

NSK Compliance Guidebook 2015

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I Introduction

In March of 2013, we revised the NSK Code of Corporate Ethics Guidebook and renamed it as the “NSK Compliance Guidebook”. This Guidebook was issued with the dual purpose of showing the NSK Group’s commitment to actively pursuing stronger compliance, as well as helping all employees to correctly understand what guidelines they are expected to observe in their daily work. Two years have passed since the first issuance of the NSK Compliance Guidebook, and in the midst of changes in the environment surrounding the NSK Group during that time, related company regulations have been regularly established and revised as appropriate. In order to reflect these changes, we now issue the NSK Compliance Guidebook 2015, with certain content and expressions added and/or revised.

As the global economy has developed in recent years, the effect of corporate activities on society and the environment are becoming increasingly significant. Companies are expected to contribute to the establishment of a safe and affluent society, and to protect the global environment while setting an example of leadership in fulfilling their responsibility to society.

As the NSK Group conducts its business across the world, it is important that we establish good relationships with a variety of people and groups (i.e., stakeholders).

To continue to earn the trust of society, each officer and employee of the NSK Group must comply with the laws and regulations of each country we operate in as well as with international norms. We must make sincere efforts to respond to the expectations of society while maintaining a strong sense of ethics.

This guidebook outlines and explains the “Code of Conduct Concerning Compliance” as featured in the NSK Code of Corporate Ethics, with which all NSK Group officers and employees must comply.

As the head of the Compliance Division HQ, I ask all officers and employees of the NSK Group to use this guidebook as a reference in understanding what society demands and what is expected of each individual member of the NSK Group, translating this awareness into active efforts to enhance compliance.

March 2015
NSK Ltd.
Head, Compliance Division HQ
Yukio Ikemura

II NSK Corporate Philosophy

Mission Statement

NSK aims to contribute to the well-being and safety of society and to protect the global environment through its innovative technology integrating Motion & Control™. We are guided by our vision of NSK as a truly international enterprise, and are working across national boundaries to improve relationships between people throughout the world.

Management Principles

1. To serve our customers through innovative and responsive solutions, taking advantage of our world leading technology.
2. To provide challenges and opportunities to our employees, channeling their skills and fostering their creativity and individuality.
3. To identify the needs of the times and of the future and to use all of NSK's resources to meet those needs by being versatile, responsive and dynamic.
4. To work together with our employees and 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™

Corporate Slogan

Beyond Limits, Beyond Today

Sub Slogans

Beyond Frontiers
Beyond Individuals
Beyond Imagination
Beyond Perceptions
Challenging the Future

III About the NSK Code of Corporate Ethics

The NSK Code of Corporate Ethics, based on the NSK Corporate Philosophy, lays down the fundamental principles which all officers and employees of NSK Ltd. and NSK Group Companies ("personnel") should comply with when conducting business activities.

The NSK Code of Corporate Ethics is comprised of the "NSK Corporate Ethics Policies" and the 16-item "Code of Conduct Concerning Compliance".

This Guidebook explains the objectives, background, etc. of each item listed in the Code of Conduct Concerning Compliance.

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.

1. Objectives / Background

Competition laws worldwide aim to develop a sound economy by promoting fair and free competition in the market and originality, ingenuity, and vitality through competition. As a member of the economic community, NSK is obliged to engage in fair and free competition.

2. Compliance Requirements

- (1) Personnel shall not make arrangements that will affect competition, including agreements with competitors on prices, quantity, customers, and sales channels. Personnel shall not exchange information that might affect competition.
- (2) In principle, personnel should not contact competitors. If personnel need to attend conferences sponsored by customers at which competitors are expected to attend, personnel should attend in compliance with internal rules and avoid contact with competitors wherever possible. When contacting a competitor, personnel shall record information such as date and time, person(s) spoken with, and content of conversations.
- (3) When recording information regarding competitors, personnel shall clarify the sources of the information.
- (4) If personnel notice conduct that violates (or might violate) competition laws, prompt notification should be made via the Whistleblower System (Hotline).
- (5) Personnel shall not restrict the resale prices of distributors or make unreasonable demands by abusing dominant bargaining positions.
- (6) Personnel shall not conduct illegal acts which prevent free competition.

3. Explanation

- (1) A "cartel" is defined as the determination of matters that affect competition with competitors themselves, such as prices, quantity, customers, and sales channels, and this is prohibited by competition laws worldwide. This prohibition includes both explicit and implicit arrangements. When asked to participate in a cartel, personnel should resolutely and clearly express that they will not conduct illegal acts.
- (2) Competition laws in some countries punish exchanges of information that affect competition with competitors. Additionally, when obtaining information related to competitors, personnel should record the sources of the information so that there is no doubt that the information was not 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 worldwide have systems for mitigation and remission of punishment for those who make voluntary confession 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 Whistleblower System (Hotline).
- (5) Restricting distributors' resale prices or making unreasonable demands using dominant bargaining position could violate competition laws worldwide as acts hindering free competition.
- (6) If a violation of a competition law is found, the company may incur significant damage due to administrative punishment (administrative fines, etc.), criminal punishment (fines, etc.), and/or compensation for civil damages. Additionally, individuals involved may face criminal charges such as fines, imprisonment, and so on.

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.

1. 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 storage 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 technology can be traded.

Personnel are required to follow the appropriate procedures for imports and exports in accordance with customs laws and regulations.

2. Compliance Requirements

- (1) Personnel shall not engage in transactions of products that could be used for military purposes, without permission.
- (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.

3. Explanation

- (1) If it is possible that goods or technology offered abroad could be used for military purposes or may be related to arms industries, personnel are required to undergo export screening. In Japan in particular, export of weapons, etc. is prohibited by law.
- (2) Please make sure that goods and technology offered abroad are not restricted by laws related to security export control (hereinafter "Security Export Control-Related Laws"). This procedure is called "classification". If the goods or technology are regulated, the necessary procedures must be taken in order to receive permission for export, etc. The following may be restricted under Security Export Control-Related Laws:
 - Transporting abroad production facilities, maintenance parts, materials, oils and greases, products, prototypes, test items, exhibits, etc.
 - Sending or transmitting abroad design drawings, technological data, manuals, etc.
 - Technical support and technical guidance abroad.
 - Technical training to overseas trainees or people who are temporarily returning to their home countries.
 - Presenting technical information to foreign nationals visiting business locations.
- (3) Regarding restricted goods, technical information related to such goods should also be protected by strict security measures.
- (4) If personnel violate Security Export Control-Related Laws, there is a risk of receiving criminal or administrative punishment (e.g., cancellation of export permits, suspension of exports). Some countries such as the U.S. apply their laws and regulations to other countries, so attention must also be paid to goods which are manufactured in or imported from the U.S.
- (5) The following must be conducted appropriately in accordance with the laws of each country while taking into account the conditions of the country in question: proper classification for nomenclature, import declaration based on proper customs valuations, prompt amended declaration with price adjustments after passing through import custom clearance, application of preferential tariff systems under 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.)

When giving and receiving gifts and entertainment, bribery and any acts 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.

1. 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 of entertainment and/or gifts 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, entertainment/gifts offered not only to public officials but also to executives of private companies are subject to criminal prosecution.

At the same time, it is also a fact that in order to win business it is necessary to build good relationships with customers. All entertainment and gifts provided for this purpose are not necessarily prohibited.

In consideration of the above, when providing entertainment/gifts to other private companies, it is necessary to do so in moderation and within the confines of the law and socially-accepted norms.

2. Compliance Requirements

- (1) Regardless of the amount of money involved, personnel shall not offer entertainment or favors in the expectation of receiving preferential treatment that would be considered illicit or unfair by normal social standards.
- (2) Regardless of the objective, personnel shall not offer excessive entertainment or favors deviating from social norms.
- (3) Personnel shall not receive or request to receive excessive entertainment or favors deviating from social norms.
- (4) In principle, personnel should not provide entertainment or gifts to members of public institutions.

3. Explanation

- (1) In some countries, it is considered a crime to offer favors to officers and employees of private companies with the objective of obtaining specific advantages in return. Favors include not only money but also product orders and entertainment and gifts, such as wining and dining, golf, travel, mahjong, etc. These favors are sometimes offered under the pretext of gratitude for donations or travel expense reimbursement for seminar lecturers.
- (2) Providing entertainment/gifts (e.g., items for sales promotions or monetary gifts for condolence/celebration) to executives of a private company may be necessary within the boundaries of the law and socially-accepted 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/rank 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, entertainment and gifts should be provided only after careful consideration, even if the recipient in question is an executive of a private company.
- (3) When receiving entertainment and gifts from business partners, etc., it is necessary to take care that they are not outside the boundaries of the law or of socially-accepted norms, that they are not excessive, and that they are not received in the expectation of receiving preferential treatment in return that would be considered illicit or unfair by normal social standards. Taking into account entertainment or gifts received when making business judgments such as the selection of suppliers could constitute a breach of trust and may make the personnel in question 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.

1. Objectives / Background

Offering bribes to those in government service such as civil servants, employees of public enterprises, etc. (hereinafter "Civil Servants, etc.") is prohibited by law worldwide. Additionally, many countries such as the U.S., U.K., and Japan have established laws which allow for the punishment of bribery conducted in other countries.

When offering entertainment and gifts to civil servants, etc., there is a risk of being suspected of bribery by the authorities of each country involved. Personnel should take even more care when providing entertainment and gifts to civil servants, etc. than when providing entertainment and gifts to members of private companies.

Additionally, it is necessary to comply with all related laws when making political donations.

2. Compliance Requirements

- (1) Personnel shall not offer bribes to civil servants, etc. Additionally, personnel shall not propose or make the promise of providing bribes. Even when asked for bribes by civil servants, etc., personnel should resolutely refuse.
- (2) To avoid the suspicion of bribery, personnel shall not make dubious expenditures. Regardless of the objective or pretext, personnel should strictly refrain from offering favors including entertainment/gifts.
- (3) When dealing with national government 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 related laws and regulations.

3. Explanation

- (1) Offering benefits to civil servants, etc. with the objective of receiving specific favors in return is bribery. Additionally, in some countries, entertainment, etc. is strictly regulated by ethical codes for civil servants. For this reason, even when it is not treated as 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 be careful whether the executives/employees of such companies are regarded as civil servants or not.
- (2) The U.S. punishes bribery conducted overseas under the U.S. Foreign Corrupt Practice Act (FCPA). Additionally, the U.K. is working to actively apply U.K. law to bribery conducted outside the U.K. 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 such countries as the U.S. and U.K.
- (3) It is also necessary to take care to avoid bribery by third parties such as brokers. When a 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 third party in order to prevent the third party from offering bribes to civil servants, etc.

5. Accurate Recording and Processing

All business activities must be accurately recorded, 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.

1. Objectives / Background

Financial reports contain extremely important information necessary to decision making, and provide shareholders, investors, etc. with information on business performance. It is essential for companies to ensure the reliability of their financial reports in order to maintain and improve the trust placed in it by society. At the same time, inaccurate financial reports could significantly damage the company's reputation and negatively impact stakeholders.

When creating financial reports, it is necessary to properly record and manage corporate activities, including procurement, production and sales etc., in order to eliminate errors and prevent misconduct.

2. Compliance Requirements

- (1) Personnel are required to accurately record and manage information pertaining to the procurement of materials and components, production, distribution, and sales.
- (2) Personnel shall be honest and provide accurate information during external and internal audits and investigations.

3. Explanation

- (1) Financial reports refer to externally released financial statements and the disclosure of information that bears significance on their reliability. Financial reports include consolidated or separate 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 (i.e. J-SOX) to assess and report on a quarterly basis the internal controls in place to ensure the reliability of its financial reports.
- (2) Any documents generated or used for the purpose of business operations must be retained and stored in accordance with "NSK Group Rules on Saving and Retention of Documents". For accounting documents and vouchers, refer to detailed regulations on the management of accounting documents.

6. Prohibition of Insider Trading

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

1. Objectives / Background

Buying and selling of stocks or other securities with the knowledge of undisclosed facts (hereinafter “important facts”) that could influence investment decisions is categorized as insider trading, and is illegal worldwide.

Personnel are not permitted to buy or sell stocks or other securities knowing important facts of the company or of a third party. At the same time, important facts must be properly managed and controlled.

2. Compliance Requirements

- (1) Personnel with knowledge of important facts about the NSK Group or other companies are not permitted to buy or sell stocks or other securities of that company prior to the public release of such information.
- (2) Personnel with knowledge of important facts about the NSK Group or other companies 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 important facts about the NSK Group and other companies.

3. Explanation

- (1) Personnel who trade in stocks or other securities with knowledge of important facts 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 the 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 important facts 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 important facts are prohibited from buying or selling stocks or other securities of the companies in question.
- (3) If personnel convey important facts 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 important facts 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 must 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.

1. 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, where it is necessary to take care to ensure the rights of others are not infringed.

2. Compliance Requirements

(1) Personnel shall protect the inventions, devices, know-how etc. of the company.

- When disclosing information to third parties, issuing news releases, holding 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, and figures).

(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.

3. Explanation

(1) Intellectual property rights is a collective term for 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. Intellectual property rights are classified as the following in Japan.

Intellectual Property Rights		Applicable Law	Coverage of the Rights	Example
Industrial Property Rights	Patent	Patent Law	Inventions	Heat treatment methods of bearings
	Utility Model Rights	Utility Model Law	Devices	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 and materials for presentation at conferences
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 below.

- Any information treated as classified.
- Any information valuable to business activities.
- Any information not know 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 will not be protected legally. Know-how will not be protected as a trade secret in the event it is leaked, so it is therefore important to handle such information carefully.

8. Prohibition of Illegal and Criminal Conduct

Personnel must adopt a resolute stance against illegal conduct and must not interact with organizations that are engaged in criminal operations.

1. Objectives / Background

Personnel must not conduct illegal or antisocial acts, and must fully ensure no relations with criminal organizations such as crime syndicates etc. In addition, personnel must resolutely refuse unreasonable demands from criminal organizations and contribute to the establishment of a safe and peaceful society.

2. Compliance Requirements

- (1) Personnel shall not conduct illegal or antisocial acts.
- (2) Personnel shall not have relations 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.

3. Explanation

Criminal organizations often take the disguise of ordinary companies, citizens or political organizations etc. when approaching personnel. They sometimes make unreasonable demands under the pretense of a business transaction or request donations pretending to be 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 can 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, for just 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.

1. Objectives / Background

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

2. Compliance Requirements

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

3. 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 Whistleblower System (i.e. 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 retirement. Personnel must also manage personal information appropriately in order to protect privacy.

1. 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.

2. 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 retirement.
- (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 the information collection, and shall use the information solely for the stated purpose.
- (ii) Personnel shall properly handle personal information in accordance with internal rules.
- (iii) When using 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 the individual, personnel are required to disclose the individual's personal information to them, notify the purpose of use, and amend, delete or cease the use of the information as requested.

3. Explanation

- (1) To prevent leakage of information, it is necessary to properly handle information by means such as limiting access.
- (2) Some information possessed by companies may be legally protected as trade secrets. Obtaining trade secrets through illicit means could be considered a crime.
- (3) Personal information is defined as information that can identify a specific individual, for instance information on business cards, profiles of applicants for employment, employee information etc. As personal information is legally protected, it must be obtained, handled, and used in the proper manner.

11. Relations with Customers

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

1. Objectives / Background

The NSK Group aims to continue its development as an honest, fair and trusted organization at both the international and national level.

To achieve this objective, personnel are expected to comply with related laws during the course of corporate activities, and to act with a high standard of ethics as a corporate citizen.

Accordingly, when conducting sales activities (i.e. relationships with customers), personnel should aim to heighten the trust toward the NSK Group by accurately understanding customers' needs, actively making proposals to respond to these needs, and offering safe, high quality products and services.

2. Compliance Requirements

- (1) Personnel shall comply with related 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.

3. 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, NSK Group protects the interests of its customers. To ensure fairness in relations 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 relations 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.

These actions will allow the NSK Group to continue developing as a trusted organization at the international and national level.

12. Relations with Suppliers

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

1. Objectives / Background

During procurement transactions, the buyer possesses a dominant bargaining position. Abusing this dominant position by demanding favors (including personal favors) violates social norms and in the worst case, the company may receive societal or legal sanctions. Personnel should be aware that they are representing the company when dealing with business partners. At the same time, personnel are required to strictly comply with related laws, and to choose business partners based on fair assessment criteria when conducting procurement transactions. In addition, personnel should constantly pay attention to ensure that business partners are not related to antisocial organizations or engaged in illegal acts. It is also important to check whether business partners are involved in environmental conservation activities.

2. Compliance Requirements

- (1) Personnel shall be fair in the selection of suppliers.
- (2) Personnel handling procurement shall always be fair and sincere to suppliers.
- (3) Personnel shall not abuse dominant positions in order to demand or receive private 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.

3. Explanation

- (1) The Japanese Antimonopoly Act prohibits the abuse of dominant bargaining positions as an unfair business practice. The following conduct is considered abuse of a dominant bargaining position.
 - (i) Demanding that customers 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, forcing compensation, forcing re-work.

- (2) In Japan, a special law of the Antimonopoly Act called the Subcontract Act, designed to protect small and medium size enterprises, defines the following 4 duties and 11 prohibited acts.

- 4 Duties	- 11 Prohibited Acts
(i) Delivery of documents	(i) Refusing to receive the work done by a subcontractor
(ii) Setting the date of payment	(ii) Delaying payment
(iii) Preparation and preservation of documents	(iii) Reducing the amount of payment without reasons attributable to the subcontractor
(iv) Payment of interest in case of delay	(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 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 difficult to be discounted for 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

Fair business activities must be performed based on the principles of free competition. Personnel must not unfairly undermine competitors' credibility by disseminating arbitrary information about competitors or their products, including libel, slander, or defamation.

1. 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.

2. 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 on reliable information.

3. Explanation

Free competition benefits society only when conducted in accordance with laws and regulations, corporate 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 corporate practice and could violate related laws.

14. Prohibition of Discrimination, Cultivation of a Sound Workplace

Personnel must respect the rights of individuals and must not unfairly discriminate on the basis of race, appearance, belief, gender, lineage, ethnicity, nationality, age, marital status, physical disability, or other inappropriate reason. In addition, personnel must avoid engaging in acts that cause offense to the recipient.

1. 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 business assignments.

2. 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, physical disability, etc. when determining working conditions such as hiring, promotion, dismissal, disciplinary punishment, wages, 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.
- Personnel shall not conduct maternity harassment.

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.

3. 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.

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.

1. 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 ensure a working environment in which employees can work without suffering damage to their mental and physical health, in order to ensure individuals can work with peace of mind and enjoy a lifestyle that meets reasonable standards. For this reason, labor-management dialogue should also be respected.

2. Compliance Requirements

(1) Prohibition of forced labor

- Personnel shall explain the contents 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) Labor hour management

- Personnel shall comply with legally designated labor hours and holidays.
- Personnel shall appropriately record labor hours.

(4) Appropriate wages

- Personnel shall comply with legally designated minimum wages, additional wages for overtime work etc.
- Personnel shall provide salary payment statements to employees in a timely and appropriate manner.
- Personnel shall not unjustly reduce wages.

(5) Safe and sound work places

- Personnel shall take appropriate safety measures for machinery and equipment.
- Personnel shall strive to achieve safe and clean workplaces/facilities.
- Personnel shall strive to prevent accidents and illnesses originating from labor.
- Personnel shall be prepared to respond in the case of an emergency.
- Personnel shall be careful when conducting work with high physical demands.
- Personnel shall pay attention to 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.

3. Explanation

- (1) International treaties specify that the minimum age 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.

1. 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.

2. Compliance Requirements

- (1) Personnel shall establish and operate environment management systems.
- (2) Personnel shall comply with laws and establish internal rules.
- (3) Personnel shall prevent environmental pollution.
- (4) Personnel shall promote global warming countermeasures.
- (5) Personnel shall 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.

3. 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.