the Competition Law

To raise awareness of adherence to the Competition Law, training on the Competition Law and compliance was provided to 1,463 people through 106 sessions mainly at sales divisions both in and outside Japan. The required training time was around 90 minutes per person (including compliance training).

(2) Second Year of the "NSK Corporate Philosophy Day"

In order to revisit the lessons learned from the past incident, reconfirm the resolve of all employees that no anti-competitive incident will ever occur again, and to ensure that all employees review the Corporate Philosophy and make it their own code of conduct, the date of July 26 has been designated "NSK Corporate Philosophy Day." On the NSK Corporate Philosophy Day in 2017, the president gave a speech and an outside instructor lectured on reaffirming the corporate philosophy and incorporating it into one's actions. On a subsequent day, the attendees discussed workplace issues related to compliance at each workplace.

(3) Compliance Awareness Surveys

NSK has commissioned an outside survey agency to conduct a compliance awareness survey since 2014 to verify the compliance awareness of its officers and employees. 14,879 respondents including employees from the Company's head office and Group companies in Japan, and 14,014 respondents outside Japan participated in the fourth survey in fiscal 2017. The results of the survey have been reported back to each workplace and effectively used to raise and spread compliance awareness.

▶ NSK Group Compliance System (As of August 2018)

