

CSR Report 2015



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Editorial Policy

As of fiscal 2015, NSK has decided to publish a CSR Report 2015 (this report) and a CSR Communication Report 2015. In the CSR Report, we seek to present in greater detail than ever before the governance, social and environmental initiatives carried out by the NSK Group. The aim of the CSR Communication Report, on the other hand, is to briefly and simply describe the NSK Group's initiatives, aiming to foster understanding among as many people as possible.

With this CSR Report 2015, care was taken to facilitate understanding of the overall picture and progress of each initiative by including the policy, structure, targets and performance, the activities in fiscal 2014, and data measuring progress. For the CSR Communication Report, please see NSK's website (www.nsk.com > Sustainability > CSR Reports).

Period of Coverage

April 2014 to March 2015.

Activities conducted outside this period are indicated with the inclusion of a date.

Referenced Guidelines

G4 Sustainability Reporting Guidelines by the Global Reporting Initiative (GRI)

ISO 26000:2010 Guidance on Social Responsibility by International Organization for Standardization (ISO)

Environmental Reporting Guidelines (2012 edition) by the Ministry of the Environment of Japan

Scope of Coverage

The report covers all NSK Group sites and plants, both in and outside Japan. For data and information that differs from the scope of coverage above, the scope is separately defined.

The NSK Group and Company Overview

Ever since the invention of the wheel, human creativity has focused on the challenge of achieving smooth, continuous rotation. Today, everything in modern life that moves is the result of progress toward the ultimate goal of friction-free motion with zero energy loss. Focused on “Responsive and Creative MOTION & CONTROL,” at NSK we continue to pursue this ultimate goal. Our work starts with fundamental research and extends through bearings for automotive applications, industrial machinery, precision products and many other fields. The numerous NSK products developed through this pursuit continue to make the world turn, smoothly supporting the dreams of each new era and leading the quest for zero energy loss.

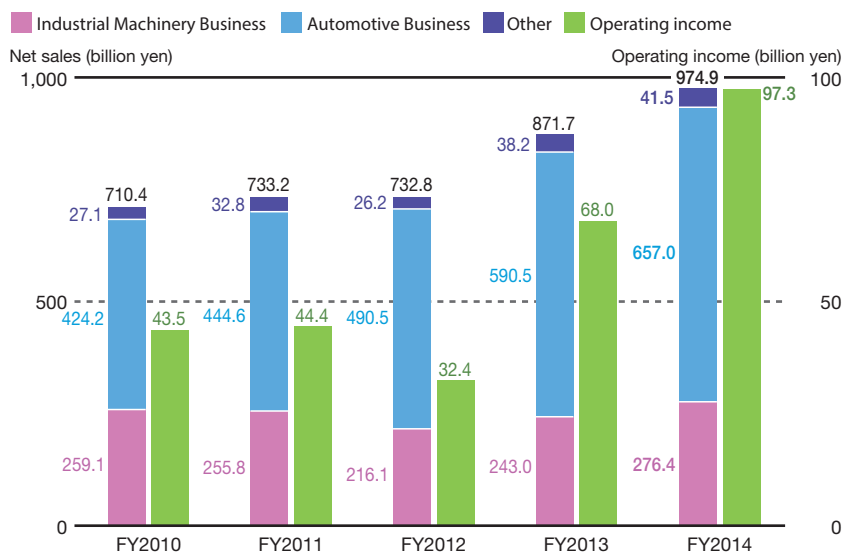
Overview of the NSK Group

Company name	NSK Ltd.
Established	November 8, 1916
Capital	67.2 billion yen*
Group companies	Within Japan: 21* Outside Japan: 72*
Head office	Nissei Bldg., 1-6-3 Ohsaki, Shinagawa-ku, Tokyo 141-8560, Japan
Number of employees (consolidated)	31,088*
Net sales (consolidated)	974.9 billion yen (fiscal year ended March 31, 2015)

* As of March 31, 2015

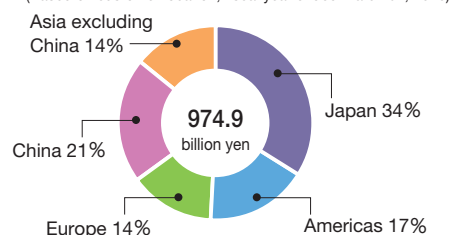
Financial Data

Net Sales / Operating Income (Consolidated)



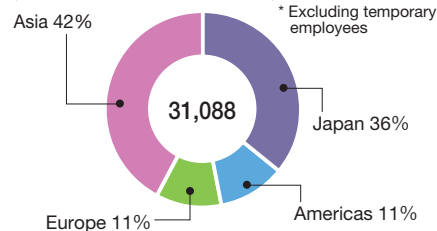
Breakdown of Net Sales, by Region

(Based on customer location; fiscal year ended March 31, 2015)



Breakdown of Employees, by Region

(Consolidated, as of March 31, 2015)



Reference data is available on NSK's website.

www.nsk.com > Investors

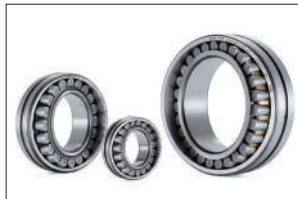
● Financial Highlights

NSK Group Businesses

Industrial Machinery Business

Industrial Machinery Bearings

Bearings reduce friction in the rotating parts of machinery and enable smooth rotation. NSK's bearings are used in a range of products and machines, including home appliances such as vacuum cleaners, railway vehicles such as bullet trains, steelmaking equipment, wind turbines for power generation, large industrial machinery, airplanes, and satellites.



NSKHPS™ Spherical Roller Bearings



Low-Torque, Long-Lasting Grease-Sealed Bearing for Motor Applications

Precision Machinery and Parts

The NSK Group's precision machinery and parts are the core components in the machine tools and industrial robots used to manufacture automobiles, personal computers, and other products. They are also found in equipment used to produce semiconductors and in injection molding machines. The NSK Group's precision machinery and parts play a crucial role on the front-line of manufacturing.



HMS Series Ball Screws for High-Speed Machine Tools



Megatorque Motor™ PB Series

Automotive Business

Automotive Bearings

Some 100 to 150 bearings are incorporated into a single automobile. The NSK Group provides numerous products that support the diverse automotive needs of society, including various bearings used in the engine, transmission, and electrical components as well as the hub unit bearings that support the axle.



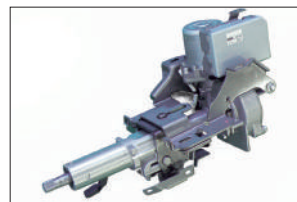
Hub Unit Bearing with High-Reliability Seal



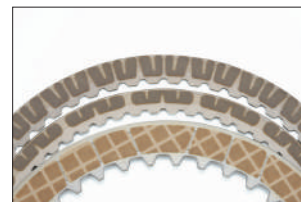
Super Long-Life Planetary Shaft and Cage and Roller

Automotive Parts

The NSK Group's automotive parts include many important components that control forward motion, turning, and stopping in automobiles, such as steering systems that transmit the driver's movement of the steering wheel to the vehicle's wheels, and clutches that are used in automatic transmissions. The Group's products also contribute to automobile safety, comfort, and environmental performance.



Advanced Electric Power Steering for Modular Units



Friction Plates for transmission aiming to increase automobile fuel efficiency

NSK's Four Core Technologies

NSK's Research and Development

For nearly a century since its founding in 1916, NSK has focused efforts on R&D, developing new technologies and raising product quality. Having grown into a leading company in the fields of bearings, automotive products, and precision machinery and parts, NSK's technological capabilities are based on four core technologies: tribology, material engineering, analysis technology, and mechatronics.

Tribology

Tribology is a technology that controls friction and wear of sliding surfaces in relative motion. This is a key technology for bearings that support rotational or linear motion applications. The principle of bearings traces its origin to ancient Mesopotamia, where gigantic stones were transported with relative ease by placing logs underneath them.



Material Engineering

Materials play a key role as technologies that affect the performance of products. Optimal compositions and heat treatment processes under optimal conditions for metal and high polymeric materials, as well as the utilization of ceramics technologies, are key contributors to increasing the durability, reliability, and performance of bearings.



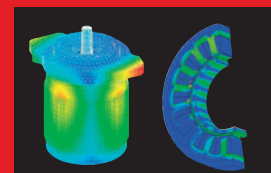
Analysis Technology

NSK uses computer simulations to test and assess the performance of bearings in virtual environments. Taking advantage of advanced analysis technology enables the Company to assess performance in extreme conditions, under which testing in actual machinery is difficult. This helps to speed up the creation of optimal designs and product development for bearings.



Mechatronics

NSK has honed proprietary mechatronics technologies that fuse control technologies with mechanical technologies—which the Company has fostered through product development and at production sites—and motor, sensor, and circuit technologies. Mechatronics contribute to the development of new products by giving NSK's products movement, and creating new functions and performance.



NSK Group Sites Worldwide (as of March 31, 2015)

Americas

	Production sites	Sales sites	Representative offices	R&D centers	Headquarters
United States	7	10		1	1
Canada		3			
Mexico	1	1	1		
Brazil	1	5		1	
Peru		1			
Argentina		1			
Sub-total	9	21	1	2	1

Europe, Middle East and Africa

	Production sites	Sales sites	Representative offices	R&D centers	Headquarters
U.K.	4	2		1	1
Germany	1	2	2	1	
France		1			
Italy		1			
Netherlands		1			
Spain		1			
Poland	4	3		1	
Russia		1			
Turkey		1			
United Arab Emirates		1			
South Africa		1			
Sub-total	9	15	2	3	1

Asia and Oceania

	Production sites	Sales sites	Representative offices	R&D centers	Headquarters
Japan	22	36		6	1
China	12	18	1	1	1
Taiwan		6			
Korea	2	2		1	
Singapore		2			1
Indonesia	3	2			
Thailand	2	3		1	
Malaysia	2	4			
Philippines			1		
Vietnam		1	1		
India	4	8			1
Australia		4			
New Zealand		1			
Sub-total	47	87	3	9	4

Headquarters 6 in 6 countries

Sales sites 123 in 29 countries

Representative offices 6 in 5 countries

Production sites 65 in 13 countries

R&D centers 14 in 9 countries



Reference data is available on NSK's website.

www.nsk.com >Company > Global Network

● Global Network

The NSK Group's CSR

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 technologies.
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

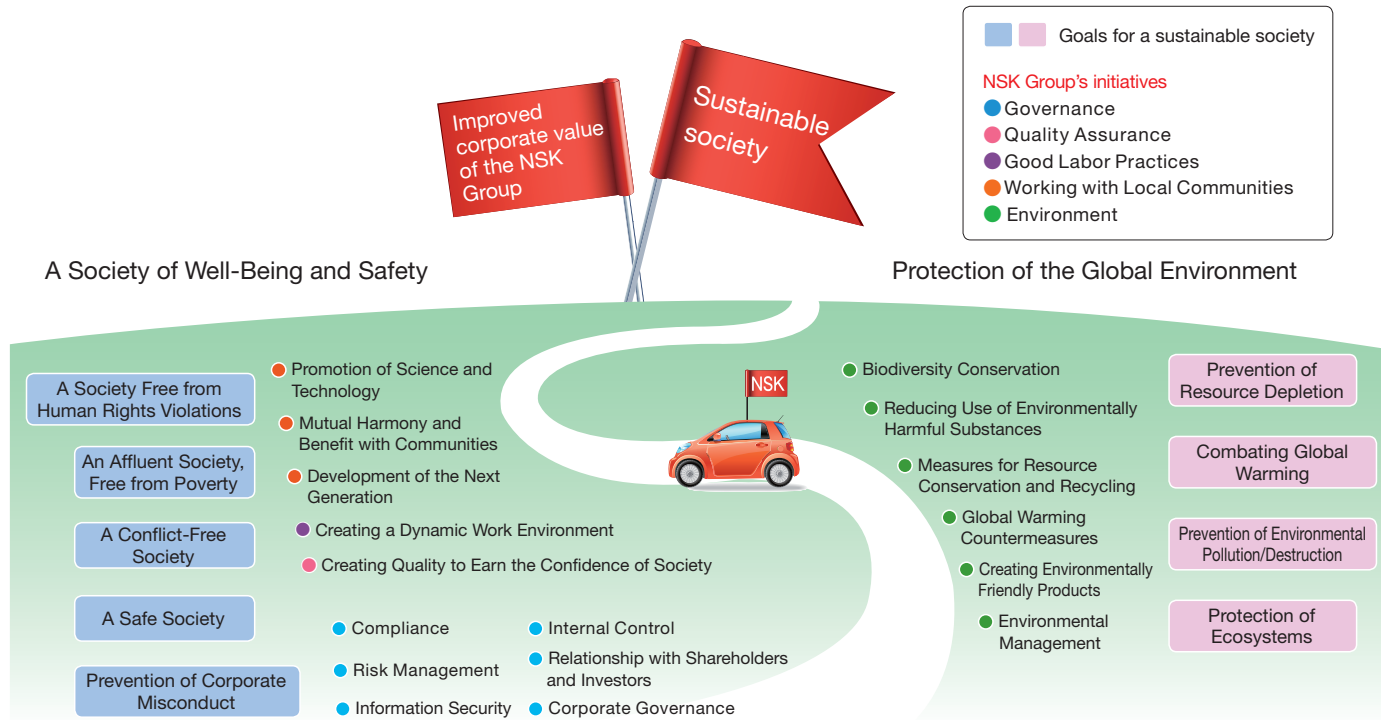
Sub Slogans

- Beyond Frontiers
- Beyond Individuals
- Beyond Imagination
- Beyond Perceptions
- Challenging the Future

The NSK Group's View of CSR

NSK's Mission Statement makes clear the Group's commitment to contributing to the development of society and to the protection of the global environment, and NSK's Management Principles set the course to realizing these goals.

The NSK Group's products have the special characteristic of aiding the smooth functioning of a wide range of machinery, and they support the reliability, safety, and energy efficiency of the machines into which they are incorporated. The NSK Group regards its fundamental corporate activity as contributing to smoothly running, safe societies, protection of the global environment, and the realization of sustainable societies through the supply of those products—that is, through the Group's main business. The NSK Group aims to achieve greater corporate value and sustainable growth by ensuring that all directors and employees are firmly committed to the Group's purpose and by making sincere efforts to contribute to business growth and society by taking the perspective of customers and other stakeholders.



Reference data is available on NSK's website.

www.nsk.com > Company > Vision & Philosophy

● Vision & Philosophy

The NSK Group's Stakeholders

The NSK Group's business is built on the trust of a variety of stakeholders. The NSK Group believes that active communication is the key to building better relationships with its stakeholders. The Group is also striving to build a corporate culture in which each site, each department, and each and every officer and employee recognizes the needs of stakeholders and the broader society and can reflect those needs in their own everyday work.



Message from the President

Leveraging the Art of Manufacturing to Achieve Greater Growth

Toshihiro Uchiyama

President and Chief Executive Officer,
NSK Ltd.




Building a Stronger Business Foundation

The Final Year of Our Fourth Mid-term Management Plan

In fiscal 2014, the intermediate year of our Fourth Mid-term Management Plan, we achieved record highs for net sales and operating income, surpassing the numerical targets of the plan a full year ahead of schedule. This strong performance was attributable to growth in our electric power steering business and effective cost reduction measures, as well as a boost from external factors such as demand growth driven by the gradual economic recovery, and the weak yen.

Fiscal 2015 is the third and final year of our current mid-term management plan. As an even more important goal than our numerical targets, we will press ahead with measures to increase our fundamental capabilities in sales, technology, production, and management, all of which underlie our success in sales and income.

Going forward, we will step up our efforts to realize the plan's overarching vision of "establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion."

Contributing to the Well-Being and Safety of Society and Protecting the Global Environment

Environmentally Responsible Prosperity

The abnormal weather occurring across the world in recent years, including devastating typhoons, unprecedented torrential rainfall, droughts and subsequent crop damage, large-scale forest fires, and record-breaking cold and heat waves, indicates that climate change due to global warming presents real risks. Meanwhile, the human pursuit of materially abundant lifestyles is growing stronger, economic activity is increasing, and emissions of carbon dioxide and other greenhouse gases continue to rise. It is becoming more important than ever for companies to help preserve a healthy global environment as they work to sustain social development.

It is in this context that we see worldwide upgrades to social infrastructure and new technology development taking place—all efforts to secure social progress and ensure environmental protection. For instance, many of the world's countries are developing environmentally friendly transportation infrastructure, including urban railway networks such as subways and elevated railroads as well as the construction of high-speed railways connecting major cities. Additionally, self-driving vehicle technology developed by automakers and IT companies has reached the pilot stage. What's more, a fuel-cell car that converts the energy of hydrogen into electricity through a chemical reaction that does not emit carbon dioxide while driving was commercially released in Japan in December 2014.

Developments like these lead to the creation of things that never existed before, through greater sophistication and integration of materials as well as mechanical, electronic, and information technologies. They suggest the growing potential to bring innovation to people's lives, local communities, and global society.

Leveraging the Art of Manufacturing to Achieve Greater Growth

NSK has declared in its corporate philosophy a commitment to fostering social progress by aiming to contribute to the well-being and safety of society and protect the global environment through business operations based on innovative technology integrating MOTION & CONTROL™. Accordingly, NSK has steadily carried out initiatives befitting a quality-driven manufacturer.

For example, NSK has provided high-performance railway axle bearings since the Shinkansen bullet train first went into operation in 1964. These bearings had to provide outstanding reliability and the ability to perform at high speeds, while, over time, getting smaller and lighter. In recognition of superior performance in these areas, NSK bearings were adopted for the Hokuriku Shinkansen, which went into service in March 2015.

Responding to the needs of automakers, we have repeatedly made improvements to the features, quality, and costs of our various products, including bearings, parts for automatic transmissions, and steering systems. Meanwhile, on our manufacturing floors, we have achieved virtually all of the goals set out in our Environmental Voluntary Action Plan, making steady progress with improvements to equipment, processes, and methods, as well as saving energy and recycling.

The NSK Group aims to leverage the art of manufacturing to achieve even greater growth. We are determined to stay on the path of constant development by delivering new technologies, products and services. Toward that end, we will first of all make sure that NSK's existing product lines meet the needs of customers and the market. We will pay close attention to the applications, machinery, equipment and systems in which our products are used and work proactively to develop and market functions that provide increased value. In doing so, we hope to exceed the expectations of customers and to bring to the world new technologies and products that best fit latent end-user needs. Ultimately, our goal is to help realize a safe, convenient and comfortable society while reducing environmental impact.

First and foremost, I want to ensure that NSK stays true to the Company's essence over the last century—namely an unwavering commitment to the art of manufacturing, to quality, to our people, to our customers, and to the needs of all stakeholders. Looking ahead, these commitments will continue to drive our future business development.

NSK Vision 2026, Our New Roadmap

Beyond Our 100th Anniversary in 2016

NSK will celebrate its 100th anniversary in November 2016. Since its foundation as Japan's first bearing manufacturer in November 1916, the Company has contributed to the development of society by providing machine components such as automotive components and precision machinery and parts, with a primary focus on bearings.

As we celebrate this significant milestone, we will look back on the path that we have traveled, while casting an eye to the century that lies ahead. By doing so, we will endeavor to meet the expectations of all stakeholders and to secure further growth. With this in mind, NSK has created NSK Vision 2026 as its overarching roadmap to the future. The vision encapsulates the aspirations of each and every officer and employee to set the future in motion—not only for the Company but also for people's lifestyles and society as a whole.

In line with the NSK Vision 2026, the entire NSK Group will work as one to create even greater value than in the past, thereby contributing to the development of our customers and society, and securing the sustainable growth of the NSK Group. Looking to the future, I would like to express my sincere appreciation for the continuing support of all of our stakeholders.

NSK Vision 2026

SETTING THE FUTURE IN MOTION

**We bring motion to life, to enrich lifestyles,
and to build a brighter future.**

**Dedicated to uncovering society's needs, we set ideas
in motion to deliver solutions beyond imagination.**

We're NSK.

And, we're setting the future in motion.

Conclusion

In the CSR Report 2015, we have striven to improve our disclosure in terms of both information quality and quantity, aiming to respond to the social trend requiring publication of greater information on governance as well as social and environmental aspects of business. I hope that this report helps to foster even better communication with our stakeholders. We welcome your candid feedback on this report and on the activities of the NSK Group.



Reference data is available
on NSK's website.

www.nsk.com > Investors > IR Events

● Release of Mid-term Plan(FY'13-FY'15)

www.nsk.com > NSK is Turning 100 > NSK VISION 2026

● NSK VISION 2026

www.nsk.com > Sustainability > 2015 CSR Report Questionnaire

● Questionnaire

Fiscal 2014 CSR Activity Performance and Fiscal 2015 Targets

Category	FY2014 target
Management Structure Supporting Sustainable Growth	
Corporate governance	<p>Strengthen corporate governance</p> <ul style="list-style-type: none"> Continue to enhance and accelerate dissemination of NSK Group rules Respond to anticipated evolution of society's expectations
Risk management	<p>Verification of risk management systems</p> <ul style="list-style-type: none"> Conduct internal audits of finance, purchasing and compliance based on regional risk assessment in the Americas, Europe, China, and ASEAN Visit all global sites to conduct compliance audits Establish the group internal audit standards
	<p>Development of group crisis management systems</p> <ul style="list-style-type: none"> Develop crisis management systems, based on the Group crisis management standards, focusing on organizational structure <p>Measures for disasters (Measures to deal with the risk of large-scale earthquakes in Japan)</p> <ul style="list-style-type: none"> Implement measures to deal with issues to ensure BCP (head office and business sites) Verify and revise BCP effectiveness through training (continual production phase mainly at the head office, initial response phase at business sites)
	<p>Measures against risks associated with procurement</p> <ul style="list-style-type: none"> Continued to develop replacements for parts Update data on supply chain risk items Promote establishment of BCP of suppliers
Compliance	<p>Continue to provide rank-based training on compliance</p> <p>CSR Procurement</p> <ul style="list-style-type: none"> Continue to make the NSK Supplier CSR Guidelines widely known to gain understanding of suppliers Distribute the revised NSK Supplier CSR Guidelines in China and ASEAN, and implement surveys using the Self-Assessment Check-Sheets Conduct supplier surveys concerning conflict minerals and respond to customer surveys <p>Security Export Strengthen cooperation between relevant departments to improve operation quality for international trade in general, and set up a website for general trade operations</p>
Relationship with Shareholders and Investors	
Information disclosure	<ul style="list-style-type: none"> Enhance dialogue with investors and analysts concerning the Fourth Mid-term Plan, business environment, governance and non-financial topics Strengthen IR initiatives for individual investors
Creating Quality to Earn the Confidence of Society	
Quality	Improve the level of the self-audit system for heat treatment processes
Customer satisfaction	Promote maintenance service provision and operation standardization
	Enhance e-learning training and expand training support tools
Creating a Dynamic Work Environment	
Basic labor rights	Enhance human rights training
Safe and healthy workplaces	Continue to develop further risk assessment
Self-motivated employees	Continue holding the Global Management College
Working with Local Communities	
Social contributions targeting community development	Continue awareness building efforts in priority areas for social contribution
	Improve the NSK Group Social Action Program intranet booklet
Environmental Voluntary Action Plan	
System for promoting environmental protection initiatives	<ul style="list-style-type: none"> Maintain ISO 14001 certification at all subject sites Obtain certification within three years of starting full-scale operations
	<ul style="list-style-type: none"> Zero instances in which emissions standards are exceeded Zero instances of oil and other leakage-related environmental accidents
Environmentally friendly products and services	Create environmentally friendly products and technologies
Initiatives for saving energy and controlling CO ₂ emissions	<p>Manufacturing In/outside Japan: Reduce CO₂ emissions per production unit by 3% (base year: FY2011)</p> <p>In Japan: Reduce CO₂ emissions to no more than FY2011 level</p>
	<p>Distribution In Japan: Reduce CO₂ emissions per ton-kilometer by 3% (base year: FY2011)</p>
	<p>Development/Design/Manufacturing In Japan: Continue to reduce waste of resources by changing machining processes</p> <p>Manufacturing In Japan: Maintain zero emissions (landfill disposal rate no more than 0.01%)</p> <p>In Japan: Achieve a waste recycling rate of 99.99% or more</p> <p>Outside Japan: Achieve a waste recycling rate 97.7% or more</p> <p>In Japan: Reduce industrial waste emissions per production unit by 20% or more (base year: FY2011)</p> <p>In/outside Japan: Reduce water withdrawal per production unit by 3% (base year: FY2011)</p>
Initiatives for optimal use of resources	<p>Distribution In Japan: Reduce packaging material waste per production unit by 7% (base year: FY2007)</p>
	<p>Procurement Conduct on-site audits at key suppliers</p> <p>Investigate status of NSK List of Environmentally Harmful Substances at suppliers</p>
System for optimal management of environmentally harmful substances	<p>Manufacturing In Japan: Reduce handling of PRTR-designated substances per production unit by 19% from FY2011</p> <p>In/outside Japan: Completely phase out use of machining fluids containing chlorine additives</p>
	<p>Biodiversity preservation</p> <ul style="list-style-type: none"> Perform impact assessment and determine issues to address Develop initiatives for preserving biodiversity through social contribution activities

Performance in FY2014	Evaluation	FY2015 target	Page
<ul style="list-style-type: none"> Strengthened corporate governance in response to the Japan's Corporate Governance Code Enhanced and accelerated dissemination of NSK Group rules corresponding to social demand and changes in internal management systems 	▲	Strengthen corporate governance <ul style="list-style-type: none"> Strengthen corporate governance structures to ensure fair and transparent decision-making by considering stakeholders' positions 	
<ul style="list-style-type: none"> Conducted internal audits of finance, purchasing and compliance based on regional risk assessment in the Americas, Europe, China, and ASEAN Visited all global sites to conduct compliance audits Continued to develop the group internal audit standards (June 2015) Held the 2nd global internal audit conference (June 2015) Started to develop crisis management systems, based on the Group crisis management standards, focusing on organizational structure	●	<ul style="list-style-type: none"> Conduct internal audits of finance, purchasing and compliance based on regional risk assessment in the Americas, Europe, China, and ASEAN Conduct audits on group governance systems of regional headquarters Visit all global sites to conduct compliance audits Issue and distribute group internal audit standards Materialize crisis management systems and clarify management cycles, based on the Group crisis management standards	pp. 10-15
(Measures to deal with the risk of large-scale earthquakes in Japan) <ul style="list-style-type: none"> Implemented measures to deal with issues to ensure BCP (head office and business sites) Verified and revised BCP effectiveness through training (continual production phase mainly at the head office, initial response phase at business sites) 	●	(Measures to deal with the risk of large-scale earthquakes in Japan) <ul style="list-style-type: none"> Implement measures to deal with issues to ensure BCP (head office and business sites) Verify and revise BCP effectiveness through training (Expansion of scopes of continual production phase at production sites and initial response phase at business sites) (Risks associated with disasters at outside Japan sites) <ul style="list-style-type: none"> Identify group-wide severe disaster risks Implement measures to minimize damages from severe disaster risks 	
<ul style="list-style-type: none"> Continued to develop replacements for parts Update data on supply chain risk items Expand BCP measures to suppliers (guidance for BCP creation) 	●	<ul style="list-style-type: none"> Continued to develop replacements for parts Visualize global supply chain data Develop supply chain disaster response system Continue to expand BCP measures to suppliers 	
<ul style="list-style-type: none"> Held trainings in the form of discussion mainly for employees of sales department. The trainings were held 76 times for Japanese employees and 32 times for non-Japanese employees, and 932 employees and 629 employees participated, respectively Provided e-learning to officers and employees 	●	<ul style="list-style-type: none"> In/outside Japan: Expand categories of who receives compliance training and enhance training content Reflect the results of compliance awareness survey in the content of training programs 	
<ul style="list-style-type: none"> Continued to make the NSK Supplier CSR Guidelines widely known to gain understanding of suppliers Distributed the revised NSK Supplier CSR Guidelines in China and ASEAN, and implemented surveys using the Self-Assessment Check-Sheets Conducted supplier surveys concerning conflict minerals and respond to customer surveys 	●	<ul style="list-style-type: none"> Distribute the "NSK Supplier CSR Guidelines" in Occidental countries Improve activities using the "NSK Supplier CSR Guidelines" and the "Self-Assessment Check-Sheets" Continue to conduct and respond to conflict minerals surveys (supply chain surveys, response to customer's surveys) 	pp. 16-20
Launched a website on security export control	▲	Improve technical intelligence management systems for production plants	
<ul style="list-style-type: none"> 365 individual meetings, three investors conferences, 38 small meetings with the President & CEO, and 47 overseas IR tours were held to enhance dialogue with investors Expanded ESG information in the Annual Report A total of 480 investors participated in five briefing sessions for individual investors 	●	<ul style="list-style-type: none"> Continue to enhance dialogue with institutional investors, analysts and individual investors Disclosure based on the Japan's Corporate Governance Code Establishment of the next Mid-term Plan, and revision and disclosure of the public announcement 	pp. 21-22
Improved the level of the self-audit system for heat treatment processes	●	Start operating self-audit systems for special processes besides heat treatment	
Standardized operating processes in safety, quality and improvement, and operated stably at maintenance sites	●	Improve maintenance quality and enhance customer value by focusing on development of human resources	pp. 23-27
Conducted e-learning trainings with a focus on ASEAN countries and China	▲	Enhance education systems for technical support staff	
Continued providing human rights training through e-learning	●	Provide human rights training	
Started Safety Assessor trainings to strengthen risk assessment from designing phase	▲	Strengthen health and safety initiatives globally	pp. 28-36
Held the 4th Global Management College	●	Strengthen development of regional management personnel and global human resources	
Conducted awareness building activities through training and education	●	Continue awareness building efforts in priority areas for social contribution	
Distributed NSK Group Social Action Program intranet booklet (Japanese/English) to all business sites	●	Continue to share information on initiatives among business sites	pp. 37-38
<ul style="list-style-type: none"> Maintained certification at all 63 subject sites Three sites obtained certification 	●	<ul style="list-style-type: none"> Maintain ISO 14001 certification at all subject sites Obtain ISO 14001 certification within three years of starting full-scale operations at a site 	pp. 39-42
<ul style="list-style-type: none"> Number of instances in which emissions standards exceeded; Japan: 1 (oil), EU: 2 (VOC) Zero instances of oil and other leakage-related environmental accidents 	●	<ul style="list-style-type: none"> Zero instances in which emissions standards are exceeded Zero instances of oil and other leakage-related environmental accidents 	
Created 12 environmentally friendly products	●	Create environmentally friendly products and technologies	pp. 43-45
In Japan: Reduced CO ₂ emissions per production unit by 10.2% (base year: FY2011) Outside Japan: Reduced CO ₂ emissions per production unit by 28.3% (base year: FY2011)	●	In/outside Japan: Reduce CO ₂ emissions per production unit by 4% (base year: FY2011)	
In Japan: Reduced CO ₂ emissions by 3.1% (base year: FY2011)	●	In Japan: Reduce CO ₂ emissions to no more than FY2011 level	pp. 46-49
In Japan: CO ₂ emissions per ton-kilometer increased by 1.9% (base year: FY2011)	×	In Japan: Reduce CO ₂ emissions per ton-kilometer by 4% (base year: FY2011)	
In Japan: Reduced waste of resources by changing machining processes	●	In Japan: Continue to reduce waste of resources by changing machining processes	
Maintained zero emissions (landfill disposal rate was 0.001%)	●	In Japan: Maintain zero emissions (landfill disposal rate no more than 0.01%)	
In Japan: Recycling rate was 99.999% Outside Japan: Recycling rate was 94.5%	●	In Japan: Achieve a waste recycling rate of 99.99% or more Outside Japan: Achieve a waste recycling rate 99.0% or more	pp. 50-52
In Japan: Reduced industrial waste emissions per production unit by 29.8% (base year: FY2011)	●	Japan: Reduce industrial waste emissions per production unit by 32% or more (base year: FY2011)	
In Japan: Reduced water withdrawal per production unit by 25.2% (base year: FY2011) Outside Japan: Reduced water withdrawal per production unit by 23.2% (base year: FY2011)	●	In/outside Japan: Reduce water withdrawal per production unit by 4% (base year: FY2011)	
Reduced packaging material waste per production unit by 16.1% (base year: FY2007)	●	In Japan: Reduce packaging material waste per production unit by 8% (base year: FY2007)	
In Japan: Conducted on-site audits at 44 key suppliers Investigated status of NSK Environmentally Harmful Substances at 322 suppliers Outside Japan: Conducted on-site audits at 12 key suppliers Investigated status of NSK List of Environmentally Harmful Substances at 209 key suppliers	●	<ul style="list-style-type: none"> Conduct on-site audits at key suppliers Investigate status of NSK List of Environmentally Harmful Substances at suppliers 	pp. 53-55
In Japan: Reduced handling of PRTR-designated substances per production unit by 24.4% from FY2011	●	In Japan: Reduce handling of PRTR-designated substances per production unit by 25% from FY2011	
Two types of oil solution (Japan: 1, Outside Japan: 1) have not been phased out yet	×	In/outside Japan: Completely phase out use of machining fluids containing chlorine additives	
Japan: Completed at all plants Initiatives: two sites planned, one site implemented	▲	Develop initiatives for preserving biodiversity through social contribution activities	pp. 56-57

Chapter 1

Governance

- ▶ Corporate Governance
- ▶ Risk Management
- ▶ Compliance
- ▶ Relationship with Shareholders and Investors

▶ Corporate Governance

Basic Approach

NSK regards corporate governance as a structure that enables the operational organizations to realize efficient and fair management under the supervision of the Board of Directors. The Corporate Governance Rules, which are part of NSK's in-house regulations, articulate the basic approach to and framework of corporate governance at the NSK Group.

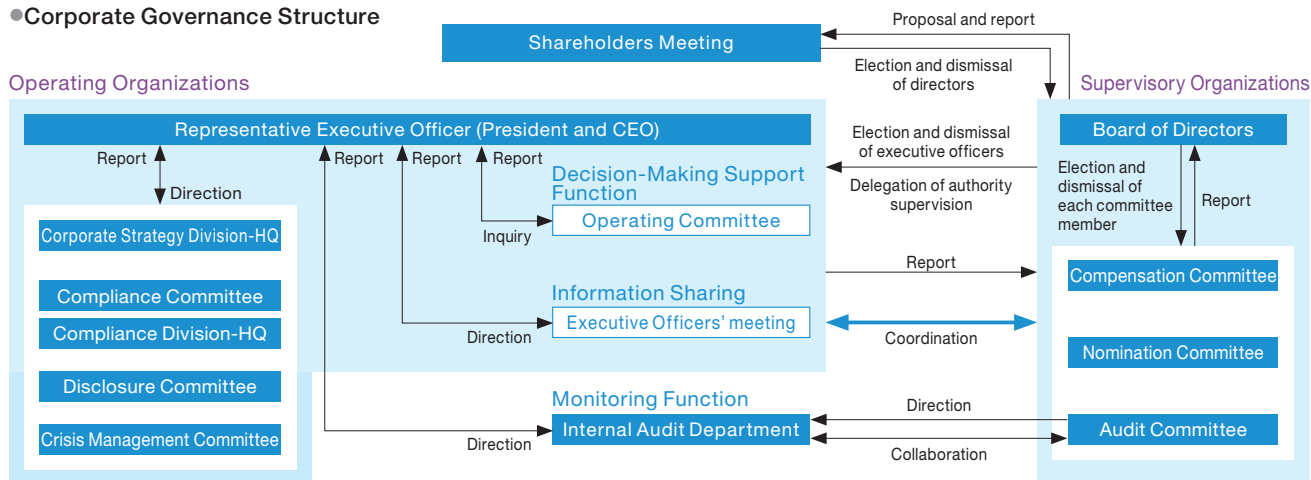
NSK's efforts to strengthen corporate governance are based on the following four policies.

- (1) Improve management flexibility by delegating more authority from the Board of Directors to operational organizations;
- (2) Ensure the supervision of the operational organizations by the supervisory organizations by separating the former and the latter;
- (3) Strengthen the supervision of the operational organizations by the supervisory organizations through close coordination between the former and the latter; and
- (4) Increase management fairness by strengthening the compliance system.

Corporate Governance Structure

NSK operates under a "company with nomination committees, etc." system in which executive and supervisory roles are clearly defined, with the aim of maintaining and enhancing management soundness and transparency. For the operating organizations, the CEO makes final management decisions, and the executive officers appointed by the Board of Directors oversee the specific operational functions under the direction of the CEO.

Corporate Governance Structure



Effectiveness of the Supervisory Function

The Board of Directors is defined as the organization that makes decisions regarding important management matters, such as basic management policies, and serves as a supervisory body for the operating organizations. In order to strengthen this supervisory function, NSK established the Audit Committee, Compensation Committee and Nomination Committee, each of which comprises a majority of independent directors.

Board of Directors

NSK's Board of Directors consists of 12 directors. As of July 2015, the makeup of the Board of Directors is as follows.

- Executive directors: 6
- Non-executive directors: 2
- Independent directors: 4

The chairperson of the Board of Directors is nominated by a one-third consensus of the Board.

Two vice-chairpersons are elected by the Board of Directors, and one of them is required to be an independent director.

In the fiscal year ended March 31, 2015, the Board of Directors met 10 times, with a 97.5% attendance rate on the part of independent directors.

● Policy Regarding the Appointment of Directors

NSK's Board of Directors is expected to fulfill a supervisory function over management in light of the actual conditions of business. For this reason, director candidates are required to have deep knowledge of general business management or of NSK's business, as well as deep insight into corporate governance and other specialized fields. A good balance of persons who can contribute to NSK's sustainable development is appointed to the Board of Directors.

● Supplementary Requirements Regarding the Independence of Independent Directors

One criterion for appointment as an independent director is that candidates have no special relationship with NSK's management team or principal shareholders and are at no risk of having a conflict of interest with general shareholders. When making appointments, the Company also checks to make sure candidates will be able to secure enough time to fulfill their duties as NSK directors in accordance with company rules.

Each NSK independent director meets this criterion relating to independence established by the Company as well as independence criteria established by the Tokyo Stock Exchange, and each has been reported to the Tokyo Stock Exchange as an independent officer.

Criteria for Independence of Independent Directors

The following persons are ineligible to become independent director candidates of NSK Ltd.(NSK).

- 1) Persons holding positions at a company which constituted 2% or more of the previous year's consolidated sales of NSK, or persons who held such a position until recently.
- 2) Persons holding positions at a company which made 2% or more of its previous year's consolidated sales to NSK or a subsidiary of NSK, or persons who held such a position until recently.
- 3) Persons holding positions at a financial institution which NSK relies on for funding, or persons who held such a position until recently.
- 4) Consultants, accounting or legal professionals receiving significant financial compensation in addition to compensation for the NSK independent director position, or persons who held such a position until recently.
- 5) Persons belonging to a company or organization which held 10% or more of NSK's total stock at the end of the most recent financial reporting period, or persons belonging to such a company or organization until recently.
- 6) Persons belonging to a company or organization of which NSK holds 10% or more of the total shares outstanding at the end of the most recent financial reporting period, or persons belonging to such a company or organization until recently.
- 7) Relatives within the second degree, or family members living in the same household as persons specified in items 1) to 6) (excluding non-key posts). ("Key posts" are generally assumed to refer to executive or senior managers of relevant companies or trading partners, chartered public accountants belonging to relevant audit firms, and legal professionals belonging to relevant legal firms.
- 8) Persons who hold executive positions at NSK or a subsidiary of NSK, or relatives within the second degree or family members living in the same household of persons who held such positions until recently.

The wording "recently" in the items above shall be assumed to be a period of three years or less from the date NSK elects directors.

● Compensation Committee

The Compensation Committee consists of three people: one internal director and two independent directors. The Compensation Committee decides the compensation policy and individual compensation values for directors and executive officers.

In the year ended March 2015, the Compensation Committee was convened four times. The attendance rate for independent directors was 100%.

● Policy Regarding Officer Compensation

Compensation for NSK's officers consists of fixed remuneration, performance-based remuneration, stock options, and retirement pay, with a view toward longer-term incentives, and is decided separately as compensation for directors and compensation for executive officers.

● Nomination Committee

The Nomination Committee consists of three people: one internal director and two independent directors. The Nomination Committee decides on the appointment and dismissal of directors.

In the year ended March 2015, the Compensation Committee was convened four times. The attendance rate for independent directors was 100%.

● Audit committee

The Audit Committee consists of three people: one internal director who is not concurrently an executive officer and two independent directors. The Audit Committee audits the directors' and executive officers' execution of duties as well as the NSK Group's governance and corporate risk.

A full-time secretariat has been established as an organization to assist the Audit Committee, which conducts audits in cooperation with the Internal Audit Department.

In the year ended March 2015, the Audit Committee met 14 times. The attendance rate for independent directors was 100%.

■ Strengthening the Business Execution Function

NSK has chosen the "company with nomination committee, etc." as its corporate governance system and has delegated significant authority from the Board of Directors to operating organizations. The aim is to improve management efficiency and flexibility and to ensure and strengthen the supervisory function. As for operating organizations, the Company has put in place a system under which 35 executive officers appointed by the Board of Directors execute business under the direction of the president and CEO in accordance with policies established by the Board of Directors.

● Operating Committee

An Operating Committee chaired by the president and CEO has been established as an organization to assist with decision-making on business execution. The president and CEO refers to the results of discussions of the Operating Committee when making final decisions on business execution.

● Executive Officers' Meeting

An Executive Officers' Meeting has been established for executive officers to report on the status of business execution to the president and CEO. Officers share information concerning the status of business execution in order to unify the direction and understanding of business development.

■ Establishment of an Internal Control System

At a meeting in April 2006, the Board of Directors established the Basic Policies for Establishment of an Internal Control System. The policy has subsequently been updated by the board each year to reflect structural changes made in response to the Company's changing business environment. Moreover, to increase the soundness and transparency of management, the NSK Group Management Rules were established to ensure smooth management, and the Group continues to improve its internal controls.

Status of the Development of Internal Control and Risk Management Systems

The following organizations in the NSK Group perform a critical role in the creation and operation of internal control systems and risk management systems.

● Internal Audit Department

Serves as an internal audit organization, and is responsible for conducting audits to determine the legitimacy, adequacy, efficiency, etc., of operations, and for monitoring performance of operations. Also responsible for overseeing the evaluation of the effectiveness of internal controls over financial reporting.

● Corporate Strategy Division HQ

Cooperates with each business, functional and regional headquarters, supports the president and CEO, and oversees and manages general risks related to management of the NSK Group. Responsible for maintaining and enhancing the internal control systems necessary for the operation of the NSK Group's global business.

● Compliance Committee

Creates policies designed to strengthen the compliance of the overall NSK Group, sets and promotes measures to strengthen compliance to realize these policies, and monitors and supervises their implementation. Periodically reports to the Board of Directors on the progress of these activities.

● Compliance Division Headquarters

Responsible for enacting measures to strengthen compliance, based on the policies set by the Compliance Committee. Conducts educational initiatives to ensure that the Company acts as a good corporate citizen with a sense of social responsibility in all situations, and plans, proposes, enacts, and monitors measures to ensure compliance with laws, rules, and corporate ethics. Also reports periodically to the Compliance Committee on the progress of compliance strengthening measures.

● Disclosure Committee

Responsible for ensuring appropriate and timely disclosure of important corporate information that is likely to influence investors' investment decisions, based on the relevant laws and regulations.

● Crisis Management Committee

Responsible for preparing and strengthening the management system against major risks to the Company, such as natural disasters, pandemics, or major accidents, in order to prevent such risks from arising or minimize damage, also responsible for leading a swift and appropriate response in the event of a disaster.

Internal Control over Financial Reporting

The Internal Audit Department assessed the status of design and operation of internal control over the NSK Group's financial reporting for the year ended March 31, 2015. Based on this assessment, the Company concluded that its internal control over financial reporting was effective. The Group also obtained an audit certification (unqualified opinion) from its external auditing firm evaluating the assessment process as effective.



Reference data is available
on NSK's website.

www.nsk.com > Company > Corporate Governance

● Corporate Governance Report(only in Japanese)

www.nsk.com > Investors > IR Documents

● Securities Report(only in Japanese)

Risk Management

Basic Approach

With the global expansion of its business, the NSK Group recognizes the great importance of initiatives to minimize risk. Accordingly, it is taking steps to ensure that various risks are properly identified and managed.

Risk Management Systems

NSK has established a fundamental policy for risk management and risk management systems as part of its in-house rules. NSK classifies and organizes risks identified by the Group into business risks, disaster risks, compliance risks, and risks to reliability of financial reporting. It designates responsible divisions that supervise the prevention of risks and countermeasures in the event that a risk materializes.

Every year, all the business sites perform their own risk correlation analysis, and work to ensure appropriate response to risks. In addition, each business site identifies the risks that it needs to manage, and creates a monthly risk report. The Internal Audit Department then performs Group-wide risk assessment based on the site risk assessment results, before creating the annual audit plan and conducting audits. Monthly risk monitoring also helps confirm that the Group's risk management systems are sufficient.

Action Update on Preparedness for Specific Risks

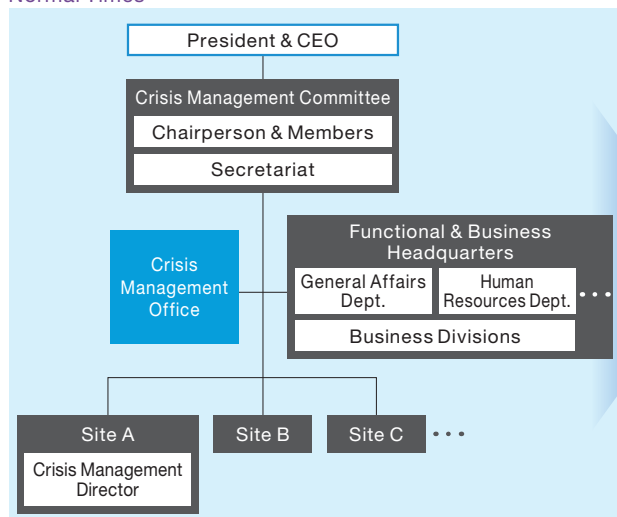
Crisis Management Systems for Disaster Risk

The NSK Group has established a permanent Crisis Management Committee to oversee Group-wide initiatives to address disaster risk, including natural disasters, infectious disease outbreaks, and other major incidents. The Committee plans and implements measures to prevent crises and minimize damage in the event that these risks materialize, and is also responsible for establishing and improving business continuity plans (BCP).

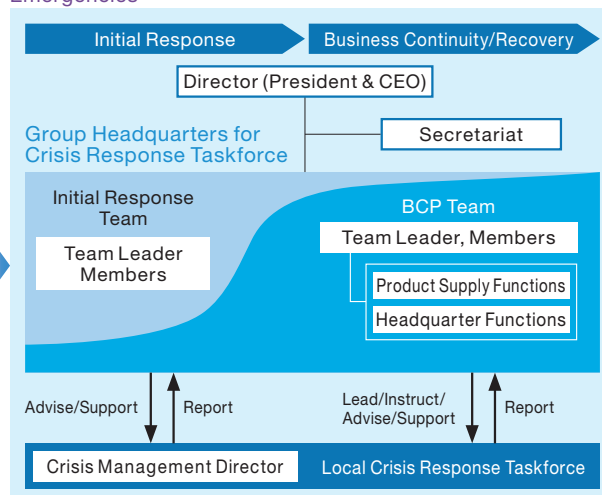
In the event of a crisis, crisis response task forces are set up at the head office as well as at the site of the crisis, and relevant departments cooperate to handle the situation quickly and accurately according to the circumstances.

Crisis Management Structure for Disaster Risks

Normal Times



Emergencies



● Strengthening Risk Response Capabilities with Business Continuity Planning

The NSK Group has established BCPs addressing the risk of major earthquakes in Japan. In fiscal 2014, the Group added concrete plans for disaster preparation, including creating a complete organizational structure and introducing the necessary procedures and tools for preparedness at all the business sites of Group companies in Japan. It also conducted drills to confirm the viability of the plan.

The Group also continued to take steps to minimize the potential for damage, including preventing equipment from falling over or moving, enhancing emergency communication and reporting systems, and adopting earthquake-resistant IT infrastructure.

In fiscal 2015, the Group is continuing to reinforce its disaster response capabilities, while also addressing issues identified during the drills by expanding their scope to include the head office and business sites.

Outside Japan, the Group is working to identify major disaster risks in each region, implementing measures to minimize damage, and establishing BCPs.

● Initiatives to Build a Disaster-Resistant Supply Chain

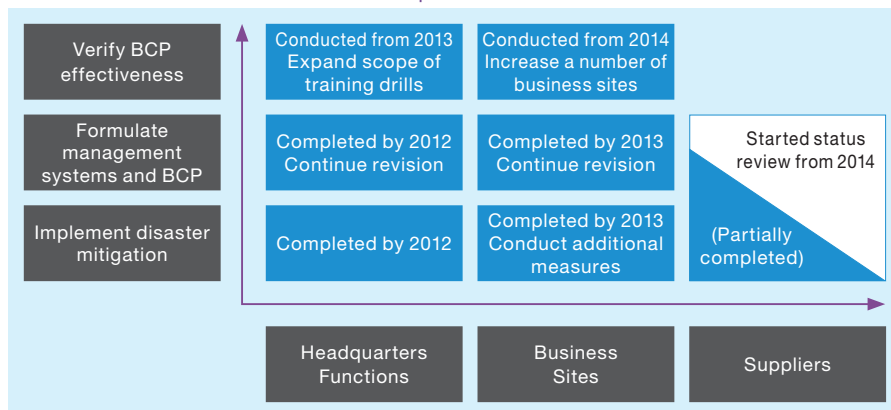
The NSK Group has built a system for quickly identifying the extent of damage at suppliers in the event of a disaster, and continues to work to create a structure that will enable rapid assessment of problems after a disaster and facilitate a precisely targeted response in cooperation with suppliers. Drills are conducted regularly to ensure sites are sufficiently prepared to use the system appropriately in an emergency.

Moreover, the Group has asked major suppliers to create their own business continuity plans (BCP) and verified their progress, in order to strengthen risk management throughout the supply chain.

By continuing to forge cooperative relationships with suppliers, the Group is determined to build a more disaster-resistant supply chain.

● BCP Formulation Status

Initiative Levels and BCP Formulation Scope



Compliance

Basic Approach

Acting with the Highest Ethical Standards and Striving to Maintain the Trust of Society

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

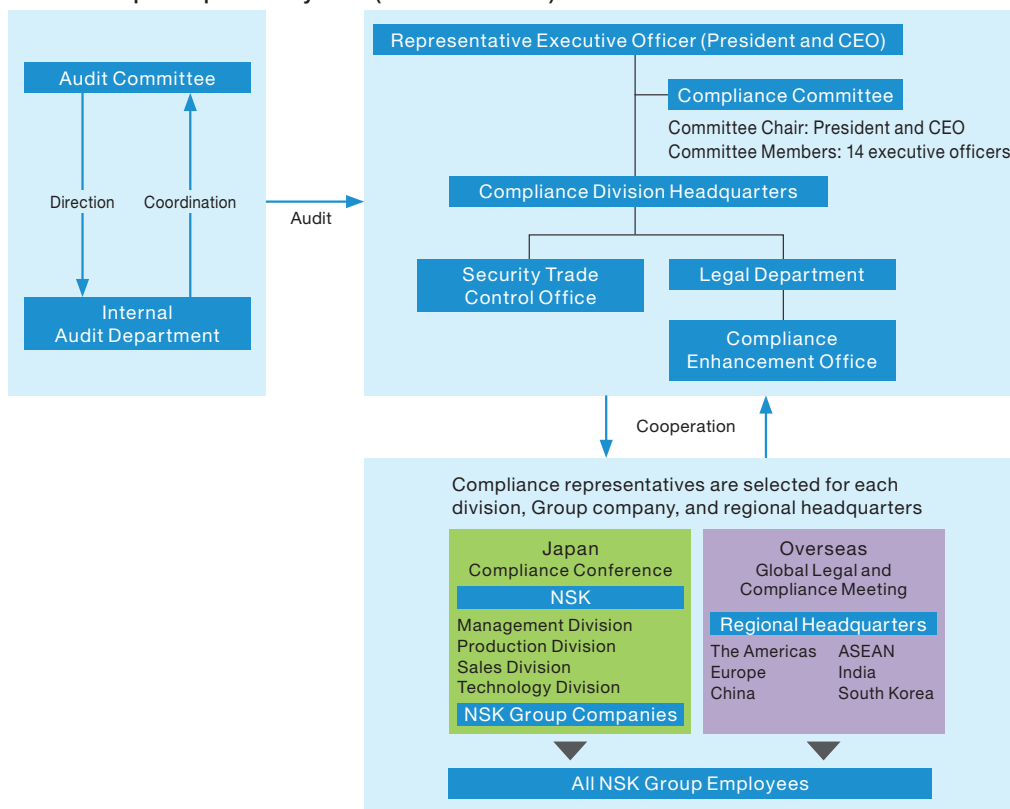
Management

Compliance Promotion System

NSK has established a Compliance Committee to formulate and promote policies aimed at strengthening compliance. The committee also checks the level of policy implementation, and reports regularly to the Board of Directors.

NSK also established a Compliance Enhancement Office and tasked it with overseeing the practical work related to compliance across the entire NSK Group based on the decisions of the Compliance Committee. The Group has appointed persons responsible for compliance in each department, site, and NSK Group company in Japan as well as each headquarters outside Japan to serve as key contact points for all information related to compliance and conduct risk management.

NSK Group Compliance System (As of June 2015)



Global Legal and Compliance Meetings

In order to strengthen the global compliance system, members responsible for compliance from the Americas, Europe, China, ASEAN, and India gather at the head office in Japan for global legal and compliance meetings. In addition to reporting on the initiatives in their respective regions, they share information on laws that require special attention in each country. The number of meetings will be increased from one to two per year.



Global Legal and Compliance Meeting

Internal Reporting System (Internal whistle blowing system)

The NSK Group operates a whistle blower "Hotline" system, available to all employees, to quickly identify and correct acts that may violate compliance-related rules. One hotline is in-house at the Compliance Division Headquarters and another is staffed by an outside lawyer. The system allows users to remain anonymous and ensures they suffer no unreasonable loss from using the Hotline.

In fiscal 2014, there were 21 instances of whistle blowing in Japan. After taking steps to ensure that the whistle blowers would not suffer repercussions, the incidents were quickly investigated and resolved, including implementation of corrective actions where needed.

Main FY2014 Initiatives

Compliance Education

The NSK Group conducts ongoing compliance training with the aim of further heightening officers' and employees' awareness of compliance issues. In fiscal 2014, training on the Antimonopoly Act was provided to 932 employees in 76 sessions in Japan, focusing on sales departments, as well as to 629 employees in 32 training sessions on competition law outside Japan. In fiscal 2015, the Group will continue this training, including discussion among participants, in order to ensure that all officers and employees are taking proactive steps for compliance.

In fiscal 2014, the Group conducted e-learning on compliance twice, as it had done in fiscal 2013.

In addition, in order to ensure thorough compliance Group-wide, the Group revised and published the NSK Compliance Guidebook 2015, which provides detailed explanations of the NSK Code of Corporate Ethics. The Guidebook has been produced and distributed in languages including Japanese, English, and Chinese.

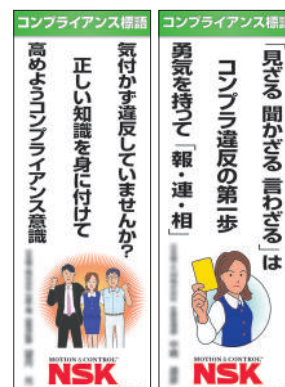


NSK Compliance Guidebook

Compliance Month

In 2013, NSK began observing Compliance Month every October. The Company conducts a range of awareness raising activities during this month.

In fiscal 2014, employees were invited to submit compliance slogans. Of the 6,971 entries received, two were selected as outstanding slogans, along with three honorable mentions. Posters featuring the two outstanding slogans were designed and distributed to all NSK sites. A compliance card was also issued to all officers and employees. The size of a business card, this compliance card includes five questions employees should ask themselves to ensure their actions are in line with laws and ethical standards, along with contact details for the internal hotline to report potential compliance violations.



Compliance slogan posters

NSK Code of Corporate Ethics (Established: February 22, 2002, Revised: May 1, 2014) (Excerpts)

The NSK Code of Corporate Ethics sets out the universal approach for the Company and its officers and employees as they engage in a range of corporate activities, in accordance with the NSK Group vision and philosophy.

1. Compliance with Competition Laws
2. Compliance with Import- and Export-Related Laws
3. Prohibition of Commercial Bribery (handling of entertainment, gifts, etc.)
4. Transactions with Public Institutions and Handling of Political Donations
5. Accurate Recording and Processing
6. Prohibition of Insider Trading
7. Handling of Intellectual Property Rights
8. Prohibition of Illegal and Criminal Conduct
9. Protection of Corporate Assets
10. Handling of Confidential and Personal Information
11. Relations with Customers
12. Relations with Suppliers
13. Prohibition of Acts Discrediting Competitors
14. Prohibition of Discrimination, Cultivation of a Sound Workplace
15. Respect of Fundamental Rights at Work
16. Global Environmental Protection

* NSK Code of Corporate Ethics applies to NSK Ltd., its consolidated subsidiaries.



Reference data is available on NSK's website.

www.nsk.com >Company > Compliance

● NSK Code of Corporate Ethics

● NSK Compliance Guidebook 2015

Initiatives to Strengthen Compliance

NSK and the NSK Group companies are under investigation by relevant antitrust authorities in various countries for sales of certain products. In November 2014, the NSK Group received a verdict that it had committed acts in violation of monopoly regulations and laws regarding fair trade in South Korea, although administrative penalties and criminal indictments by the country's fair trade commission were dropped.

The NSK Group expresses its sincere regret for the concern this matter has caused its customers, shareholders, investors and other stakeholders.

The Group takes these events very seriously, and is making an all-out effort to ensure that all business is conducted in a way that complies with laws and regulations and fulfills social responsibilities. The main compliance strengthening measures already implemented are outlined below.

Main Compliance Strengthening Measures to Date

See the NSK website for the latest information

Item	NSK Group Initiatives	Date	Item	NSK Group Initiatives	Date
System strengthening	Established Compliance Committee (meetings held four times a year)	March 2012	Strengthened education and awareness raising activities	President issued a message to employees calling for thorough compliance efforts (followed by periodic reminders)	August 2011
	Established Compliance Enhancement Office	July		Implemented compliance e-learning for officers and employees (twice a year)	January 2012
	Held Global Legal and Compliance meetings (number of meetings increased from one to two per year)	August		Implemented Antimonopoly Act (competition law) compliance training for sales departments, plants and group companies	February
	Held Compliance Conference (twice a year)	December		Started monthly Compliance Newsletter	November
Established systems for relevant regulations	Began operation of a system to investigate whether or not to participate in meetings attended by competitors	August 2011	Strengthened monitoring	Officers and employees submitted written oaths on compliance to the president	March 2013
	Revised the NSK Code of Corporate Ethics Established the Rules for Compliance with the Competition Law	April 2012		Implemented antitrust law compliance training for sales departments (to be held once a year)	May
	Revised the Compliance Rules	May		Established October as Compliance Month and held a slogan competition	October
	Revised Internal Regulation for Preventing Insider Trading	November	Held Compliance Leadership Training for sales department leaders	March 2014	
	Distributed the NSK Compliance Guidebook to officers and employees	March 2013	Initiated internal audits of sales departments relating to Antimonopoly Act (competition law) compliance	August 2013	
	Revised internal rules for competition law compliance and hotline operation	June	Conducted its first compliance awareness survey for officers and employees including those of Group companies	August 2014	
	Published and distributed the NSK Compliance Guidebook 2015	March 2015			

● Surveying Employees on Compliance Awareness

NSK commissioned its first compliance awareness survey to an outside research company in August 2014 in order to confirm the compliance awareness of its officers and employees. This research company collected responses from 11,236 Japanese-speaking officers and employees working in and outside Japan. Several issues became apparent based on the survey results. In response, NSK implemented measures including strengthening compliance education for manufacturing divisions and ensuring all employees are aware of the whistleblowing system. In fiscal 2015, NSK plans to consign the survey again, expanding its scope to include sites outside of Japan.

● Strengthening Anti-Bribery Measures

Given stronger anti-bribery regulations in many countries, the NSK Code of Corporate Ethics was revised in May 2014, in order to prevent any potential instances of bribery by NSK Group employees. In addition to tightening rules on providing entertainment or gifts to public officials, NSK also established Anti-Bribery Standards in May 2014. The standards have been expanded globally across the NSK Group, and separate anti-bribery rules have been established at each Group site based on the local laws and conditions. NSK is working diligently to prevent any potential bribery by employees.



Reference data is available on NSK's website.

www.nsk.com > Company > News > Press Releases

● Press Release

● Preventing Insider Trading

The Internal Regulation for Preventing Insider Trading applies to all officers and employees. It requires NSK officers and employees to submit a form whenever they buy or sell NSK shares. Awareness of this regulation is being promoted in e-learning programs and the *Compliance Newsletter*. Additionally in September 2014 NSK adopted an approval application system.

● Avoiding All Contact with Organized Criminal Elements

The NSK Code of Corporate Ethics prohibits any contact with organized criminal elements. In order to clarify the need to avoid any association with organized crime even in transactions with suppliers, the basic procurement contract used by NSK has been revised. Contracts are now being updated through consultation with suppliers.

● Security Export Control Initiatives

The NSK Group has strengthened its system of controls for preventing the export of products and leakage of technology related to the development, manufacture, and use of weapons, based on Japan's Foreign Exchange and Foreign Trade Acts. In 2014, NSK in Japan started improving the technical information regime regarding plant machinery. In addition, NSK sought to reinforce the shipment regime, including inspecting the customs entry results of controlled products. In 2015, NSK plans to continue such initiatives and extend the scope of items subject to management.

● Complying with Regulations for Disclosure of Conflict Mineral Informations

● Basic Approach

NSK's procurement policy seeks to ensure that its entire supply chain is free from any payment to anti-social armed forces engaging in human rights violations. Whenever the possibility of such payments is discovered, NSK takes measures to avoid the use of the parts, raw materials, or other supplies concerned.

● Action Update

The Disclosure Rule under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act in the United States requires an annual survey and disclosure of information on the status of use of four conflict minerals (tin, tantalum, tungsten, and gold) originating in the Democratic Republic of the Congo and surrounding countries.

Its goal is to cut off the source of funding for armed groups and rebels involved in human rights violations. NSK is not listed on a U.S. stock exchange and so is not subject to these rules. Nevertheless, NSK has adopted a policy of avoiding the use of conflict minerals and is working with its suppliers on this issue.

In 2013, NSK added an article concerning conflict mineral initiatives to the NSK Supplier CSR Guidelines in order to communicate this policy to suppliers. In fiscal 2014, the Group's supplier survey found no evidence that NSK's suppliers used conflict minerals. The Group will continue to conduct surveys with suppliers in fiscal 2015.



Reference data is available
on NSK's website.

www.nsk.com >Sustainability > Initiatives in the Procurement

● Basic Procurement Policy

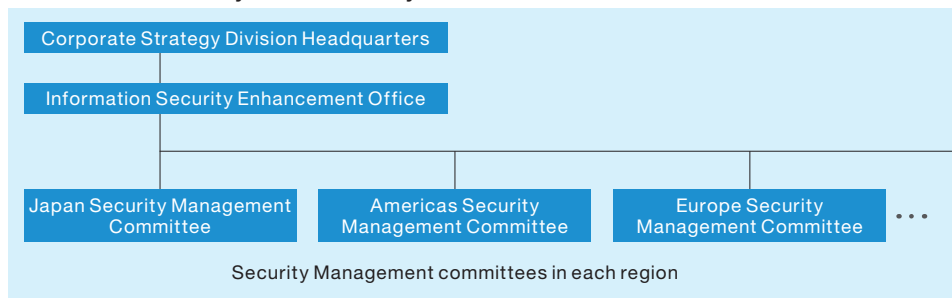
● NSK Supplier CSR Guidelines

● Building a Robust Information Security Governance System

In June 2003, the NSK Group issued the NSK Basic Policy on Information Security as well as Rules of NSK Information Management. Subsequently, it has provided education on security measures for IT devices to officers and employees and taken other steps to strengthen security from both hardware/software and human perspectives.

Meanwhile, there have been several recent scandals worldwide involving leakage of personal information and corporate secrets. This is sparking calls for more rigorous laws and regulations on information security. In response, the NSK Group is developing a global approach to strengthening its information security measures in order to make them more comprehensive and ensure that they cover all business operations. In April 2015, the Company established a new Information Security Enhancement Office under the Corporate Strategy Division Headquarters. The Information Security Enhancement Office will cooperate with the Security Management Committees in each region to strengthen measures.

● Information Security Governance System



Relationship with Shareholders and Investors

Basic Policy on Shareholder and Investor Relations

To meet shareholder and investor expectations, NSK discloses management information in a timely, impartial manner and strives to maintain a stable return of profit to shareholders.

IR Structure

NSK regards IR activities as an important management issue. Senior management, from the president down, works to promote active disclosure as well as dialogue with shareholders and investors. To ensure effective dialogue and disclosure, NSK has established the IR & CSR Office as a dedicated department under the direct control of the president, managed by the executive officer responsible for IR. NSK has also laid out a cross-organizational structure tasked with disclosing business and financial information in clear, fair, and appropriate ways, based on cooperation between the IR & CSR Office and other divisions such as each business division, corporate planning, accounting/financial affairs, legal affairs, general affairs, and public relations.

Communication with Shareholders and Investors

To enable shareholders and investors to make fair investment decisions, NSK works to hold a variety of IR events and enhance the information tools it provides.

IR Events

NSK holds a variety of IR events, such as financial conferences, business sessions, visiting investors outside Japan, and sessions for individual investors. The Company strives to communicate and share information related to business performance, as well as mid-to long-term strategies and their progress, at financial conferences for institutional investors and analysts.

Moreover, the Company strives to maintain dialogue with shareholders and institutional investors in and outside Japan through 1-on-1 meetings, conference calls, and conferences sponsored by securities firms.

Information Tools

NSK announces its financial situation and current business topics through the publication of annual reports and business reports ("the NSK Group Report"). It also discloses materials from financial conferences and financial data on the Investors section of its website. Going forward, the Company will continue disclosing information in a timely manner and work to enhance the information content it provides.



Annual Report 2015

Feedback to Management

Opinions and other comments received in shareholder and investor dialogues are conveyed to management and the appropriate divisions.

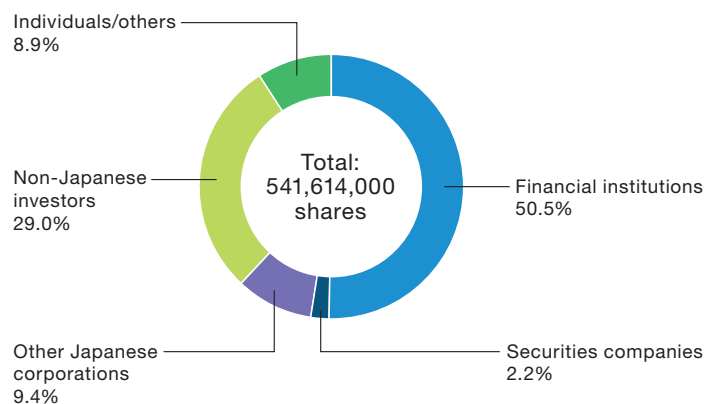
Control of Insider Information

NSK does not communicate insider information (important facts that are undisclosed) during dialogue with shareholders and investors. Before the Company makes legally required disclosures of important information that could affect investors' investment decisions, the NSK Disclosure Committee checks the timeliness and appropriateness of the disclosure. Additionally, a certain amount of time before the quarterly announcement of financial results is treated as a silent period, during which the company refrains from discussing financial closing information.

Dividend Policy

NSK places great importance on shareholder returns. NSK will maintain its basic policy of issuing a consistent dividend, and ensure that its dividends better reflect its consolidated payout ratio and business.

Breakdown of Shareholders (Number of Shares, as of March 2015)



Assessment by External Organizations

Social responsibility indexes (SRIs) include companies recognized for long-term sustainable growth because they merit high evaluations for environmental and social contributions as well as financial performance. A broad range of institutional investors are attributing greater importance to such companies. As of July 2015, NSK is included in four internationally recognized SRIs.

Dow Jones Sustainability Indices

<http://www.sustainability-indices.com>



FTSE4Good Index Series

<http://www.ftse.com/products/Indices/FTSE4Good>



FTSE4Good

Ethibel Investment Register

http://forumethibel.org/content/ethibel_sustainability_index.html



Morningstar Socially Responsible Investment Index

<http://www.morningstar.co.jp/sri/about.htm>



Reference data is available on NSK's website.

www.nsk.com > Investors

● Investors

Chapter 2

Quality Assurance

Creating Quality to Earn the Confidence of Society

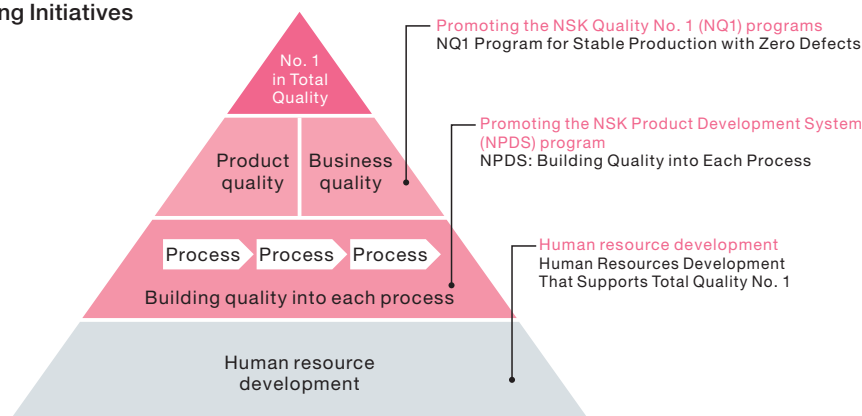
- ▶ Initiatives to Achieve Higher Quality
- ▶ Efforts to Increase Customer Satisfaction

Industrial products that support today's affluent lifestyles must perform their prescribed functions safely and reliably. As the advance of technology and globalization continues to accelerate, companies are expected to contribute to the growth of the broader society by providing high-quality products and advanced technologies that meet the specific needs of consumers across a range of countries and regions.

NSK's Approach

The NSK Group aims to become "No. 1 in Total Quality." In other words, the Group is working to achieve the industry's best quality in everything it delivers—not only products and services, but also information. The Group believes that this commitment to quality ensures that its products will satisfy customers all over the world.

Quality-Building Initiatives



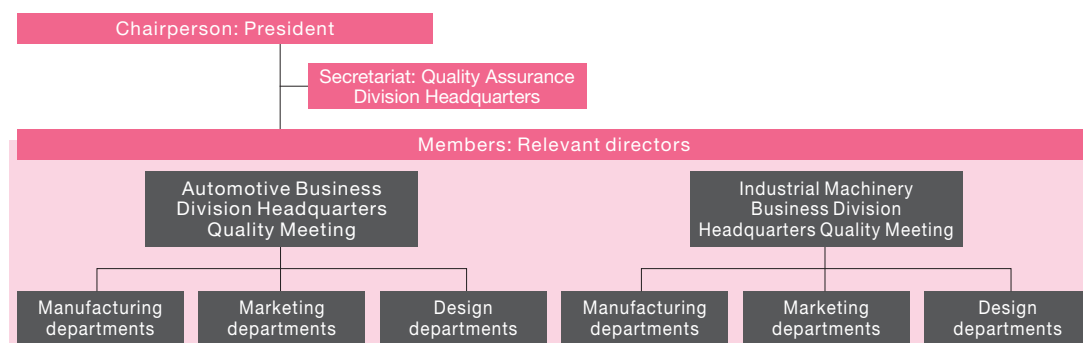
Management

NSK Quality Management

To strengthen Group-wide initiatives, NSK Group management checks the status of quality control and directs the needed initiatives in a top-down manner at the Quality Board Meeting, which is chaired by the president and composed of directors in charge of each business division headquarters. NSK has also established quality committees in each business division headquarters and is working to strengthen quality improvement efforts through cooperation among the manufacturing, sales, and design departments.

Moreover, the Company has obtained quality management system certification, including ISO 9001, and is working to maintain and improve its internal systems.

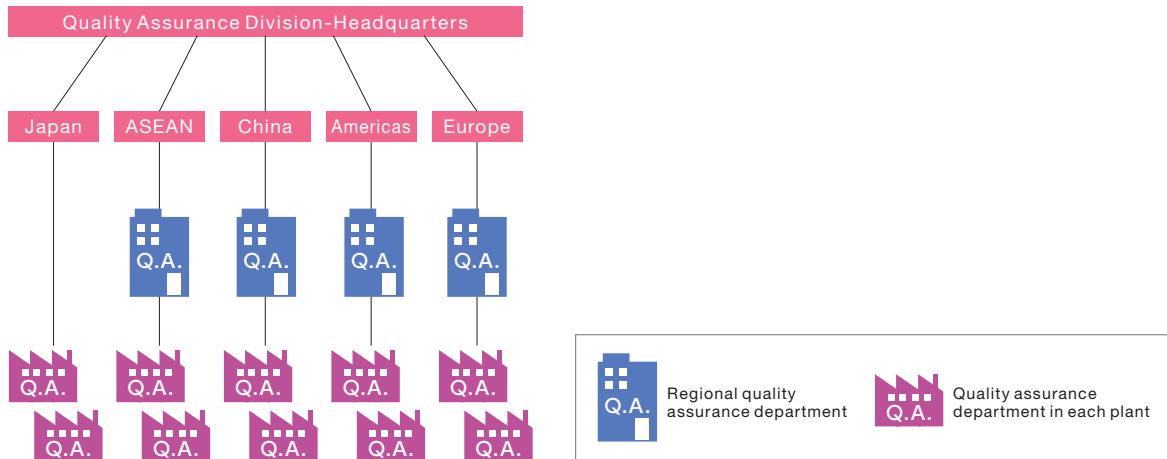
Quality Board Meeting



● Global Quality Assurance Organization

The NSK Group has established quality assurance departments in Europe, the Americas, China, and ASEAN as well as quality assurance departments in other areas. This has reinforced the Group's global quality assurance organization by providing support tailored to the needs of customers in each country and region. In the event of a problem with a product or service, information can be provided quickly to customers. The relevant departments are brought together, and they take swift and appropriate countermeasures to prevent the problem from spreading. The causes are promptly investigated and measures are taken to prevent reoccurrence.

● Global Quality Assurance Organization



● Certification for Quality Management Systems

The NSK Group has obtained ISO 9001 and ISO/TS 16949* certification for quality management systems and produces high-quality products that meet customer demands. All facilities that manufacture NSK brand products have attained this certification.

* ISO/TS 16949 aligns ISO 9001, the criteria for quality management systems set by the ISO (International Organization for Standardization), with the quality system requirements for automotive-related products.

■ Mid-term Goal: Quality Creation That Ensures Customer Satisfaction

While continually reinforcing its global quality assurance system, the NSK Group carries out the three key quality assurance initiatives (shown below) to enable employees to work with enthusiasm, to make products that customers enjoy using, and to ensure that the Company grows sustainably.

● Three Pillars of NSK Quality Assurance

1. NSK Product Development System (NPDS)

In order to quickly transform new orders into reliable, stable production, the NSK Group is promoting initiatives that build quality into each process.

2. NSK Quality No. 1 (NQ1) Program

The NSK Group is promoting initiatives to realize stable production and ensure zero defects.

3. Human Resources Development

The Group is promoting human resources development in order to build a stronger foundation for quality creation.



Reference data is available
on NSK's website.

www.nsk.com > Sustainability > Creating Dynamic Work Environment

● Certification for Quality Management Systems

▶ Initiatives to Achieve Higher Quality

■ Basic Approach

The NSK Group develops, designs, manufactures, and markets products with a superior level of quality by meeting its own unique quality targets over and above the basic quality that customers have come to expect. This approach ensures that the Group contributes to its customers' development while achieving its own growth.

Main FY2014 Initiatives

●NQ1 Program for Stable Production with Zero Defects

As part of its NQ1 program, NSK is engaged in improvement activities aiming for the very best quality, with zero defects, called "Dantotsu activities." Each plant in Japan decides initiative themes and carries out various improvements targeting zero defects on a test line. In fiscal 2014, study sessions bringing personnel from all the plants together have been regularly held to deepen understanding of case studies from other plants and further enhance initiatives. Initiatives that were effective on the test lines are quickly rolled out to other lines to reduce defects efficiently.

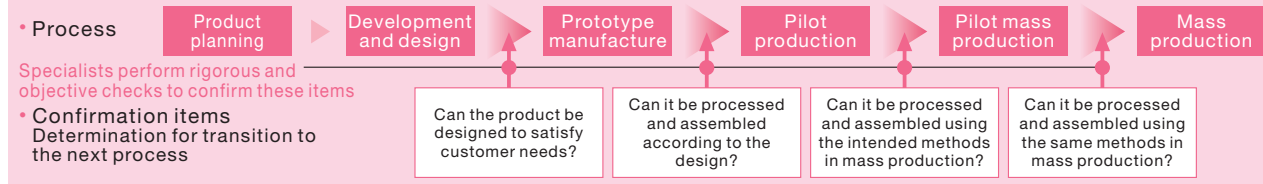


Study session for creating improvement activities as part of the NQ1 program

●NPDS: Building Quality into Each Process

The NSK Group has deployed its unique NSK Product Development System (NPDS) globally. The system is used for new projects and is designed to achieve efficient mass production of high-quality products by solving problems at key points in each process before moving on to the next stage. In fiscal 2014, the Group expanded Quick DRs—efficient design reviews focused on the parts of the design that have been revised—to manufacturing departments and established a checking system.

●Outline of the NPDS



●Self-Audit System for Heat Treatment Processes Rolled Out Worldwide

The NSK Group has created a self-audit system to prevent product defects. With the globalization of production, in fiscal 2014 the Group focused on the worldwide rollout of its self-audit system for heat treatment processes. Under the system, the persons in charge visited production sites several times to conduct onsite audits. Only personnel that have achieved a high level of expertise are designated as in-house auditors.



Self-audit personnel training for heat treatment processes

●Developing Human Resources Who Can Create Superior Quality

The NSK Group provides a range of education and training programs to develop the human resources needed to ensure manufacturing of superior quality. All divisions work together to create products and services that deliver ever higher levels of quality and customer satisfaction.



Quick DR training

●Global Roll-Out of Quality Knowledge Education (Outside Japan)

The NSK Group believes that increasing all employees' knowledge of quality will result in higher quality work as well as higher quality products. Accordingly, the Group has rolled out its Quality Knowledge Education to sites worldwide. Under this global deployment, a variety of steps have been taken. For example, in fiscal 2014, local quality knowledge instructors in India and Malaysia received training started training employees at their respective local sites.



Training session by local instructors in Malaysia

●Quality Month (Japan)

In order to create products that customers can select with confidence, NSK recognizes that it is essential for every employee to maintain a high level of quality awareness.

The NSK Group holds Quality Month, which promotes awareness of product quality, to realize a range of quality improvements in November every year. In the fiscal 2013 Quality Month, employees were encouraged to submit ideas for an NSK quality slogan that captured their concept of quality, and the best slogans were selected for display on posters at all sites in Japan. Priority initiatives were set by each plant according to a Group-wide theme determined by the Quality Assurance Division Headquarters, and employees worked hard to further improve quality.



Quality slogan posters

●Establishment of NSK Quality Control Basic Requirement

In 1962, the NSK Group added rules pertaining to quality control to its NSK Engineering Standards. Since then, it has continued to update and revise the standards. Today, however, NSK's product portfolio is much more diverse — ranging from bearings to steering systems — and its business has gone global. Moreover, international standards, including the ISO, have become widespread, and demand for rigorous quality control has intensified rapidly as a social trend.

Given its awareness of this situation, the NSK Group decided to restructure its core quality control rules and establish the NSK Quality Control Basic Requirement to systematically put in place operational rules before the Group's 100th anniversary in 2016. The new rules will help the Group to achieve its goal of "establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion," which it set out in its Mid-Term Plan, and increase the level of its quality control.

The aims of the rules are to globally standardize NSK's quality assurance procedures and to facilitate NSK's sustainable growth by earning continually higher evaluations from the customers who use the Group's products. Additionally, NSK will improve the effectiveness of its quality control by using these rules to enhance other systems such as its auditing system.

●Working with Suppliers to Improve Quality

High-quality products would not be possible without high-quality parts, materials, lubricants and other supplies. Based on the relationships of trust it has with its suppliers, the NSK Group shares issues with them through regular technical and quality meetings. This close communication helps to further increase quality.

Representatives from the NSK head office, regional headquarters, and production sites worldwide visit suppliers to confirm production processes and exchange information. By increasing mutual understanding with suppliers in this way, the NSK Group is working to raise its quality level even higher.

▶ Efforts to Increase Customer Satisfaction

■ Basic Approach

● Raise the Profile of the NSK Brand

In addition to providing products and services that satisfy customers, the NSK Group is always looking for ways to improve sales activities. It is determined to strengthen its relationships of trust with customers by developing staff who possess advanced knowledge and can deliver a higher level of service.

Main FY2014 Initiatives

● Maintenance Business Initiatives

The NSK Group takes a multifaceted approach to improving customer support—for instance by providing technical service and product information as well as expanding product lineups to meet customer needs. The Group also recently launched a new business in maintaining customers' production equipment in newly emerging markets. NSK engineers not only inspect bearings included in customers' equipment, but also provide overall maintenance services for the whole range of equipment. This contributes to safe and stable operation, reduces costs, and helps to improve the production floor environment. The NSK Group aims to enhance the efficiency and productivity of customers' equipment by providing optimal maintenance services and total solutions for the production floor environment.



Reference data is available
on NSK's website.

www.nsk.com > Services

Chapter 3

Good Labor Practices

Creating a Dynamic Work Environment

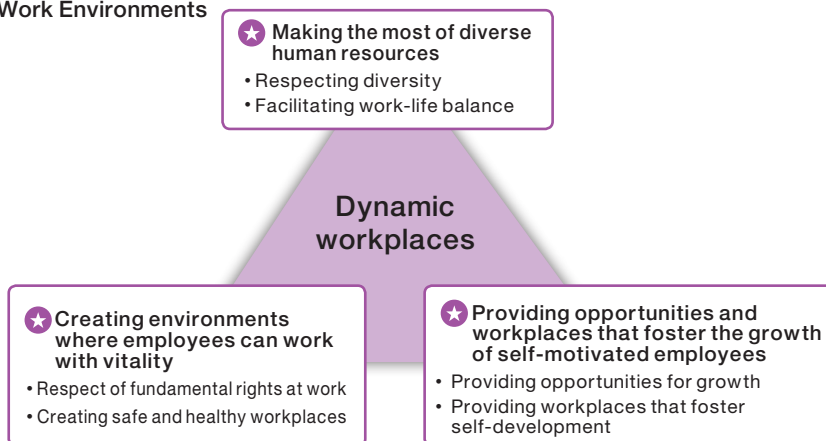
- ▶ Respect of Fundamental Rights at Work
- ▶ Respecting Diversity
- ▶ Facilitating Work-Life Balance
- ▶ Creating Safe and Healthy Workplaces
- ▶ Developing Human Resources with a Global Mindset

As globalization advances, there are more and more opportunities for exchange among different peoples and nationalities. It has never been more important to work together to achieve harmony and mutual benefit for all countries and regions, and the basis of this must be deeper mutual understanding. Companies, for their part, must create workplaces where employees respect the diverse cultures and practices of different countries and regions, embrace diversity in the workforce, and can work safely, with vitality, and with sensitivity to the unique characteristics of the local area.

NSK's Approach

The NSK Group's Management Principles clearly state that the Group seeks "to provide challenges and opportunities to our employees, channeling their skills and fostering their creativity and individuality." The Group sees human resources as the foundation of its business. This is why the Group strives to create work environments where employees can work enthusiastically and enjoy ever-increasing job satisfaction. The Group also works constantly to globally develop human resources who will lead the Group in the future.

Creating Dynamic Work Environments



Goal and Performance

Developing the Work Environment and Human Resources Needed to Leverage a Global Management Structure

Enhancing a global business means developing human resources who make the most of NSK's global management system and developing workplaces where employees with diverse values can all play a vital role. This is why the NSK Group works hard to create safe and healthy workplaces, develop human resources with a global mindset, and build a personnel system that embraces diversity. The Group is also developing global training systems designed to increase customer satisfaction and ensure continuity by passing down specialist technologies and skills in sales, development and design, production, and other divisions.

Organization of the Global Human Resources Committee



FY2014 Activities

In fiscal 2014, the Global Human Resources Committee focused its HR management efforts on developing successor candidates to fill key executive positions outside of Japan and enhancing risk monitoring systems for human resources and labor. It also began constructing a common global education platform for managers. In addition, the committee formulated a new action plan designed to promote reliable performance and continuous improvement by sharing progress on steps taken to address issues in each region and other key information. Meanwhile, the Global Management College program trains young managers selected from around the world with the aim of developing the next generation of leaders. Now in its fourth year, the College has become a mainstay of the NSK Group's global human resources development.

▶ Respect of Fundamental Rights at Work

■ Basic Approach

● Prohibiting Discrimination and Respecting Fundamental Rights at Work

As specified in the Group's Management Principles, the NSK Group has committed itself to providing "challenges and opportunities to our employees, channeling their skills and fostering their creativity and individuality." Moreover, the NSK Code of Corporate Ethics clearly states that the NSK Group prohibits discrimination and respects fundamental rights at work. Accordingly, the Group steadily promotes measures to enhance employee awareness of these points. It prohibits discrimination on the basis of race, appearance, belief, gender, religion, lineage, ethnicity, nationality, age or physical ability. It also prohibits harassment, forced labor, and child labor. In this way it creates workplaces where diverse human resources can work enthusiastically. The Group also strives for equal opportunity employment in the areas of hiring, assignment, and appraisal.

Highlight

Human Rights Training Provided Worldwide

Throughout its history, the NSK Group has built awareness of human rights by revising and disseminating its Code of Corporate Ethics. NSK is taking new initiatives to instill the respect of fundamental rights at work (prohibition of discrimination, child labor, forced labor, etc.) as specified in the Code of Corporate Ethics. It expanded the scope of training sessions that had been provided in Japan and made it available to managers of business sites worldwide through e-learning. In fiscal 2014, more than 9,200 people took those courses. Going forward, NSK will keep providing training sessions and conducting even broader awareness-building activities.

● Employment That Preserves the Stability of Both Society and NSK

As a manufacturer that is committed to quality, and as a sustainable company, the NSK Group approaches employment from a long-term perspective. That is why the Group believes it is essential to continually recruit and develop outstanding human resources who can carry the business forward. The Group also engages in appropriate employment practices in accordance with the laws and ordinances of each country and region where a business site is located.

● Labor-Management Relations Based on Dialogue

The NSK Group regards sound labor-management relations as critical to the sustainable growth of the Company. One way in which the Group respects fundamental rights at work, as pledged in the NSK Code of Corporate Ethics, is by guaranteeing employees the right to communicate openly and directly with management without fear of retaliation, intimidation, or harassment. Employees and managers are becoming better partners as they build trust by working to communicate more deeply, share views on the workplace environment and business conditions, and discuss and implement improvement measures. The NSK Group is committed to creating workplaces where employees can work vigorously.



Reference data is available on NSK's website.

www.nsk.com > Sustainability > Creating Dynamic Work Environment

● Management-Labor Relations

www.nsk.com > Sustainability > CSR Reports

● Labor and Management Cooperate to Develop Better Working Environment

▶ Respecting Diversity Building a Personnel System That Embraces Diversity

■ Basic Approach

The NSK Group believes that local communities and the NSK Group can grow together if the Group develops businesses worldwide and creates stable employment. Currently, the NSK Group employs diverse human resources at sites worldwide, who are working together energetically, without limitations based on nationality, race, or gender. In Japan, the Group is promoting HR programs to help employees achieve work-life balance, and to employ seniors and persons with disabilities, in order to meet the changing needs of society.

● Making the Most of Diverse Human Resources

Diverse human resources play active roles in many areas of operations within the NSK Group, not only in Japan. The NSK Group aims to realize optimal human resource deployment, without regard to country of origin, at manufacturing and technical sites around the world.

COLUMN



Rajiv Yadav

Global Steering Quality Control Department, Automotive Components Division Headquarters, NSK Ltd.

I joined Rane NSK Ltd. in September 2013. Currently I am receiving three years of training at NSK Japan, and I belong to the Global Quality Control Department for the

Steering business. My workplace in Japan is very supportive and the level of assistance is far beyond my expectations. This allows me to continually learn and grow both professionally and personally. NSK is providing me opportunities to travel to other countries, which helps me to gain invaluable life experiences and insights into how business works in different cultures. This has given me confidence in my ability to work well with people from different backgrounds and cultures. I feel that choosing to work in the NSK Group was one of the best decisions of my life. My goal is to “learn by doing” and then apply this knowledge to help NSK achieve sustainable growth.

Budi Santoso

Industrial Machinery Bearing Technology Center, Electrical Appliance & IT Bearing Technology Department, MSK Ltd.

I joined PT. NSK Bearings

Manufacturing Indonesia in 2007.

At present, I am at the Technology

Center in Japan for a technical

training program that lasts about

a year. I am learning about the

development of environmentally friendly products under

the NSK Group’s global environmental management

policy. While adapting to the different lifestyle and

language in Japan is not always easy, I believe that

adjusting to this kind of change in my environment

will translate into personal growth, and so I approach

each day with a positive frame of mind. My goals at the

moment are to complete the training program, align my

thinking with the NSK Group’s corporate philosophy and

values, learn about efficient work practices, and then

bring everything I have learned back to Indonesia. These

goals inspire me to complete all of my assignments

reliably, and I am constantly grateful for the cooperation

of my colleagues.



● Helping to Support an Aging Society (Japan)

Japan’s population is aging rapidly. In light of changes in the public pension system, it has become a social challenge to enable workers to have access to employment opportunities even after mandatory retirement. NSK recognizes that the knowledge and skills of experienced senior employees are beneficial in growing its business. The Company’s basic policy is to provide work opportunities to healthy persons willing to work after retirement. The Company has had a reemployment program since April 2001.

The Company recently revised its reemployment program, including working conditions, to ensure stability in life, augmenting the basic policy in light of Japan’s Revised Law Concerning Stabilization of Employment of Older Persons, which came into effect in April 2013.

● Number of Re-employed Persons (over 60 years of age)*

	FY2010	FY2011	FY2012	FY2013	FY2014
Seniors	272	325	383	441	470
Others (part-time employees, etc.)	42	34	29	29	28
Total	314	359	412	470	498

* NSK and main group companies in Japan.

● Providing Work Opportunities to Persons with Disabilities (Japan)

NSK believes that one role it should perform is providing suitable work opportunities to persons with disabilities who are willing to work. An NSK special subsidiary called NSK Friendly Services Co., Ltd., in particular, provides employment opportunities where persons with intellectual disabilities can work with enthusiasm. In fiscal 2014, NSK, its main group companies, and NSK Friendly Services together employed a total of 117 persons with disabilities, for a rate of employment of persons with disabilities of 2.09%.

● Rate of Employment of Persons with Disabilities*

	FY2010	FY2011	FY2012	FY2013	FY2014
Rate of employment of persons with disabilities	1.85%	1.97%	1.99%	2.04%	2.09%
Legally mandated rate of employment	1.8%			2.0%	

* NSK and main group companies in Japan.

▶ Facilitating Work-Life Balance

■ Basic Approach

The NSK Group believes that ensuring that employees sincerely enjoy both their work and their private lives, and can be enthusiastic and active, is the key to making its business even more successful. That is why the Group's basic policy is to develop an ideal working environment for all employees, regardless of gender or age, in terms of both facilities and support programs. The Group always strives to be sensitive to employee needs and social changes.

In Japan, NSK recognizes that it is important to work harder than ever to accelerate support for work-life balance in order to cope with the social challenges presented by a rapidly aging society with a low birth rate. Such efforts include enhancing programs to support employees' childcare and nursing care obligations and healthy time management.

● Supporting Work-Life Balance (Japan)

In order to reduce the number of employees resigning for childbirth or childcare reasons, the NSK Group in Japan has been improving its programs to support employees with childcare responsibilities. This includes longer childcare leave and a longer eligibility period for shorter working hours due to childcare reasons. Additionally, the Group offers opportunities for re-employment for employees forced to resign when their spouse is transferred to another location through a re-employment registration system.

● Childcare and Nursing Care Support System at NSK Ltd.

Childcare leave	Japan law	Up to 18 months (non-paid)
	NSK	Through the end of April when child is 3 years old (the first five days paid)
Shorter working hours for childcare	Japan law	Up to 3 years old
	NSK	Through the end of March in the third year of elementary school
Nursing care leave	Japan law	Up to 93 days
	NSK	Up to 1 year
Shorter working hours for nursing care	Japan law	Up to 93 days
	NSK	Up to 1 year
Elimination of half-day holiday restriction	Usually, 12 times per year; but when providing nursing care, unlimited	
Re-employment registration system*	System for employees that resign when their spouse is temporary transferred to another city, but who want to eventually return to work at NSK	

* 1 NSK and main group companies in Japan.

* 2 Launched in fiscal 2014

● Next Generation Certification Mark "Kurumin"

In recognition of its efforts to promote work-life balance among employees, NSK has been certified as a child-rearing support company by the Tokyo Labour Bureau of the Ministry of Health, Labour and Welfare in 2014. The next generation certification logo, "Kurumin," is based on the Japanese law called the "Act for Measures to Support the Development of the Next Generation."



Reference data is available on NSK's website.

www.nsk.com > Sustainability > Creating Dynamic Work Environment

● Facilitating Work-Life Balance

● Related Employee Data*

	FY2010	FY2011	FY2012	FY2013	FY2014
Average years of employment	18	18	18	18	18
Average age	41	41	41	41	41
Proportion of female employees	6.5%	6.7%	6.5%	6.6%	6.9%
Number of women who took childcare leave	25	18	25	17	17
Number of men who took childcare leave	1	2	11	6	13

* NSK and main group companies in Japan.

VOICE

Katsuhiro Hoshino Operation Department, NSK Logistics Co., Ltd.

When I found out that my wife was pregnant, I felt that I was the only one who could support her, as both of our parents live far away. Although we considered the option of her returning to her parents' house to give birth, newborn babies grow so fast during the early days and weeks. I wanted to be involved in this process as a father, so I took approximately two months of childcare leave.

Before the childcare leave began, I was looking forward to spending time with my child, but initially my hands were full, taking care of unfamiliar housework, leaving only a little time to spend with my child. It taught me how difficult it is to take care of a child while handling housework at the same time. However, my efficiency improved as time passed, allowing me to spend precious time with my wife and baby.

Taking childcare leave allowed me to better understand my child's feelings. Moreover, being able to pay constant attention to the feelings of my wife helped us understand each other better than ever. At work, I am trying to shorten the time required to finish my duties by standardizing daily tasks.

To be honest, it takes courage to take as much as two months off from work. In my case, I consulted my boss more than six months in advance and asked my colleagues for their cooperation. I was apprehensive before taking the leave, but my understanding boss and supportive colleagues helped me through it. I am truly grateful to be in such a fortunate position. The Company has programs allowing both women and men to take childcare leave. I recommend everyone to embrace the new challenge of childcare and not to miss the opportunity to discover a new side of yourself.



▶ Creating Safe and Healthy Workplaces

■ Basic Approach

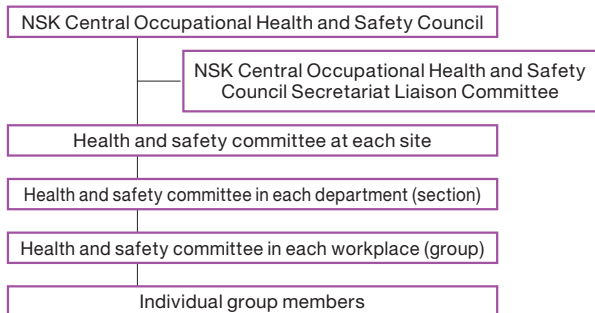
In order to protect the safety and health of each and every employee, NSK undertakes initiatives with the following basic philosophy: "Safety is the first and foremost priority. Workplaces should ensure employees can work safely, no matter the level of output demand." It is important to raise the awareness of each and every employee in order to ensure safety in the workplace. This is why NSK is fostering a culture of safety awareness where employees watch out for each other and never overlook an unsafe action or condition.

● Occupational Safety and Health Management System

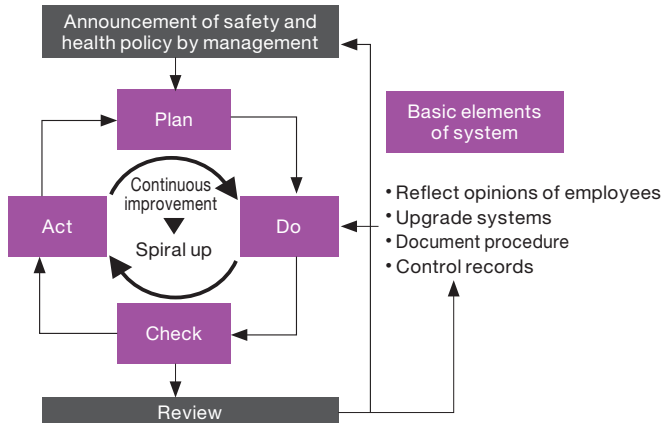
The NSK Group realizes how important it is to be proactive about safety and health in the workplace, which forms the heart of manufacturing. This is the key to providing an environment in which employees can reach their full potential. Based on this conviction, NSK regularly convenes the NSK Central Occupational Health and Safety Council, which involves both labor and management, to set the course for labor issues for the entire Group. Following the course determined by the council, the NSK Group builds occupational safety management systems and strives to foster a "safety first" corporate culture that fully engages all employees.

The Group is globally sharing information about occupational accidents that have occurred within the Group and making every effort to prevent similar accidents from occurring again. The Group analyzes the information globally and implements effective prevention measures.

● Occupational Safety Structure



● Occupational Safety and Health Management System



● Occupational Accidents

	FY2012 ^{*1}	FY2013	FY2014
Number of occupational accidents	50	49	47
Lost-worktime injury rate ^{*2}	0.34	0.34	0.47

*1 Data for Group companies in Japan aggregated since fiscal 2012 (including accidents involving temporary employees)

*2 Lost-worktime injury rate = Number of persons absent from work due to occupational accidents / Total actual working hours × 1,000,000.

Defined as occupational accidents involving one or more days of absence from work. 1.06 is the average for the manufacturing industry.

Highlight

Initiatives in China Reducing Occupational Accidents by Half

In China, where the number of plants has increased rapidly, the number of occupational accidents was on an upward trend accompanying the growth in plants. In response, NSK took a firm, top-down approach, developing a safety management system, strengthening safety education, and implementing hazard prediction activities and monthly workplace inspections. As a result, the number of occupational accidents fell by 50% in fiscal 2014. The Group put special effort into safety education, producing educational materials for team leaders and holding related study meetings. 812 employees in total attended the study meetings.

The Group also established a “Safety Dojo” at all plants, launching hands-on education for both new employees and veterans. At these sites, employees can gain awareness of workplace dangers and the importance of work rules by experiencing simulated accidents. In addition, the Group developed new educational materials and improved existing programs, particularly those aimed at new employees. As a result, it was able to reduce the number of occupational accidents caused by employees who had been on the job for less than a year to one-third that of the previous fiscal year.



Safety responsibility training for team leaders

● Mental Health Initiatives (Japan)

Recognizing that companies must provide healthy work environments for their employees, NSK has implemented the following mental health measures.

(1) Training for Managers

Mental health is part of the required training for newly appointed managers. The instruction includes lectures by outside specialists, and practical training such as role-plays of specific situations. As part of efforts to keep the minds of employees healthy, managers study specific cases involving awareness of subordinate behavior and mental health response measures.

(2) Individual Consultations with Doctors

Along with regular medical checkups, all employees are given a stress check. When deemed necessary by the physician, follow-up is provided through individual consultations with a doctor. NSK analyzes the collective results of the stress checks in order to assess and improve the workplace environment.

(3) Utilizing Outside Employee Assistance Programs for Mental Health Support

In order to prevent mental health issues from occurring or reoccurring, employees receive mental health advice from outside experts, and those who take administrative leave for mental health reasons are given support upon their return to work.

* Employee Assistance Program: A program that supports employees' mental health

(4) Mental Health Consultation

Recognizing the importance of creating an environment where employees can freely seek consultation without worry, the Company has established a mental health consultation office using an outside expert. To ensure that employees who seek counseling can feel relaxed, the consultation office is bright, cheerful, and also soundproof.

NSK strives to provide workplaces where all employees can work in a supportive atmosphere.

● Activities to Promote Mental Health

Target	Purpose	Primary prevention (prevention and health promotion)	Secondary prevention (early detection and response)	Tertiary prevention (treatment, return to work, and relapse prevention)
Individual employee (self-care)		Stress awareness and management		
		Improvement of lifestyle habits	Voluntary counseling	Treatment
Managers and supervisors (department-based care)		Consultation and care for workers		
		Assess/improve work environment	Ascertaining the case type and response	Support for return to work
Care by organizations within the workplace		Policy creation/announcement and planning		
		Personnel policies review	Stress checking and guidance	Support for return to work
		Training and information provision	Consultation system establishment	
Care using resources outside the workplace		Providing specialized knowledge along with the necessary information, advice and tools		

* NSK and main group companies in Japan.

▶ Developing Human Resources with a Global Mindset

■ Basic Approach

The NSK Group believes that as the globalization of business advances, it is vital that employees can show their abilities in a workplace environment where they can recognize and solve common challenges, spanning national borders and cultural barriers.

● Program for Human Resource Development

Toward this end, the Group creates educational training programs in each region and provides employees with opportunities to pursue personal and professional growth. The Group also works to develop the human resources needed to support its business, while expanding its specialized training globally. This includes training for candidates selected to become the next generation of executives, the NSK Manufacturing Education and Training Center, which teaches and passes on technical skills, and the NSK Institute of Technology (NIT), which provides comprehensive technical training for engineers.

● NSK Group's Human Resources Development System

	▶ Pre-employment	▶ New Employees	▶ Second year and beyond	▶ Assistant Managers	▶ Managers	▶ Senior Managers								
Company-wide Common Training	Rank-based Training	<ul style="list-style-type: none"> Training before joining company - OA software - English - Business etiquette 	<ul style="list-style-type: none"> New employee development - Introductory training (1st year) - Plant working experience (3-6 months) - Follow-up training (conducted three times during first two years) 	<ul style="list-style-type: none"> Career Seminar New Employee Development and Guidance Training 	<ul style="list-style-type: none"> New Assistant Manager Training 	<ul style="list-style-type: none"> New Manager Training Management Training 								
	Self-Improvement		<ul style="list-style-type: none"> Business Skills training (correspondence course / e-Learning) Language Training (e-Learning, correspondence course, group lesson) 											
	Selective Training			<ul style="list-style-type: none"> NSK Management College 	<ul style="list-style-type: none"> Manager Course 	<ul style="list-style-type: none"> General Manager Course 	<ul style="list-style-type: none"> Global Course (NSK Global Management College) 							
Specialized Training	Production Department Training		<ul style="list-style-type: none"> NSK Manufacturing Education and Training Center <table border="1"> <tr> <td>Engineers</td> <td>Beginner Course</td> </tr> <tr> <td></td> <td>Intermediate Course</td> </tr> <tr> <td>Skilled Operators</td> <td>Mid-Career Course</td> </tr> <tr> <td></td> <td>Electrical Maintenance Course</td> </tr> </table>	Engineers	Beginner Course		Intermediate Course	Skilled Operators	Mid-Career Course		Electrical Maintenance Course			
	Engineers	Beginner Course												
	Intermediate Course													
Skilled Operators	Mid-Career Course													
	Electrical Maintenance Course													
Technical Department Training		<ul style="list-style-type: none"> NSK Institute of Technology <table border="1"> <tr> <td></td> <td>Basic Course (1st/2nd year students)</td> </tr> <tr> <td></td> <td>Specialized Course (3rd/4th year students)</td> </tr> <tr> <td></td> <td>Technical English Training</td> </tr> </table>		Basic Course (1st/2nd year students)		Specialized Course (3rd/4th year students)		Technical English Training			<ul style="list-style-type: none"> Graduate school 			
	Basic Course (1st/2nd year students)													
	Specialized Course (3rd/4th year students)													
	Technical English Training													

● Number of Participants in Education and Training Programs in Fiscal 2014 (in Japan)

Content	Participants
Headquarters' training •New employee training •Language training, etc.	1,069
Technology divisions' training •NIT	210
Specialized training (headquarters) •NSK Manufacturing Education and Training Center •Sales quality training, etc.	169
Plant training (conducted by plants) •Quality education •Safety education •ISO-related education, etc.	4,769
Other •Retirement plan seminar, etc.	739
Total: 6,956	

* The total number of participants who took training programs conducted by NSK Group companies in Japan.

● Language Education

The NSK Group uses English as its common language in order to conduct operations smoothly through active communication between employees around the world. At the head office in Japan and at some plants, the Group offers English-language training with native-English-speaking employees acting as instructors. This provides employees with the opportunity to learn practical English relevant to their work. For example, an English Conversation Salon is held weekly at the head office, and participants bring actual English materials from their daily work, such as emails, or video and telephone conference recordings. Individual lessons are provided by employees who are native English speakers.

● Global Management College

The NSK Group offers a Global Management College program for executive candidates being developed for leadership roles around the world. In fiscal 2014, the college's fourth year, 13 employees were selected from China, France, India, Indonesia, Japan, South Korea, Thailand, and the U.S. Sessions were held at NSK Group sites in the following order: Japan, Singapore, Indonesia, China, and Germany. The participants gained necessary knowledge and skills on leadership through the interactive curriculum, which included lectures on business strategy and visits to customers' business sites. In just its first four years, the program has already graduated 46 people from 15 countries. These leaders are now driving NSK's business in their respective regions.



Session in China (Kunshan Plant)

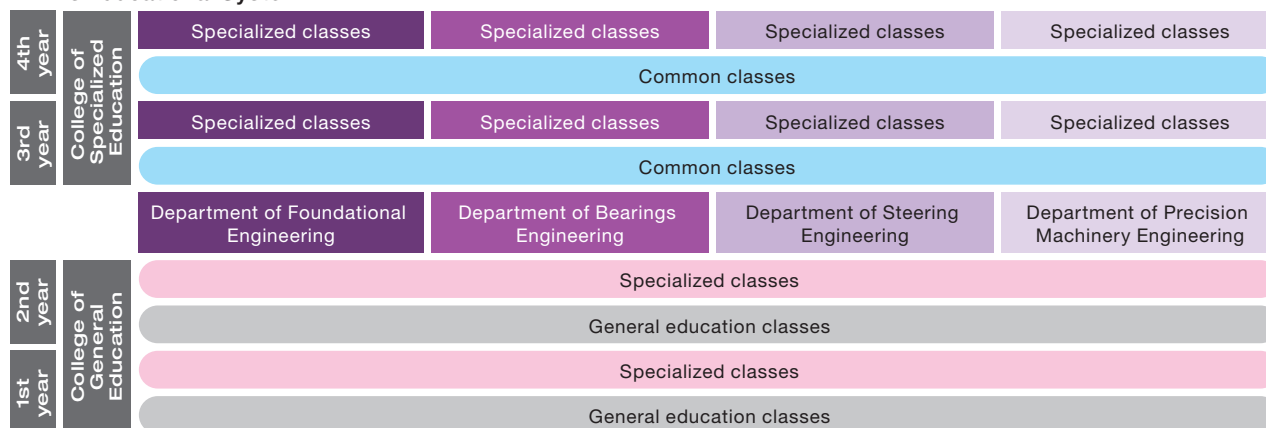
● Enhancing Training for Manufacturing Personnel

Development of human resources with highly specialized knowledge is essential in order to continue creating competitive products. It is also important to accurately meet the specific needs of customers worldwide in order to achieve global business expansion.

● NSK Institute of Technology

NSK established the NSK Institute of Technology (NIT) in 2007 to serve as an educational institution for employees in its technology divisions. NIT provides a wide range of educational opportunities, including general technical education covering topics such as technical specialist knowledge, technical skills, product knowledge, and quality control, as well as courses in logical thinking and global communication skills. Curricula and expected achievement levels are set separately for each faculty and academic year, and the institute provides systematic education in which students earn credits by passing examinations. As of March 31, 2015, programs are offered at 12 sites in 10 countries, and more than 400 students are enrolled.

● NIT's Educational System



● NSK Manufacturing Education and Training Centers

NSK established the NSK Manufacturing Education and Training Center at the Ishibe Plant in Shiga Prefecture in 2005 and at the Fujisawa Plant in Kanagawa Prefecture in 2006, aiming to develop frontline manufacturing experts with the ability to pass on technology and skills to others. The education of technicians, conducted in four courses on grinding, assembly, maintenance, and electrical maintenance, provides training suited to the ability and experience of each individual employee. Going forward, the centers will continue conducting the education needed to ensure that manufacturing skills are passed down and on-site capabilities are enhanced.

● NSK Manufacturing Education and Training Center—Training Courses and Contents

	course	Participants	Period	Course content
Skilled operators	Skilled operators (grinding/assembly)	Skilled operators	3 months	Skills knowledge focused on the basic fundamentals of shop floor management
	Skilled operators (maintenance)	Skilled operators	3 months	Special skills for repair/maintenance as well as shop floor management
	Electrical maintenance	Candidates for advanced maintenance staff	6 weeks + 2 months (at plant)	Fundamentals of electrical maintenance (basic theory, programming, troubleshooting) 2 months of hands-on training at plant
Engineers	Beginner-level engineers	Engineer with 2-3 years (or equivalent) experience	6 weeks	Fundamentals of being a plant engineer (basic engineering, basic management knowledge)
	Intermediate-level engineers	Engineer with 5-7 years (or equivalent) experience	2 weeks (2x per week)	Knowledge for shop floor management skills for intermediate-level engineers <i>Monozukuri</i> knowledge from the Toyota Production System



Reference data is available on NSK's website.

www.nsk.com > Sustainability > CSR Reports

● Personnel System to Support Career Advancement

www.nsk.com > Sustainability > Creating Dynamic Work Environment

● Human Resources Development Programs Underpin Growth

Chapter 4

Working with Local Communities

Social Contributions Targeting Community Development

The active engagement of companies is seen as crucial for resolving various social challenges and building a more sustainable world. Circumstances differ by country and region, and each is facing different problems. The NSK Group's business sites focus their social contribution efforts in the following three priority areas based on the needs of their respective countries and regions: (1) promotion of science and technology (e.g. providing aid to research institutions); (2) development of the next generation (e.g. providing scholarships, offering students work experience opportunities, and holding classes about bearings); and (3) mutual harmony and benefit with communities (e.g. cooperating in community events and welfare programs). The Group also values communication with community members and strives to build better relationships so that it can accurately assess and respond to community needs.

Additionally, by compiling social contribution activities undertaken at each site and sharing them group-wide in the form of the NSK Group Social Action Program, NSK aims to foster a corporate culture in which each and every employee is aware of and can engage in community development.

Priority Areas for NSK's Social Contribution Initiatives

1. Promoting science and technology that supports the prosperity of society

Promotion of science and technology

The NSK Group contributes to the development of industry, not only through its technology and products, but also through a broad range of unique initiatives that support the promotion of science and technology.



2. Fostering the development of the next generation

Development of the next generation

The NSK Group is committed to supporting the education of children and young adults long into the future.



3. Engaging in activities designed to build mutual harmony and benefit with communities

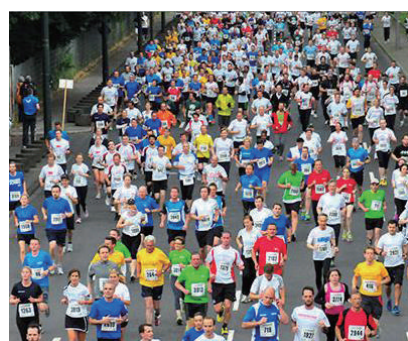
Mutual harmony and benefit with communities

The NSK Group values communication with local communities in the countries and regions where it does business, and aims to ensure mutual prosperity as an upstanding corporate citizen.



Fiscal 2014 Highlights

 **Germany** 
NSK Deutschland GmbH



Participated in a corporate charity run. The collected donations go to benefit children and young adults suffering from cancer, to support education and alleviate hunger in Cambodia, etc.

 **Malaysia** 
NSK Micro Precision (M) Sdn. Bhd.



Beach cleanup on Pangkor Island, Malaysia. A total of 100 people participated, with the cooperation of the local government.

Fiscal 2014 Highlights



Spain

NSK Spain S.A.



Participated in a program to donate milk to socially vulnerable families, donating more than 150 liters.

Poland



NSK Bearings Polska S.A. (Kielce Plant)



Blood donation drives. 180 people participated.



China

NSK (China) Investment Co., Ltd.



Established the Sino-Japanese Cooperation: NSK Mechanical Engineering Dissertation Awards at Tsinghua University with the aim of nurturing talent that can shoulder the future of mechanical engineering. Held the 12th awards ceremony in fiscal 2014.

Mexico



NSK Rodamientos Mexicana, S.A. DE C.V.



Supported a Formula SAE racing team, offering students an opportunity to build a real racecar.

South Korea

NSK Korea Co., Ltd.



Continued to offer donations to orphanages and nursing homes.

Indonesia



Pt. NSK Bearings Manufacturing Indonesia

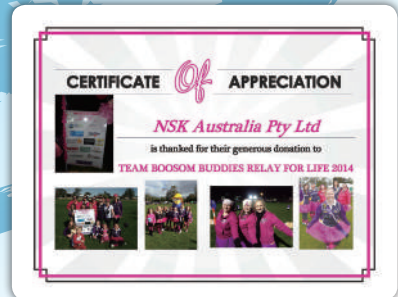


Offered students from a vocational training school work experience opportunities as interns.

Australia



NSK Australia Pty. Ltd.



Continued to participate in the Relay for Life event to support cancer treatment.

Chapter 5

Environment

- ▶ Environmental Management
- ▶ Creating Environmentally Friendly Products
- ▶ Global Warming Countermeasures
- ▶ Measures for Resource Conservation and Recycling
- ▶ Reducing Use of Environmentally Harmful Substances
- ▶ Biodiversity Conservation

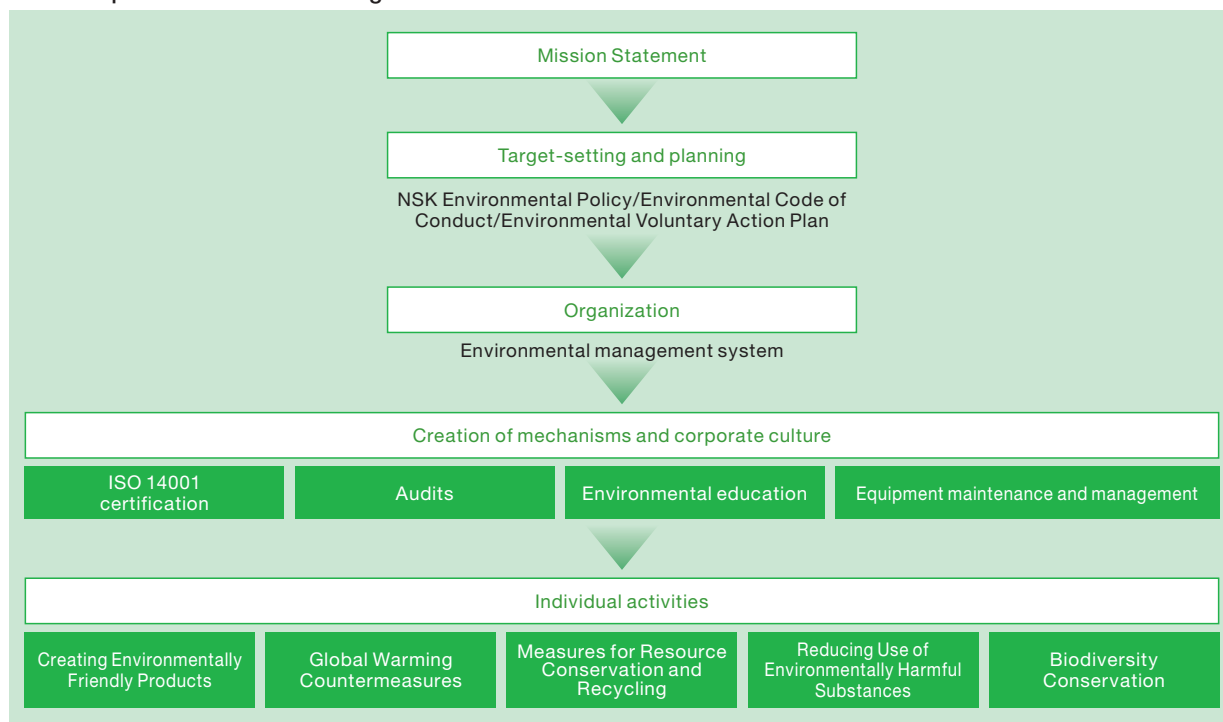
▶ Environmental Management

Concern is mounting over global environmental problems caused by human activity conducted in pursuit of affluence. The depletion of resources, the advance of global warming and climate change, and declining biodiversity are all very serious issues. All of humanity shares the challenge of building sustainable societies that can be prosperous without harming the environment. Today, people expect companies to be proactive about meeting this challenge, for instance, by providing ecofriendly products and services and reducing the environmental impact of their operations.

■ Overview of Environmental Management System

NSK adheres to the principle that global environmental protection, as outlined in the Group's mission statement, must be an ever-present concern in all its business activities. Accordingly, the Group states in its Environmental Policy that environmental management forms the basis of its existence and pursuits. While raising the awareness of each of its employees, NSK works to implement global warming countermeasures, enact measures to promote resource conservation and recycling, create environmentally friendly products, and reduce use of environmentally harmful substances.

● NSK Group's Environmental Management



■ Environmental Policy

NSK Environmental Policy

Our commitment to environmental management forms the basis of our existence and our pursuits. We are determined to take independent and assertive actions, aiming to establish recycling-oriented societies.

1. Prevention of Global Warming

To actively support efforts to prevent global warming by developing environmentally friendly manufacturing processes and technologies.

2. Reduction of Negative Environmental Impact

To establish and continually improve environmental management systems and systems for the management of chemical substances in products; to comply with regulations, to prevent pollution, and to reduce environmental impact.

3. Contribution to Societies

To be actively involved in the social development of local communities where we operate by promoting our global corporate activities, to create affluent societies that are in harmony with the environment, and to promote the preservation of biodiversity.

● Environmental Code of Conduct

1. To promote the development of manufacturing technologies through the use of our Tribology (friction control and lubrication technologies) in order to create environmentally-oriented products.
2. To ensure energy and resource conservation within all spheres of our business operations.
3. To reform environmental management organizations by improving operational systems and clarifying chains of responsibility.
4. To more aggressively tackle environmental protection by setting and adhering to high internal standards, in addition to complying with laws, ordinances, and agreements.
5. To reduce environmental impact by promoting the switch from chemical substances that adversely affect the environment to environmentally friendly alternative substances, waste reduction, and recycling.
6. To encourage employees to understand our environmental policies and to ensure an environmental mindset in the company through education and internal communications.
7. To contribute to societies by conducting social environmental activities and addressing issues related to the preservation of ecosystems and human health.
8. To actively communicate with environmental authorities and local communities in order to receive insightful and constructive opinions, and to disclose the ongoing status of our environmental management activities to the public.

Established: December 12, 1997, Revised June 25, 2015

■ NSK Group Environmental Structure

NSK's Global Environment Protection Committee, which is chaired by the executive officer responsible for the environment, is the top decision-making body for environmental management. Special subcommittees that deal with specific issues, such as energy conservation, resource conservation, and environmental products, along with the Global Environment Department, play a central role in operating the everyday environmental management system at all its sites based on decisions made by the global committee.

Under the leadership of the Group's regional headquarters in Japan, Europe, the Americas, and China, the plant managers at each site and the executives at affiliates are responsible for environmental management and the administration of chemical substances. In this way, PDCA cycles for improving environmental management are being implemented throughout the Group.

● Acquiring Environmental Management Certification

The NSK Group implements PDCA cycles for environmental management at all its sites. It gives special attention to environmental initiatives at development, design, manufacturing, and distribution sites, because these processes have a large environmental impact. The Group requires these sites to obtain external ISO 14001 certification—the international standard for environmental management systems—within three years of full-scale operation, typically represented by the start of mass production.

In fiscal 2014, three sites newly obtained certification. As of June 2015, 63 sites have obtained certification. In fiscal 2015, one site in Mexico is planning to obtain certification shortly after starting operations.

■ Goals and Performance

● Mid-term Goals (FY2013-2015)

In the new Environmental Voluntary Action Plan (see p. 9-10), which spans fiscal 2013 through 2015, NSK will work to contribute even more to the environment through its products. Additionally, the Group has set new targets for reducing water withdrawal and waste as a way to cut the environmental impact of its business activities and help to build a society that has a low carbon footprint, is committed to recycling, and has a deep respect for the natural world. In this way, NSK seeks to globally enhance its environmental management across the entire Group.

Main FY2014 Initiatives

● Audits and Education

● Environmental Audits

In addition to internal audits, third-party audits regularly conducted in accordance with ISO 14001. Moreover, the NSK Group's Global Environment Department and regional headquarters conduct audits designed to prevent oil leakage accidents, ensure compliance with environmental laws, and properly manage waste. In fiscal 2014, audits of 37 sites (15 in Japan, 3 in Europe, 9 in the Americas, and 10 in China) were conducted.

In addition, the Global Environment Department and regional headquarters audited 17 sites (8 in Japan, 1 in Europe, 3 in the Americas, and 5 in China) to strengthen management of environmentally harmful substances. The audits found no serious problems.

● Environmental Education

In order to further strengthen environmental protection initiatives and increase their effectiveness, the most important tasks are raising the awareness of every single employee and implementing measures based on sound knowledge.

In fiscal 2014, a total of 18,355 employees attended 330 training sessions in Japan. In addition, approximately 9,200 employees worldwide participated in the annual e-learning program. With compliance as the central theme, employees learned about different countries' regulations and the NSK Group's rules related to chemical substance management.

● Fiscal 2014 Number of Environmental Education Courses and Participants

Training course type	Number of participants	Number of sessions
Compliance with environmental laws and regulations	1,450	76
Raising environmental awareness	16,303	210
Acquisition of environmental qualifications	178	31
Environmentally friendly design, green purchasing and procurement	424	13
Total	18,355	330

● Compliance and Response to Complaints

● Basic Approach

The NSK Group complies with relevant environment-related laws and carries out initiatives in line with policies for preventing environmental pollution and reducing environmental impact. Additionally, in the event of an environmental accident or legal violation, the Group investigates the cause and promptly implements countermeasures.

● Preventing a Recurrence of Emissions Standards Being Exceeded

In fiscal 2014, there were no serious legal violations or environmental pollution accidents. However, there was one incident of drainage standards being exceeded at a site in Japan and two incidents of standards being exceeded under regulations related to volatile organic compounds (VOCs) at a site in Europe. The drainage standard issue was caused by oil in wastewater due to the washing of dishes in the cafeteria. Management was improved by installing a grease trap that captures oil contained in wastewater. The VOC regulation issue in Europe was caused by kerosene used in the product washing process. Plans are underway to switch to a cleaning liquid that does not contain VOCs.

● Remediating Soil and Groundwater Pollution

The NSK Group completely eliminated the use of chlorinated organic solvents in fiscal 2003. However, the remediation of groundwater is continuing at four sites where soil and groundwater pollution remains from past use. The Group regularly monitors groundwater and reports remediation progress to the authorities.

Appendix P62 Scope of Environmental Management



Reference data is available on NSK's website.

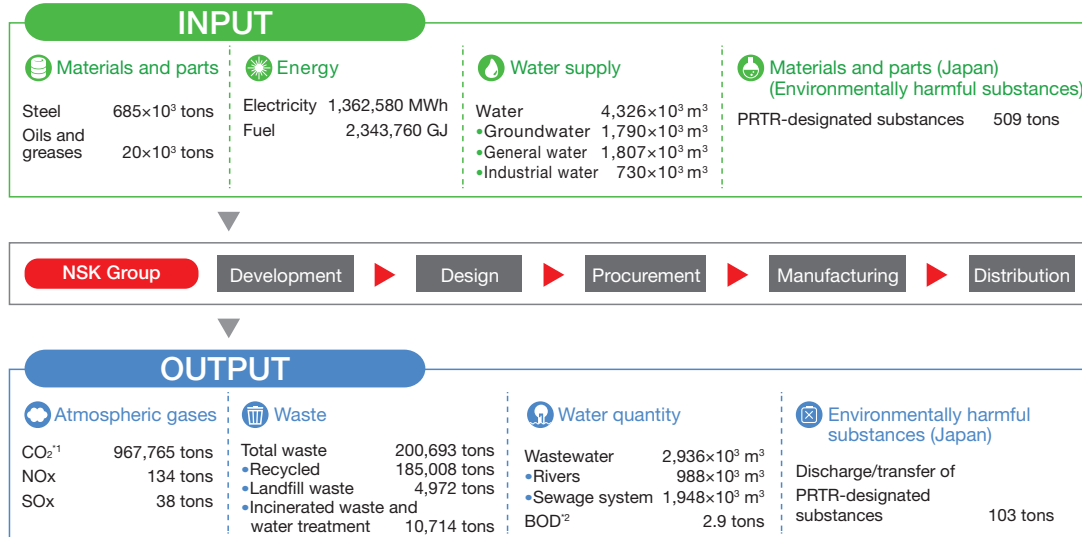
www.nsk.com > Sustainability > Environmental Activity > Environmental Management

- NSK Group Environmental Structure
- Acquiring ISO 14001 Achievement
- Scope of Environmental Management
- Environmental Education

Material and Energy Balance

The NSK Group works hard to continually reduce its environmental impact and use energy and resources in the most effective manner by quantifying the amount of resources input into its business activities and the amount of waste, CO₂, and other emissions it outputs.

Input and Output of Global Business Activities



*1 CO₂ emissions are calculated in conformity with data from Japan's Ministry of the Environment. Also, different regional coefficients are used for Japan and regions outside Japan.

*2 River discharge.

Environmental Accounting (Japan)

The NSK Group has disclosed the results of environmental accounting, a tool for quantitatively ascertaining and evaluating the costs and results of environmental protection activities. The Group also has introduced environmental accounting as an information tool to broaden people's understanding of the Group's activities.

Environmental conservation costs in fiscal 2014 consisted of about 3.4 billion yen in investments, including the installation of solar power generation units, and around 10.6 billion yen in expenses. The economic benefits of these investments amounted to roughly 1.4 billion yen. The NSK Group is striving to create products that help to reduce environmental impact. Approximately 65% of its environmental conservation costs were for R&D in environmentally friendly products and technologies. Please see the "Appendix" section of this report (p. 64) for more information.

▶ Creating Environmentally Friendly Products

Transforming the structure of society to reduce risks from events such as increasingly large-scale natural disasters related to climate change and to prevent the depletion of natural resources is a common challenge for humanity. Toward that end, companies are expected to make positive contributions through their products and services. This includes the development of new technologies, making those newly developed technologies even more sophisticated to aid in environmental protection, and increasing utilization of renewable energy.

Policy

Harnessing NSK's Four Core Technologies to Help Reduce the Environmental Impact of Human Societies

The products of the future must perform better than today's in order to help reduce the impact human societies have on the natural environment. In an effort to contribute to the well-being and safety of society and to protect the global environment, as spelled out by its corporate philosophy, NSK is working hard to accurately determine the needs of its customers and the broader society, as well as to develop environmentally friendly products and technologies which, in keeping with its basic policy, make the most of the Company's four core technologies (tribology, material engineering, analysis technology, and mechatronics). By delivering these products and technologies to all corners of the globe, NSK aims to contribute to the sophistication of the machinery in which its products are incorporated and to the development of environmentally friendly products as well as to the reduction of environmental impact throughout society.

Basic Policy for the Development of Environmentally Friendly Products

The NSK Group minimizes the environmental impact of its products at every stage—from R&D and design, to production, usage, and disposal—by upholding the following standards:

1. Each product should contribute toward the energy and resource conservation of the machine in which it is installed.
2. The amount of energy and resources required during product manufacturing should be minimal.
3. Environmentally harmful substances should not be used in products or manufacturing processes.
4. Products should contribute to the health and safety of end users by having low emissions of vibration, noise, and dust.

● Harnessing NSK's Four Core Technologies to Help Reduce the Environmental Impact of Human Societies



Mid-Term Goals (FY2013-2015)

The NSK Group is creating even more environmentally friendly products and technologies based on the NSK Environmental Policy and the Basic Policy for the Development of Environmentally Friendly Products. It also calculates how much its products help to reduce CO₂ emissions during use.

FY2014 Activities

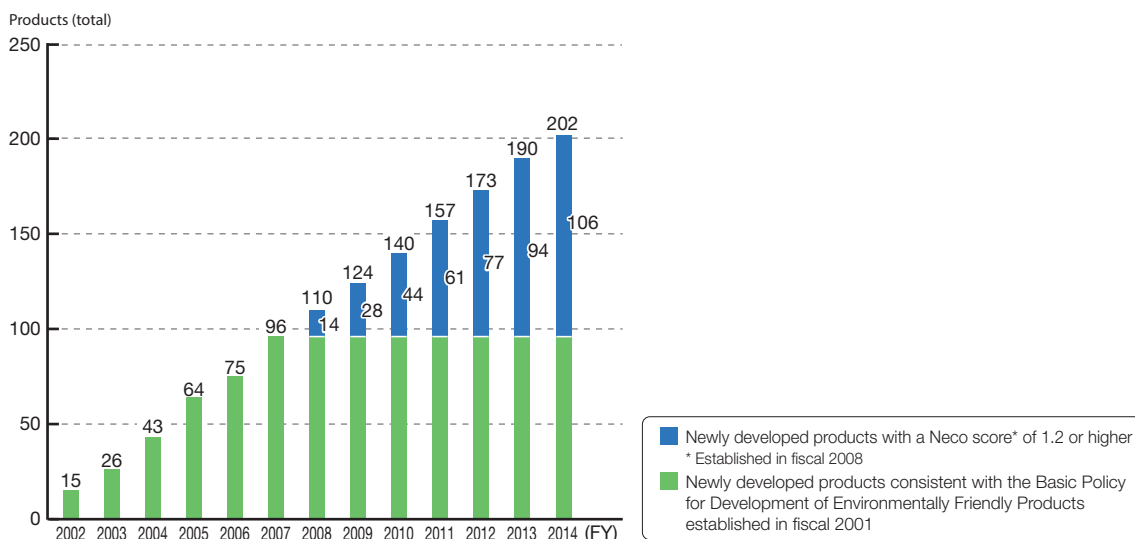
In fiscal 2014, the NSK Group developed 12 new environmentally friendly products that help customers conserve energy and resources. The total number of environmentally friendly products developed since 2002 comes to 202.

●NSK Eco-efficiency Indicators






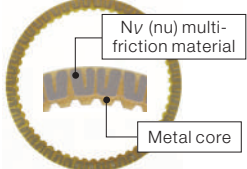
The NSK eco-efficiency indicator (Neco) system is an NSK-original benchmark established in 2008 for quantitatively evaluating — early on in the development phase — the degree of environmental contribution a product will make, and since its creation has been used to evaluate product development. A product's Neco score is calculated by dividing product value V, which is an indicator of how much the new product's lifetime and performance have been improved over the previous product, by environmental impact E, which is an indicator based on parameters such as product weight and energy consumption. The better the product performance and lower the environmental impact, the higher the Neco value is. Currently, the Group is working to develop new products with a Neco score of 1.2 or higher.

$$\text{Neco} = \frac{\text{Product value V (product life, functions)}}{\text{Environmental impact E (product weight and power consumption)}}$$

● Number of Environmentally Friendly Products Developed(Total)



● Environmentally Friendly Products Developed in Fiscal 2014

NSK Products	Technology developed by NSK	Environmental benefits for NSK's customers	Neco
RACEGRD™ Grease for Bearings Used in Machine Tool Main Spindles 	<ul style="list-style-type: none"> ● Improved high-speed performance and load-resistant performance Improved lubrication under high load conditions delivers 5 times greater anti-seizure performance than conventional products ● Improved reliability Both leakage of grease sealed inside the bearing and temperature fluctuations during operation suppressed 	<ul style="list-style-type: none"> ● Compact, improved fabrication efficiency Helps to save energy by using grease lubrication of automobile part processing machines, while also allowing general-purpose machining centers to be more compact and increasing fabrication efficiency ● Improved reliability Enables extended grease lifetime and high-precision operation, and improves reliability of machine tools 	1.2
High-Load Drive Ball Screw HHTF-SRD and HTF-SRE for Electric Injection Molding Machines 	<ul style="list-style-type: none"> ● HTF-SRD for clamping axis ● Improved feeding speed Maximum feeding speed of two times greater than conventional products ● Low noise Noise reduced to half that of conventional tube type models 	<ul style="list-style-type: none"> ● Improved productivity Reduced cycle time contributes to improved productivity ● Quieter machine operation Reduced noise levels make for quieter machine operation 	1.3
	<ul style="list-style-type: none"> ● HTF-SRE for injection axis ● Improved feeding speed Maximum feeding speed of two times greater than that of conventional tube type models ● Expanded lineup Wider variety of lead options makes optimal lead size selection possible 		
Low-Torque Tappet Roller for Automobile Diesel Engines 	<ul style="list-style-type: none"> ● Low friction Reduced friction by 10% compared to conventional double roller specifications ● High durability Used special plating on the tappet shaft to suppress corrosion wear ● Swaging process (plastic forming) Swaging on shaft ends without cracking the plating makes it possible to secure the shaft, resulting in a more compact, lightweight unit 	<ul style="list-style-type: none"> ● Increased automobile fuel efficiency Makes it possible to switch from a tappet roller specification (sliding bearing), contributing to fuel efficiency 	1.2
Super Long-Life Planetary Shaft for Automobile Transmissions 	<ul style="list-style-type: none"> ● Swaging process (plastic forming) Optimization of induction hardening enables swaging on both ends of the shaft to secure it, making it 30% narrower than previous models ● Longer life Lasts 2.5 longer than previous models due to optimized material components and heat processing 	<ul style="list-style-type: none"> ● Increased automobile fuel efficiency Enables a more compact, lightweight transmission planetary mechanism, contributing to increased fuel efficiency 	1.4 (narrowed width) to 1.9 (compact)
Functional Safety Compliant Electric Power Steering 	<ul style="list-style-type: none"> ● High level of safety Design and development focused on enhanced diagnostic functions for the microcomputer and torque sensor, ensuring greater safety ● Higher added value In addition to the steering torque detection function, a built-in steering angle sensor works for detecting the steering angle for versatile, advanced automobile control 	<ul style="list-style-type: none"> ● Increased automobile fuel efficiency Enables about 4% greater fuel efficiency compared to hydraulic systems, helping to increase automobile fuel efficiency ● Improved safety and comfort Helps achieve automobile manufacturer safety goals and makes steering operations easier on the driver 	1.3
Low Drag Friction Plate Nν (nu) Multi-Segment 	<ul style="list-style-type: none"> ● Reduced drag torque Optimized the multi-piece form through enhancement of fluid analysis precision, to reduce drag torque, and ensure less oil film gets into the gap of the clutch ● Establishing production technology Production facilities improved to maintain the same productivity as previous products, even on small complex items such as multi-piece forms 	<ul style="list-style-type: none"> ● Increased automobile fuel efficiency Reduces automobile transmission power loss, helping to increase fuel efficiency 	1.4



Reference data is available on NSK's website.

www.nsk.com > Company > News > Press Releases

▶ Global Warming Countermeasures

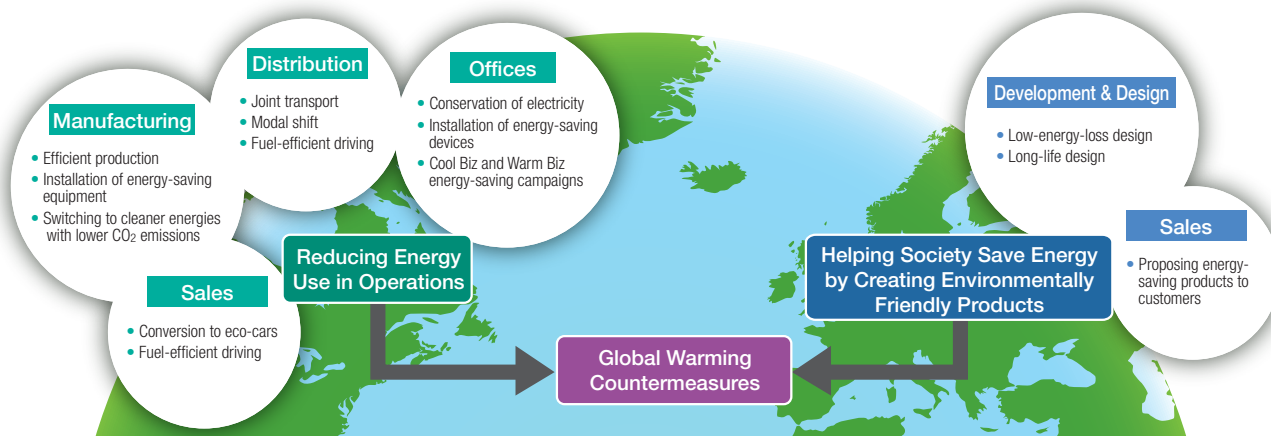
Concerns are mounting that today's increasingly serious climate change problems have the potential to cause tremendous damage including rising sea levels, droughts, localized torrential rain, and the spread of infectious diseases, as well as having harmful effects on ecosystems. At present, the world is debating how to achieve substantial reductions in emissions of CO₂ and other greenhouse gases. To help build a low-carbon society, companies are expected to make aggressive efforts to develop new and more advanced technologies that will lead to energy savings. They are also required to help popularize energy-saving products and reduce the CO₂ emissions generated by their business operations.

■ NSK's Approach

Amid growing concerns about global warming, the onus is on companies to develop energy-saving technologies, popularize energy-saving products, and reduce CO₂ emissions generated by their business operations.

NSK is committed to developing and broadly disseminating environmentally friendly products, with the aim of reducing CO₂ emissions throughout society as a whole. The Group is also making efforts to reduce CO₂ emissions in its business operations through improvement in the efficiency of energy use and the adoption of clean energies.

● Contributing to the Fight Against Global Warming by Creating Environmentally Friendly Products and Reducing Energy Use in Operations



■ Mid-term Goals (FY2013-2015)

The NSK Group has established CO₂ emissions reduction goals related to manufacturing, distribution, and offices and is carrying out efforts to reach the goals.

The Group is saving energy by streamlining production at its production sites in and outside Japan. In addition, the Group is reducing CO₂ emissions by promoting initiatives including implementing fuel conversion, replacing machines (adding inverters to compressors, reducing the use of compressed air by switching to energy-saving spindles, adopting LED lighting), and installing gas cogeneration systems.

Under its Environmental Logistics Policy, the Group strives to reduce the environmental impact of transport through improved loading efficiency, achieved by combining product distribution and procured part distribution and by shifting to modes of transport with lower environmental impact.

The head office and sales divisions have also made efforts to save energy, including controlling air-conditioning temperatures, turning off lights when not in use, and switching to LED lighting. Additionally, the Group is switching company vehicles to electric, hybrid, and vehicles with small-displacement engines.

Fiscal 2015 Targets for Global Warming Countermeasures

Manufacturing

In Japan: CO₂ emissions per value-added production unit: 4% reduction from FY2011 level (9% reduction from FY2011 level by FY2020)

Total CO₂ emissions: Reduce CO₂ emissions for FY2015 to below FY2011 level

Outside Japan: CO₂ emissions per value-added production unit: 4% reduction from FY2011 level

Distribution

In Japan: CO₂ emissions per ton-kilometer: 4% reduction from FY2011 level

Offices

In Japan: CO₂ emissions per unit of floor space: 12.2% reduction from FY2011 level

Outside Japan: CO₂ emissions per unit of floor space: 4% reduction from FY2011 level

CO₂ emissions: The total of the amount emitted directly from the NSK Group's business operations (scope 1) and the amount emitted indirectly by power companies, etc., that supply the electricity used by the NSK Group (scope 2)

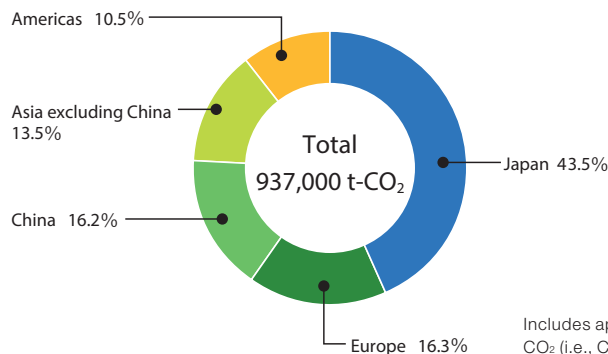
FY2014 Activities

Manufacturing departments in Japan achieved a 10.2% reduction in CO₂ emissions per value-added production unit from the fiscal 2011 level, exceeding the target of a 3% reduction. Total CO₂ emissions were reduced by 3.1% compared to a reduction target of the fiscal 2011 level or below.

Plants outside Japan achieved a 28.3% reduction in CO₂ emissions per value-added production unit from the fiscal 2011 level, exceeding the target of a 3% reduction, as a result of improvement in productivity associated with increased production and the increase in operations that emit comparatively lower amounts of CO₂.

Headquarters and office sites also achieved their target, but distribution departments did not, due to a decrease in car ferry shipments.

● Total CO₂ Emissions from Manufacturing by Region (Scope 1 and 2)



Includes approximately 1,100 tons of greenhouse gases other than CO₂ (i.e., CH₄, N₂O, HFCs, PFCs, SF₆) converted to a CO₂ basis.

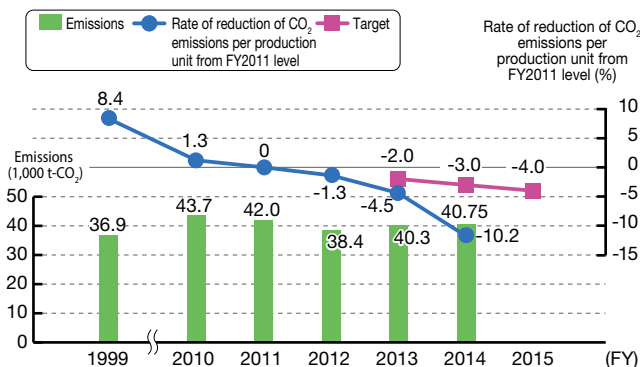
Manufacturing 1 Initiatives at Manufacturing Sites in Japan

The Fukushima Plant reduced its CO₂ emissions by around 790 tons per year by changing its air conditioning equipment from an absorption chiller/heater system that uses heavy oil to an electric heat pump system, improving the capacity of its heat treatment furnaces, and shutting furnaces off when not in use.

The Fujisawa Plant reduced the power consumption of compressors that supply compressed air to the production lines by taking measures to eliminate leakage of compressed air and upgrading to energy-saving spindles, which substantially reduced the amount of air used. It also reduced power consumption by upgrading its air conditioning equipment to heat pumps. These efforts resulted in a reduction of CO₂ emissions by about 530 tons in fiscal 2014.

NSK Kyushu Co., Ltd. reduced its CO₂ emissions by around 300 tons in fiscal 2014 by using inverters to optimize control of air blowers for air conditioning.

CO₂ Emissions from Manufacturing in Japan: Total Volume and per Production Unit



Due to a change in calculation criteria, the data was recalculated back to 1999.

Manufacturing 2 Installing a Solar Power Generation System at Inoue Jikuuke Kogyo

Inoue Jikuuke Kogyo Co., Ltd. has installed 3,570 solar panels on its property in Nara Prefecture. These panels supply power equivalent to the consumption of 240 households and are expected to reduce CO₂ emissions by about 450 tons per year.



Greenhouse Gas Emissions Verification Report (Japan)

The Japan Quality Assurance Organization conducted independent verification of NSK's fiscal 2014 performance, in order to increase reliability related to the group's CO₂ emissions data. The verification covered all NSK Group sites in Japan, including manufacturing departments, technology departments, and head office and administrative divisions.



Greenhouse Gas Emissions Verification Report (Japan)

Manufacturing 3 Spindle Working Group

The NSK Group uses a great deal of compressed air for the spindles used in grinding processes. Technology development departments and plants meet regularly to share information and implement initiatives across plants to reduce the amount of compressed air used. In fiscal 2014, the Spindle Working Group's efforts included switching from oil-air lubrication to energy-efficient spindles that use grease lubrication, which require less compressed air, thereby reducing annual CO₂ emissions by around 210 tons.

Manufacturing 4 Initiatives at Production Sites Outside Japan

Siam NSK Steering Systems Co., Ltd., in Thailand reduced CO₂ emissions at its plant by about 270 tons in fiscal 2014 by switching to a high-efficiency air conditioning system and reducing usage of compressed air.

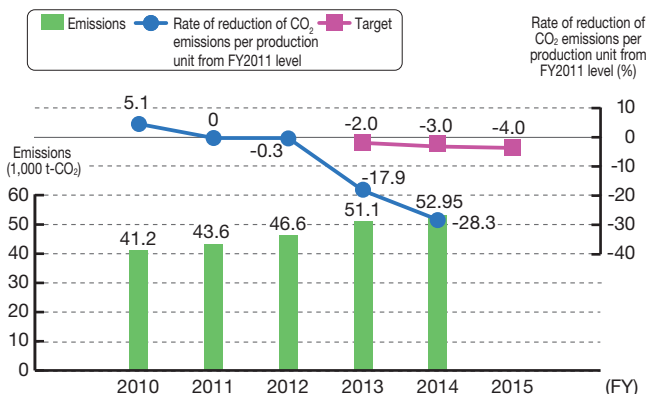
The Munderkingen Plant of Neuwig Fertigung GmbH in Germany installed a solar power generation system. The solar panels shift to follow the direction of the sun, producing around 35% more electricity than fixed panels. This helps the plant keep the amount of power purchased from the electric company down.



Solar panels at Neuwig

In addition, many plants have upgraded to LED lighting.

● CO₂ Emissions from Manufacturing Outside Japan: Total Volume and per Production Unit



Expanded the target range, so the data was recalculated back to 2010.

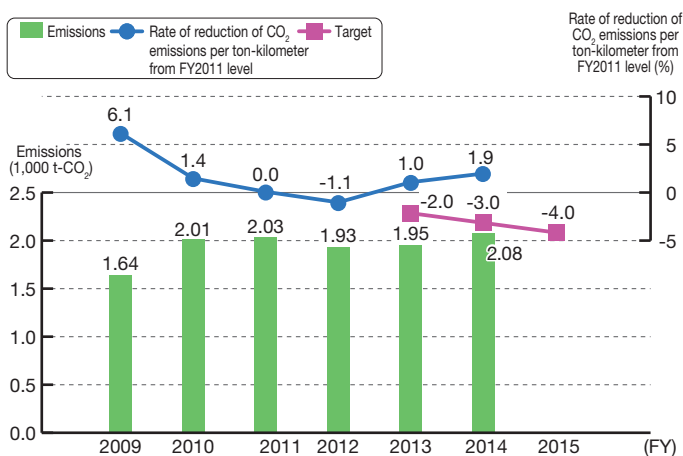
Distribution Combination of Product and Procured Parts Distribution

Under its Environmental Logistics Policy, the NSK Group strives to reduce the environmental impact of transport (reduction of CO₂ emissions) through improved loading efficiency by combining product distribution and procured part distribution and by shifting to modes of transport with lower impact.

In fiscal 2014, however, a decrease in transport by car ferry resulted in a 1.9% increase in CO₂ emissions per ton-kilometer from the fiscal 2011 level, and did not attain the target of a 3% reduction.

In fiscal 2015, the NSK Group aims to improve transportation efficiency across the entire Group by further combining product distribution and procured part distribution and shifting to modes of transport with lower environmental impact.

● Energy Consumed per Ton-Kilometer and CO₂ Emissions from Distribution in Japan



Offices Energy-Saving Efforts at the Head Office and Sales Departments

The head office and sales divisions have been making efforts to save energy, including controlling air-conditioning temperatures, turning off lights when not in use, and switching to LED lighting. The head office building reduced its electricity usage by about 15% by optimizing air conditioner operation to lessen the load. The Hiroshima Nissei Building was rebuilt in April 2015, enabling it to achieve energy savings of more than 50% by installing the latest air conditioners and lighting. Moreover, NSK's offices switch to the latest environmentally friendly vehicles when updating their fleets, and the Company encourages the adoption of hybrid and vehicles with small-displacement engines.

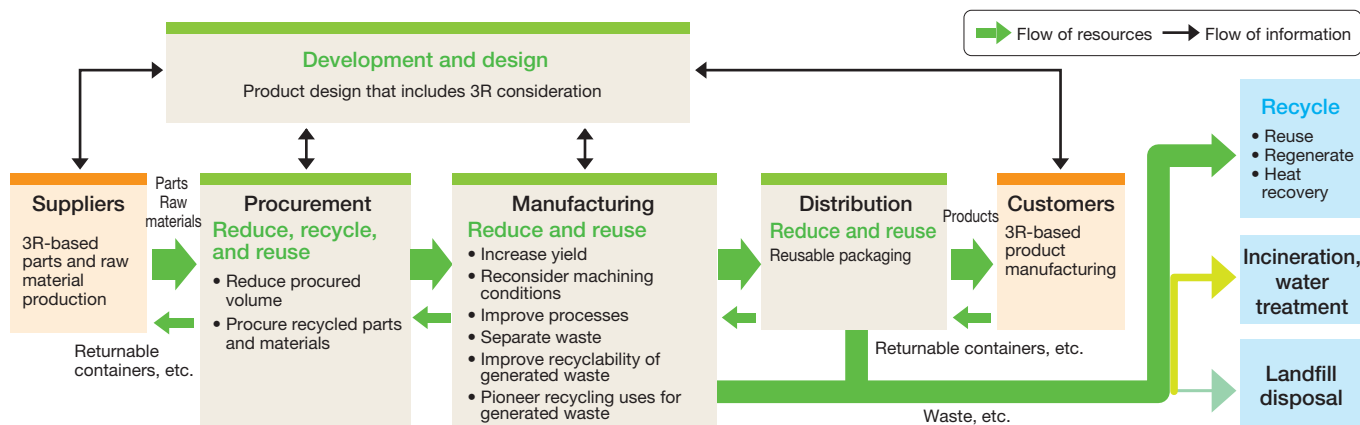
Measures for Resource Conservation and Recycling

There is growing concern around the world that an economic system based on mass production, mass consumption, and mass disposal will end up depleting a wide range of resources in the future. Against this backdrop, companies are required to help build recycling-oriented societies by ensuring the efficient use of resources throughout the entire product lifecycle—from the extraction of resources, to product use, to disposal. Additionally, there is concern that the increase in worldwide demand for water will lead to the depletion of water resources in the future. Companies must therefore make efficient use of water resources.

NSK's Approach

The NSK Group aims to make efficient use of the resources it requires for raw materials and is working on reducing, reusing, and recycling (the 3Rs), striving to do its part in building recycling-oriented societies around the world. The Group's development and design divisions strive to develop products that can be produced with the minimum amount of raw materials and that can be easily recycled when disposed after use. The Group's manufacturing and distribution divisions attempt to reduce the generation of waste and also work to reuse and recycle waste that is generated, aiming to eliminate landfill waste disposal. As for water, the NSK Group has judged that there is a low possibility—under existing conditions—of it being impacted by water shortages, based on the volume of water it uses and where its business sites are located. Still, the Group remains committed to the efficient use of water, realizing that the future may bring a serious global shortage of water resources.

3Rs to Help Build Recycling-Oriented Societies



Goals and Performance

Mid-term Goals (FY2013-2015)

The NSK Group is strengthening its initiatives to achieve the rigorous goals it set for the effective utilization of resources, recycling rate, and landfill disposal rate. The Group constantly pursues higher performance on the 3Rs. It will also start working on reducing water withdrawal per unit of production.

Manufacturing sites in Japan have already achieved their goals for zero emissions (the elimination of landfill waste disposal)* with a recycling rate close to 100%. Now they are aiming to achieve a recycling rate of 100% of industrial waste by the end of fiscal 2015.

The NSK Group has defined zero emissions as a landfill disposal rate of no more than 0.01%.
 Landfill disposal rate (In Japan) = Landfill disposal amount / (Total waste – reduction amount) × 100 (%)

Fiscal 2015 Targets

Development and design, manufacturing

Reduce waste of raw material by changing processing methods

Manufacturing

In Japan: Achieve a recycling rate*¹ of at least 99.99% for waste and maintain zero emissions*²
 Reduce industrial waste per production unit*³ by 32% compared to fiscal 2011
 Reduce water withdrawal per production unit*⁴ by 4% compared to fiscal 2011

Outside Japan: Achieve a waste recycling rate of at least 99.0%
 Reduce water withdrawal per production unit by 4% compared to fiscal 2011

Distribution

In Japan: Reduce packaging material waste per production unit*⁵ by 8% compared to fiscal 2007

*1 Recycling rate (In and outside Japan) = Recycled amount / (Total waste – reduction amount) × 100

*2 The NSK Group has defined zero emissions as a landfill disposal rate of no more than 0.01%.

Landfill disposal rate (In Japan) = Landfill disposal amount / (Total waste – reduction amount) × 100

*3 Industrial waste per production unit (in Japan) = Industrial waste / Value-added production

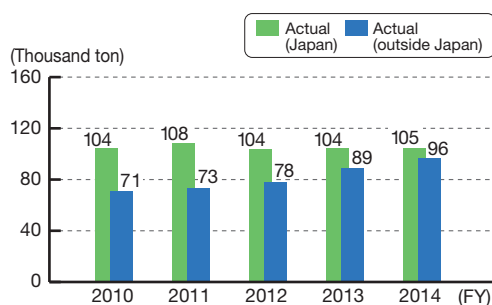
*4 Water withdrawal per production unit = Water withdrawal / Value-added production

*5 Packaging material waste per production unit = Packaging material waste / Production output

FY2014 Activities

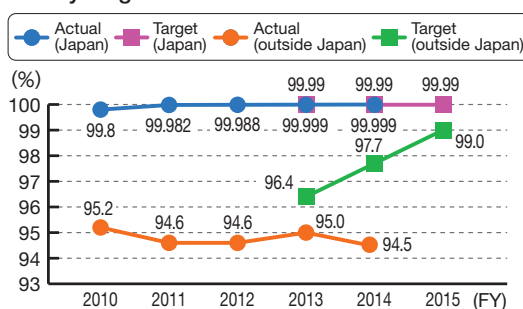
NSK has steadily reduced steel material waste by changing the forging shape for parts. The NSK Group's plants in Japan achieved a waste recycling rate of 99.999% and a landfill disposal rate of 0.001% by thoroughly sorting waste and expanding the channels for use of recycled waste. This performance met fiscal 2014 targets. On the other hand, plants outside Japan did manage to increase their recycling rate to 94.5%, however did not attain their target of at least 97.7%. Plants in Japan reduced industrial waste per production unit by 29.8% compared to a target of a 20% reduction from fiscal 2011 levels. They also reduced packaging material waste per production unit by 16.1% compared to a target of a 7% reduction from the fiscal 2007 level. With respect to water withdrawal per production unit, plants in Japan achieved a 25.5% reduction and plants outside Japan achieved a 33.6% reduction compared to a target of a 3% reduction from fiscal 2011 levels.

● Total Waste



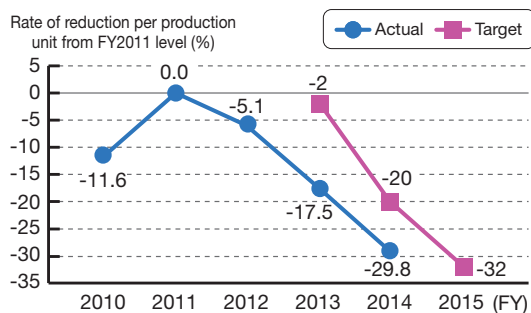
Expanded the target range, so the data was recalculated back to 2010.

● Recycling Rate



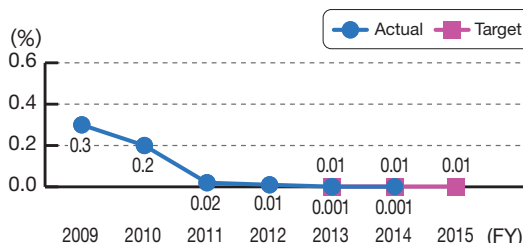
Expanded the target range, so the data was recalculated back to 2010.

● Industrial Waste per Production Unit (Plants in Japan)



Due to a change in calculation criteria, the data was recalculated back to 2010.

● Landfill Disposal Rate (Plants in Japan)



Manufacturing 1 Reducing Use of Steel Sheet for Automobile Transmission Bearings

The thrust needle bearings used in automobile transmissions consist of a cage and rollers. The cages are made by punching out steel sheet with a die. Conventionally, even if the size of the cages differed a little, the width of the steel sheet and the punching pitch of the dies were kept the same. However, NSK optimized the width of the steel sheet and the punching pitch of the dies for the varying cage sizes, in order to reduce wasted material. This reduced steel sheet waste by 10-40%.

Manufacturing 2 Initiatives to Reduce Industrial Waste

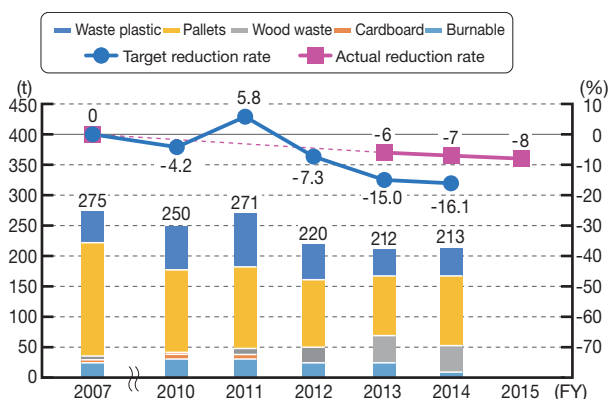
In fiscal 2014, the Group strove to optimize its recycling contractors in each area where it has plants. As a result, a greater amount of waste was re-used as a valuable resource, reducing industrial waste per production unit by 29.8% and greatly surpassing the goal of a 20% reduction. In fiscal 2015, the Group will implement further initiatives to reach its new goal of a 32% reduction.

Distribution Increasing Reuse and Recycling of Used Packing Materials

The NSK Group is working to use fewer packaging materials by meticulously sorting used packaging.

In fiscal 2014, the Group reduced the total amount of discarded burnables by 68.2% from the previous fiscal year by resorting burnables into recyclable material and non-recyclable material, and recycling the recyclable material. The Group also reduced waste by 23.4 tons for the year by reusing pallets used for import when exporting.

Amount of Packaging Material Waste per Production Unit (Distribution in Japan)

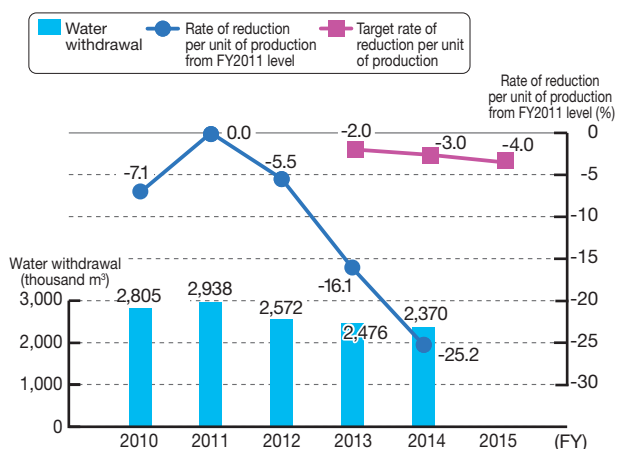


Due to a change in calculation criteria, the data was recalculated back to 2007.

Manufacturing 3 Recycling and Reducing Grinding Fluid and Cooling Water

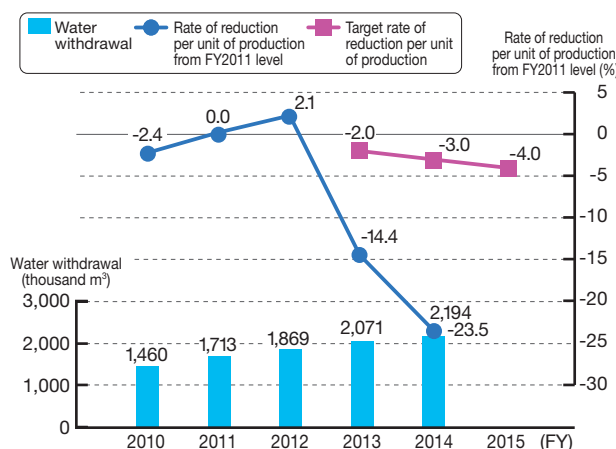
The NSK Group uses grinding fluid to reduce the heat generated during the grinding of bearings and other parts and to increase lubricity. It also uses water to cool production equipment as well as ancillary equipment such as air conditioners and compressors that make compressed air. All grinding fluid is circulated, and cooling water for air conditioners and other equipment is circulated wherever possible.

Water Withdrawal per Unit of Production (Plants in Japan)



Due to a change in calculation criteria, the data was recalculated back to 2010.

Water Withdrawal per Unit of Production (Plants outside Japan)



Expanded the target range, so the data was recalculated back to 2010.



Reference data is available on NSK's website.

www.nsk.com > Sustainability > CSR Reports > CSR Reports & Reference Data

● Water withdrawal, Wastewater amounts and Waste Emissions

▶ Reducing Use of Environmentally Harmful Substances

Chemical substances have made modern life much more convenient. However, some chemicals can have adverse effects on human health and the environment. At the World Summit on Sustainable Development in 2002, the nations of the world reaffirmed their commitment to “aim by 2020 to use and produce chemicals in ways that do not lead to significant adverse effects on human health and the environment.” Since then the international community has been working cooperatively to regulate chemical substances more strictly.

■ NSK's Approach

The NSK Group is striving to create products that use no environmentally harmful substances, ahead of laws and regulations around the world and voluntary standards from its customers. Responding to stricter regulations, the Group tightly controls environmentally harmful substances through each stage of development and design, procurement, manufacturing, and distribution to ensure that safe products are delivered to customers.

■ Goals and Performance

● Mid-term Goals (FY2013-2015)

To ensure the products it delivers are safe, the NSK Group is reinforcing its systems for global management of environmentally harmful substances and systems for ensuring that products contain no environmentally harmful substances.

The NSK Group is also upgrading its management systems for the development and design processes and rolling out green procurement to its global production sites. The Group additionally aims to further reduce environmentally harmful substances handled during production processes. The Group is focused on establishing a global management framework by surveying the inclusion of environmentally harmful substances in parts and raw materials, based on the latest NSK List of Environmentally Harmful Substances.

Fiscal 2015 Targets for Reducing Use of Environmentally Harmful Substances

Development and design

Establish a development and design management system that ensures environmentally harmful substances are not contained in products

Procurement

Complete the extension of NSK green procurement to key suppliers worldwide

Manufacturing

Complete a global chemical substance quality assurance system for products

Totally eliminate machining fluids containing chlorine additives

In Japan: Reduce the handling of PRTR-designated substances per production unit by 25% compared to fiscal 2011

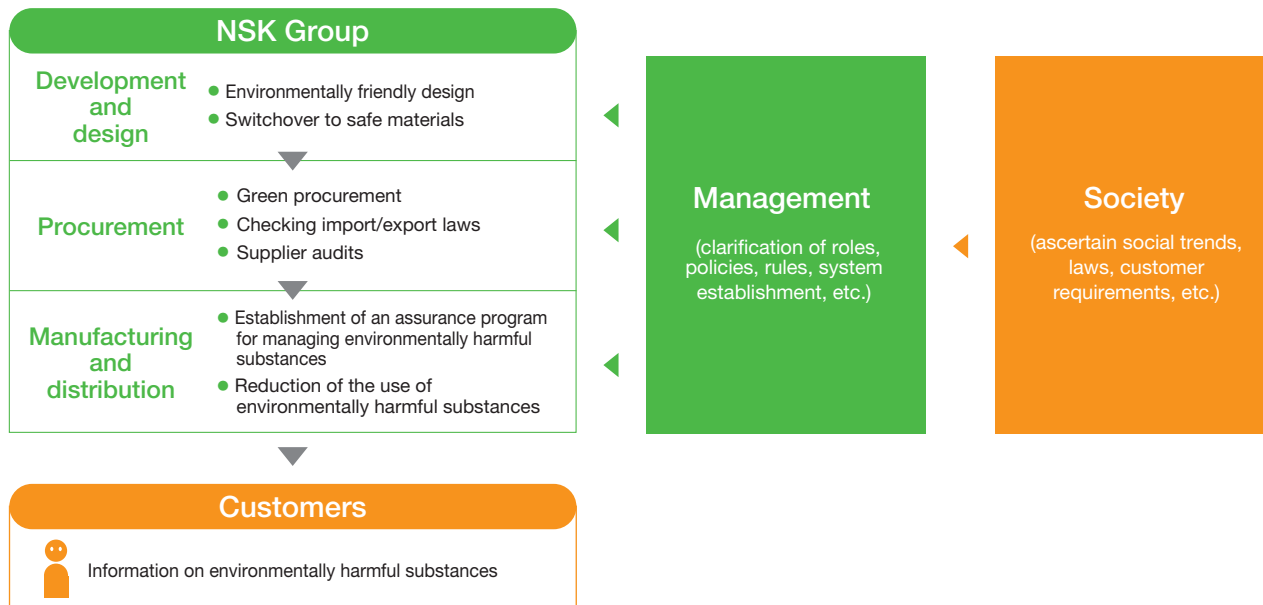
● Management System

The NSK Group is striving to strengthen its management by implementing initiatives not only in Japan but also at plants worldwide to reliably ensure that environmentally harmful substances are not included in products and then auditing the status of implementation.

In fiscal 2014, the Group conducted on-site audits at four plants in China, two plants in Europe, and three plants in the U.S. These audits identified problems and specified points requiring further attention, and needed changes were made, reinforcing the management system.

Furthermore, the Group trained 34 new environmentally harmful substance auditors in Japan and 12 outside Japan, bringing the total up to 319, so that plants around the world can autonomously conduct self-audits and supplier audits.

● Management of Environmentally Harmful Substances



FY2014 Activities

Following on from fiscal 2013, the NSK Group revised the NSK List of Environmentally Harmful Substances again in fiscal 2014 in response to legislative amendments in Europe in order to enhance management of environmentally harmful substances. It conducted a survey not only in Japan but also at production sites worldwide of environmentally harmful substances inclusion in parts and raw materials and strengthened its management so that environmentally harmful substances are not used in products. Moreover, the Group promoted initiatives to totally eliminate use of machining fluids containing chlorine additives in manufacturing processes.

Design Taking Action Based on the NSK List of Environmentally Harmful Substances

NSK has registered nearly 3,500 chemical substances in its NSK List of Environmentally Harmful Substances as Prohibited Substances, Reduced Substances, and Observation Substances. The Group is aiming for zero use of environmentally harmful substances in the manufacture of its products.

As in the previous fiscal year, the NSK Group conducted a survey in fiscal 2014 of parts and materials suppliers based on the list to make sure that substances prohibited by NSK are not included in its products. NSK also listed all parts that have been confirmed not to contain substances prohibited by NSK and worked on building a system that ensures design departments check that products under development contain no harmful substances.

Procurement 1 Worldwide Efforts to Increase Awareness of NSK Green Procurement Standards

The NSK Group cooperates with suppliers in an effort to strengthen the management of environmentally harmful substances and procure environmentally friendly parts and raw materials. To make the NSK Green Procurement Standards well known outside Japan, the Group holds briefing sessions for suppliers around the world and obtains agreement forms pledging adherence to the standards.

The NSK Group's production sites worldwide will continue to work with suppliers to manufacture dependably safe products.

Procurement 2 Improving On-site Audits of Suppliers

The NSK Group conducts periodic audits of suppliers of parts and raw materials with a high possibility of containing or carrying environmentally harmful substances. Group employees who hold qualifications as environmentally harmful substance auditors visit suppliers and conduct the audits using an NSK audit check sheet. This has strengthened environmental initiatives throughout the supply chain. In fiscal 2014, on-site audits were conducted at 44 suppliers in Japan and 12 suppliers outside Japan. The Group is working with suppliers to follow up on improvements to issues identified through the audits. Going forward, the NSK Group will step up its audits of suppliers outside Japan, aiming to complete on-site audits of all of its principal suppliers by 2015. The NSK Group is committed to further strengthening its management system for environmentally harmful substances.



Reference data is available on NSK's website.

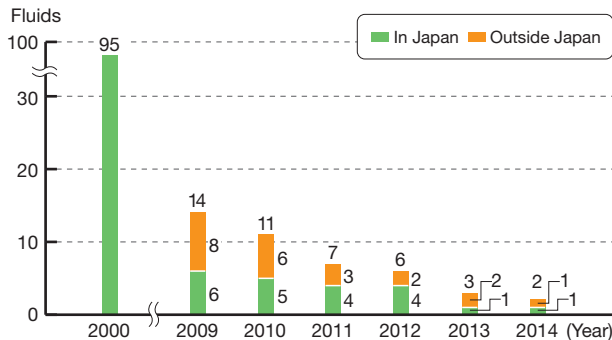
www.nsk.com > Sustainability > Initiatives in the Procurement

● NSK Group Green Procurement Standard

Manufacturing 1 Striving to Totally Eliminate Machining Fluids Containing Chlorine Additives

Machining fluids containing chlorine additives may generate harmful dioxins when incinerated at disposal. The NSK Group is striving to totally eliminate use of these substances. After repeated tests to confirm effects on workability and quality, the Group was able to switch to one new alternative in fiscal 2014. In fiscal 2015, the Group will continue working to eliminate two fluids used in machining under some of the harshest conditions for broaching.

Number of Machining Fluids Containing Chlorine Additives



Manufacturing 2 Handling of PRTR*-Designated Substances Reduced by 24.4%

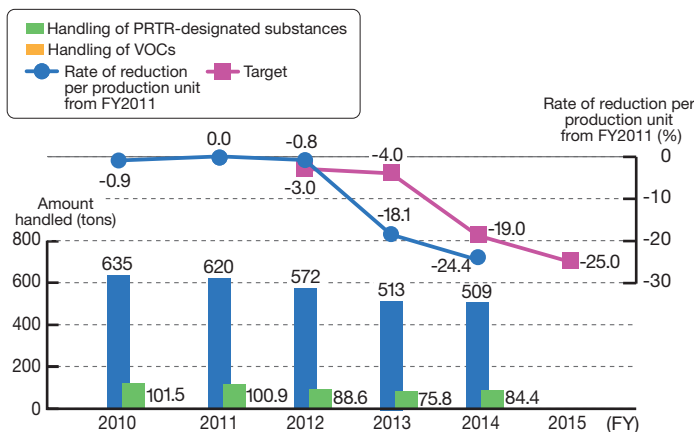
In Japan, the NSK Group set the goal of a 19% reduction in PRTR-designated substances contained in fluids and fuels used in manufacturing processes in fiscal 2014, compared to fiscal 2011.

By switching the fuel used in air conditioning, the Group's handling of PRTR-designated substances per production unit in fiscal 2014 decreased 24.4% from fiscal 2011. Since the goal was achieved by a large margin, the goals for fiscal 2015 onward were raised.

Some manufacturing processes use solvents and adhesives that contain volatile organic compounds (VOCs). By implementing steady initiatives during those processes, emissions to the atmosphere in fiscal 2014 were reduced by 16.4% from fiscal 2011 to 84.4 tons.

* Act on Confirmation, etc., of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof (Law concerning Pollutant Release and Transfer Register / PRTR). Japan's law intended to facilitate improvement of chemical substance management by ensuring that amounts released into the environment are ascertained and reported to authorities.

Handling of PRTR-Designated Substances (Plants in Japan)



Due to a change in calculation criteria, the data was recalculated back to 2010.

Reference data is available on NSK's website.	 Sustainability > CSR Reports > CSR Reports & Reference Data">www.nsk.com> Sustainability > CSR Reports > CSR Reports & Reference Data	 Sustainability > CSR Reports > CSR Reports & Reference Data">www.nsk.com> Sustainability > CSR Reports > CSR Reports & Reference Data	 Sustainability > CSR Reports > CSR Reports & Reference Data">www.nsk.com> Sustainability > CSR Reports > CSR Reports & Reference Data	
	Air Pollutant Measurement Results(Japan)	Water Contaminant Measurement Results (Japan)	Volume of PRTR-Designated Substances Handled (Japan)	

Biodiversity Conservation

There are believed to be some 30 million species of organisms on Earth today, which have been adapting to their specific environments for as long as several millenia. These organisms live in connection with one another, supporting one another through the food chain and the oxygen-carbon dioxide cycle based on photosynthesis. The food, clothing and shelter which people need to live totally depend on the bounty of biodiversity. Aiming to conserve biodiversity, the Convention on Biological Diversity was concluded at the Earth Summit in 1992. In 2008, a new law in Japan, the Basic Act on Biodiversity, came into effect.

NSK's Approach

Although NSK's business operations have a comparatively minor direct impact on biodiversity, its strong efforts in areas such as energy conservation and air and water quality management play a role in preserving biodiversity. The materials that the Group procures, however, have an indirect impact on biodiversity when traced back through the supply chain. NSK is committed to contributing to biodiversity conservation by identifying the direct and indirect impacts that its business has on biodiversity and using its findings to improve its business operations and enhance its social contributions.

Basic Policy

Basic Policy

The NSK Group recognizes the importance of biodiversity, and understands the relationship between our business activities and the ecosystem. We aim to reduce our impact on the environment by creating systems and initiatives that ensure biodiversity is conserved.

Action Agenda

1. Research and Development

We will contribute to the conservation of biodiversity by developing products that save energy and resources.

2. Procurement and Purchasing

We will contribute to the conservation of biodiversity throughout the supply chain when procuring main materials, sub-materials, and packaging/packaging materials.

We will promote the purchase of the environmentally-friendly products, and consider the conservation of biodiversity in product selection criteria.

3. Manufacturing and Logistics

We will minimize the impact of our production on biodiversity by reducing consumption of energy and resources, and emission of environmentally harmful substances.

4. Plant and Office Grounds

We will consider the impact on the ecosystem when acquiring land for our places of business and during greening initiatives.

5. Social Contribution Activities

We will perform social contribution initiatives as a member of international society, and value our collaboration with public and private institutions.

6. Communications

We will actively disclose information on biodiversity-related initiatives to persons both inside and outside the company.

We will heighten employee awareness of biodiversity-related issues, and constantly work to improve the quality and efficiency of initiatives.

Established October 5, 2010
NSK, LTD

Goals and Performance

Mid-term Goals (FY2013-2015)

The NSK Group identifies the factors behind the impact of its business operations on biodiversity and provides education to raise the awareness of its employees. Going forward, the Group will continue to roll out its efforts worldwide, while expanding its tree planting and other biodiversity-related activities.



Reference data is available on NSK's website.

www.nsk.com > Sustainability > Environmental Activity > Environmental Management

● [NSK Biodiversity Guidelines](#)

FY2014 Activities

●The Tenryu River Aquatic Environment Picnic

In May 2014, employees of the Matsukawa Plant of NSK Micro Precision Co., Ltd., along with their family members (30 people in all), participated in the Tenryu River Aquatic Environment Picnic, picking up trash from the river bed and removing invasive plant species in order to protect the scenic local environment.



The Tenryu River Aquatic Environment Picnic

Highlight

Invasive Fish Species Extermination Tournament

As part of its biodiversity conservation activities, the Ohtsu Plant held a fishing tournament to catch and remove invasive fish species from Lake Biwa in October 2014. Thirty people, including employees and their families, participated.

Since many of the participants had never been fishing before, volunteers and employees of Shiga Prefecture provided some tips and assistance, resulting in a fairly successful catch. Many endemic species live in Lake Biwa, but invasive species such as bluegill and black bass* are threatening the survival of rare species. The event helped employees to reaffirm the importance of Lake Biwa and increased their awareness of the environment.



Employees and their families participated in the tournament

* Bluegill and black bass: Fish species originally from North America
Species designated as invasive alien species under the Invasive Alien Species Act as species that are causing or threaten to cause damage to the ecosystem or to agriculture, forestry, and fisheries.

GRI Guidelines Index

GENERAL STANDARD DISCLOSURES		Report Pages
Strategy and Analysis		
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	p. 6, 7
G4-2	Provide a description of key impacts, risks, and opportunities.	p. 6, 7
Organizational Profile		
G4-3	Report the name of the organization.	p. 1
G4-4	Report the primary brands, products, and services.	p. 2
G4-5	Report the location of the organization's headquarters.	p. 1
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	p. 3
G4-7	Report the nature of ownership and legal form.	p. 1
G4-8	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	pp. 1-3
G4-9	Report the scale of the organization, including: <ul style="list-style-type: none"> • Total number of employees • Total number of operations • Net sales (for private sector organizations) or net revenues (for public sector organizations) • Total capitalization broken down in terms of debt and equity (for private sector organizations) • Quantity of products or services provided 	p. 1, 3
G4-10	a. Report the total number of employees by employment contract and gender. b. Report the total number of permanent employees by employment type and gender. c. Report the total workforce by employees and supervised workers and by gender. d. Report the total workforce by region and gender. e. Report whether a substantial portion of the organization's work is performed by workers who are legally recognized as self-employed, or by individuals other than employees or supervised workers, including employees and supervised employees of contractors. f. Report any significant variations in employment numbers (such as seasonal variations in employment in the tourism or agricultural industries).	p. 1, 32
G4-13	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain, including: <ul style="list-style-type: none"> • Changes in the location of, or changes in, operations, including facility openings, closings, and expansions • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations) • Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination 	N/A
Identified Material Aspects and Boundaries		
G4-17	a. List all entities included in the organization's consolidated financial statements or equivalent documents. b. Report whether any entity included in the organization's consolidated financial statements or equivalent documents is not covered by the report.	p. 1 Securities Report
G4-18	a. Explain the process for defining the report content and the Aspect Boundaries. b. Explain how the organization has implemented the Reporting Principles for Defining Report Content.	Inside Cover
G4-22	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	p. 48, 49, 51, 52
G4-23	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	p. 48
Stakeholder Engagement		
G4-24	Provide a list of stakeholder groups engaged by the organization.	p. 5
G4-25	Report the basis for identification and selection of stakeholders with whom to engage.	p. 5
G4-26	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	p. 5
Report Profile		
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	Inside Cover
G4-29	Date of most recent previous report (if any).	Back Cover
G4-30	Reporting cycle (such as annual, biennial).	Back Cover
G4-31	Provide the contact point for questions regarding the report or its contents.	Back Cover
G4-32	a. Report the 'in accordance' option the organization has chosen. b. Report the GRI Content Index for the chosen option. c. Report the reference to the External Assurance Report, if the report has been externally assured.	—
G4-33	a. Report the organization's policy and current practice with regard to seeking external assurance for the report. b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided. c. Report the relationship between the organization and the assurance providers. d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organization's sustainability report.	p. 48

GENERAL STANDARD DISCLOSURES		Report Pages
Governance		
G4-34	Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	p. 10, 40
G4-35	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	p. 10, 40
G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	p. 10, 40
G4-37	Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	p. 10, 40
G4-38	Report the composition of the highest governance body and its committees by: <ul style="list-style-type: none"> • Executive or non-executive • Independence • Tenure on the governance body • Number of each individual's other significant positions and commitments, and the nature of the commitments • Gender • Membership of under-represented social groups • Competences relating to economic, environmental and social impacts • Stakeholder representation 	pp. 10-13
G4-39	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	p. 10
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: <ul style="list-style-type: none"> • Whether and how diversity is considered • Whether and how independence is considered • Whether and how expertise and experience relating to economic, environmental and social topics are considered • Whether and how stakeholders (including shareholders) are involved 	p. 10, 11
G4-42	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	pp. 10-13
G4-45	a. Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes. b. Report whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks, and opportunities.	pp. 10-13
G4-46	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	p. 10, 14
G4-49	Report the process for communicating critical concerns to the highest governance body.	p. 16, 17
G4-51	a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: <ul style="list-style-type: none"> • Fixed pay and variable pay: <ul style="list-style-type: none"> -Performance-based pay -Equity-based pay -Bonuses -Deferred or vested shares • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	p. 11
G4-52	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	p. 11
Ethics and Integrity		
G4-56	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	p. 4
G4-57	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	p. 17
G4-58	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	p. 17

SPECIFIC STANDARD DISCLOSURES		Report Pages
Disclosures on Management Approach		
G4-DMA	a. Report why the Aspect is material. Report the impacts that make this Aspect material. b. Report how the organization manages the material Aspect or its impacts. c. Report the evaluation of the management approach, including: • The mechanisms for evaluating the effectiveness of the management approach • The results of the evaluation of the management approach • Any related adjustments to the management approach	p. 4
Economic		
Economic Performance		
G4-EC1	Direct economic value generated and distributed.	p. 1
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	Securities Report
G4-EC3	Coverage of the organization's defined benefit plan obligations.	Securities Report
Environmental		
Materials		
G4-EN1	Materials used by weight or volume.	p. 42
Energy		
G4-EN3	Energy consumption within the organization.	p. 42
Water		
G4-EN8	Total water withdrawal by source.	p. 52
G4-EN10	Percentage and total volume of water recycled and reused.	p. 52
Emissions		
G4-EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	p. 47, 48
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	p. 47
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	p. 70
G4-EN18	Greenhouse gas (GHG) emissions intensity.	p. 48, 49
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	p. 48, 49
G4-EN21	NOx, SOx, and other significant air emissions.	p. 42
Effluents and Waste		
G4-EN22	Total water discharge by quality and destination.	p. 42, 52
G4-EN23	Total weight of waste by type and disposal method.	p. 51, 52
G4-EN24	Total number and volume of significant spills.	p. 9, 41
Products and Services		
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	p. 43, 45
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	p. 52
Transport		
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	p. 49
Overall		
G4-EN31	Total environmental protection expenditures and investments by type.	p. 42, 70
Supplier Environmental Assessment		
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	p. 54
Environmental Grievance Mechanisms		
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	None

SPECIFIC STANDARD DISCLOSURES		Report Pages
Social		
Labor Practices and Decent Work		
Employment		
G4-LA2	Benefits provided to full-time employees that are not provided temporary or part-time employees, by significant locations of operation.	p. 31
G4-LA3	Return to work and retention rates after parental leave, by gender.	p. 32
Occupational Health and Safety		
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	p. 33
Training and Education		
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	p. 35
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	pp. 30, 34-36
Diversity and Equal Opportunity		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	p. 32
Human Rights		
Investment		
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	p. 29
Society		
Local Communities		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	p. 37, 38
Anti-corruption		
G4-SO4	Communication and training on anti-corruption policies and procedures.	p. 18
Anti-competitive Behavior		
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	p. 18
Product Responsibility		
Customer Health and Safety		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	pp. 23-25

Scope of Environmental Management

In order to increase coverage and reliability, the Global Environmental Department of NSK headquarters and each Group site confirm environmental information and data. Moreover, the Group decides which information and data is to be disclosed, taking into account relevant laws and regulations, guidelines, social concerns and materiality of the Group.

Category		Scope		
Environmental Management	CSR Report 2015 p. 42: Input and Output of Global Business Activities	INPUT	Steel	Procurement Volume from main suppliers
			Oils and greases	ISO14001 acquiring sites
			Energy	
			Water	
		Environmentally harmful substances	ISO14001 acquiring sites in Japan	
		OUTPUT	Atmospheric gases	ISO14001 acquiring sites
			Waste	
			Wastewater	
	Environmentally harmful substances		ISO14001 acquiring sites in Japan	
	CSR Report Supplemental Materials p. 70: Environmental Accounting	NSK Ltd. (Headquarters, Production sites and Technology Divisions) NSK Steering Systems Co., Ltd. NSK Needle Bearing Ltd. NSK-Warner K.K. NSK Kyushu Co., Ltd. NSK Machinery Co., Ltd. Inoue Jikuuke Kogyo Co., Ltd. NSK Micro Precision Co., Ltd., Fujisawa Plant NSK Micro Precision Co., Ltd., Matsukawa Plant Amatsuji Steel Ball Mfg. Co., Ltd. AKS East Japan Co., Ltd. Asahi Seiki Co., Ltd. Shinwa Seiko Co., Ltd. Kuribayashi Seisakusho Co., Ltd.		
CSR Report 2015 p. 41: Environmental Education	NSK Group in Japan (e-learning: NSK Group)			
Creating Environmentally Friendly Products	CSR Report 2015 p. 44: Figure: Number of Environmentally Friendly Products Developed CSR Report 2015 p. 45: Table: Environmentally Friendly Products Developed in FY2014	NSK Group (Products Development Divisions)		
Global Warming Countermeasures	CSR Report 2015 p. 47: Figure: Total CO ₂ Emissions from Manufacturing by Region (Scope 1 and 2)	ISO14001 acquiring sites (Production)		
	CSR Report 2015 p. 48: Figure: CO ₂ Emissions from Manufacturing in Japan: Total Volume and per Production Unit Figure: CO ₂ Emissions from Manufacturing Outside Japan: Total Volume and per Production Unit			
	CSR Report 2015 p. 71: Change in Energy Consumption and CO ₂ Emissions (by Country)			
	CSR Report Supplemental Materials: Energy Consumption and CO ₂ Emissions (by Site)			
	CSR Report 2015 p. 49: Figure Energy Consumed per Ton-Kilometer and CO ₂ Emissions from Distribution in Japan	NSK Logistics Co., Ltd., and main distribution contractors		
	CSR Report 2015 p. 49: Energy-Saving Efforts at the Head Office and Sales Departments	NSK Group sites in Japan (Headquarters, Branch Offices and Sales Offices)		
CSR Report 2015 p. 48: Greenhouse Gas Emissions Verification Report (Japan)				

	Category	Scope
Measures for Resource Conservation and Recycling	CSR Report 2015 p. 51: Figure Total Waste	ISO14001 acquiring sites (Production)
	CSR Report 2015 p. 51: Figure Recycling Rate	
	CSR Report 2015 p. 51: Figure Industrial Waste per Production Unit (Plants in Japan)	ISO14001 acquiring sites in Japan (Production)
	CSR Report 2015 p. 51: Figure Landfill Disposal Rate (Plants in Japan)	
	CSR Report 2015 p. 52 : Figure Amount of Packaging Material Waste per Production Unit (Distribution in Japan)	NSK Logistics Co., Ltd.
	CSR Report 2015 p. 52: Figure Water Withdrawal per Unit of Production (Plants in Japan) Figure Water Withdrawal per Unit of Production (Plants outside Japan)	ISO14001 acquiring sites (Production)
	CSR Report 2015 p. 71: Change in Waste Emissions (by Country)	
	CSR Report Supplemental Materials: Water Withdrawal, Wastewater Amounts and Waste Emissions	
	CSR Report 2015 p. 72: Change in Water Withdrawal and Wastewater Amounts (by Country)	

Estimating Indirect CO₂ Emissions

NSK is making efforts to estimate the amount of CO₂ emitted indirectly as a result of the Group's activities, including the CO₂ emitted when customers use products sold by the NSK Group and the CO₂ emitted when suppliers produce the parts and raw materials used by the NSK Group (scope 3). The estimate for fiscal 2014 was 6.533 million tons.



Reference data is available on NSK's website.

www.nsk.com > Sustainability > Environmental Activity > Environmental Management

● Acquiring ISO 14001 Certification

www.nsk.com > Sustainability > CSR Reports > CSR Reports & Reference Data

● CSR Reports & Reference Data

Environmental Accounting

The NSK Group has disclosed the results of environmental accounting, a tool for quantitatively ascertaining and evaluating the costs and results of environmental protection activities. The Group also has introduced environmental accounting as an information tool to broaden people's understanding of the Group's activities.

The environmental conservation cost in fiscal 2014 included approximately 3.4 billion yen in investments and about 10.6 billion yen in expenses. The economic benefits came to roughly 1.4 billion yen.

The NSK Group is focused on contributing to the environment through its products, resulting in comparatively higher R&D costs for environmentally friendly products and technologies.

● **Table 1: Environmental Conservation Cost**

Category		Investment			Cost		
		FY2013	FY2014		FY2013	FY2014	
		Millions of yen	Millions of yen	(%)	Millions of yen	Millions of yen	(%)
Business area costs	Pollution prevention costs	385.7	329.3	9.6%	504.7	520.2	4.9%
	Global environment conservation costs	595.7	1,168.5	34.0%	730.4	916.2	8.6%
	Resource circulation costs	89.1	283.0	8.2%	726.3	774.2	7.3%
	Subtotal	1,070.4	1,780.9	51.8%	1,961.3	2,210.5	20.8%
Upstream and downstream costs		0.0	0.0	0.0%	267.4	269.7	2.5%
Administration costs		8.7	2.3	0.1%	570.1	601.8	5.7%
Research and development costs		1,282.8	1,645.2	47.9%	5,929.4	7,503.5	70.5%
Social activity costs		0.3	0.0	0.0%	41.9	41.5	0.4%
Environmental remediation costs		0.0	9.1	0.3%	6.8	20.4	0.2%
Total		2,362.2	3,437.5	100.0%	8,776.9	1,0647.5	100.0%

Category	Key activities
Business area costs	<ul style="list-style-type: none"> • Brought to the surface and repaired underground tanks and pipes. • Maintained and inspected dust collectors and smoke removal units.
	<ul style="list-style-type: none"> • Followed energy conservation policies including high-energy-efficient equipment.
	<ul style="list-style-type: none"> • Installed grinding-dust briquette-making equipment. • Took countermeasures to reduce and recycle waste material.
Upstream and downstream costs	<ul style="list-style-type: none"> • Practiced green procurement (low-polluting vehicles, paper, uniforms, and office equipment and supplies).
Administration costs	<ul style="list-style-type: none"> • Maintained and followed procedures for ISO 14001. • Measured and analyzed environmental impact.
Research and development costs	<ul style="list-style-type: none"> • Conducted research and development with the main goal of environmental protection for new product development.
Social activity costs	<ul style="list-style-type: none"> • Participated in and donated to the Keidanren Nature Conservation Fund.
Environmental remediation costs	<ul style="list-style-type: none"> • Maintained discharge treatment facilities.

● **Table 2: Economic Benefits Associated with Environmental Conservation Activities**

Category	FY2013	FY2014
	Millions of yen	Millions of yen
Cost savings of energy conservation policies	81	109
Cost savings of waste material reduction policies	89	50
Sales of recyclable waste material	1,420	1,234
Total	1,590	1,393

● **Table 3: Physical Benefits Associated with Environmental Conservation Activities**

Area	Indicators	FY2013	FY2014
Plants	CO ₂ emissions / production unit	1.3% improvement	6.0% improvement
	Water withdrawal / production unit	9.5% improvement	10.7% improvement
	Landfill waste disposal ratio	0.011% improvement	0.001% improvement
	Waste recycling ratio	0.011% improvement	0.001% improvement
Distribution	Energy / production unit	2.1% worsened	0.9% worsened

Method of Calculation

Accounting term:

FY2013: From April 1, 2013 to March 31, 2014

FY2014: From April 1, 2014 to March 31, 2015

Sites included:

NSK Ltd. (corporate head office, plants, technology divisions); NSK Steering Systems Co., Ltd.; NSK Needle Bearing Ltd.; NSK-Warner, K.K.; NSK Kyushu Co., Ltd.; NSK Machinery Co., Ltd.; Inoue Jikuuke Kogyo Co., Ltd.; NSK Micro Precision Co., Ltd.; NSK Micro Precision Co., Ltd. (Nagano); Amatsuji Steel Ball Mfg. Co., Ltd.; AKS East Japan Co., Ltd.; Asahi Seiki Co., Ltd.; Shinwa Seiko Co., Ltd.; Kuribayashi Seisakusho Co., Ltd.

Criteria for environmental protection costs

Environmental costs and expenses determined in accord with the Environmental Accounting Guidelines 2005 issued by the Ministry of the Environment in Japan

Depreciation is entered as a cost using the 5-year straight-line depreciation method

Compound costs are divided in proportion to the relevant environmental objective

Costs incurred through green procurement are entered as full amounts and not as differential amounts

Criteria for environmental protection benefits

Includes economic benefits (in monetary units) calculated from tangible evidence and physical benefits gained from environmental policies

Does not include imputed benefits (risk avoidance benefits, estimated profit contribution benefits, etc.)

Environmental Data by Country

● Change in Energy Consumption and CO₂ Emissions (by Country, Production Sites)

Country* ¹	FY2010		FY2011		FY2012		FY2013		FY2014	
	Energy Consumption (TJ)	CO ₂ Emissions* ² (1000t-CO ₂)	Energy Consumption (TJ)	CO ₂ Emissions* ² (1000t-CO ₂)	Energy Consumption (TJ)	CO ₂ Emissions* ² (1000t-CO ₂)	Energy Consumption (TJ)	CO ₂ Emissions* ² (1000t-CO ₂)	Energy Consumption (TJ)	CO ₂ Emissions* ² (1000t-CO ₂)
Japan	7,711	438	7,397	420	6,792	385	7,153	405	7,200	408
U.S.	988	77	1,006	78	1,096	85	1,134	88	1,183	92
Brazil	185	5	165	4	158	4	167	4	171	5
U.K.	405	28	401	28	435	30	447	31	455	32
Germany	37	2	40	3	39	3	37	2	38	2
Poland	1,237	120	1,261	123	1,238	121	1,256	123	1,215	119
Indonesia	808	45	852	48	846	47	922	51	956	53
Thailand	274	16	272	16	328	19	339	19	363	21
Malaysia	396	23	455	26	446	25	455	26	467	27
China	1,161	83	1,309	93	1,584	111	2,084	142	2,237	152
Korea	260	12	277	13	298	14	361	17	384	18
India	28	2	94	6	110	7	125	8	147	9

*1: Adding the actual values of all scope production sites by country.

*2: Including CO₂ emitted from production sites by combusting fuel and CO₂ emitted from power plants regarded as generated by the user of electricity (sum of scope 1 and scope 2).

● Total Waste, Landfill Disposal Volume and Recycling Rate by Country (Production Sites)

Country*	FY2010			FY2011			FY2012		
	Total Waste (t)	Landfill Disposal Volume (t)	Recycling Rate (%)	Total Waste (t)	Landfill Disposal Volume (t)	Recycling Rate (%)	Total Waste (t)	Landfill Disposal Volume (t)	Recycling Rate (%)
Japan	103,953	194	99.800%	108,273	18	99.982%	103,838	12	99.988%
U.S.	12,595	466	96.3%	12,949	608	95.3%	14,812	861	94.2%
Brazil	4,089	74	98.2%	3,610	74	97.9%	3,376	66	98.0%
U.K.	5,933	921	80.7%	5,374	1,309	70.6%	5,351	1,239	71.0%
Germany	1,273	0	100.0%	1,581	0	100.0%	1,350	0	100.0%
Poland	17,442	400	97.7%	17,912	333	98.1%	18,858	342	98.1%
Indonesia	8,337	189	97.7%	7,845	177	97.7%	7,402	158	97.9%
Thailand	2,598	55	97.8%	2,878	70	97.4%	3,956	88	97.6%
Malaysia	1,923	76	96.1%	2,323	82	96.5%	2,541	67	97.4%
China	14,557	1,075	91.9%	15,516	1,066	92.5%	17,109	1,039	93.2%
Korea	2,585	16	99.3%	2,627	17	99.3%	2,827	17	99.3%
India	110	0	100.0%	390	38	90.2%	633	97	84.6%

Country*	FY2013			FY2014		
	Total Waste (t)	Landfill Disposal Volume (t)	Recycling Rate (%)	Total Waste (t)	Landfill Disposal Volume (t)	Recycling Rate (%)
Japan	104,441	1	99.999%	105,142	1	99.999%
U.S.	14,909	1,148	92.3%	16,896	1,292	92.3%
Brazil	3,926	57	98.5%	3,586	60	98.3%
U.K.	5,363	1,267	72.4%	6,242	1,483	72.9%
Germany	1,297	0	100.0%	1,336	0	100.0%
Poland	20,375	136	99.3%	19,524	77	99.6%
Indonesia	8,448	121	98.6%	8,607	120	98.6%
Thailand	4,462	109	97.4%	5,180	148	97.0%
Malaysia	2,389	54	97.7%	2,401	46	98.1%
China	23,298	1,190	94.2%	27,416	1,647	93.4%
Korea	3,619	21	99.2%	3,619	23	99.2%
India	667	93	86.1%	744	75	90.0%

* Adding the actual values of all scope production sites by country.

● Change in Water Withdrawal and Wastewater Amounts

Country*	FY2010		FY2011		FY2012		FY2013		FY2014	
	Water Withdrawal (m ³)	Wastewater (m ³)	Water Withdrawal (m ³)	Wastewater (m ³)	Water Withdrawal (m ³)	Wastewater (m ³)	Water Withdrawal (m ³)	Wastewater (m ³)	Water Withdrawal (m ³)	Wastewater (m ³)
Japan	2,804,666	1,802,807	2,937,535	1,719,848	2,572,044	1,439,817	2,475,897	1,458,545	2,369,919	1,481,475
U.S.	85,150	60,626	86,667	65,896	104,399	71,425	111,915	90,579	105,764	79,867
Mexico	0	0	0	0	0	0	0	0	10,728	10,728
Brazil	37,350	18,900	32,347	14,580	30,487	13,218	33,794	14,021	33,519	13,038
U.K.	64,147	45,677	74,451	74,451	71,915	71,915	60,818	60,818	73,579	73,579
Germany	2,031	2,031	2,534	2,534	2,056	2,056	3,580	3,580	2,944	2,944
Poland	268,887	137,006	253,041	132,598	238,863	124,379	246,737	129,807	231,081	125,277
Indonesia	207,199	205,680	214,563	192,713	210,570	188,843	234,968	210,726	241,523	214,577
Thailand	123,011	98,409	107,668	86,135	122,127	97,701	99,385	79,508	109,106	87,284
Malaysia	83,951	83,951	181,700	177,585	196,821	179,031	139,079	132,003	111,407	109,572
China	530,401	454,965	693,164	512,633	816,690	601,539	1,028,219	737,984	1,156,794	865,035
Korea	39,686	29,911	41,665	31,999	44,318	33,207	55,361	22,698	56,629	23,318
India	18,636	5,830	24,742	5,902	31,056	8,360	57,524	27,897	61,257	5,485

* Adding the actual values of all scope production sites by country.

Third-Party Comments

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



Yoshinao Kozuma

Professor, Faculty of Economics, Sophia University, Japan

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

1. Establishment of a New Management Vision

It seems like fiscal 2014 was a major turning point for NSK. Not only did the Company post record net sales and operating income while achieving the sales goals in its Fourth Mid-term Management Plan; it also established and officially announced NSK Vision 2026, a new management vision looking ahead to the company's next era. This new vision is a 10-year growth model starting in 2016, the year of NSK's 100th anniversary. Under the slogan, "Setting the Future in Motion," the vision is an image of how NSK will achieve the various kinds of "motion" needed for future business development by actively focusing on people's lives and the society of the future. Moreover, this new motion, movement, and action will contribute to the creation of shared value between NSK and society. This is a strong commitment toward the realization of a sustainable society, unique to NSK, which recognizes future generations as stakeholders.

What is needed to achieve this kind of future vision is the establishment of a sound governance system. Appropriate information disclosure is also an essential factor. NSK has been continuously working to improve the quality of its CSR information disclosure. This year it substantially enhanced the amount of information disclosed, especially in the area of governance. It also included environmental data by country, which had previously only been disclosed online. I hope that this positive "motion" will continue in the future.

2. Effects of Diversity Initiatives

In terms of social aspects, I have noticed that the effects of NSK's diversity initiatives are gradually starting to appear. The fact that the numbers of people utilizing the re-employment system for seniors and childcare leave for men have been increasing should be lauded. The increase in childcare leave for men in particular is an indicator of the soundness and effectiveness of CSR management, since it is often difficult for men to take this kind of leave without organizational support. The fact that the employment rate for persons with disabilities has been rising consistently also deserves a positive evaluation. However, the reporting scope for social aspects still focuses on the Group in Japan and does not reflect the current reality of NSK, where employees outside Japan comprise 64% of the Group's total staff. This area requires immediate improvement.

3. Strengthening of Compliance

In November 2014, the Korea Fair Trade Commission ruled that NSK had violated competition law. This time the Company escaped penalties and a criminal indictment due to the application of a leniency system, but it was a further reminder that the Company's past business practices were inappropriate. I believe that NSK needs to use this opportunity to remind itself the seriousness of the situation. In fiscal 2014, NSK moved ahead steadily with improvements to its compliance system, including the implementation of a compliance awareness survey. However, those efforts, including measurement of results, require further strengthening.

4. Other Challenges

In terms of management of CSR targets and performance, other than environmental indicators, many targets are qualitative, making it impossible to evaluate progress numerically. Additional explanations regarding the basis for evaluation would therefore increase the reliability of reporting. Furthermore, there are some environmental targets that have not been met for several successive years. The Company may need to reconsider either the targets themselves, or the effectiveness of its environmental management.

Response to Mr. Kozuma's Third-Party Comments

Adrian Browne

Executive Officer, Senior Vice President, Corporate Planning Division HQ-Head, Responsible for IR & CSR Office

Thank you for your candid comments on our CSR Report 2015.

We regard these as an important contribution to the ongoing development of our CSR activities, which form a key element of NSK Vision 2026, "Setting the Future in Motion".

We appreciate your recognition of our progress in enhancing the disclosure of information on governance and the environment. Nevertheless, we also understand that there are aspects of NSK's CSR management that need further improvement, both in our disclosures and in the substance of our activities.

As a global company we are committed to reporting in accordance with international standards, such as the *G4 Sustainability Reporting Guidelines*.

We acknowledge the urgency of your request that we extend the disclosure of social aspects to include the group beyond Japan, and will improve this issue in our next report.

Further to your comments on our environmental targets, we are reviewing these and our environmental management activities.

Finally, regarding compliance, we recognize that this issue needs continuous focus and effort throughout the group.





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