

CSR Structure Established and Full-scale Activities Started

NTN's corporate group established a CSR structure as part of its management plan in fiscal 2006, aimed at "Increasing corporate value." Considering the "Employee Code of Conduct" and the "Business Code of Conduct" as two supporting pillars, our CSR activities started full-scale. We distributed CSR guidebooks to every board member and every employee.

NTN's conceptual framework

Corporate Philosophy

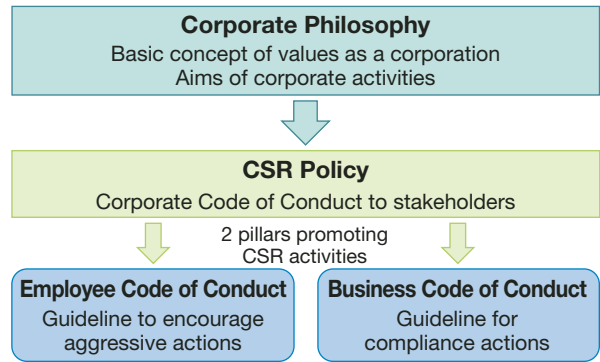
We shall contribute to an international society through creating new technologies and new products.

**For New Technology Network:
Connect through new technologies**

1. Creation of original technologies
2. Offering technologies with added value and services that are suitable for each customer and end user.
3. Improvement of employees' standard of living, distribution of fair returns to stockholders, and contribution to a society based on the steady growth of our business.
4. Promotion of globalization and formation of a corporate management system, which are essential for NTN as a leading international company.

CSR Policy

- 1. Legal compliance/Policy for activities:** We shall comply with both the letter and the spirit of laws and regulations, and carry out our business activities in an open and honest manner.
- 2. Customers:** We shall strive to develop new technologies and new products, as well as to provide safe and reliable products.
- 3. Business partners:** We shall engage in fair and free competition, and at the same time establish excellent partnerships with our business partners.
- 4. Stockholders/Disclosure of information:** We shall work to develop this corporation and increase stockholder return, while at the same time communicating broadly with society and actively disclosing information.
- 5. Employees:** We shall value the individuality and diversity of our employees, work to create a safe and pleasant work place, and achieve comfort and prosperity.
- 6. The environment:** With ample consideration to preserving the global environment and protecting the ecosystem, we shall work toward the creation of a sustainable, progressing society.
- 7. Society:** We shall make every effort to interact meaningfully with society on a local level, and to engage in activities that contribute to society.
- 8. International activities:** We shall, as a matter of course, obey all international rules as well as the laws of each country and each region that we operate in; we shall also respect local cultures and practices and contribute to local development.



Establishment of CSR basic policy

CSR involves all the stakeholders of the company and its scope is widening.

Also, it is important for the promotion of CSR activities that the corporate policy be disclosed both inside and outside the company and that every employee takes concrete action at their work site.

Accordingly, we defined NTN's "CSR Policy" to clarify the essential points as basic concepts. The newly established "Employee Code of Conduct" was distributed to all the board members and employees of NTN Group companies.

We already established the "Business Code of Conduct" in 2003 that must be complied with by the board of directors and employees. In December 2006, the Business Code of Conduct was revised to correspond with the CSR policy (see p. 20) and with the Employee Code of Conduct were regarded as two pillars.

CSR activities are company-wide efforts by everyone in all departments and at all operation sites in order for the NTN Group to be needed by society. The structure promotes positive activities, and the activities reflect the interests of stakeholders. We aim to be a corporation that is trusted by society.

Employee Code of Conduct

1. We respect social ethics and act as good members of society.
2. We have noble ambitions and always make efforts to brainstorm and achieve the set target.
3. We accept changes, have broad vision and act voluntarily.
4. We deepen mutual understanding and enhance the vitality of our work site.
5. Management and supervisors in particular, as faces of the corporation, improve their qualifications, make efforts to develop individuals, always take care of safety and show leadership.

Corporate governance

One of our most important issues for management

Regarding the strengthening and enrichment of corporate governance as one of our most important issues, we are striving to improve management transparency by disclosing information swiftly and accurately as well as pursuing greater efficiency and soundness in our management.

We employ an auditor system; auditors monitor the board's execution of business operations. The independence and objectivity of the corporate auditors are assured by employing three outside auditors among the four auditors (Standing: 2, Part-time: 2), comprising the audit team.

In May 2006 when Japan's new corporation law was enacted, the corporate internal control policy was established. It defines a structure to ensure proper operations by employees as well as by the board of directors and auditors.

Board of Directors Meeting

Makes decisions related to fundamental management policy and significant items, and supervises the board's execution.

Audit Team

Composed of four auditors (three of whom are outside auditors). The auditors team audits the board's execution of business operations and works to maintain and improve the transparency and fairness of the management structure.

Business Strategy Committee

Composed of the board of directors and designated executive officers. The Business Strategy Committee determines management strategy and measures based on the policies determined by the board of directors.

Executive Officers Meeting

The executive officer structure was introduced to slim down the board of directors and to make swift decisions.

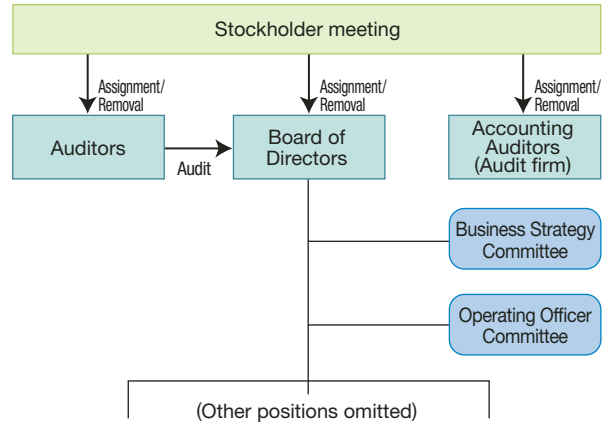
Creation and activities of CSR promotion structure

CSR Committee as a Promoter

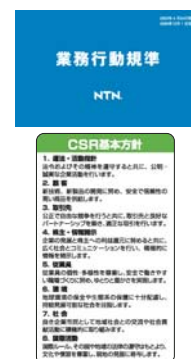
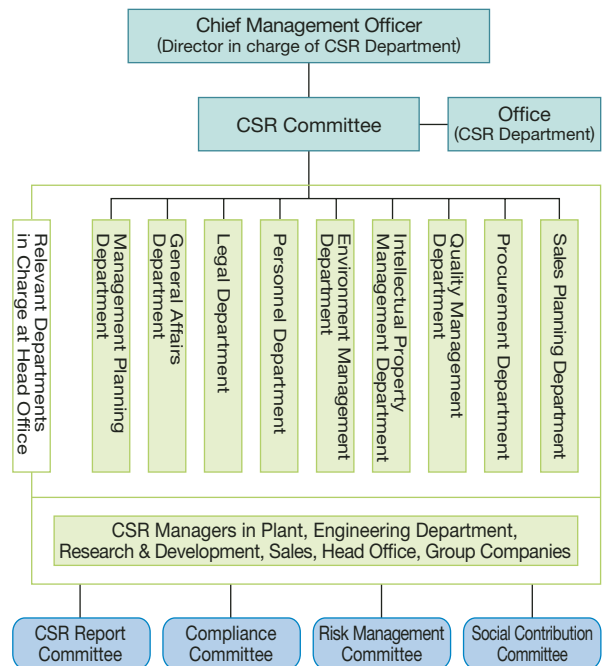
In April 2006, we established the CSR Department and created a structure to promote CSR activities, assigning a director as the chief management officer and started CSR activities in full scale. This new structure assigns a CSR manager to each department under the "CSR Committee" and aims to implement CSR activities on a day-to-day basis.

Also, in order to deepen the understanding of CSR and integrate it into daily business operations, NTN distributed approximately 7,500 "CSR Guidebooks" that introduce many examples and "Response Cards" in December 2007 to the board of directors and employees at NTN and its domestic group (including employees temporarily transferred to overseas sites). Furthermore, in January to March 2007, explanatory meetings on the CSR Guidebook were held for managers (616) of NTN and its domestic group companies at 22 operating sites.

Corporate Governance Structure Chart



CSR Committee Organization Chart



Left) "CSR Guidebook"
Compiled focusing on instilling the corporate philosophy and clarifying compliance
Right) "Response Card"
For use at meetings, etc. in production departments

Compliance management structure

Clarifying compliance criteria for board of directors and employees

In 1997, we established the "Corporate Code of Conduct," which declared NTN's dedication to its responsibilities to customers and stockholders, NTN's respect for the human rights of employees, its aim to contribute to society and NTN's environmental conservation as well as NTN's compliance with both the letter and the spirit of laws and the maintenance of fairness in corporate conduct. Also the "Employee Code of Conduct" was established to encourage employees to comply with laws and corporate regulations, to take responsible actions and to serve society's interests. In 2003, the Corporate Code of Conduct and the Employee Code of Conduct were united to further strength compliance and the Business Code of Conduct was established as a matter of mandatory compliance for the board of directors and employees.

In fiscal 2006, after preparing the CSR Policy (specifying the corporate social responsibilities) and the new Employee Code of Conduct, the Business Code of Conduct was revised to clarify the nature of compliance criteria for the board of directors and for employees.

Reorganization toward management structure centered on the CSR Committee

Since 1997, the Corporate Ethics Committee has taken charge of ensuring compliance at NTN.

In July 2006, the CSR promotion structure was formed and the compliance management structure was reorganized under the newly established CSR Committee. The CSR Department is in charge of investigations and analysis of compliance risks, The Legal Department is for education and help-line management concerning laws. The Personnel Department is for drafting and enforcement of personnel policies and measures etc. Accordingly, a comprehensive judgment of the NTN Group's compliance situation is made under this structure.

Furthermore, from December 2006, the Compliance Group of the CSR Committee has promoted compliance management and its management duty was transferred from the Legal Department to the CSR Department.

Compliance Audit

The compliance status regarding laws and corporate ethics is audited by the Internal Audit Group of the CSR Department.

The audit was formerly conducted by the Legal Department. In the past five years, no major problems were observed although minor improvements were directed. In 2006, the security export control operation (concerning Japan's foreign exchange law) at the International Trade Department was audited and no violations were found.

CSR / Compliance Education

At NTN and its domestic group companies, training on CSR, compliance and corporate legal work are conducted as part of newly hired employees' training and as managers' training after promotion.

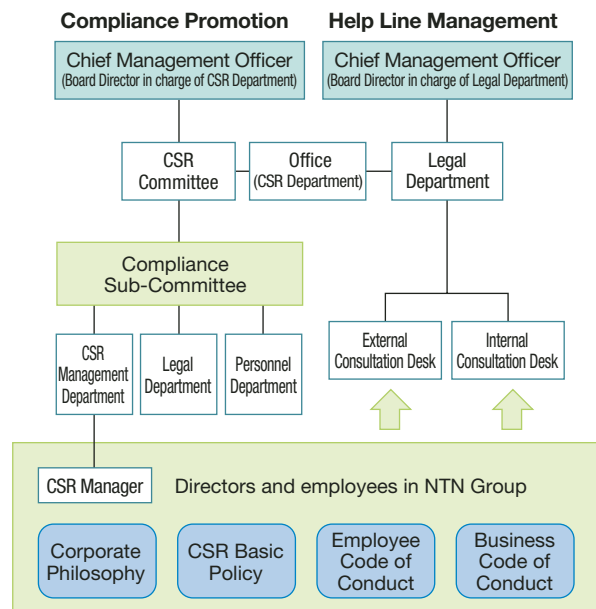
In 2006, "CSR / Compliance Education" and "Corporate Legal Work Education" were conducted for employees having worked for two years. Explanatory meetings on compliance were held for all managers.

In 2007, an electronic "Compliance Message Board" for self study concerning compliance will be developed and put into use.



Explanatory meeting to managers about the importance of CSR and compliance.

Compliance Committee and Help Line Management Structure



Help desk for inquiry/consultation/reporting

Available not only for NTN employees but also for suppliers

At NTN and its domestic group companies, in the case that any directors and employees find or foresee illegal or suspicious conduct, NTN has made available since May 2003 the Operation Code of Conduct, Corporate

■ Business Code of Conduct

1. Compliance with laws and norms

We shall do our utmost to act according to high principles as corporate employees and as socially responsible adults by complying with laws, our internal rules and the ethical norms of society.

Code for business activities

- | | | |
|---|---|------------------------------|
| 2. Pursuit of quality and safety | 3. Compliance with the Anti-Trust Law | 4. Fair trade with suppliers |
| 5. Honoring agreements | 6. Refusal to engage in improper conduct with business partners | |
| 7. Proper labeling and specification | 8. Respect for intellectual property rights | |
| 9. Proper control of confidential information | 10. Ensuring security by strengthening export controls | |
| 11. Compliance with industrial laws | 12. Compliance with corporate accounting principles | |

Code for co-existence with society

13. Compliance with international rules 14. Promotion of environmental conservation 15. Positive contribution to society

Code for ensuring a positive work environment

16. Compliance with labor-related laws and company work rules
 17. Realization of a safe and positive work environment 18. Respect for human rights 19. Prohibition of sexual harassment
 20. Proper control of information about individuals

Code for corporate employees

- | | |
|---|--|
| 21. Strict distinction between public and private matters | 22. Confronting harmful social forces |
| 23. Proper utilization of our information system | 24. Prohibition of insider trading |
| 25. Self-restraint regarding entertainment and gifts | 26. Lawful donations/political donations |

regulations and help lines that the person may consult directly through telephone, fax or e-mail without going through organizational lines. Two routes are available: our Legal Department is an internal desk and our corporate lawyer serves as an outside help desk. Both routes are operated so as not to be detrimental to those who contact the desks.

In April 2006, a whistleblower protection law, specifying that dismissal due to disclosing information in the public interest is illegal, was enacted.

In response to this, our suppliers were informed of the opening of our Help Line, "CSR Guide Books" were distributed, describing how to use the Help Line and everyone was informed about compliance at explanatory meetings.

■ Compliance status regarding laws and corporate ethics

Making our attitude clear aiming at eradication of drunk-driving

If laws or corporate ethics are violated, our Legal Department investigates the case and reports to the director in charge of the Legal Department and the Compliance Group of the CSR Committee. The Compliance Group shall study countermeasures and corrective actions based upon the report and deploy them.

In fiscal 2006, there were no problems in operations, but there were two violations of the Road Traffic Act outside of business activities (property damage and an accident due to driving under the influence of alcohol). Concerning these, the Personnel Department informed the NTN Group in Japan and

reinforced the corporate attitude about eradicating drunk-driving by adding a new regulation: "Serious violations of working regulations shall result in a disciplinary discharge."

■ Risk management and confidential information management

Strengthening preventative management of risk

In 2001, we established the Emergency Management Center* to manage the response and countermeasures when risks arise. Risks relating to quality, the environment, natural disaster and compliance are emphasized.

In March 2007, the "CSR activity management rule" was revised to strengthen preventative risk management and the Risk Management Group under the CSR Committee was established.

* Emergency Management Center: Responsible for receipt of emergency information, study of proper counter measures, reporting of emergency information, establishing of emergency Headquarters, document retention and education.

Management of Confidential Information

For proper management of information, a "confidential information retention rule," "electronic confidential document handling rule" and an "information security countermeasure procedure" were prepared and circulated to all operating sites and affiliates.

When confidential information is taken outside the company, permission of the department manager must be obtained. For electronic media, use of UBS memory with a password is required. No incidents have occurred under this system.