



Mission Statement

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

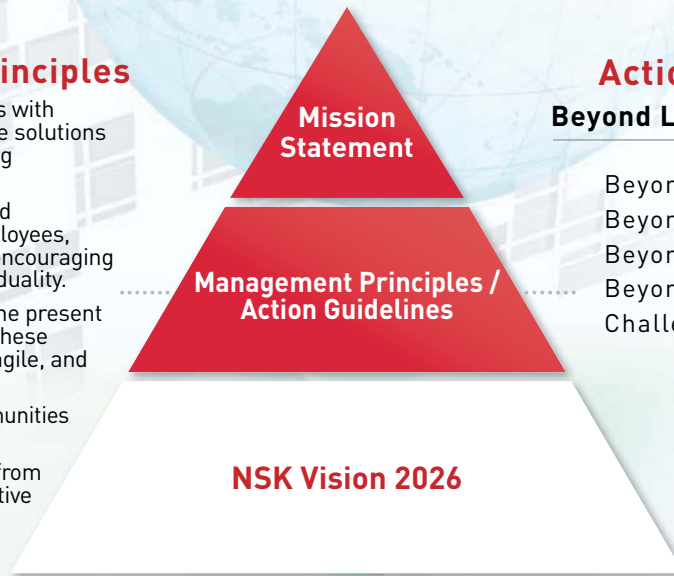
Management Principles

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

Action Guidelines

Beyond Limits, Beyond Today

Beyond Frontiers
Beyond Individuals
Beyond Imagination
Beyond Perceptions
Challenging the Future



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.

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At a Glance

Foundation

1916



Number of Employees

30,747 (consolidated)
(As of March 31, 2020)



Sales Breakdown by Business Segment/ by Region (Based on Customer Location)

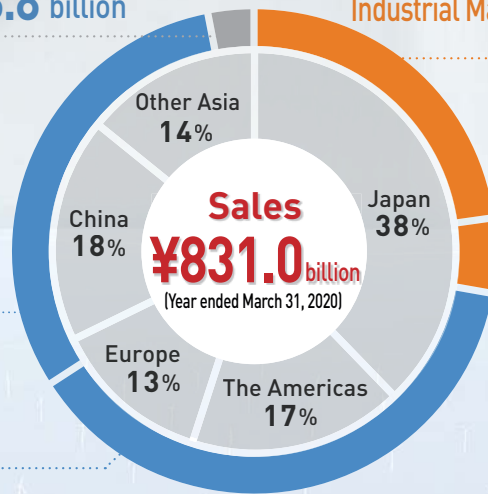
Automotive Business **¥573.8 billion**

Industrial Machinery Business **¥232.5 billion**

Other **3%**

Automotive Components **31%**

Automotive Bearings **38%**



Industrial Machinery Bearings **23%**

Precision Machinery and Parts **5%**

Market Share

Bearing sales (including industrial/automotive)

Share in Japan **No.1**
Global share **No.3**



Number of Global Sites

30 countries and regions worldwide

208 locations
(149 locations overseas)

Headquarters	6
Production sites	64
Sales sites	118
Representative offices	4
R&D centers	16

(As of March 31, 2020)

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NSK Report 2020 Editorial Policy

The NSK Report 2020 is designed to provide readers with a deeper understanding of how the Company works with stakeholders to create collaborative value that meets the expectations of the world over the mid- to long-term based on its Motion & Control™ concept, and of the processes that will achieve both social contribution and corporate development.

This Report provides a concise summary of all information deemed important in the Group's efforts to create collaborative value. For more detailed information about the NSK Group's products, business activities and financials, we ask that you refer to the Company's website. Detailed information about NSK's approach and initiatives regarding corporate social responsibility (CSR) can be found in the CSR section of our website and in our Sustainability Report. In putting together this Report, we referred to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC), the Environmental Reporting Guidelines (2018) issued by Japan's Ministry of the Environment and the Guidance for Collaborative Value Creation formulated by Japan's Ministry of Economy, Trade and Industry.

Environment
Social
Governance

Guidance for
Collaborative
Value Creation

Disclaimer

Statements made in this integrated report with respect to plans, strategies and future performance that are not historical facts are forward-looking statements. NSK cautions that several factors could cause actual results to differ materially from those discussed in forward-looking statements.

This document is an English translation of NSK Report 2020 dated September 30, 2020, that was originally prepared in the Japanese language, and it is provided for convenience purposes only. Therefore, this document does not include any event that has occurred, or has been found to have occurred, on or after September 30, 2020. NSK makes no representation or warranty that this document is a complete or accurate translation of the original Japanese text, and it is not intended to be relied upon. In the event that there is a discrepancy between the Japanese and English versions, the Japanese version shall prevail. This document is not intended and should not be construed as an inducement to purchase or sell stock in NSK.

NSK's History: Foundation for Collaborative Value Creation

In 1916, NSK was established as Japan's first manufacturer of bearings in Osaki-cho, Ebara-gun, Tokyo (the site of its current headquarters: Osaki, Shinagawa-ku, Tokyo). With a history that spans more than 100 years, the Company has developed an array of innovative technologies, contributed to the reduction of energy loss and underpinned the development of industry worldwide through its expansion in overseas operations.

As a company that is considered essential by society and that focuses on Motion & Control™, we will work to create collaborative value with our stakeholders in the rapidly changing society of the future. Here, we touch on the founding spirit, mission statement, technological innovation and overseas expansion as well as our ESG initiatives that collectively underpin this creation of collaborative value while focusing on the Company's history.

Founding Spirit



Founder Takehiko Yamaguchi

Visiting Europe and the U.S. to conduct a technical survey, Takehiko Yamaguchi, the founder of NSK, was struck by the gap in technology level with Japan's machinery industry. Determined to contribute to the development of Japan's precision machinery industry by introducing machinery and technologies developed overseas, he established Yamatake Shokai Co., Ltd. (currently Azbil Corporation), to import and market machine tools and measuring instruments, as well as Nippon Sanso Limited Partnership Company (currently Taiyo Nippon Sanso Corporation) for the domestic production of oxygen, which until then had to be imported. With just 6 people, he then set up Nippon Seiko Limited Partnership Company with the aim of commercializing goods that have screws, various types of gears, general machinery tools and other machine manufacturing in 1914, and began research into and trial production of bearings, which are recognized as a vital part and referred to as one of the 3 major machine elements together with screws and gears. Driven by the strong desire to develop domestically produced bearings by all necessary means, without adequate machinery and sufficient materials, repeated trial and error finally led to the completion of Japan's first bearing in 1915. On the back of this success, NSK Ltd. was established with the aim of producing bearings in Japan in 1916.



Replica bearings created based on the oldest blueprints in existence at the Company.

Mission Statement

Coinciding with the 75th anniversary of its founding, NSK formulated its mission statement, which defines the "spirit," "direction" and "ideal image" of NSK in the 21st century and outlines the management efforts, actions and manner through which the Company will contribute to society, in 1991. Moreover, we have put in place the NSK Corporate Philosophy, which comprises this mission statement, management principles, action guidelines and a corporate message, as the basis for creating the collaborative value on which all NSK Group employees rely. Taking the view that NSK works diligently to support a variety of industries and to expand its business overseas, while further developing as a company that contributes to society through our technologies and the quality of our products, the NSK Corporate Philosophy sets the guidelines for what is needed and how to communicate so that NSK becomes an excellent company that is well-regarded and respected.

In an era of volatile and rapid change, we will continue to place the utmost importance on the NSK Corporate Philosophy as the guidepost for realizing sustainable growth in conjunction with NSK Vision 2026, which we established on the occasion of our 100th anniversary.



ESG

▶ Environmental Management P. 31 / Evolve Personnel Development P. 30
Safety Management, Quality Management PP. 32-33 / Corporate Governance PP. 51-55

NSK's emphasis on maintaining a high level of involvement and contributing to society began well before such terms as CSR or ESG were a part of people's everyday vocabulary. On this basis, we have worked diligently to improve our structure while strengthening our various activities.

On the environmental front, we established the Environment Control Department in 1975, which was subsequently incorporated into the Global Environment Department in 2007 as a part of efforts to upgrade and expand our structure and to broaden the scope of endeavors. We introduced Neco, our own environmental efficiency index, in 2008 to quantitatively control the environmental contribution of bearings and other NSK products that primarily contribute to lower environmental impact. Moreover, we announced details of specific targets under the 6th Mid-Term Management Plan, which began last year. We are pushing forward measures to, for example, reduce CO₂ emissions from business activities by 60% compared with fiscal 2017 by 2050 and offset CO₂ emissions through environmentally friendly products.

Meanwhile, to contribute to society, we established the NSK Foundation for the Advancement of Mechatronics and started awarding research grants in 1988. In addition, we launched a program to provide scholarships to Japanese students who have a strong desire to study abroad at research institutions and graduate schools, as well as to Asian students studying at Japanese graduate schools, through the NSK Scholarship Foundation from fiscal 2017. We have also supported the Science Museum and continued to hold children's science classes for the next generation of children since the Museum's opening in 1964. Moreover, we are bolstering a wide range of initiatives aimed at employees.

From a governance perspective, we invited one outside director to our Board and established a non-mandatory committee in 1999 while promoting the shift to a Company with Committees System in 2004 and the transition to a Company with Three (Nomination, Audit and Compensation) Committees in 2015. In addition to appointing outside directors as chairs of all the Company's committees, we strengthened our governance system by increasing the number of outside directors to 5 in fiscal 2018. Moreover, we reduced the Board of Directors from 12 to 9 to ensure that outside directors make up the majority from fiscal 2020. More than just a focus on upgrading our structure and systems, we put forward a policy making Board of Directors' meetings a forum for strategic discussions while also promoting measures aimed at incorporating ESG in the evaluation process with respect also to directors' and officers' compensation.




NSK Scholarship Foundation conferment ceremony

For more information on NSK's history, please refer to or visit the following:

NSK Report 2019 PP. 4 -5 History of NSK's Overseas Expansion  https://www.nsk.com/investors/library/pdf/nsk_report/ir201903e.pdf

NSK Report 2018 PP. 2 -3 NSK's History of Creating Value  https://www.nsk.com/investors/library/pdf/nsk_report/ir201803e.pdf

NSK Report 2017 PP. 2 -3 The Pioneering Spirit that Has Endured Throughout the 100 Years of NSK  https://www.nsk.com/investors/library/pdf/nsk_report/ir201703e.pdf

NSK Report 2016 PP. 2 -3 NSK's Business Development History, 100 Years of NSK  https://www.nsk.com/investors/library/pdf/nsk_report/ir201603e.pdf

Technological Innovation

► Core Technologies and Taking Up the Challenge of Creating New Collaborative Value PP. 42-43

Since successfully developing the first bearings in Japan in 1915, fueled by a desire to catch up to European and U.S. technology, the NSK spirit of pursuing new technologies has been passed down to successive generations. Over the ensuing period, this spirit has provided the impetus to develop a wide range of products and technologies. In 2002, we defined tribology, materials, numerical simulation and mechatronics as our 4 Core Technologies. And, with the later addition of manufacturing engineering, this became our 4 Core Technologies "plus One." We clarified the technical areas that underpin the development and volume production of NSK's high-quality products and regard them as the foundation for technologies and services that will realize sustainable growth.

Development of Representative Products and Technologies

1915	Japan's first domestically produced bearings
1926	Cylindrical roller bearings for aircraft engines
1958	Ball screw type steering gears^A
1959	Ball screws for machine tool use^B
1963	Bearings for Shinkansen (bullet trains)
1975	High-precision bearings for video tape recorders (VTRs)
1979	Bearing fatigue analysis technologies
1984	Direct-drive motors and Megatorque Motors™ for factory automation
1986	Electric power steering (EPS) systems for battery-powered forklifts
1987	Automobile HUB III (third-generation hub unit bearing)^C
1991	Bearings made from ultra-high purity (EP) steel
1991	Integrated single-axle actuators, Monocarrier™
1999	Large wind turbine bearings^D Half-toroidal bearing CVTs (continuously variable transmissions)^E
2004	NSKHPS™ series of industrial machinery high-performance standard bearings
2009	Electro-mechanical integrated column-type EPS
2011	Low-friction ball screws for regenerative braking system applications used in electric and hybrid cars Ball screws for seismic dampeners used in buildings
2013	Lubricant grease derived from 100% food-grade ingredients
2019	Non-contact torque sensor

Overseas Expansion

► Global Business Foundation PP. 44-47

NSK currently operates from 208 locations in 30 countries and regions, and more than 19,600 of the Group's 33,131 employees work overseas. As far as the Japanese manufacturing industry goes, NSK has long been advancing overseas expansion. Currently, NSK has 149 overseas bases, including 44 production sites, 87 sales site and 9 R&D centers with more than 60% of its total sales generated overseas. NSK's bearings, precision machinery and automotive parts are not products for which production facilities can be easily relocated. Rather than purely pursuing profits, we have placed the highest priority on contributing to the development of the countries and regions in which we operate while striving to remain a good corporate citizen.

Attributes and Aspirations of NSK's Overseas

After World War II to 1950s	Started bearing exports
1960s	Established overseas sales networks
1970s	Started overseas production, accelerated overseas business expansion
1980s	Extended the business structure in Europe and the U.S., expanded to full-scale business operations in Asia
1990s	Optimized production by manufacturing in the best location either at a demand site or export base, started overseas M&A, strengthened the global management system
2000s	Streamlined the Europe/Americas businesses, strengthened regional headquarters functions, grew business in the Asia region, expanded the China business rapidly
2010s	Pursued advances in overseas business development



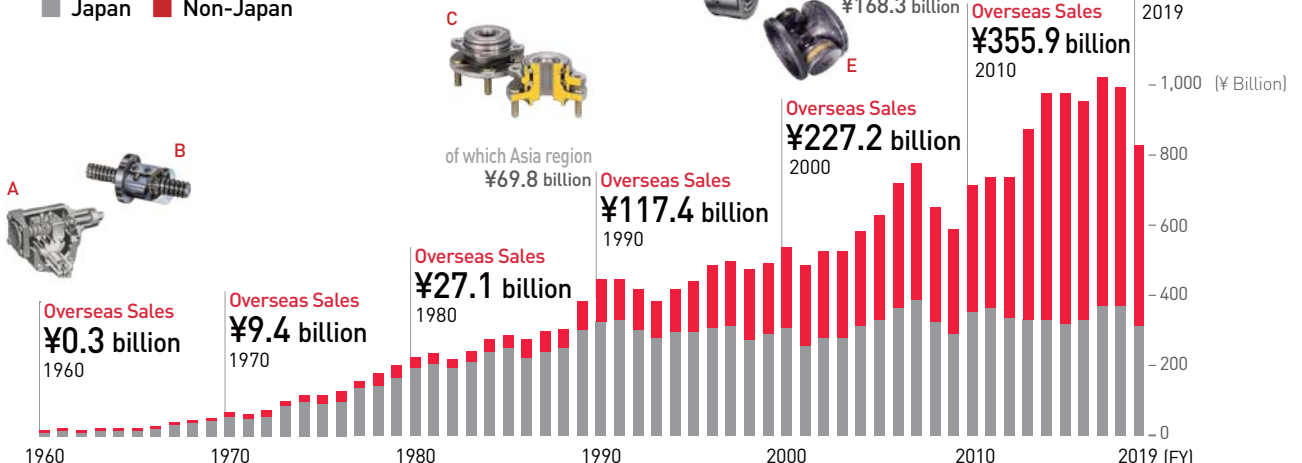
The Peterlee plant in the United Kingdom being visited by HRH Prince Charles. (1970s)

New headquarters offices and technology center opening ceremony in China (2009)



Trends in NSK's Japan/Non-Japan Sales

■ Japan ■ Non-Japan



NSK's Collaborative Value Creation Process

NSK Supporting Society

NSK is creating collaborative value to support society everywhere in the world. A vast array of NSK products continues to excel in such fields as motion and machinery from the home appliances, medical equipment, automobiles, railways and other items that support people's daily lives and in all industries including machine tools, robotics, wind turbines and steelmaking facilities. NSK products will continue to support a society that is safe, secure, comfortable and environmentally friendly.

Mining and Construction

Contributing to the creation of new needs in such areas as ICT and electrification and reducing LCC

LCC: Life cycle cost

Highly reliable anti-creep design tapered roller bearings



Steelmaking Facilities

Contributing to stable operations through higher reliability and longer life

Sealed four-row tapered roller bearings



Semiconductor Production Equipment

Contributing to building next-generation infrastructure including IoT and AI

NSK Linear Guides™ NH series, NS series



Medical Equipment

Contributing to people's health and peace of mind as well as advanced medical care



Monocarrier™

Dental handpiece bearings



Railways

Contributing to safe, secure, comfortable and environmentally friendly means of transportation

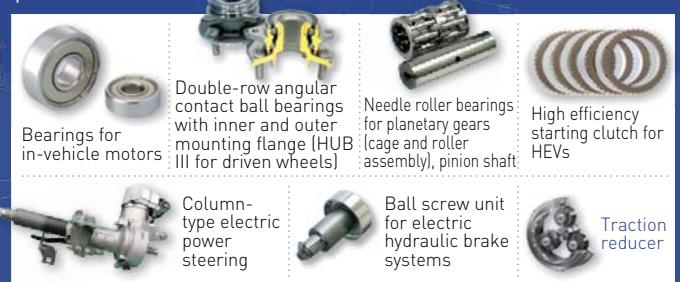


Low-maintenance high-reliability gearbox bearings

NSK vibration control actuators

Automobiles

Contributing to improved safety, comfort and environmental performance



Bearings for in-vehicle motors

Double-row angular contact ball bearings with inner and outer mounting flange (HUB III for driven wheels)

Needle roller bearings for planetary gears (cage and roller assembly), pinion shaft

High efficiency starting clutch for HEVs

Column-type electric power steering

Ball screw unit for electric hydraulic brake systems

Traction reducer



Pumps and Compressors

Contributing to smaller products that have longer lives while providing increased efficiency and reliability



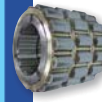
NSKHPS™ high load capacity angular contact ball bearings



High load capacity deep groove ball bearings

Wind Turbines

Contributing to the protection of the global environment through the stable operation of wind turbines



Integrated cylindrical roller bearings



Large spherical roller bearings for wind turbine main shafts

Industrial Robots

Contributing to improved robot reliability



Highly rigidity thin-section angular contact ball bearings

Machine Tools

Contributing to higher precision and productivity in parts machining



High durability precision ball screws



NSK super precision bearings



NSK Linear Guides™ roller guide RA series

Home Appliances

Contributing to a comfortable life that is friendly to people and the environment



Ball bearings for ultra-high-speed rotary motors

▶ Industrial Machinery Business P. 26
Automotive Business P. 28

*Black print indicates mass-produced products.

NSK will continue to create value through Motion & Control™ in collaboration with our stakeholders, while taking great pride in our role as a manufacturer.

President and Chief Executive Officer



Policies for Fiscal 2020 and NSK's Commitment as a Manufacturer

In fiscal 2019, the first year of **NSK's 6th Mid-Term Management Plan**, we saw a continuation of economic slowdown and sluggish demand due to the prolonged trade friction between the U.S. and China. In addition, the spread of the novel coronavirus (SARS-Cov-II and its associated infectious disease, hereinafter COVID-19) from China across the world at the end of the fiscal year put the brakes on economic activities. This resulted in net sales and operating income of ¥831 billion and ¥23.6 billion, respectively, both decreasing compared with the previous year.

As fiscal 2020 began amid the spread of COVID-19, NSK has made the safety and security of NSK Group employees and their family members a top priority, and we continue to take thorough measures to prevent the spread of infection. Although highly unlikely, if a cluster infection were to occur within our company, our business would need to close for a period of time, causing inconvenience to customers and concerns in the local community. We will continue to work to minimize the risk of infection.

On the business front, assuming that it will take some time for demand to recover, we must reduce outflow costs, limit capital investment to the absolute minimum, optimize our production system and reduce fixed costs in order to rebuild our earnings structure. In fiscal 2020, amid these extraordinary circumstances,

we are managing our business with a focus on countermeasures against the risk of sluggish demand.

In addition to the COVID-19 pandemic, friction between the U.S. and China is only getting worse in what has become known as the New Cold War, making the global business environment increasingly uncertain. At the same time, digital and cyber technologies are attracting more attention as remote solutions and working from home are expected to transform our everyday lives. We are experiencing a move toward not only selling products but also offering services such as subscriptions and Mobility as a Service. Even in these times of great change, **we continue to put our commitment as a manufacturer first and foremost. Our identity, our raison d'être and our strengths are based on the fact that we are a manufacturer, and this is something we must always hold to heart. To take advantage of our strengths, we need to think about how far we can reduce friction and place Motion & Control™, or control of the movement of machine elements, at the center of our domain.**

Based on the concept of *monozukuri* and the idea of being a manufacturer, we will explore what kind of services are required to create a frictionless world and what kind of value we can provide in addition to products.



Another thing that is important is focusing on our 4 core values of safety, quality, compliance and environment. Moreover, we will simultaneously pursue operational excellence, which we have been advocating since we began our 5th Mid-Term Management Plan, as well as take on the challenge of innovation. We live in a world changing so rapidly that it is imperative that we prepare to adapt to new innovation and incorporate fresh perspectives. To make this a reality, we must have a solid revenue base that can support our up-front investments. I believe that this requires operational excellence in the constant pursuit of competitiveness.

↳ **6th Mid-Term Management Plan P. 25**

Development of NSK in the Long Term

Remote, distributed and non-contact will be key themes in the world after COVID-19. For example, to achieve the switch to remote technology at plants, there will be an increased need for automated and smart production equipment and machinery, as well as the need for **condition monitoring technology** to support this. Naturally, this means an acceleration in the implementation of robots. In addition to conventional fixed-type robots, which can perform work usually done by humans such as welding and

assembly, there has been an increase the number of so-called cobots, or collaborative robots, equipped with autonomous driving functionality. In addition to the manufacturing industry, there will be a spillover effect on the logistics, hospital and medical industries. Meanwhile, advances in driver-assist technology will expand beyond automobiles to include agricultural and construction equipment, leading to smart agriculture and smart construction. In the automotive industry, car sharing and carpooling will become more widespread, reducing the number of privately owned vehicles and possibly decreasing the total number of vehicles sold. **We will likely see many such changes in the environment surrounding NSK's business. I think we need to take a comprehensive look at the entire situation, take a positive view of the world's trends and think about what we can do going forward.**

↳ **Condition monitoring technology P. 27**

With the aim of getting ahead of these changes, we have established innovation centers on the West Coast of the U.S. and in Europe in Germany, where we are trying to explore cutting-edge technologies. In San Jose, California, we have increased our connections with so-called local start-ups, and we are being approached to help these companies. Although these companies

NSK's Collaborative Value Creation Process To Our Stakeholders

have ideas, they lack the resources to make them a reality. When they have a problem with a mechanical element of their business, they call on us. For us, it is through these connections that we get to see what the start-ups in San Jose are doing and what they are thinking. I would like to take advantage of such a situation to create future business opportunities.

Although M&A and open innovation are increasingly important for growth, I feel that our approach and perspective on these issues is still limited. Unless we get out there and go and see the outside world, it is difficult to determine whether what we are doing is really needed now, or whether it will be needed 10, 20 or 30 years from now. First, it is important for me and the rest of the board to take the initiative to go out and see what is happening in the world, and then feed that back to the Company to act as a catalyst. It is also important to put people in places such as the innovation centers I mentioned earlier, where new things are happening. We need to invest in start-up companies inside and outside Japan and send people to those companies to see how they engage in business. We also want to pursue opportunities for mergers and acquisitions in Europe and North America. In particular, Europe is home to some unique *monozukuri* companies, so we are looking for companies no matter the size that have something to offer, or players with strong brands in Europe such as in bearings and precision machinery products, as well as condition monitoring technology, which is an area we need to focus on in the future. We might seek to partner with such a company, for example, in the form of a joint venture, if not an outright acquisition. Particularly in the automotive field, development costs will increase significantly as we move toward automated and electric vehicles. We must optimize development costs and speed up the development process by collaborating with players and partners who can complement each other's strengths.

↳ **Open innovation** P. 23

Creating Collaborative Value with Our Stakeholders

I believe the purpose of corporate activities, the purpose of our existence, lies in the creation of value for society. NSK's mission statement can be broken down into the following specific values: contributing to the environment, contributing to an advanced technological society, realizing a more prosperous society, supporting the growth of a wide range of industries, advancing a mobility society and improving shareholder value. We define 6 stakeholders who co-create these values. Although all of them are important, I believe

the most important stakeholder is our employees, as they are the main actors in NSK's corporate activities. It is important that every one of our employees is engaged in their work with a keen awareness of both the value we create and the value we can create, and, building on NSK's 104-year-old foundation, that their individually and potential can be harnessed. For this purpose, securing employment and fair compensation is a must for any company. In addition, it is important to ensure that each employee is aware that he or she is participating in the creation of value for society beyond simply achieving business goals. I believe that this will provide employees with more motivation when going about their work.

Next, when considering our suppliers, another stakeholder, it is important to make clear the kind of value that NSK wants to create and to get them to empathize with this idea. By doing so, we will be able to find partners in them. Naturally, a fair price and a fair business relationship is a prerequisite, and once this is achieved, we will be able to gain an understanding for the value we wish to create. This is the driving force behind our efforts to create something useful for society. By working together with our suppliers, we will continue to earn the trust of our customers by creating and proposing new value from the end user's point of view, in addition to meeting the needs of our customers.

In addition, we have offices around the world, and we want to show the surrounding local communities where NSK is headed and what kind of value we will create, so that they can empathize with us. At the same time, I believe that we can achieve harmony if the local community understands and appreciates the way we work and our commitment to safety, quality and the environment. We also want to provide the future generation, another type of stakeholder, with the foundation of society and the way it should be. I believe it is also important to demonstrate the kind of behavior and value we create for society that the future generation can respect. Creating various types of value for the world will ultimately lead to a solid return of expected profits to our shareholders.

In this way, through all of our actions and activities, we will not only provide value to our stakeholders but also work together with them to create value in order to gain their understanding and empathy with our mission.

↳ **Creating collaborative value with stakeholders** PP. 16-17

Evolution of ESG Initiatives

In terms of initiatives for "E," or the Environment, we decreased the total volume of **CO₂ emissions** in fiscal 2019. However, this was due to a drop in production, and the CO₂ emissions generated in



conjunction with a certain amount of production, in other words, the per production unit, were actually worse. It is not easy to achieve tangible results in only one or two years. A major source of CO₂ emissions in our business is the equipment used in **heat treatment** to harden metals and grinding to produce smooth, low-friction surfaces, but we need to make major investments not only to increase the efficiency of these processes but also to replace the current equipment with new technology. We will continue to work toward achieving our goal of reducing total emissions while lowering the emissions per production unit.

I also want to further deepen our employees' awareness of environmental issues. We have been working for more than 100 years to improve and innovate our bearings by reducing friction, which is the fundamental function of bearings, as the core of our business. Less friction means more efficient machinery and energy savings. However, not many of our employees are able to see how much the bearings they make help reduce CO₂ emissions around the world. **Of NSK's 4 core values, safety and quality are the most visible and it is easy to recognize the importance of them. On the other hand, with regard to the environment, it is difficult to realize the importance of environmental measures because CO₂ emissions are not something anybody can actually see. For this reason, we need to make our core value of the environment clearer and be more conscious of this.** For example, if plant employees working on a production line could "see" how much each product they manufacture and ship each day is helping to reduce CO₂ emissions, I am sure they would become more aware of this.

↳ **CO₂ emissions**
 ▶ Reduce CO₂ emissions in business activities P. 20
 Environmental management P. 31
 Non-financial highlights P. 38

Heat treatment
 ▶ Reduce CO₂ emissions in business activities P. 20

Regarding the **risks and opportunities of climate change**, the first thing to do is to prepare for risks in advance. There has been frequent heavy rainfall in various areas, which is believed to have been caused by global warming. In the case of NSK, **we have manufacturing sites located close to rivers, and each of these sites conducts risk assessments; however, we will strengthen our response while assuming even more severe and worst-case scenarios in the face of increasingly intense weather conditions.** If we notice any sign of danger, we stop operation of the plant and prioritize the safety of our employees above all else. We are also stepping up our efforts to prevent oil and waste material leaks from our plants to avoid secondary disasters.

As for opportunity, we are directly involved in the renewable

energy sector. We aim to further contribute to wind and solar power generation with high-function high-quality products. In response to the trend toward more and more **electrification of automobiles and the increasing use of battery electric vehicles** to meet environmental regulations, we offer our customers a variety of new products and technologies in addition to our existing bearings. Furthermore, in large cities in China and Southeast Asia, especially in overcrowded cities, railways as a means of mass transportation are one of the most effective solutions for air pollution and car congestion. In our **railways business**, NSK has the technical skills and the competitive edge built up over the past 60 years for meeting the rigorous conditions of high-speed rail, and we see it as a major business opportunity for the future.

↳ **Risks and opportunities of climate change**
 ▶ Endorsement of TCFD recommendations P. 31
 Risk management PP. 48-49

Electrification of automobiles and the increasing use of battery electric vehicles; railways business
 ▶ Maximizing our environmental contribution through products P. 21

Regarding "S," society, an outside director once asked me, "How much are you working on employee relations," which is something I had been asked before. Up to that point, I had been aware of various IR and CSR activities, but when I thought about it, there was still room for improvement in our communication with employees. In Japan, we hold Group Management Meetings in which group companies participate are held 3 times a year. These meetings help provide information to the heads of each department on the business environment, business performance trends, budget policies and so on. However, these meetings are rather one-way in nature. By that, I mean the meetings are a form of one-way communication. Employees have the opportunity to view meetings via video streaming, but it can be difficult to understand the management policies in these meetings. There existed no platform for employees to share opinions and ask why we do things the way we do or why we even do certain things to begin with. Therefore, we have been enhancing opportunities for two-way communication over the past 2 years. I personally visit plants and sales offices and talk directly with team leaders and assistant managers at their workplaces. We also hold biannual **financial results briefings for employees** to provide a forum for communication between management and employees and to improve their understanding of our financial results and business strategies. We also provide English-language videos on our intranet for our overseas employees. Through these efforts, we

NSK's Collaborative Value Creation Process To Our Stakeholders

are working to communicate what NSK and the management team are thinking about.

↳ **Financial results briefings for employees** P. 23

Diversity and inclusion initiatives, of course, are not just about having women or non-Japanese nationals in the workplace and calling it a day. These initiatives are essentially about having a diverse workforce with different genders, nationalities, ages and careers in the workplace, and being able to exercise everybody's abilities based on the idea that each person is a member of the organization. With both diversity and inclusion firmly in place, we can create a challenging and creative workplace where everyone feels a sense of fulfillment in their work. We need to create opportunities and policies to achieve this. For example, we are actively working to support women's activities by holding numerous training sessions and events for female employees in multiple regions, including outside of Japan. In Japan, it is also necessary to devise ways to support the balance between childcare, nursing care and medical treatment in response to the demands of society. However, these initiatives are only symbolic. The key to true inclusion is to reform the culture in the workplace itself. To this end, we will continue to enhance the dissemination of information and training opportunities for a greater number of employees, with a focus on women, LGBT, people with disabilities, older workers, foreign nationals and support for a healthy work-life balance. Diversity and inclusion will be the foundation for NSK's value creation and growth.

↳ **Diversity and inclusion**
▶ **Diversity as a driving force of the organization** P. 22
▶ **Evolve personal development** P. 30

Our most important asset is our human resources, and one of the most compelling issues we face is the increasing difficulty of recruiting engineers. Although NSK needs a large number of mechanical engineering personnel, the number of students interested in this field is decreasing, and competition for personnel is intensifying. We have to ask the question, "How can we get more young people interested in mechanical engineering?" With this in mind, NSK holds science classes for elementary school students and young children in Japan to give them an opportunity to see bearings for themselves during fun experiments, and we published a comic book entitled "The Secrets of Bearings." We would like to continue to actively engage in activities that will lead to the future generation, one of our 6 stakeholders, taking an interest in the

mechanics of bearings, how they work, their mechanisms and mechanical engineering.

Next is "G" for Governance. The composition of NSK's Board of Directors was changed to a majority of 5 outside directors and 4 internal directors. This decision was made with the aim of stepping up our governance to the next level. The ultimate form of governance, in my opinion, is how far the Board of Directors can stop the CEO from running amok, and by extension, how they can remove the CEO from power if the need to do so should arise. By having a majority of outside directors, we have demonstrated our will to ensure that those of us who are responsible for the operation of NSK will be able to do so with a high degree of tension. As a Company with Three Committees, NSK delegates a wide range of management responsibilities to its executive officers, and these officers must be accountable to the Board of Directors for their actions. At the same time, the Board of Directors, taking a mid- to long-term perspective, discusses and decides how the world will change 3, 5 and 10 years from now, and what NSK should aim for and achieve in that time, drawing on the extensive knowledge and experience of outside directors.

A renewal of our takeover defense measures was approved at this year's General Meeting of Shareholders. Our takeover defense measures are not about opposing anybody who wants to take over NSK, but rather about questioning the motives and aims of hostile bidders, in other words, those who might cause damage to the value of our company. In this way, we can clarify what their intentions are in acquiring NSK and how they would change NSK





in the future. Professional institutional investors are likely to make decisions about takeover moves with a focus on their own interests. However, our stakeholders are not only shareholders and investors but also our employees, our customers, local communities, suppliers and distributors, and the future generation. There is value in NSK for each of them. Therefore, if somebody who wishes to take over NSK appears, we would explain to individual shareholders other than institutional investors and stakeholders that, "This is what the buyer is thinking about, but that could damage NSK's value. In response, we are trying to increase corporate value like this," and endeavor to provide our opinion of the situation. We have introduced takeover defense measures as a mechanism to obtain the information needed to make such an analysis. I once explained these ideas to a European institutional investor we visited after a shareholder meeting. I remember the investor saying, "If I knew that was the case, I would have agreed to the measures."

With regard to the director/executive officers' compensation system, we have increased the number of ESG metrics. From an ESG perspective, it is easy for us to understand using the Company's core values of safety, quality, compliance and the environment as metrics. Given that we believe these are our values, management must, of course, take responsibility for how much these values have improved and whether awareness of them has improved. Quality performance has been included in addition to business performance as an evaluation item, but given that we say safety and the environment are important, we should include them as well. It is important to set metrics (KPIs) to include in the evaluation of compensation to make sure that we are evaluating our performance. By doing so, I believe we will become more rigorous and more aware of our efforts.

▶ Directors/Officers' compensation P. 54

Thoughts on SDGs

It is my belief that we can contribute to the SDGs by working through our core business. The SDGs are an extension of our business, and the pursuit of our business goals will lead to the realization of the SDGs. In other words, we want to contribute to society and grow as a company at the same time.

For example, one of our **7 key goals** is "Industry, Innovation and Infrastructure." Examples of this include remote control at our manufacturing sites and smart factories. We are working to

transition the preventive maintenance of NSK's 64 plants located around the world to NSK's **AI-based facility management system**. Currently, we are mainly working on the Otsu and Fujisawa plants in Japan, where we have installed a smart factory pilot line, and we plan to expand the system to overseas plants in the future. We also intend to evolve the system into a smart factory platform that can serve as a basis for industry and technological innovation, so that it will not be confined to our own plants but will also be used by our suppliers, our business partners. This leads to Goal 17 of the SDGs: "Partnerships for the Goals." We do not want to do things for the sake of the SDGs goals, but rather **we want to be oriented toward adding an SDGs perspective to the initiatives in our business and in the way we go about business. I am sure this will also give new meaning to the work our employees undergo. It is not just about saying, "We need to do this much more this month" or "We need to increase our sales"; it's about finding a new social meaning to our work.** More and more people, especially the younger generation, want to do things that are socially meaningful, so it is important to have that kind of meaning when going about work. With this motivation in mind, I would like to make sure that our SDGs are firmly rooted in our work.

7 key goals
▶ NSK's SDGs Declaration P. 18
AI-based facility management system
▶ PM-Ai P. 19

Co-creation Committed to Motion & Control™

I took on the role of CEO in 2015, on the 100th anniversary of NSK's foundation. In the 5 years since then, I have made it a major theme to instill and realize NSK Vision 2026, "Setting the Future in Motion," which we announced on the 100th anniversary of NSK's founding. We have been working to change the way we think and act at NSK from passive to active, to increase the speed at which we make decisions and take action. Currently, with the COVID-19 pandemic forcing us to change the fundamental way we work, we have the opportunity to think more flexibly about changing the way we used to think and do things.

As the world changes and uncertainty grows, NSK will continue to create value through Motion & Control™ in collaboration with our stakeholders, while maintaining our commitment to being a manufacturer. For NSK to continue to be a company that is trusted globally and needed by society, we will continue to strive to be a company that continues to be essential for society in the future. Thank you for your ongoing support.

NSK's Business Model for Collaborative Value Creation

NSK Vision

In its mission statement, NSK declares its aims of "realizing a safer, smoother society" and "protecting the global environment" through Motion & Control™. Under this philosophy, we set out NSK Vision 2026 and intend to realize our mid-term goals and establish corporate fundamentals that will enable sustainable growth while continuing to create value. We also believe that the collaborative value created by NSK will lead to contributions to the goals for 2030 for which the SDGs are aiming.

Contribution to Resolving Social Issues

Safer and smoother society
Protection of the global environment

Diverse Capital and Inputs



Manufacturing Capital

- Raw materials: Steel, greases and oils, externally procured components
- Global production sites, manufacturing facilities
- Process set-ups, process controls



Intellectual Capital

- 100 years of accumulated know-how
- 4 Core Technologies plus One
- Knowledge/expertise in specialist fields
- R&D centers
- R&D framework linked to external organizations



Human Capital

- Highly qualified engineers, skilled workforce, globally minded talent, sales personnel who maintain close relationships with customers
- Corporate governance structure (Three Committees system, global compliance framework)



Financial Capital

- Capital, interest-bearing debt, cash reserves



Social/Relationship Capital

- Relationships of trust with external parties (users, suppliers, local communities)
- Globally recognized and trusted NSK brand



Natural Capital

- Minerals (iron ore, coal, etc.), water, energy

Production sites (plants)

Japan: **20**
Overseas: **44**

R&D centers

At **16** locations
in **10** countries

Ratio of new employees
with science backgrounds
(annual average over the past 5 years)

77.5%

Number of employees
worldwide (consolidated)

30,747

Seminars on balancing work
and caregiving (Japan)

Total: **32** times
Participants: Approx. **700**

Total equity

¥526.5 billion

Interest-bearing debt

¥279.2 billion

Cash and cash equivalents

¥137.3 billion

Number of customer
inquiries to
NSK salespeople

4,790 cases/year

Energy input (per year)

15,872 TJ

(As of March 31, 2020)

Provide Values through Evolu

Value

Feedback

Business Growth and
Profitability

Vision

R&D

Receipt of Orders

ESG Mana

The 6th Mid-Term

Safety

P. 32

Core

Compliance

P. 50

Foundation Supporting

Technological Foundation

P. 42

Risk Management

P. 48

2026

With the vision for 2026 to “establish a corporate foundation for sustainable growth,” NSK has identified the 3 key management tasks of “business growth and profitability,” “utilization of robust managerial resources,” and “ESG management.” Positioned as the first 3 years through which to realize this vision, we are currently promoting initiatives under the 6th Mid-Term Management Plan. NSK’s business model for creating collaborative value consists of the core values of “safety, quality, compliance, and environment” that support the value chain (NSK’s business activities), from R&D to manufacturing, sales, and feedback. To maintain and deepen these efforts in a sustainable manner, we are strengthening our “technical foundation,” “global business foundation,” “risk management,” and “corporate governance.”

Collaborative Value with Stakeholders



Utilization of Robust Managerial Resources™

Output and Outcomes

Chain

Sales/
Aftermarket

Manufacturing

Utilization of Robust Managerial Resources

for 2026
P. 25

Procurement

Mass Production
Design/
Preparation

Management

Management Plan

P. 25

Quality

P. 33

Values

Environment

P. 31

Sustainability

Global Business Foundation

P. 44

Corporate Governance

P. 51

Products/Services

- Industrial Machinery Bearings
- Precision Machinery and Parts
- Automotive Bearings
- Automotive Components
- Maintenance & Repair, Aftermarket Services

Financial Outcomes from Provision of Added Value

- Cash generation
- Improvement in ROE
- Improvement in share price/market capitalization/TSR
- Internal reserves for investment in growth
- Maintenance of stable ratings

Impact on Society/Environment

- Reduction of investment resource/energy usage through improved production processes
- Promotion of human resource diversity and inclusion
- Improvement of compliance awareness
- Compliance with varying regulations in each country (e.g., avoiding use of conflict minerals, Modern Slavery Act)

(Output as burden on the environment)

- Greenhouse gases (GHG), industrial waste, water discharge

Share of bearings market

Ranked **3rd** in the world

Number of EPS mounted on vehicles (cumulative total)

Approx. **97 million**

Number of patents held

8,052 patents

(7,499 patents in the previous fiscal year)

Net cash provided by operating activities

¥72.4 billion

Dividends/Payout ratio

¥15.6 billion/88.2%

Lost-worktime injury frequency rate (global)

0.35 (0.37 in the previous fiscal year)

Diversity (global)

Ratio of female employees **19.0%**

(19.1% in the previous fiscal year)

Number of employees who took childcare leave

Men: 125 Women: 37

Japan Management College

Total number of graduates over all 19 college terms: **344**

Global Management College

Total number of graduates over all 9 college terms: **111**

Number of regions:

Graduates from **21 countries** (including expected graduates in FY2020)

Number of employees who have attained a TOEIC score of 730 or higher

631 (563 in the previous fiscal year)

Development of environmentally friendly products

232 products (cumulative total)

GHG emissions

11.8% decrease (compared with FY2017)

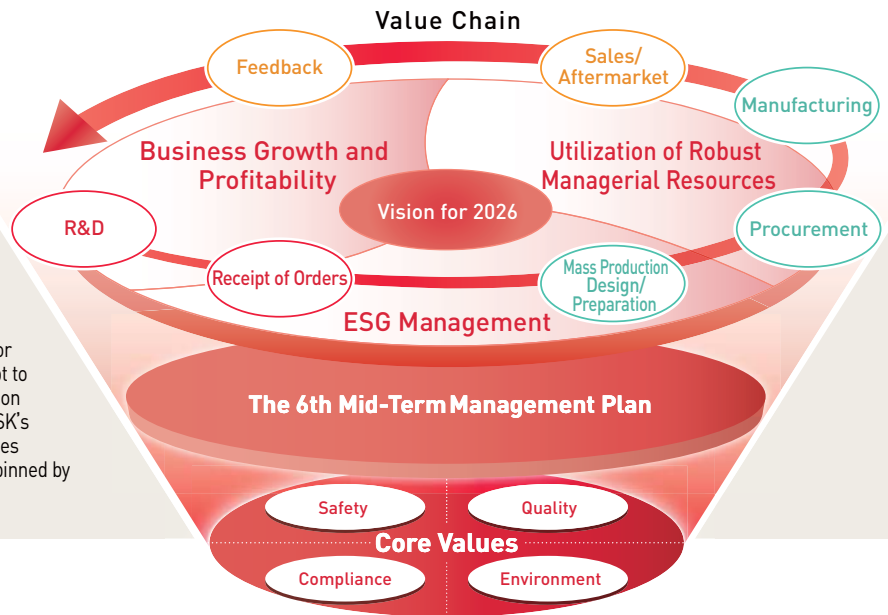
NSK's Business Activities and Corporate Collaborative Value Creation (Deepening of the Value Chain)

NSK's Business Activities

NSK engages in BtoB operations, with its major customers including automakers and machinery manufacturers.

NSK has 2 business segments, the Industrial Machinery Business and the Automotive Business, which reflect the industries in which the Company's customers operate. The Industrial Machinery Business Division Headquarters and the Automotive Business Division Headquarters oversee these businesses on a global level.

Each business division headquarters maintains its own production, sales and technology units that take responsibility for the entire value chain, from marketing activities for order receipt to product design, manufacturing, sales, delivery, payment collection and aftermarket services. As shown in the chart on the right, NSK's value chain creates collaborative value through business activities encompassing R&D, manufacturing, sales and feedback underpinned by its core values: safety, quality, compliance and the environment.



Value Chain



Our 4 Core Technologies plus One are tribology, materials, numerical simulation, mechatronics and manufacturing engineering (see p. 42). R&D covers a wide range of fields including fundamental research, advanced development, application development and manufacturing engineering. NSK's R&D activities lead to the creation of new products, technologies and businesses.

Having worked together to ascertain customer needs and social needs, sales and technology divisions then make technical proposals and demonstrations that culminate in the receipt of orders. The timing of orders received, lead times and other aspects of order-taking activities depend on the customer's business, products and components used. For global products, the sales divisions coordinate with the relevant sites in other countries.

Mass production design entails the design of large-lot products delivered to customers. Mass production includes both newly designed products and standardized products that do not require new designs. Mass production preparation involves the setting up of processes and production equipment at mass production plants once specifications have been finalized. In many cases, customer approval is required for product specifications, equipment and processes.

	R&D	Receipt of Orders	Mass Production Design/Preparation
Key Inputs	<ul style="list-style-type: none"> • Technical staff (human capital) • Accumulated technologies, R&D centers (intellectual capital) • R&D structure with external parties (social/relationship capital) • Financial foundation for funding R&D (financial capital), etc. <p>Ref R&D expenses (on a managerial basis) (FY2019) ¥31.4 billion ▶ P. 43</p>	<ul style="list-style-type: none"> • Experience and track record in QCDDSM (manufacturing, intellectual and human capital) • Strong relationships of trust with customers (social/relationship capital) • Sales capabilities (human capital) • Technical proposal capabilities (intellectual and human capital) • NSK brand recognition (social/relationship capital), etc. 	<ul style="list-style-type: none"> • Mass production equipment preparation, capital investment (manufacturing capital) • Design engineers (human capital) • Accumulation of a wide variety of technologies (intellectual capital) • Technology centers, R&D sites (intellectual capital) • NIT (intellectual and human capital), etc.
Our Strengths	<ul style="list-style-type: none"> • NSK's strengths are in its ability to solve complex technological problems based on our 4 Core Technologies plus One, the breadth of talented technical staff and accumulated technologies gained through deep knowledge and experience. • Based on our tight-knit relationships with customers, we can quickly grasp their product- and technology-related needs and guide development to meet those needs. • NSK leverages collaborations and joint development with our customers, suppliers and external research institutions in its product development (e.g., steel materials, grease, motors, electronic control units [ECUs]). • NSK has a global network of technology centers. • NSK has systematic education programs and educational institutions, including the NSK Institute of Technology (NIT), for the training and strengthening of its technical staff. <p>Ref Number of participants in the NSK Institute of Technology (NIT) (FY2019) 527 ▶ P. 39</p>	<ul style="list-style-type: none"> • NSK has internal systems that support tight-knit communications between customers and the Company's engineering and sales staff. • NSK's global development and supply capabilities also help to win a variety of orders (e.g., orders for newly developed, improved and existing/standard products). • Global Account Managers (GAMs) and Key Account Managers (KAMs) work together on project requirements. • NSK focuses on high-quality, environmentally friendly products that are trusted by customers. 	<ul style="list-style-type: none"> • Design quality is a key factor in manufacturing quality. Accordingly, accurately understanding the specifications required by customers and reflecting them in product design leads to improvements in product development, design proposals and project management. • NSK develops its own, specialized production equipment, which leads to lower costs for mass-produced products. • NSK has a framework in place to manage the entire process, from order receipt to the mass production launch. In accordance with that framework, detailed inspection and confirmation of specifications, quality and cost are performed at each process milestone (NPDS). • NSK works to improve profitability through timely and cost-conscious preparations, from product design to mass production.
Tasks Being Addressed to Deepen the Value Chain	<ul style="list-style-type: none"> • Establishment and promotion of proactive R&D themes for rapid technological changes in the world (electrification, automation, IoT, the environment) ▶ P. 23 • Utilization of open innovation ▶ P. 23 • Improvement of development and evaluation efficiency by utilizing AI and simulation • Improvement of "plus One = manufacturing engineering" that emphasizes and optimizes quality from the development stage • Training and retention of engineers to hand down and evolve the 4 Core Technologies ▶ P. 30 • Development of technologies and products to contribute to protection of the global environment/CO₂ reduction ▶ P. 31 	<ul style="list-style-type: none"> • Based on changing customer and social needs, improvement in the level of proposal capabilities utilizing existing and newly developed technologies ▶ P. 21, P. 27, P. 29 • Supply proposals from optimal locations that make use of global production sites • Maintaining relationships of trust and proposal/provision of value/services in new styles that go beyond conventional methods 	<ul style="list-style-type: none"> • Utilization of core assets (capitalized differentiation technology) aimed at streamlining mass production design and reducing lead times • Equipment and process settings to achieve stable mass production quality and reduced workload • Ascertainment of required quality level of markets (end users) and reflection in products ▶ P. 33 • Improvement of development and evaluation efficiency by utilization of AI and simulation • Installation of mass production equipment that contributes to global environmental protection and CO₂ reduction



Shared Features of NSK's Business

NSK's products are components that enhance the performance of the customer's machinery in which they are incorporated. The product specifications and functional requirements of our customers have an impact on NSK's products and business activities.

QCDDSM: Quality, Cost, Delivery, Development, Service and Management play an important role in securing NSK's competitive advantage.

Demand conditions in the industries of our customers affect NSK's sales and profits.

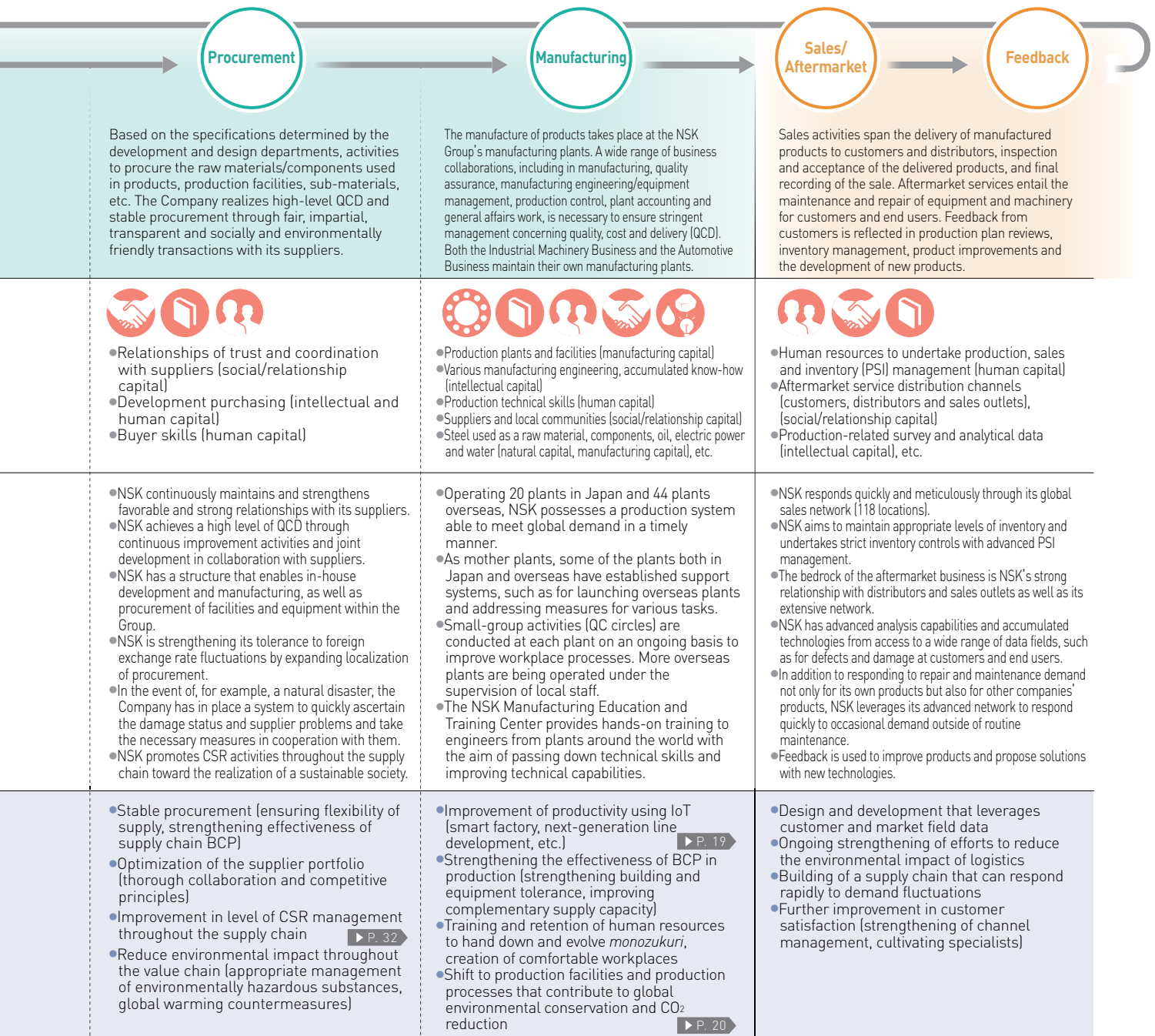
The ability to develop business on a global scale affects NSK's competitiveness and growth potential.

The ability to propose technological solutions is a key to acquiring new projects.

In principle, products are manufactured once orders are received, rather than in anticipation of orders.

NSK's Competitive Advantages

- Extensive product lineup as a comprehensive manufacturer
- Accumulated expertise in customer needs and technology for a wide range of industries and applications
- Diverse business relationships/customer base including machinery manufacturers, automakers, auto component manufacturers, distributors, sales outlets and suppliers, etc.
- Technological capabilities in technical development, proposal and problem solving based on our 4 Core Technologies plus One
- Global management system and global manufacturing, supply and technical support capabilities

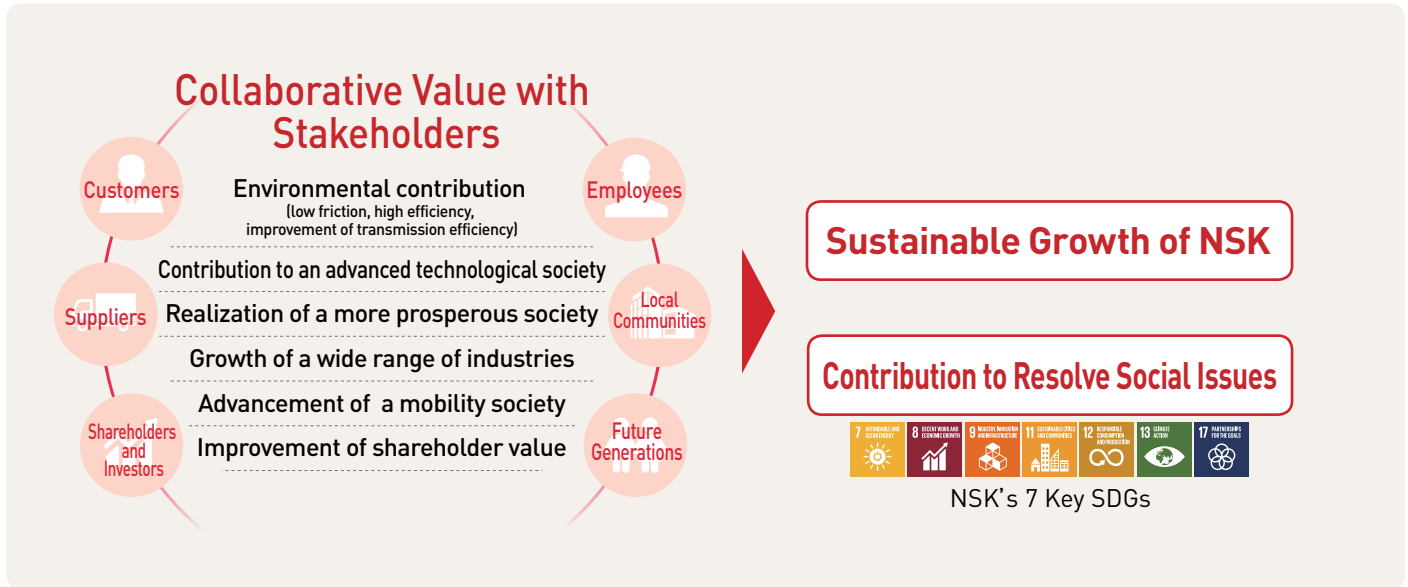


NSK's Collaborative Value Creation Process

Creating Collaborative Value with Stakeholders





NSK's business is built on relationships of trust with its stakeholders. As a partner in the creation of collaborative value, nurturing increasingly positive ties through two-way communication and promoting a genuine understanding of NSK's direction and value created is of the utmost importance.

By collaborating with each stakeholder to create a range of value, NSK aims to contribute to the resolution of social issues while achieving sustainable growth as a company.



	Relationships with Stakeholders	Primary Benefits/Values, Interests, and Expectations of Stakeholders	Examples of Themes for Further Collaborative Value Creation
Customers	<p>NSK's customers and sales destinations encompass the machine manufacturers, auto and automotive components makers, distributors and sales outlets that purchase our products directly, as well as the end users who utilize our products in the various machines produced by direct customers. In addition to deepening our understanding of the needs of manufacturers, distributors and sales outlets, we strive to address the expectations of end users. By effectively incorporating direct customer and end-user perspectives into our business activities, products and services, NSK aims to create values as a part of efforts to realize an affluent society, promote environmental conservation and establish an advanced technological society.</p> <p>► Main Engagement Channels</p> <ul style="list-style-type: none"> • Everyday sales activities • Technological exchanges • Exhibitions • Joint research/joint development, etc. 	<ul style="list-style-type: none"> ● Q: Quality-Offering of high-quality products, high-quality services ● C: Cost-Appropriate pricing ● D: Delivery-Stability in delivery, supply chain management, and strict adherence to laws and regulations ● D: Development-Leveraging technology innovation, finding solutions to issues, development of partners and development of products and technologies that contribute to the environment ● S: Service-Support customers at our global sites in each region, reliability, security and trouble shooting ● M: Management-Management capabilities that support the above 	<ul style="list-style-type: none"> ● Creating and proposing new collaborative value from an end-user perspective ▶ PP. 27, 29 ● Proposals for supply from optimal locations that leverage global production sites
Employees	<p>The value created by NSK, including advanced technology and world class products, is driven by a diverse team of employees working all over the world. In addition to fostering creativity and individuality, NSK is working to revitalize a constructive labor-management dialogue, employee communications, and exchanges with external stakeholders. Through these efforts, NSK aims to raise the awareness of each employee to promote the creation of open, transparent workplaces that enable employees to set the future in motion and increase corporate value.</p> <p>► Main Engagement Channels</p> <ul style="list-style-type: none"> • Manager/team dialogue • Objective-based management, performance review systems • Internal financial results briefings • Training, self-improvement seminars, etc. 	<ul style="list-style-type: none"> ● Engaging workplaces (Respect of fundamental rights at work, equal opportunity, creating safe and inspiring workplaces, health and productivity management) ● Leveraging a diverse workforce, diversity and inclusion, work-life balance, flexibility with working styles ● Providing opportunities for growth, self-development and educational opportunities 	<ul style="list-style-type: none"> ● Increase opportunities for dialogue with management, vitalize two-way communication ▶ P. 23 ● Review systems to achieve more diverse work styles ▶ P. 30 ● Promote situational understanding and improvement activities through regular employee engagement surveys ● Further enhance educational and training programs



	Relationships with Stakeholders	Primary Benefits/Values, Interests, and Expectations of Stakeholders	Examples of Themes for Further Collaborative Value Creation
Suppliers 	<p>NSK's businesses, which reach all corners of the globe, as well as the competitiveness we possess, are underpinned by numerous suppliers around the world through the provision of superior components and raw materials. NSK strives to develop mutually beneficial relationships through frank and open exchange of opinions in daily procurement activities and mutual improvement initiatives. For example, NSK works with suppliers to raise the level of quality assurance, develop new technologies, protect the environment, and ensure that human rights are fully respected. These sincere efforts are essential for environmental conservation and mutual prosperity along the entire global supply chain.</p> <p>▶ Main Engagement Channels</p> <ul style="list-style-type: none"> • Daily procurement activities • Procurement Policy Briefings • NSK Supplier CSR Guidelines "self-diagnosis sheet," etc. 	<ul style="list-style-type: none"> ● Proper, fair and transparent transactions that give consideration to society and the environment ● Joint development (materials, components, grease, etc.) ● Support for enhanced quality ● Promoting CSR activities throughout the supply chain ● Collaboration when disasters occur 	<ul style="list-style-type: none"> ● Ongoing maintenance and strengthening of favorable and strong relationships ● Enhance level of CSR management throughout the supply chain toward realizing a sustainable society <p>▶ P. 32</p>
Local Communities 	<p>NSK's globally expanding business depends on building harmonious relationships with local communities, and fulfilling our corporate responsibility to contribute to the development of those communities. NSK aims to grow as a company that is needed, loved, and respected by communities around the world. We strive to respect cultures, customs, and needs by engaging, communicating, and working closely with each community to achieve mutually beneficial development and the protection of local environments.</p> <p>▶ Main Engagement Channels</p> <ul style="list-style-type: none"> • Activities to contribute to local communities (donation drives, cleanup activities, etc.) • Plant festivals • Cooperating in community events, welfare programs, etc. 	<ul style="list-style-type: none"> ● Mutual harmony and benefit with communities ● Contributing to creation of employment/regional development ● Preserving the global environment, local environment ● Reducing environmental impact (curbing emissions from business activities) ● Consideration concerning noise ● Safe operations 	<ul style="list-style-type: none"> ● Increasing the opportunities for exchange so as to promote an understanding of safety and security and raise the degree of trust ● Ample activities to contribute to communities
Shareholders and Investors 	<p>As providers of financial capital, shareholders and investors play a critical role in supporting NSK's growth and monitoring company management. NSK aims to grasp and meet the expectations of shareholders and investors through sincere efforts to maintain a constructive dialogue and further increase the soundness and transparency of Company management.</p> <p>▶ Main Engagement Channels</p> <ul style="list-style-type: none"> • The shareholders' meetings • Plant tours for shareholders • Financial conferences • Business briefings 	<ul style="list-style-type: none"> ● Improved corporate value ● Proper stock prices ● Realizing shareholder returns that exceed capital costs ● Providing information in a proper, fair and timely manner, and have sincere dialogue ● Proactively taking initiatives and making disclosures for global social issues, and CSR/ESG 	<ul style="list-style-type: none"> ● Securing and raising understanding and agreement of capital market participants with regard to management policy, business strategy and financial strategy ● Expanding support of shareholders that contributes to fair determination of share prices and sustainable growth, and realizing a balanced shareholder composition ● Ample engagement with shareholders and investors, and strengthening the tools to accomplish that <p>▶ P. 60</p> <ul style="list-style-type: none"> ● Enhancing disclosure and heightening the appeal of efforts with regard to CSR/ESG issues
Future Generations 	<p>Realizing a safe and prosperous society that will last long into the future is indispensable not only for NSK but also for the growth and development of society as a whole. To support the healthy development of the next generation that will be responsible for shaping future society, we conduct science classes, offer internships, and provide scholarships as efforts geared toward long-term growth. Through these activities, we aim to realize a prosperous society for the future by not only conveying the enjoyment and importance of <i>monozukuri</i> to children and students but also by developing future generations of human resources.</p> <p>▶ Main Engagement Channels</p> <ul style="list-style-type: none"> • NSK Foundation for the Advancement of Mechatronics • NSK Scholarship Foundation • Science classes for children • Materials for children (comic book, picture book and technology introduction), etc. 	<ul style="list-style-type: none"> ● Generating and providing opportunities for the growth of the next generation that will be responsible for the future ● Conveying the enjoyment and importance of <i>monozukuri</i> ● Passing down a safe society and an abundant natural environment 	<ul style="list-style-type: none"> ● Ongoing implementation of support to nurture the next generation of human talent from a long-term standpoint ● Working through the NSK Scholarship Foundation to provide aid in the invigoration of the Asian region by supporting Asian exchange students and Japanese nationals who will play an active role on the international stage and contribute to the world

Collaborative Value Creation and Beyond

Under its mission statement calling for “a safer, smoother society,” “protection of the global environment” and “improved relationships between people,” NSK aims to balance its contribution to resolutions for social issues with sustainable growth as a company by creating collaborative value with all stakeholders. With the goal of realizing this aim in mind, NSK established NSK Vision 2026 on the occasion of its 100th anniversary.

Moreover, the 6th Mid-Term Management Plan (6th MTP) continues to target “the establishment of a corporate foundation for sustainable growth and the provision of values through evolution of Motion & Control™” as its vision for 2026, and is thus formulated to undertake the 3 key management tasks of “business growth and profitability,” “utilization of robust managerial resources” and “ESG management.” The 6th MTP is positioned as the first 3 years for realizing this vision.

Under a governance framework that raises the efficiency, flexibility and fairness of management and strengthens the supervisory function, NSK’s approach to ESG is based on the core values of safety, quality, compliance and environment. NSK’s approach also defines contribution to resolutions of social issues as a responsibility of the Company. Similarly, upon advancing initiatives, the Company formulated an SDGs Declaration that respects the spirit of the SDGs and selected NSK’s 7 key goals based on this approach. While keeping these 7 material issues in mind, the Company has drawn up NSK’s Declaration as strategic initiatives with more clarity. Through its business activities, NSK will contribute to the achievement of the SDGs by continuing to create collaborative value with stakeholders.



NSK's SDGs Declaration

In line with our Mission Statement, NSK will work to resolve societal issues by conducting sincere and responsible business operations and achieving innovation in our products and services, in order to help realize a sustainable society. We will uphold the spirit of all 17 SDGs, and have selected 7 goals that are particularly interlinked with our business, which we will place priority on tackling.

NSK's 7 Key SDGs

- 7. Affordable and Clean Energy
- 8. Decent Work and Economic Growth
- 9. Industry, Innovation and Infrastructure
- 11. Sustainable Cities and Communities
- 12. Responsible Consumption and Production
- 13. Climate Action
- 17. Partnerships for the Goals

Collaborative Value with Stakeholders	Declaration of NSK's Initiatives	Collaborative Value Creation Cases
<ul style="list-style-type: none"> Environmental contribution (low friction, high efficiency, improvement of transmission efficiency) Contribution to an advanced technological society Realization of a more prosperous society Growth of a wide range of industries Advancement of a mobility society Improvement of shareholder value 	<ol style="list-style-type: none"> We will contribute to a safe and resilient social infrastructure through innovation. We will contribute to climate change countermeasures by reducing the impact of our business activities on the environment. We will contribute to the creation of a waste-free society and reduce impact on the global environment through environmentally friendly products and reuse of resources. We will form richly diverse organizations where both employee motivation and value creation are fulfilled. We will enhance our dialogue through multi-stakeholder partnerships to increase the effectiveness of our SDGs initiatives. 	<ul style="list-style-type: none"> PM-Ai P. 19 Heat treatment process P. 20 Railways/Electrified vehicles P. 21 Advancement of women P. 22 Open innovation/Financial results briefings for employees P. 23



Declaration of
NSK's initiative

1

We will contribute to a safe and resilient social infrastructure through innovation.

Smarter Maintenance with PM-Ai

Collaborative Value with Stakeholders



Related SDGs



Aiming for Safer, Higher-Quality and Smarter Production Sites: Make production sites a worthwhile place for all maintenance staff

With an outside AI systems partner, NSK has developed PM-Ai, a facility management system that incorporates the accumulation of individual know-how and experience as NSK's knowledge (assets). PM-Ai is an AI-enabled management system with a database full of information about equipment and machinery on production lines, manufacturing processes, past problems and ways these problems were fixed. "PM" stands for preventive maintenance, and "Ai" is a combination of artificial intelligence (AI) and eye (to see), while also meaning "love" ("ai" in Japanese means love) to symbolize the care taken in maintaining equipment and machinery. NSK aims to install PM-Ai in all its global plants to make it possible to predict problems and maintain equipment and machinery before breakdowns occur.

Rapid Problem-Solving Given the Experience of NSK

In 2018, NSK introduced the PM-Ai system in its Otsu plant and Fujisawa plant in Japan. At the Otsu plant in Shiga Prefecture, more than 10 years of past data (100,000 entries) have already been entered into the PM-Ai system as a part of efforts to categorize past problems in the database, in addition to information about equipment and machinery. These data are now being weighted and correlated for training the AI system in a bid to enhance its analytical capabilities. By rolling out the PM-Ai system globally, our maintenance will be smarter and faster with a greatly changed approach. In the past, opportunities to gain experience from repairing and maintaining facilities in other plant were limited. With PM-Ai, however, the value of all experiences at NSK can be rapidly identified as possible solutions for solving problems. Production lines that manufacture similar products share many of the same equipment and processes and have similar problems when they arise. This is where we expect the PM-Ai system to have a significant impact. As facility maintenance activities share a common core of know-how even across different products, PM-Ai should have a positive impact on other product models as well.

Passing Down Technical Skills and Sharing Knowledge

With the PM-Ai system, all of the technical expertise and know-how built up over many years by veteran maintenance personnel can be passed down to the next generation as an asset of NSK rather than just burying it in documentation. Our manuals for fixing problems

are no longer just written words but also include pictures and videos. Even maintenance staff with little experience will be able to perform maintenance while consulting a tablet connected to the PM-Ai system. When problems arise, veteran maintenance personnel at other plants can support local maintenance staff remotely. When conditions make it difficult for people to travel, the time spent solving the problem can be drastically reduced. For example, at the Fujisawa plant in Japan, which is a mother plant to a factory in China that manufactures large size bearings, employees can monitor manufacturing conditions at the plant in China and provide remote support during regular maintenance and when problems occur.

In addition to these initiatives at the Otsu plant and Fujisawa plant, we have created a working group to energize maintenance activities performed by younger maintenance staff at NSK plants and the plants of affiliated companies. This working group is discussing the best way to deploy the PM-Ai system globally at all plants, while taking into account the distinctive and special features of each plant, with the aim of spreading knowledge about maintenance worldwide. Through this activity, we intend to nurture the next generation of leaders in maintenance services.

Assisting with Shaping the Foundation for Industry and Technological Innovation

After the PM-Ai system is installed at NSK's production sites, this know-how will be shared and disseminated with partner suppliers. It could also become a new business offered to our customers. The PM-Ai system will help NSK employees work smarter, and it has the potential to assist with the shaping of a foundation for industry and technological innovation.



Working group for energizing maintenance activities

▶ On-site search for past examples



▶ Remote support over tablets



▶ Accumulate and share information with pictures and videos



▶ Future possibilities: Chat with AI using smart glasses



Collaborative Value Creation and Beyond

Declaration of NSK's initiative 2

We will contribute to climate change countermeasures by reducing the impact of our business activities on the environment.

Declaration of NSK's initiative 3

We will contribute to the creation of a waste-free society and reduce impact on the global environment through environmentally friendly products and reuse of resources.

Minimize the Environmental Impact from Business Activities and Maximize the Environmental Contribution through Products

Target

Reduce CO₂ emissions in business activities by **60%** by 2050 (vs. FY 2017 level)

Offset CO₂ emissions with environmentally friendly products

Effective use of resource **99%** recycling ratio at production bases worldwide

Reduce CO₂ Emissions in Business Activities

The 6th Mid-Term Management Plan Targets (Fiscal 2019–Fiscal 2021) and Long-Term Targets

Manufacturing, technology, office				Distribution	
Global				Japan	
FY2021	FY2026	FY2030	FY2050	FY2021	
CO ₂ emissions*1	CO ₂ emissions*1	CO ₂ emissions*1	CO ₂ emissions*1	CO ₂ emissions per transportation volume	
7% reduction from FY2017*2	16% reduction from FY2017*2	25% reduction from FY2017*2	60% reduction from FY2017*2	4% reduction from FY2017*2	

*1. The emissions coefficients for electricity are the variable market standards. The emissions coefficients, which change every year, are published by power companies with which we have contracts.
*2. The electricity emissions coefficients for the base year are the market standards for 2016. They are the emissions coefficients published by power companies based on the performance for fiscal 2016.

▶ Environmental Management P. 31

Collaborative Value with Stakeholders



Related SDGs



Strategy for Reducing Total CO₂ Emissions in Production

1. Production technology innovation
2. Promotion of energy saving and fuel conversion
3. Expanded adoption of renewable energy

Initiatives in Heat Treatment Process: Reducing environmental load and improving work conditions for employees

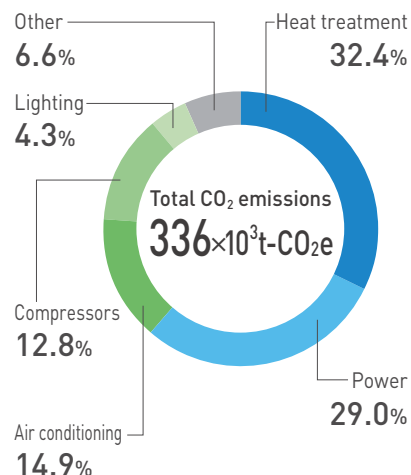
Heat treatment is one of the most important processes for manufacturing bearings and other NSK products to ensure their strength and durability. However, heat treatment accounts for roughly 30% of CO₂ emissions in the manufacturing process for the entire NSK Group in Japan, so this process puts a significant burden on the environment. By introducing innovative technologies, NSK has been working hard to reduce CO₂ emissions. With the Manufacturing Engineering Center collaborating with each plant, NSK has been expanding conversions from conventional heat treatment methods that use heating furnaces fueled by kerosene and gas to high-frequency induction heat treatment processes that run on electricity instead. The high-frequency induction heat treatment method only heats up the product and not the entire furnace, making it more energy efficient and slashing CO₂ emissions. We are also undertaking the following initiatives to cut CO₂ emissions from conventional heating furnaces.

- ▶ Coating heat-proof paint on the surface of heat treatment furnaces
- ▶ Improving thermal insulation performance of heat treatment furnaces
- ▶ Switching to burners with higher thermal efficiency
- ▶ Improving the efficiency of heat treatment furnace operations by optimizing production methods

Furthermore, in the heat treatment process that uses heating furnaces, the heat emitted from furnaces makes work conditions unpleasant for employees especially during the summer. These initiatives will improve working conditions and reduce the burdens placed on workers.

NSK will continue to implement various initiatives worldwide to reduce the environmental load and improve work conditions for its employees.

FY2019: CO₂ emissions from facilities and processes (manufacturing in Japan)





Maximizing Our Environmental Contribution through Products

Collaborative Value with Stakeholders



Related SDGs



Railways: An environmentally friendly means of transportation

Growing Need for Railways

Railways are an effective solution to the problem of air pollution and traffic congestion in overpopulated cities. Around the world, the need is growing for urban railway systems and high-speed rail. In Europe, railways have established a foothold as a means of transportation with lower CO2 emissions than airplanes and automobiles, and new types of more comfortable, faster and environmentally friendly trains are being developed. In rapidly growing China and Southeast Asian countries, railway infrastructure is being upgraded alongside economic growth, and high-speed rail connecting cities is taking off.

NSK's Contribution

NSK bearings have been used by railways since before the Second World War. In 1964, the first-generation 0 Series Shinkansen was developed, marking a new era in high-speed rail. Since then, NSK's bearings have played an important role in improving the safety, high-speed performance, high reliability and efficiency (reduction in energy consumption) of constantly evolving rolling stock in Japan.

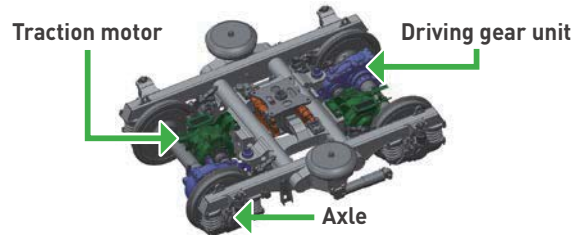


On July 1, 2020, Central Japan Railway Company commenced commercial operations

Images courtesy of Central Japan Railway Company

of the N700S Shinkansen, which underwent a complete overhaul for the first time in 13 years. Marking the start of a new era, the N700S Series Shinkansen delivers the ultimate in safety, stability, comfort and environmental performance. NSK's bearings are used in all major areas of the cutting-edge N700S Series, including the driving gear unit (gearbox), the axle and the traction motor contributing to the safety, comfort, reliability and environmental performance (reducing environmental impact) of the series. Boasting a top share of the domestic market, NSK's track record is highly regarded in overseas markets as well, including China and Europe. In Europe, NSK has received an MRO order for wheelset bearings from SNCF, France's national railway company.

The importance of environmentally friendly railways will continue to increase, and demand for rolling stock will likely expand in the future. Based on our extensive know-how accumulated over decades, we will offer a helping hand for the construction of railway infrastructure around the world, while continuing to develop products and technologies that keep pace with advances in rolling stock.



Electrified vehicles: Moving toward zero environmental impact

Rise of the Electrified Vehicle Market

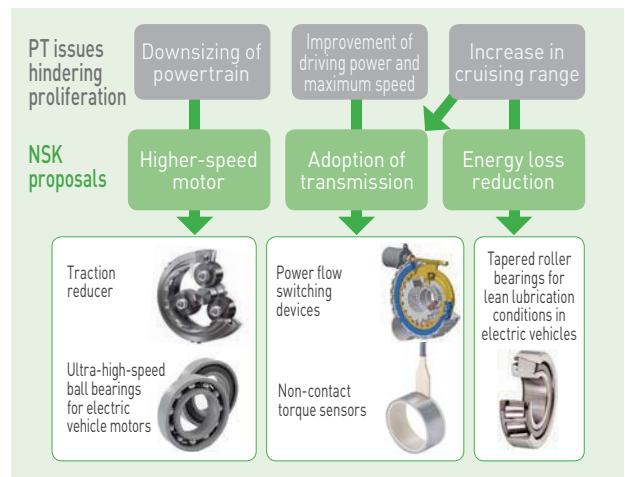
Growth in global automobile production volume has slowed due to trade friction between the U.S. and China, as well as the COVID-19 pandemic. Despite this, electrified vehicles, such as battery electric vehicles (BEVs), hybrid electric vehicles (HEVs), and fuel cell vehicles (FCVs) are poised to grow rapidly, owing in part to the tightening of environmental regulations (i.e., fuel economy) in various countries and regions amid the threat posed by global environmental degradation. Automakers have been developing electrified vehicles to meet these environmental regulations, with the aim of reducing and eliminating the burdens placed by cars on the global environment.

NSK's Contribution

With the spread of electrified vehicles, needs have emerged in the powertrain field to downsize powertrains, improve driving power and maximum speed, and increase cruising range. NSK is addressing these needs by proposing newly developed technologies and products for customers.

By performing at a high-speed rotation with high durability and efficiency, our mainstay bearings address needs for high power output in compact and lighter motors, as well as ensuring battery capacity for driving long distances, issues with electrified vehicles. As new non-bearing technologies, NSK has developed a two-speed shift transmission system for electric vehicles, a traction reducer, a

non-contact torque sensor and an electric shift actuator. We aim to receive orders for these core components from automakers. NSK is helping reduce burdens on the global environment by supporting the creation of high-performance electrified vehicles.



▶ Non-Contact Torque Sensor P. 29
Environmental Management P. 31

Collaborative Value Creation and Beyond

Declaration of
NSK's initiative

4

We will form richly diverse organizations where both employee motivation and value creation are fulfilled.

Diversity and Inclusion Gaining Momentum with the Advancement of Women in the Workplace

Collaborative Value with Stakeholders



Related SDGs



Diversity as a Driving Force of the Organization

At NSK, we believe that diversity is a wellspring of competitiveness. Our globally shared policy is to create work environments that enable each and every employee to maximize their unique set of strengths and abilities. Leaders from our senior management teams in each region have publicly committed to advancing diversity and inclusion (D&I) in a way that aligns with local conditions.

Raising Awareness and Providing Education

Empowering women in the workplace is a key management task, and we have made efforts to achieve this target throughout each region. In the Americas, for example, training on unconscious biases*¹ and multicultural training form a part of the region's broad-based activities to raise awareness of D&I. The region has also established the NSK Americas Women's Development Program to develop more female leaders throughout the organization. Around a dozen women are selected to join this program every year, where participants are equipped with the skills and mindset necessary for leadership. In Japan and Europe, we offer educational opportunities for female employees to support career advancement and develop future managerial candidates.



Participants in NSK Americas Women's Development Program

Developing the Next-Generation of Leaders

Suzhou NSK Bearings Co., Ltd., a forerunner in women's empowerment among NSK's manufacturing plants, produces bearings for automotive transmissions. Suzhou NSK Bearings was established in China as a joint venture between NSK and an American bearing manufacturer. Even from the beginning, the plant has been characterized by its diversity through the intersection of these 3 cultures. Since its establishment, the company has overcome various hardships to see productivity improve greatly over the past 4 years. The plant now has the fewest quality problems and occupational accidents at NSK. On the personnel development front, the company hires and trains employees with an emphasis on performance. More than 40% of its employees are women, and just under 40% of management

positions, including the plant manager, have been filled by women. The company also holds various cultural activities, including sporting and community gardening events. Suzhou NSK Bearings is a unique plant in the NSK Group, and will continue to focus efforts on human resource development to maintain its competitive edge.



Meeting between female employees and the plant manager at Suzhou NSK Bearings

Assessments

Recognition of our initiatives in D&I and empowering women, including the promotion of women to management positions, is reflected in NSK's selection as a *Nadeshiko Brand**² in fiscal 2019.



Nadeshiko Brand

*1. Unconscious biases are views and opinions that individuals form outside their own conscious awareness based on their experiences. At NSK, we hope to welcome diverse value systems by making our employees aware of their own unconscious biases.

*2. *Nadeshiko Brand*: Selected as a "*Nadeshiko Brand*" by Japan's Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange. Each year, it is awarded to listed companies committed to promoting the advancement and success of women in the workplace.



Declaration of
NSK's initiative

5

We will enhance our dialogue through multi-stakeholder partnerships to increase the effectiveness of our SDGs initiatives.

Further Creating Collaborative Value through Deeper Dialogues

Collaborative Value with Stakeholders



Related SDGs



Promoting Open Innovation

Based on its accumulated technologies and products as a bearing manufacturer, NSK searches for the seeds of new businesses and products by proactively promoting open innovation that combines creative technologies and ideas from different sectors and fields, such as universities around the world, local governments and venture firms.

The knowledge and information gained from open innovation leads to new ideas and concepts, energizing our in-house organizations.

We believe that collaboration with our partners accelerates the creation of new value that satisfies expectations and needs around the world, while helping to solve social issues and spurring our growth as a corporation.

Examples of Open Innovation

- ▶ Joint research and development through participation in the "Future Society Open by Direct Wireless Power Transfer to EVs in Motion" research project sponsored by the Japan Science and Technology Agency (JST)
- ▶ Signing of a sponsorship contract with CARTIVATOR Resource Management, an incorporated association that aims to make flying cars a reality
- ▶ Capital tie-up with WHILL, Inc., in the next-generation personal mobility field
- ▶ Participation in the ecosystem of Shonan Health Innovation Park



Shonan Health Innovation Park
Demonstrating the NSK manipulator system

Financial Results Briefings for Employees

Since fiscal 2018, NSK has held financial results briefings for employees. After the financial results are publicly announced, executives responsible for finance hold briefings at the head office, plants, technical divisions and sales sites. For fiscal 2019, the briefings were held online as a measure to prevent the spread of COVID-19. In the Q&A session after the financial results briefing, management answers questions about the financial results, as well as a wide range of other questions, such as about mid-term aims and investment plans, while also listening to the opinions of employees, including their thoughts about daily activities and expectations for management. Through direct dialogue with directors, employees gain a deeper understanding of current conditions and issues at NSK, as well as the value that NSK creates for society,

fostering a sense of unity.

Each question and answer is shared companywide on a special page set up for this purpose on the in-house intranet. Videos of the financial results briefing and related documents are translated into English and distributed to employees around the world via an English intranet page.

The cumulative successes of each employee lead to the creation of corporate value and help solve social issues through our business activities. Management is keen to achieve even better communications with employees in a bid to raise their awareness and bring a greater sense of unity across NSK in business operations.

Financial Results	Period	Location	Number of Worksite
FY2017	May and June 2018	Head office, plants, technological divisions, sales sites	16
2Q FY2018	November 2018	Head office, technological divisions, sales sites	11
FY2018	May and June 2019	Head office, plants, technological divisions, sales sites	13
2Q FY2019	November 2019	Head office, technological divisions, sales sites	10
FY2019	July 2020	Online meetings	



Financial results briefing for employees at the Fujisawa plant

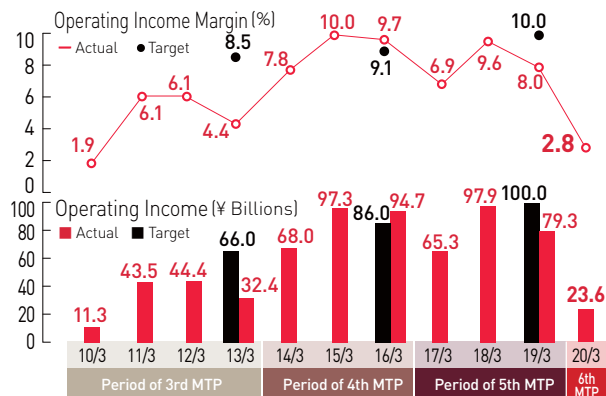
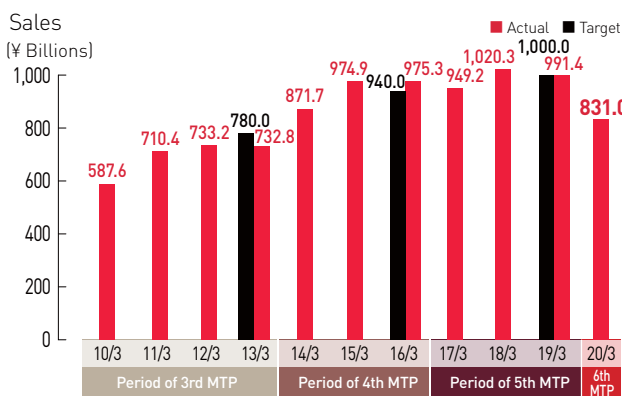
Progress on Strategies for 2026

NSK has raised “the establishment of a corporate foundation for sustainable growth” as its vision for 2026, the 110th anniversary of the Company’s founding. NSK has also positioned the 6th Mid-Term Management Plan (6th MTP) as the first 3 years for realizing this vision, has put in place the target of “building a business base and strengthening resources in preparation for the next growth phase” and is promoting a variety of initiatives.

The following is a retrospective look at the past 10 years of Mid-Term Management Plans, from the 3rd to the 5th. (Note: Mid-Term Management Plan is abbreviated as MTP)

	The 3rd MTP Year to March 31, 2010-Year to March 31, 2013	The 4th MTP Year to March 31, 2014-Year to March 31, 2016	The 5th MTP Year to March 31, 2017-Year to March 31, 2019
Vision Positioning	<p>Responding to paradigm shifts</p> <p>Reorganizing business foundation toward net sales of ¥1 trillion</p> <ul style="list-style-type: none"> ● Period to establish and consolidate corporate fundamentals appropriate for a company with sales of ¥1 trillion ● Continue measures to become No. 1 in total quality 	<p>Establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion</p> <ul style="list-style-type: none"> ● Establish corporate fundamentals appropriate for a company with sales of ¥1 trillion in 2016, the 100th anniversary of NSK’s foundation ● Continue to implement basic strategies (focus on profitability, growth in emerging countries, global management) 	<p>Embark on New Chapter in Evolution Towards Next 100 Years</p> <ul style="list-style-type: none"> ● Initiate mid- and long-term policies for realizing sustainable growth ● Introduce resources for the future
Outline of the MTP	<p>Our 3 Core Management Strategies and Specific Measures</p> <p>A. Enhancement of business-based management</p> <ul style="list-style-type: none"> ● Sales & marketing, production and technological divisions brought under business headquarters management ● Autonomous management by integrated business management and the clarification of divisional responsibilities <p>B. Growth strategies</p> <ul style="list-style-type: none"> ● Increase presence in emerging markets ● Expand environmental, infrastructure and resource businesses ● Respond to technological innovation <p>C. Profitability improvement</p> <ul style="list-style-type: none"> ● Proactive sales strategy (strengthen proposal-based sales capabilities) ● Reorganize global production sites ● Accelerate new product development 	<p>Business Strategies</p> <p>Growth with focus on profitability</p> <ul style="list-style-type: none"> ● Growth in emerging countries ● Enhancement of customer and sector strategies ● Production and technological innovation capabilities ● Strategic alliances <p>Corporate Foundation</p> <p>Develop management capability to handle ¥1 trillion in sales volume</p> <ul style="list-style-type: none"> ● Enhancement of corporate governance and compliance ● Reform of the business structure ● Advancement of global management <p>Basics of MTP (Priority Issues)</p> <ul style="list-style-type: none"> ● Safety, quality and compliance 	<p>2 Pillars of the Plan</p> <ul style="list-style-type: none"> ● Operational excellence ● Constant pursuit of competitiveness ● Innovate and challenge ● Creation of new value <p>Management Tasks</p> <ul style="list-style-type: none"> ● Achieve sustainable growth ● Reconstruct the profit base ● Expand into new growth fields <p>Strategies by Business</p> <ul style="list-style-type: none"> ● Industrial Machinery Business Respond to changes in the business environment and expand target fields ● Automotive Business Reinforce the profit base and establish a platform for future growth
Looking Back	<p>In the severe business environment immediately after the collapse of Lehman Brothers, we achieved some measure of success focusing on emerging markets and technological innovation.</p> <ul style="list-style-type: none"> ● Established a production system for a full product lineup, built an autonomous management system within China ● Exceeded the MTP target for global expansion of the EPS business ● Enhanced profitability following the reorganization of the Precision Machinery and Parts Business ● Advanced local production and local procurement <p>Nevertheless, the upheaval in the business environment, including a sharp appreciation of the yen and fluctuations in global demand, continued to intensify, and the numerical targets of the final year were not achieved.</p> <p>Furthermore, having been found guilty of violating the Antimonopoly Law in a 2013 case involving a bearing product cartel, the Company received a cease-and-desist order and was ordered to pay financial penalties. As a priority and urgent task, the Company undertook measures to strengthen its compliance system toward the early restoration of trust and to prevent any recurrence.</p>	<p>Against a backdrop of improvements in the profitability of the Automotive Business and assisted by an underlying weakness in yen exchange rates, the Company achieved all its numerical targets, including those for sales and profit, a year ahead of schedule in the second year of the 4th MTP. The Company also improved on the targets in the MTP’s final fiscal year. Significant growth was recorded in the Chinese business and in the EPS business in particular.</p> <p>With regard to profitability, the Company achieved an operating income margin of 10.0% in the fiscal year ended March 2015 and maintained a high level of 9.7% in the final fiscal year. In contrast, sales and profitability in the Industrial Machinery Business were on a declining trend, buffeted by the slowdown in global economic growth, including the deceleration in China.</p> <p>We also worked to evolve the global management structure and strengthen and enhance compliance.</p>	<p>Under an environment of robust demand, the Industrial Machinery Business recovered as the powertrain business grew during the fiscal year ended March 2018, the second year of the MTP, and the Company achieved sales of ¥1 trillion, as targeted. Both operating income and net income achieved new record highs. We also strengthened shareholder returns that led to a total return ratio of 57% over the 3 years.</p> <p>However, due to a downturn in the economic cycle starting in the second half of the fiscal year ended March 2019, the final year of the MTP, and the impact of the U.S.-China trade friction, the business environment deteriorated. Full-year performance during the final year of the MTP experienced a year-on-year decline in sales and profits, which resulted in failure to achieve the MTP targets.</p> <p>Meanwhile, amid technological changes including the expanding use of IoT, AI, and robots, as well as autonomous driving and electrification, the Company developed new technologies and products and released ball screws for brakes, industrial actuators, and others to the market while it started smart-factory model-line operations. The steering business entered a transitional period, making activities aimed at returning to growth important.</p> <p>We expanded initiatives to address social issues (ESG, SDGs).</p>
Issues and Shortcomings	<ul style="list-style-type: none"> ● Declines in profitability levels due to the extremely high value of the yen and inadequate responses to changes in the business environment, including extreme fluctuations in demand ● Decrease in the Industrial Machinery Business sales ratio ● Strengthening of the compliance system to restore trust and prevent any recurrence following the cartel incident 	<ul style="list-style-type: none"> ● Continue to build foundation as a company with ¥1 trillion in sales ● Establish profitability not greatly affected by business cycles or fluctuations in the amounts of raw materials or exchange rates ● Promote new products and development in new areas 	<ul style="list-style-type: none"> ● Firmly achieve ¥1 trillion in sales and a double-digit operating income margin ● Restart growth in the EPS business ● Productivity improvements leveraging ICT

Business Trends (JP-GAAP up to and including the 4th MTP, IFRS from the 5th MTP onward)





NSK Vision 2026

The 6th MTP

Year to March 31, 2020-Year to March 31, 2022

Build Business Base and Strengthen Resources in Preparation for Next Growth Phase

Secure sales of ¥1 trillion and profitability



Personnel, Technology, Organization, Information

NSK Core Values
Safety, Quality, Compliance, Environment

3 Initiatives

1 New initiatives targeting growth ▶ PP. 27, 29

Grow by delivering value that meets the needs of a future society

1. Expand NSK core products in the growth segments of electrification, automation, environment, and IoT
2. Grow by commercializing new products in growth segments
3. Expand the product lineup for and restart growth in the EPS business
4. Utilize M&A and strategic alliances

2 Enhance managerial resources ▶ P. 30

1. Evolve personnel development
2. Evolve manufacturing (*Monozukuri*)
3. Evolve technology development
4. Utilize digital technology

3 Contribute to the environment and society ▶ PP. 31-33

Address environmental and societal issues by strengthening managerial resources and NSK's core values + corporate governance

Vision for 2026: Establish a corporate foundation for sustainable growth
Provide values through evolution of Motion & Control™

3 key management tasks

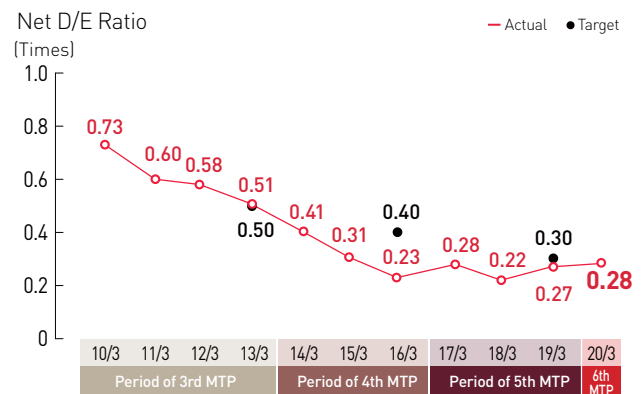
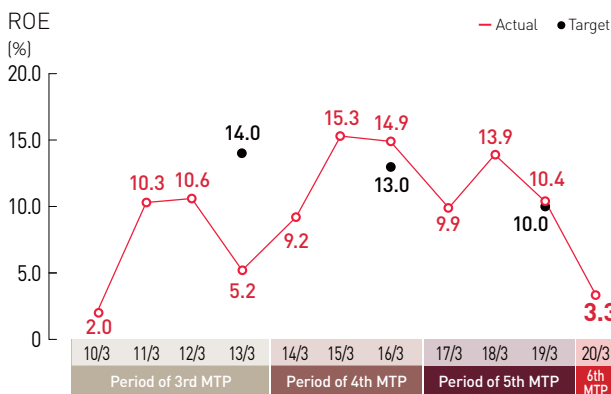
Business growth and profitability	Utilization of robust managerial resources	ESG management
<ul style="list-style-type: none"> ● Balance investment in future growth with shareholder returns under a stable financial structure 	<ul style="list-style-type: none"> ● Personnel, Technology, Organization, Information 	<ul style="list-style-type: none"> ● Safety, Quality, Compliance, and Environment ● Corporate governance

Financial Targets The 6th MTP Targets

Sales/ Growth Ratio	Growth	Sales growth 2%/year	Industrial Machinery: Achieve sales growth that surpasses market growth Automotive Bearings: Achieve sales growth that surpasses growth in global vehicle production volume Automotive Comps: Secure orders to restart growth in the steering business
Operating Income %	Profitability	8% or more	Secure stable profitability
ROE	Efficiency	10% or more	ROE exceeding cost of capital
Net D/E Ratio Equity Ratio	Financial Stability	0.3 times 50%	Maintain an A-level credit ranking
Payout Ratio Share buyback	Shareholder Returns	Payout ratio 30 - 50% Total return ratio 50%	Continue stable dividend Acquisition of treasury shares Agile capital policy
Capital Expenditures (3-year total)	Capital Expenditures	¥180.0 billion	Investments to underpin sustainable growth
R&D Expenses	R&D	vs. Sales 3-4%	Continue developing technologies for further growth

Non - Financial Targets

Greenhouse Gases (GHG) Emissions Reductions	Environment	7% reduction (global) Rate of reduction in GHG emissions compared with the base date of the year ended March 31, 2018 (0%)	Reduce GHG emissions released by business operations
Promoting the Advancement of Women (Japan)	Diversity and Inclusion	The Company aims to increase the ratio of women among managers and managerial candidates by 1.6 times compared with the year ended March 31, 2019. The Company will promote a higher ratio of women among corporate staff hires (office staff: 40%, technical staff: 10%), and provide training and other multifaceted initiatives targeted at female employees for the purpose of transforming mindsets and developing skills.	



Industrial Machinery Business

Business Overview

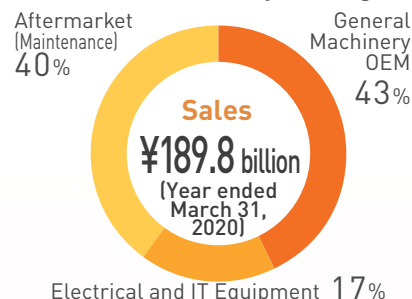
The Industrial Machinery Business is involved in operations related to 2 product categories, namely industrial machinery bearings and precision machinery and parts. The industrial machinery bearings business comprises 3 subsegments: general machinery, which manufactures bearings for applications in a wide range of industries such as machine tools, steel plant facilities, railcars, construction machinery, chemical plants, industrial pumps and wind turbines; electrical and IT equipment, which includes home appliances, office equipment, hard disk drives (HDDs) and general-purpose motors; and the aftermarket business, which provides maintenance and repair services. Industrial machinery bearings come in a range of sizes, from bearings with an outer diameter of approximately 2 mm that are incorporated into ultra-small motors to bearings with an outer diameter of more than 2 m that are utilized in wind turbines. The typical household contains around 100 bearings,

which are used in general appliances such as vacuum cleaners and washing machines.

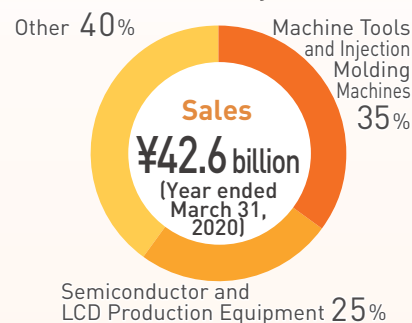
Meanwhile, the precision machinery and parts business supplies linear motion parts including ball screws and NSK Linear Guides™ that play an important role in linear motion and mechatronic products such as XY Tables and Megatorque Motor™ that employ ultra-high precision positioning and controlling technologies. In this way, the Company supports a wide range of fields, including machine tools, injection molding machines, industrial robots, semiconductor and LCD production equipment, conveying machines and medical devices.

Leveraging the synergistic effect of bearings and precision machinery, NSK is developing new proposals that will contribute to the greater performance of industrial equipment, as well as sophisticated solutions based on the Condition Monitoring System (CMS) for greater machinery and equipment reliability and preventive maintenance.

Industrial Machinery Bearings



Precision Machinery and Parts



Business Environment

A Look Back at the Business Conditions for the Year ended March 31, 2020, and the Forecast for the Year ending March 31, 2021

Overall sales in the Industrial Machinery Business decreased year-on-year due to a sustained cautious stance toward capital expenditure against the backdrop of trade friction between the U.S. and China, continued sluggish demand in the smartphone and automotive markets, and stagnant economic activities in each region due to the global spread of COVID-19.

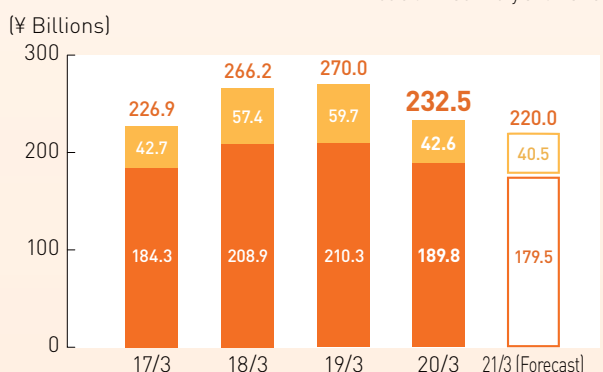
Looking at the segment's results by geographic breakdown, sales in Japan continued to decrease year-on-year, primarily in the machine tools sector. In the Americas, overall sales declined due to decreased demand in the electrical sector, while sales in the aftermarket sector increased. In Europe, sales declined due to a decrease in the electrical sector as well as products for general industrial machinery. Sales in China decreased due to sluggish demand in the electrical and machine tools sectors, while sales in the wind power and railcar sectors rose. In other Asian countries, sales declined in Korea and

Taiwan, primarily in the aftermarket and machine tools sectors.

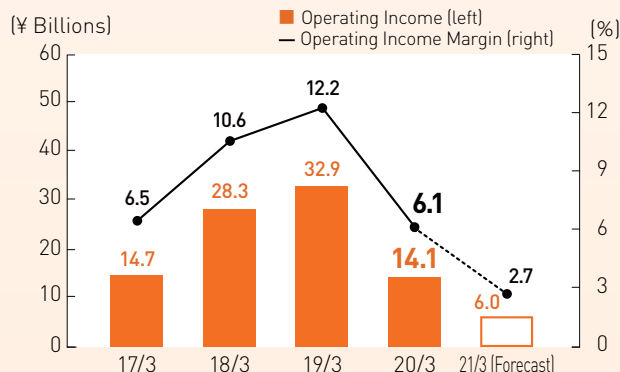
As a result, sales in the Industrial Machinery Business totaled ¥232,470 million (year-on-year decrease of 13.9%). Operating income was ¥14,102 million (year-on-year decrease of 57.1%), as sales fell in each region, centered on Japan.

The market environment has been challenging lately for the business, but the Company will continue to flexibly address changes in demand trends. As needs grow in society for IoT, robotics and renewable energy, the Company is working to expand its mid- to long-term presence in the market and expand businesses that add to sales by building a new business foundation that addresses these growth areas.

Sales



Operating Income/Operating Income Margin





1 New Initiatives Targeting Growth

/ New Businesses Utilizing NSK's Condition Monitoring Technology

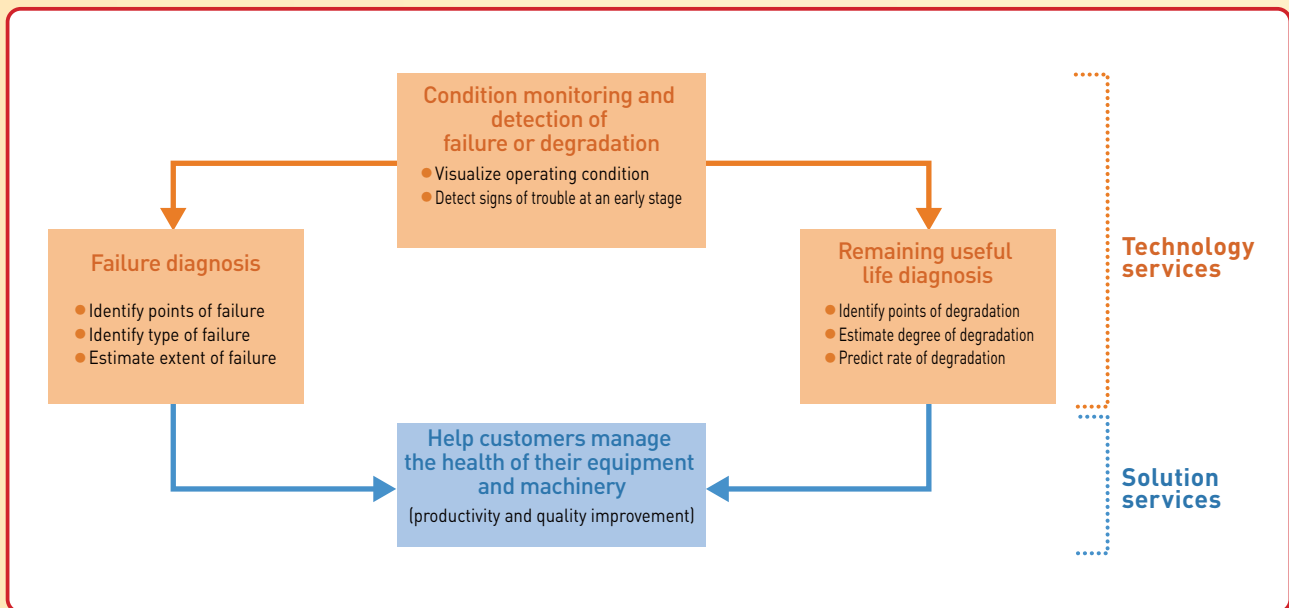
Changes are afoot in *monozukuri* (manufacturing) amid diversifying and splintering consumer and user preferences, while cracks have emerged in the social structure with a shrinking workforce population amid falling birthrates and an aging population, a shortage of veteran engineers and rising labor costs. These changes in *monozukuri* have been accelerating as companies deploy IT and digital technology in manufacturing processes to create automated and autonomous smart factories that improve productivity and product quality.

Making manufacturing processes smarter entails the gathering and analysis of various data in the manufacturing process, such as data on the condition of machinery and equipment and data on the quality of products. Such data must be used to find improvements and optimal solutions in each target area and create a cycle of feedback into each manufacturing process. Predictive maintenance prevents problems from occurring by discovering abnormalities and failures at an early stage through the constant monitoring of equipment, machinery and production lines. Expectations are increasing for predictive maintenance as a newly advanced maintenance method that takes advantage of IT and digital technology, instead of breakdown maintenance and preventive maintenance. NSK's core products, such as bearings, ball screws and linear guides, are key components that support the functionality and performance of equipment and machinery.

Technologies for monitoring the operational condition of these components, and for identifying and diagnosing signs of abnormalities and causes of failure at an early stage are key technologies for the predictive maintenance of equipment and machinery. As a developer and manufacturer of these components, NSK is keen to launch new businesses that help customers improve the productivity of equipment and machinery and product quality by leveraging these technologies and knowledge. As a first step in this endeavor, NSK established the Condition Monitoring System Development Center in April 2019.

This new business aims to help our customers improve the productivity of equipment and machinery and product quality through the provision of solution services that identify and solve issues and problems with their equipment and machinery, starting with technology services that evaluate remaining useful life based on the degree of degradation of equipment and machinery, and services for detecting and diagnosing signs of failure and degradation at an early stage, while monitoring the conditions of the equipment and machinery at our customers. We believe this is an initiative that embodies the concept of prognostics and health management (PHM) in the manufacturing industry and has gained attention in recent years.

Picture of a New Business Utilizing NSK's Condition Monitoring Technology



We intend to broadly develop this new business for the factories, production lines and machinery of our customers in the manufacturing industry. In addition to developing the business on its own, NSK is preparing to develop the business further in partnerships with other companies involved in managing the health of equipment and machinery. We have been developing software [ACOUS NAVI™] for detecting and diagnosing failures in bearings, ball screws and linear guides, as well as tools for estimating their remaining useful life. At the same time, NSK is building systems and a structure for providing solution services.

Automotive Business

Business Overview

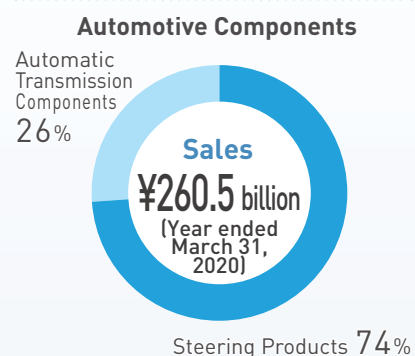
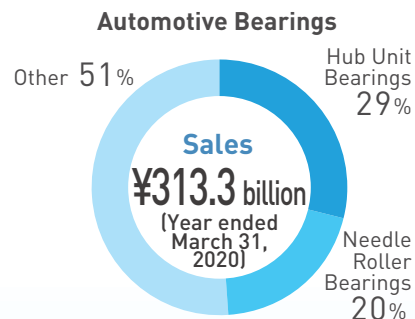
Comprising the 2 categories of automotive bearings and automotive components, the Automotive Business delivers various products that support the 3 critical elements of automobiles, namely running, turning and stopping.

Automobiles utilize many different types of NSK bearings, including hub unit bearings and needle roller bearings. As automobiles have evolved, automotive bearings have come to demand a greater level of performance, including less friction loss, smaller size, lighter weight, higher speed and less noise. Through more sophisticated automotive bearings, including bearing grease and seals that leverage its core technologies of tribology, materials and numerical simulation, NSK continues to develop products that contribute to the evolution of automobiles.

Meanwhile, in the automotive component field, NSK delivers a wide range of core functional components, including electric

power steering (EPS) and automatic transmission (AT) products, as well as ball screws for electric brake boosters. In addition to the primary column-type EPS, the Company is promoting the development of a rack-type EPS to expand its product lineup. AT products are seeing greater demand against the backdrop of improved automobile fuel efficiency and comfort, whereas ball screws are seeing greater demand against the backdrop of improved safety.

Structural changes in automobiles from a technical standpoint, such as power source diversification and the evolution of vehicle dynamics controls geared toward autonomous driving, are currently accelerating. By building on the elemental technologies the Company has accumulated thus far and by developing new technologies, NSK will contribute to technical innovation for automobiles.



Business Environment

A Look Back at the Business Conditions for the Year ended March 31, 2020, and the Forecast for the Year ending March 31, 2021

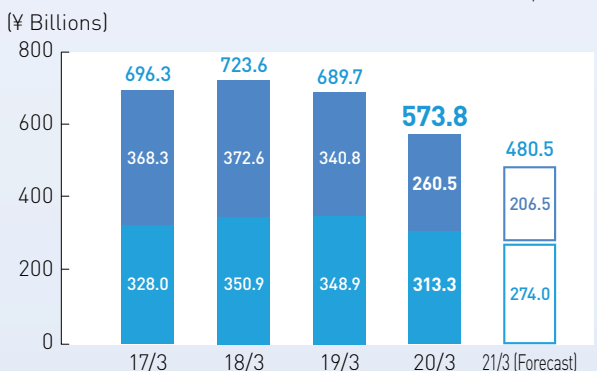
The Automotive Business environment is in a very serious situation as a whole. This is mainly because the global automotive markets, primarily in China and Europe, slowed and global automotive production volume decreased due to COVID-19. Moreover, sales of EPS systems decreased due to vehicle model changes. As a result, overall sales in the Automotive Business decreased year-on-year.

Looking at the segment's results by geographic breakdown, sales in Japan decreased due to a decline in the EPS business and lower demand of products for AT systems against the backdrop of a slowdown, primarily in the Chinese market. In the U.S., overall sales declined due to lower EPS sales year-on-year, while sales of products for AT systems increased, owing to sales expansion activities. In Europe and China, stagnant vehicle sales worsened further due to the effects of COVID-19. Particularly in China, the business environment in the automotive market is in a tough spot. In addition to sluggish monthly vehicle sales, which continued to decrease year-on-year, the economy became stagnant at the end of the fiscal year. Sales in other Asian countries such as India also declined resulting from stagnant markets.

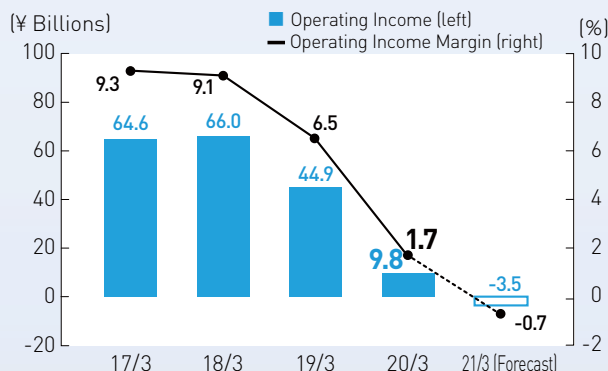
As a result, sales in the Automotive Business totaled ¥573,814 million (year-on-year decrease of 16.8%). Operating income was ¥9,804 million (year-on-year decrease of 78.2%), reflecting lower sales in all regions including China and Japan.

Although the outlook is uncertain for the global automobile market, in the Automotive Business, NSK aims to expand the powertrain business by addressing the need for the electrification of automobiles, as well as multi-step AT and the rising percentage of automobiles with AT. The Company is also focusing on electric brake systems, which look likely to become mandatory in vehicles, and restarting growth in the steering business. Moreover, NSK will contribute to electrified and autonomous driving cars, and other automobile-related technical innovation by employing existing technologies and new technologies to be developed in the future. We will also work to improve profitability by raising productivity and reducing fixed costs.

Sales



Operating Income/Operating Income Margin





1 New Initiatives Targeting Growth

Powertrain Business

Non-Contact Torque Sensor: Contributing to the spread of high-performance electrified vehicles

• Sensor used to measure torque without contact while helping to deliver shock-free speed

Automobiles have a variety of sensors installed to improve safety and comfort and reduce the environmental load. These sensors enable advanced controls while monitoring the state of the automobile. The power of engines and motors is conveyed to tires through drive shafts. To improve comfort and safety, reduce environmental impact, and even detect abnormalities or malfunction in the vehicle, it is necessary to measure the torque in the drive shaft and optimally and efficiently transmit power. Existing drive shaft torque sensors have complex structures and large sizes, which create several problems when they are used in mass-produced vehicles. NSK has developed

a new non-contact drive shaft torque sensor with a simpler structure that prevents friction from contact with the drive shaft. Using the special method of wrapping the sensor coil, the torque sensor is more compact at half the width of the unit. Furthermore, this torque sensor can be easily mass produced because it does not require grooves, coatings, or other special shaft processing.

Product Features

1. Better fuel economy (Lower Power Consumption)

In two-speed transmission EVs, NSK's torque sensor can help deliver shock-free gear shifting enabling the use of a larger step ratio to deliver a 7% increase in fuel economy.

2. Smooth and comfortable ride

The torque sensor can be used to achieve a super smooth and pleasant ride through advanced control that softens fluctuations in torque when changing gears and accelerating/decelerating. By constantly monitoring or tracking torque using data from the torque sensor, it will be possible to predict and identify issues and abnormalities.



Non-contact torque sensor for drive shafts in motor vehicles

Steering & Actuator Business

Ball Screw Units for Electric-Hydraulic Brake Systems: Expanding production capacity on forecasts for stronger demand

• New ball screw units for advanced braking systems

From fiscal 2019, NSK started mass-producing ball screw units for electric-hydraulic brake systems at its Akagi plant in Gunma Prefecture, Japan, in addition to its Saitama plant. This reflects the increase in global demand with regulators standardizing or mandating that new vehicles be equipped with automatic emergency braking (AEB) systems.

Ball screws for electric-hydraulic brake systems are used in brake boosters that help reduce the amount of force that drivers need to apply to the brake pedal in order to stop the vehicle. In the past, the suction of negative pressure created by the engine was used to enhance brake pedal pressure. However, by using a ball screw and an electric motor, the brakes can be applied even before the driver steps on the pedal. Part of the reason for this trend toward electrification

is the proliferation of vehicles with smaller engines or electrified vehicles with no gas engines. Moreover, AEB systems are becoming more popular from a safety standpoint. Compared with other kinds of electric brake boosters, including the slide-screw-type, the ball-screw-type has a smoother motions and is more responsive. With the sophistication of electric braking systems likely to increase, we believe the ball-screw-type, which enables rapid and powerful braking is optimal for vehicles.

Product Features

1. High-speed responsiveness

The ball screw has balls positioned between the screw and the nut, enabling smooth motion. This allows motor rotations to be immediately and directly converted into linear motion, shortening the time needed for braking to have an effect once an object is detected.

2. Compact and lightweight

Leveraging our know-how and insight in both technologies and production for bearings and ball screws, we have developed a smaller and lighter unit featuring integrated ball screw structural components, as well as an integrated support bearing.



Ball screw units for electric-hydraulic brake systems

2 Enhance Managerial Resources

Evolve Personal Development

NSK's Approach

In our Management Principles, NSK clearly states that our aim is "to provide challenges and opportunities to our employees, channeling their skills and fostering their creativity and individuality." In acknowledgment of the fact that each employee is a priceless asset, we have committed ourselves to creating a "fair workplace that empowers the individual." This commitment features three key areas of focus: leveraging a diverse workforce, building more engaging workplaces and providing opportunities for growth.

●The 6th Mid-Term Management Plan Targets and Fiscal 2019 Targets and Results

Policy	The 6th Mid-Term Management Plan Targets	Fiscal 2019 Targets	Fiscal 2019 Results
Leveraging a diverse workforce	Promote more diversity and inclusion	Raise awareness of diversity and inclusion	Held seminars on three key themes: women empowerment, management and LGBT
		Continue supporting women in career-track positions	Started third round of training for women in career-track positions
		Paternal leave acquisition rate of 20%	Achieved paternal leave acquisition rate of 26%
		Create a work environment that empowers foreign nationals working in Japan	Introduced bilingual signage
		Raise awareness of LGBT-related issues	·Distributed ALLY stickers ·Conducted training and seminars
		Raise external awareness of our initiatives to promote diversity and inclusion	·Selected as <i>Nadeshiko</i> Brand ·Retained <i>Kurumin</i> accreditation (certification recognizing companies with parent-friendly HR policies and programs)
	Promote work style reform	Expand remote work	·Participated in Telework Days 2019 (Japanese government campaign to encourage remote work) ·Gradually expanded remote work by setting NSK's own remote work periods
	Work style reform in sales divisions	Tried out satellite offices to reduce travel times when visiting customers	
Building more engaging workplaces	Promote health and wellness	Raise external awareness of our initiatives to improve the health of employees	Retained certification as an Outstanding Health and Productivity Management Organization (White 500)
		Conduct activities to improve health awareness among employees	Held a health fair
Providing opportunities for growth	Support the career advancement of each and every employee	Develop the next generation of global leaders	·Implemented mentorship program for employees newly promoted to core posts ·Implemented a leadership program for select employees through collaboration with a major business school
		Expand selective training	Set up a new assistant manager course of the Japan Management College

Examples of Other Initiatives in Fiscal 2019

Support for Family Caregivers

In order to support our family caregivers, we have run caregiving seminars since 2017, providing a place for employees to seek advice on balancing work with family commitments. In fiscal 2019, basic courses for employees aged 40 and older were held a total of 25 times across NSK sites, and they were attended by around 550 employees. Courses for managers were held 7 times with about 150 people attending. In addition, we offered 2 targeted courses with content more advanced than the basic courses.

To improve our ability to respond to concerns from employees, we began to publish a monthly caregiving e-mail magazine and hold seminars for HR representatives.

Global Management College

Since 2011, the Global Management College has provided an opportunity for high-potential employees from across global NSK to develop their leadership abilities through a 6-month course on management. Through the program, participants travel to several NSK sites worldwide, visiting plants and office locations to learn more about each region's business strategy. While gaining a deeper understanding of global NSK, participants are also exposed to diverse cultures and have the chance to expand their internal network.

In fiscal 2018, the 8th year of the college (graduating in 2019), a total of 13 employees participated from the U.S., Canada, Germany, France, China, Singapore, India, Thailand, South Korea and Japan. Group sessions were held at 4 locations in Japan, South Korea, Indonesia and the U.S. There are 99 graduates of the program to date, who are now serving in positions of leadership throughout global NSK. Our Senior Vice President and Head of All Chinese Operations is a 3rd-year graduate of the college, and the Vice President and Head of CSR Division Headquarters graduated in the college's first year.



President Uchiyama and graduates from the 8th session (Team B)

▶ Interviews with Regional Management (China) P. 45

Completion of the Global Training Center

NSK sees human resources as the foundation of its business. We aim to globally develop human resources who are responsible for the Company's growth and promote innovation of the future NSK Group. As part of this, we completed the Global Training Center (GTRC) building in March 2019, which became a base for human resource development in the technical field. The GTRC primarily hosts classes by the NSK Institute of Technology (NIT), an educational institution in the technical field established in 2007. Going forward, we will promote the development of other human resources in such fields as manufacturing and sales as well as conducting seminars for career development with each department promoting the education of human resources who collaborate across national borders. In addition, we hold science classes for local elementary and junior high school students to nurture the next generation as part of our social contribution activities. Looking ahead, we will also provide classes for university students so that they can learn about bearing engineering and tribology, in a bid to hand down mechanical engineering knowledge to the next generation.



Outside view of GTRC

▶ For more information and details of our other initiatives, refer to the Special Feature [P. 22], NSK's website: Home>Sustainability>Creating a Dynamic Work Environment
<https://www.nsk.com/sustainability/hr/index.html>, and the Sustainability Report <https://www.nsk.com/sustainability/csrReport/index.html>



3 Contribute to the Environment and Society

Environmental Management

NSK's Approach

NSK's mission statement is to contribute to a safer, smoother society and help protect the global environment through its innovative technology integrating Motion & Control™. The environment is one of our core values. We aim to contribute to the realization of a sustainable society and improvement in NSK's corporate value through initiatives to maximize environmental contributions through products and reduce the environmental impact from our own business activities based on NSK's mission statement.

The 6th Mid-Term Management Plan Targets and Fiscal 2019 Targets and Results

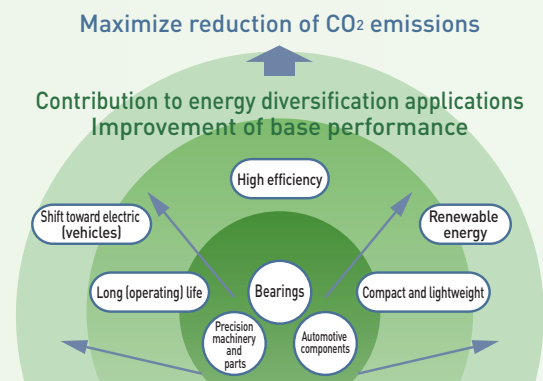
Long-Term Objectives	The 6th Mid-Term Management Plan Targets	Fiscal 2019 Targets	Fiscal 2019 Results
Contribute to a low-carbon society	Avoid 2 million t-CO ₂ or more emissions at the stage of use of NSK's products	1.7 million t-CO ₂	1.57 million t-CO ₂
	Reduce CO ₂ emissions in manufacturing, offices and technology centers by 7% versus fiscal 2017 levels	3% reduction	11.8% reduction
Contribute to a sound material-cycle society	Reduce waste per unit by 4% versus fiscal 2017 levels	2% reduction	15.8% increase
	Recycling ratio of 99% or higher	98.7% or higher	98.6%
Contribute to a natural symbiosis society	Expand social contribution activities related to biodiversity conservation	Continued activities	Continued activities

Examples of Initiatives in Fiscal 2019

Initiatives to Maximize Contributions to CO₂ Emission Reduction

Bearings and other NSK products reduce friction loss, which helps customers conserve energy when NSK products are used. When NSK advances its products and reduces friction loss further, it contributes to the reduction of CO₂ emissions when its products are used in final products, such as automobiles and home appliances. Moreover, the development and production of bearings used in wind power generators facilitates growth in the use of renewable energy.

Category	Examples of Contributions
Contribution by improving base performance (improving performance of NSK's products)	<ul style="list-style-type: none"> Reduction in friction loss Downsizing due to longer operating life Smaller and lighter weight
Contribution to energy diversification applications (coping with new technological fields)	<ul style="list-style-type: none"> Shift from hydraulic to electric Spread of renewable energy Development of new environmentally friendly products



In addition to its NSK Eco-efficiency Indicators (Neco), NSK evaluates its contribution to reducing CO₂ emissions in the product-use stage from two angles, comprising improvement in base performance and contribution to energy diversification applications. To maximize this, not only did NSK work to improve the performance of individual products, but the Company also promoted collaboration across development, design, manufacturing and sales divisions throughout the product supply chain. In fiscal 2019, our contribution to reducing CO₂ emissions was 1.57 million tons, a year-on-year increase of 130,000 tons. Sales of products that contribute to the reduction of emissions accounted for around 26% of total sales.

Developing Environmentally Friendly Products

The development of environmentally friendly products requires a good balance between diverse factors, including service life, performance, product weight and power consumption. However, there are many trade-offs that must be considered. For this reason, in fiscal 2008, we introduced the NSK Eco-efficiency Indicators (Neco) as a standard for comprehensively evaluating the contributions of our products to the environment. The Company aims to increase the Neco score of developed products.

In fiscal 2019, 6 new environmentally friendly products were developed with Neco scores of at least 1.2.

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

Product value UP
Neco UP

Existing NSK product | Newly developed product

Product value V

Environmental impact DOWN
Neco UP

Existing NSK product | Newly developed product

Environmental impact E

Examples of Products Developed in Fiscal 2019
Ultra-high-speed ball bearing for EV motors
Neco score 1.3

Technology developed by NSK

- Low-heat generating grease
- Cage with new shapes and materials

Contributions for customers

- Smaller and lighter weight [resource conservation]
- Greater reliability

<https://www.nsk.com/company/news/2020/0318a.html>

Endorsement of TCFD Recommendations

NSK announced its endorsement of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

In accordance with the recommendations of the TCFD, NSK will identify business risks and opportunities, adapt management plans and enhance information disclosure with the aim of contributing to both the sustainable development of society and the sustainable growth of NSK. NSK aims to use this endorsement as an opportunity to take its environmental activities to the next level.



TCFD: TCFD is the acronym for the Task Force on Climate-related Financial Disclosures established by the Financial Stability Board (FSB) in 2015 to promote the disclosure of climate-related financial information. In 2017, the TCFD released its latest report recommending that corporations disclose information on climate change-related risks and opportunities that impact finance, in order to facilitate the investment decisions of investors.

For more information and details of our other initiatives, refer to the Special Feature (PP.20-21), the Non-Financial Highlights (P.38), NSK's website: Home>Sustainability>Environmental Activity <https://www.nsk.com/sustainability/environment/index.html>, and the Sustainability Report <https://www.nsk.com/sustainability/csrReport/index.html>

3 Contribute to the Environment and Society

Safety Management

NSK's Approach

NSK has positioned safety as one of its core values. While continuously striving to further increase employee awareness, employees rely on safety as the basic judgment for all their actions. To protect the safety and health of every employee, and to guarantee the safe conduct of all employees, NSK is implementing various measures based on its Safety Philosophy. Never content with the status quo, NSK is constantly working to further raise the level of safety.

●The 6th Mid-Term Management Plan Targets and Fiscal 2019 Targets and Results

Policy	The 6th Mid-Term Management Plan Targets	Fiscal 2019 Targets	Fiscal 2019 Results
Prevention of fatal and serious accidents	Each production site manages its own PDCA cycle for identifying dangerous spots and their improvement	Raise the level of STOP6+2 activities and realize self-driven initiatives in identifying and reducing risks at each site	Manuals and evaluation sheets used at each site; achieved self-driven initiatives through visualization of activities to reduce dangerous spots
	Enhance safety management of outside contractors	Improve the level of rule guidebook use for construction by outside contractors	Introduced the latest version of our rule guidebook for construction by outside contractors and created a web-based system for managing construction
Increasing safety awareness	Train and implement behavior that increases safety awareness, including KYT* and the safety practice of pointing and calling	Increase the amount of time employees spend thinking about safety and continue to raise the level of activities aimed at increasing each employee's awareness toward safety	Practiced Safety Contact in each division; shared opportunities to think about safety from new perspectives at every meeting
	Further enhance safety management through continuous ISO 45001 certification	Acquire ISO 45001 certification at 3 sites in Japan and 8 global sites	Obtained ISO 45001 certification and began implementing it at 3 sites in Japan and 8 global sites
	Newly establish the Safety and Fire Prevention Training Center and foster an advanced safety culture	Take all preparatory steps to open the Safety and Fire Prevention Training Center in 2020	Decided on procedures for operating the Safety and Fire Prevention Training Center; finished preparations to start training
Prevention of accident recurrence	Expand the "Look Across Activities" to operators on the shop floor (seeing accidents at other sites as relevant to one's own workplace and learning lessons from those accidents)	Advance the "Look Across Activities" up to the operator level	Started implementing the use of "Look Across" sheets in Japan and started an evaluation system for improvement suggestions overseas; advanced "Look Across Activities" to the individual operator level
	Identify risks through risk assessment of equipment and work procedures and implement countermeasures for those risks	Implement, identify and evaluate risks of existing equipment through risk assessments and countermeasures	Conducted risk assessments of existing equipment according to the risk assessment plan and promoted countermeasure implementation

*KYT: Kiken Yochi (hazard prediction) Training

Examples of Initiatives in Fiscal 2019

NSK makes a concerted effort to create a corporate culture that places safety as its first priority among all employees working at its business sites. We have created our own occupational health and safety management system that complies with laws and regulations concerning occupational health and safety, as well as guidelines set forth by international certification bodies. In addition, we speedily share with all global sites any occurrences of accidents and measures to prevent similar accidents from recurring.

In fiscal 2019, we moved toward obtaining international certifications for occupational health and safety management, resulting in 3 sites in Japan and 8 global sites obtaining ISO 45001* certification. We plan to obtain certifications at more sites around the world in fiscal 2020.

*ISO 45001: The international standard covering occupational health and safety management systems issued by ISO in March 2018.

▶ For more information and details of our other initiatives, refer to NSK's website: Home>Sustainability>Creating a Dynamic Work Environment
<https://www.nsk.com/sustainability/hr/index.html>, and the Sustainability Report <https://www.nsk.com/sustainability/csrReport/index.html>

Supply Chain Management

NSK's Approach

NSK is supported by many suppliers. We consider suppliers to be essential business partners, and will seek mutual development while building relationships of trust.

●The 6th Mid-Term Management Plan Targets and Fiscal 2019 Targets and Results

Policy	The 6th Mid-Term Management Plan Targets	Fiscal 2019 Targets	Fiscal 2019 Results
Ensuring stable supply and optimizing supplier portfolios	Stable procurement	BCP audit (40 companies)	BCP: Audited 40 suppliers in fiscal 2019 (total 73 suppliers since fiscal 2018)
	Sustainable and responsible procurement	Follow-up activity to the CSR audit conducted by a third party in fiscal 2018	CSR: Based on fiscal 2018 audit results, follow-up action was undertaken for 5 suppliers.



Quality Management

NSK's Approach

With quality as one of its 4 core values, NSK aims to become "No. 1 in Total Quality." In other words, we are working to achieve the industry's best quality in everything we deliver—not only products and services but also information. We believe that this commitment to quality ensures that our products will satisfy customers all over the world. To achieve its Quality Assurance Vision 2026 (100% quality products that put the customer first), we engage in activities based on the Three Pillars of NSK Quality Assurance.

• The 6th Mid-Term Management Plan Targets and Fiscal 2019 Targets and Results

Three Pillars of NSK Quality Assurance	The 6th Mid-Term Management Plan Targets	Fiscal 2019 Targets	Fiscal 2019 Results
1. NSK Product Development System (NPDS) This is NSK's proprietary quality management system for quickly transforming new orders into reliable, stable production.	<ul style="list-style-type: none"> Verify performance with a complete grasp of the level and conditions required by the market Improve field quality 	<ul style="list-style-type: none"> Strengthen NPDS activities 	<ul style="list-style-type: none"> Enhanced design reviews Created a platform for global design <i>kakotora</i> (quality problems experienced in the past) Developed a platform for systemizing field quality concerns
2. NSK Quality No. 1 (NQ1) Program NSK is promoting initiatives to realize stable production and ensure zero defects.	<ul style="list-style-type: none"> Improve procurement quality "Dantotsu" improvement activities (ongoing activities for zero defects) 	<ul style="list-style-type: none"> Reduce loss costs from defects Prevent quality problems at customers caused by suppliers 	<ul style="list-style-type: none"> Established the Global Quality Audit Office Improved quality to keep defects at zero Established the Supplier Quality Audit Group Promoted activities to improve supplier quality (standardized evaluations/audits)
	<ul style="list-style-type: none"> Identify front-line (<i>gemba</i>) 4Ms* quality risks, review good product conditions Enhance recurrence prevention 	<ul style="list-style-type: none"> Prevent irregular procedures attributable to a lack of process capability Address <i>kakotora</i> (quality problems experienced in the past) Thoroughly disseminate the standards for each process 	<ul style="list-style-type: none"> Review of customer quality problems/action to prevent recurrences Optimized Quality Investments
3. Human Resources Development NSK is promoting human resources development to build a stronger foundation for quality creation.	<ul style="list-style-type: none"> Foster quality-first human resources development 	<ul style="list-style-type: none"> Enhance awareness of quality Reflect customer needs in specifications Improve communication between design and manufacturing departments Unify the activities of regional quality assurance departments 	<ul style="list-style-type: none"> Established "Quality-Dojo" globally Improved communications (weekly reporting system, regional meetings)

*4Ms: Man, Machine, Material and Method

Examples of Initiatives in Fiscal 2019

NSK conducts a variety of educational courses to train personnel who support high-quality manufacturing. Through collaboration across divisions, we are keen to create high-quality products and services that satisfy our customers. In fiscal 2019, we created areas called Quality-*dojo* in each plant. This Quality-*dojo* has a globally unified structure and aims to develop comprehensive human resources in manufacturing.

Quality-*dojo* is a special area that NSK plans to set up inside all of its major plants: 17 plants in Japan and 40 plants overseas (2 in South Korea, 11 in China, 9 in the U.S., 6 in Europe, 7 in the ASEAN region and 5 in India). The Quality-*dojo* is tasked with training all employees on 6 key items determined by the Quality Assurance Division Headquarters. In fiscal 2019, we focused efforts on setting up the Quality-*dojo* and creating an educational curriculum.



Quality-Dojo at Ohtsu Plant (Japan)

6 Key Items

- ① Importance of quality, Vision 2026
- ② Product knowledge
- ③ *Kakotora* (quality problems experienced in the past)
- ④ Procedure manuals
- ⑤ Dimension and accuracy measurements, visual inspections
- ⑥ Nonconformity, abnormalities and defective product control

▶ For more information and details of our other initiatives, refer to NSK's website: Home>Sustainability>Creating Quality to Earn the Confidence of Society <https://www.nsk.com/sustainability/qa/index.html>, and the Sustainability Report <https://www.nsk.com/sustainability/csrReport/index.html>

Examples of Initiatives in Fiscal 2019

NSK asks suppliers to perform CSR self-assessments and monitors their operations every 2 years. We feedback audit results to our suppliers.

In the last audit in fiscal 2018, we initiated steps to reduce risk and added assessment items on such areas as the status of compliance with labor and environmental laws and the occurrence of environmental pollution accidents and workplace accidents. In the second half of fiscal 2020, NSK plans to review the content of the assessment based on the results of a CSR audit conducted at suppliers in China by a third-party organization in accordance with Responsible Business Alliance (RBA) standards.

CSR Audit in China

In 2018, a CSR audit based on RBA standards was conducted at five Chinese suppliers by a third-party organization, focusing on the following: labor, ethics, safety and health, the environment and management systems.

As a result, some issues were found in safety areas (e.g., maintenance of fire extinguishers, set-up of evacuation routes, etc.) and labor management (e.g., working time management such as overtime and holidays). In fiscal 2019, we visited these suppliers and requested that they improve these points. We continue to monitor how suppliers react or progress.

▶ For more information and details of our other initiatives, refer to NSK's website: Home>Sustainability>Supply Chain Management <https://www.nsk.com/sustainability/supplier/index.html>, and the Sustainability Report <https://www.nsk.com/sustainability/csrReport/index.html>

Looking Back on the Financial Results of the Year ended March 31, 2020

The year ended March 31, 2020 saw a decline in ROE due to lower sales and profits. This in turn reflected a stagnant global economy on the back of prolonged trade friction between the U.S. and China as well as the impact of the COVID-19 toward the end of the fiscal year. Despite this, indicators of NSK's financial health, including its ratio of net worth to total capital, net D/E ratio and A-level credit rating, all continue to perform well. Notwithstanding the uncertainty surrounding the spread of COVID-19, NSK maintains the necessary financial base to ensure its continued operation as a going concern.

	Mar/2019	Mar/2020	Comparison	Evaluation and Comments
Total assets	¥1,086.5 billion	¥1,029.9 billion	-56.6 billion	The scale of sales decreased due to trade friction between the U.S. and China and the impact of COVID-19
Total equity attributable to owners of the parent (Shareholders' equity)	¥536.7 billion	¥505.5 billion	-31.2 billion	Despite posting net income, other components of equity (foreign currency translation adjustments) decreased
Cash and cash equivalents	¥130.0 billion	¥137.3 billion	+7.3 billion	Secured an appropriate level of liquidity on hand as a COVID-19 emergency measure
Interest-bearing debt	¥274.8 billion	¥279.2 billion	+4.4 billion	Continued appropriate control of interest-bearing debt
Ratio of net worth to total capital	49.4%	49.1%	-0.3 percentage points	Maintained at the MTP target of around 50%
Net D/E ratio	0.27 times	0.28 times	+0.01	Maintained at less than the MTP target of 0.3 times
Total return ratio	73.1%	88.2%	+15.1 percentage points	Despite a reduction in dividends owing to lower profits, provided shareholder returns in excess of the MTP total return ratio target of 50%
ROE	10.4%	3.3%	-7.1 percentage points	Declined due to lower profits

The 6th MTP Financial Strategy / Policy on Shareholder Returns Overview

NSK's fundamental financial strategy policy is to balance investment in future growth with shareholder returns under a stable financial structure.

1. Financial Base Stabilization

"Maintenance in Stabilization of Financial Base" is a prerequisite for supporting NSK's sustainable growth and for withstanding economic fluctuation impacts.

NSK has been able to steadily improve its ability to generate cash flow compared with the past, and has stabilized its financial base. (Please see Financial Highlights on P. 36.) In addition, the Company has received high evaluations from rating agencies, including an upgrade in its bond rating to A from Rating and Investment Information, Inc. (R&I) in August 2014 after being rated at A-, and an A+ rating from Japan Credit Rating Agency, Ltd. (JCR), unchanged since September 2006.

NSK recognizes that maintaining an A bond rating while continuing to keep its net D/E ratio around 0.3 times and its ratio of net worth to total capital at roughly 50% will enable the Company to ensure financial stability.

Rating and Investment Information, Inc. (R&I)	Japan Credit Rating Agency, Ltd. (JCR)
A	A+

2. Growth with Profitability

Sustainably achieving "Growth with Profitability" is essential for generating cash flows and making capital expenditures and R&D investments that lead to future growth, as well as for paying stable dividends to shareholders.

We believe achieving a rate of return that exceeds the cost of capital expected by shareholders and investors can be considered the "mission" of a publicly listed company. NSK has set a target for ROE of at least 10% in its 6th Mid-Term Management Plan, which exceeds its cost of capital as estimated based on past share trends, business characteristics and the current state of the stock market. We believe maintaining this target over the mid-term could contribute to further improvement in shareholder value.

3. Stabilization of Shareholder Returns

One of NSK's core management policies is "Stabilization of Shareholder Returns."

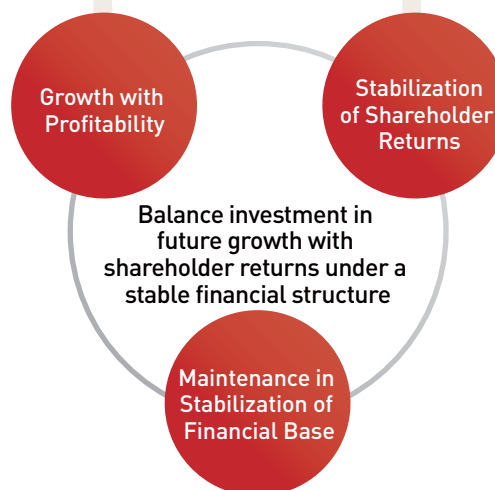
NSK indicated a numerical target of 30% for its dividend payout ratio for the first time in the 5th Mid-Term Management Plan. As part of the 6th Mid-Term Management Plan, NSK is working to further enhance shareholder returns, and has thus established a dividend payout ratio of 30 - 50% and raised a target of ¥40 or higher for the per share dividend.

In addition to returning profits through dividends, NSK recognizes that

- ROE of 10% or more
Pursuit of capital efficiency exceeding the cost of capital

- Dividend payout ratio of 30 - 50%
- Total return ratio (3 years) approximately 50%

Acquisition of treasury shares, Agile capital policies



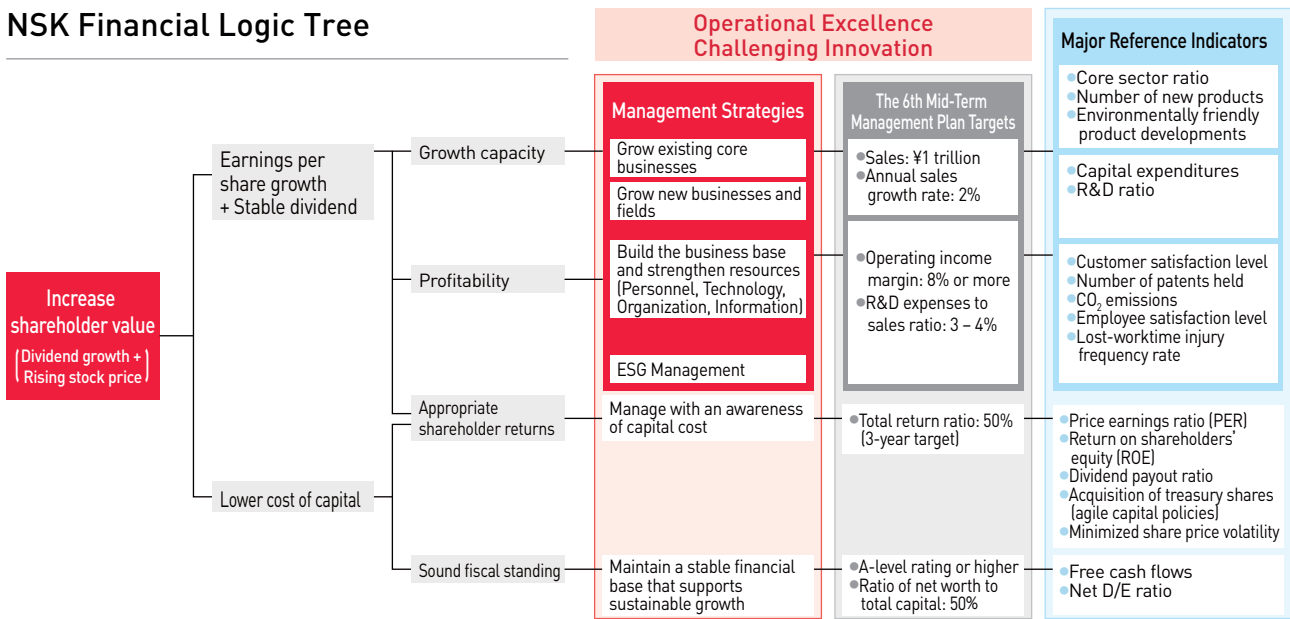
- Net D/E ratio of around 0.3 times
- Ratio of net worth to total capital of around 50%

Maintain an A-level credit rating to support growth and enable the Company to withstand cyclical impact

agile capital policy execution based on share buybacks is another option. NSK intends to appropriately and flexibly execute share buybacks taking into account its cash position and stock market trends. During the 3-year period covered by the 6th Mid-Term Management Plan, NSK is targeting a total return ratio of 50%.



NSK Financial Logic Tree



Total Shareholders' Return (TSR)

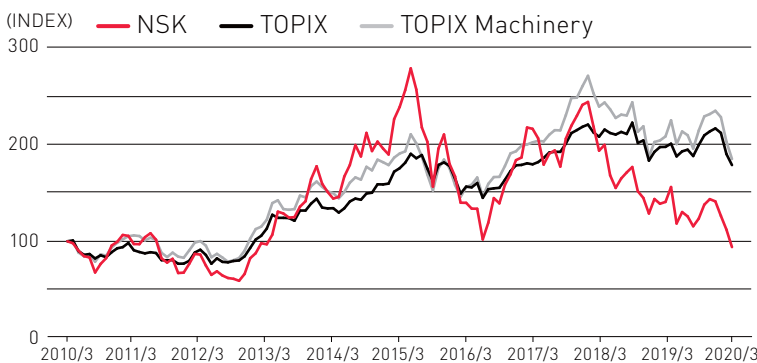
Along with achieving an ROE that exceeds the cost of capital over the midterm, increasing TSR acquired through dividends and a rising stock price is also important. NSK's TSR has been affected by demand adjustments over the most recent 2 to 3 years and a depressed stock price due to lower steering-related sales. Unfortunately, this has led the stock price to underperform the TOPIX and the TOPIX machinery sector. Despite these circumstances, NSK will continue to promote stable shareholder returns while working to achieve a TSR that exceeds the cost of capital over the mid- to long-term going forward.

Investment Period	1 Year		3 Years		5 Years		10 Years	
	Cumulative/Annual Rate	Cumulative	Annual Rate	Cumulative	Annual Rate	Cumulative	Annual Rate	
NSK	-30.2%	-49.5%	-20.3%	-50.2%	-13.0%	29.3%	2.6%	
TOPIX	-9.5%	-0.4%	-0.1%	1.8%	0.4%	78.4%	6.0%	
TOPIX Machinery	-11.2%	-8.5%	-2.9%	-3.0%	-0.6%	84.7%	6.3%	

*TSR (Total Shareholders' Return): Total return on investment including capital gains and dividends *Each index includes dividends.

*Annual rate based on the geometric mean *Created by the Company, based on Bloomberg data

NSK's Share Price Trends (10-Year Period)



*Share price index trends including dividends (March 31, 2010 = 100)

Share Price Trends by Fiscal Year

Fiscal Year	High (Yen)	Low (Yen)	Fiscal Year-End (Yen)	Volatility
2010	836	495	717	37.4%
2011	815	458	637	36.7%
2012	758	414	715	36.5%
2013	1,360	646	1,062	45.7%
2014	1,815	1,023	1,758	32.6%
2015	2,120	910	1,030	39.0%
2016	1,739	691	1,592	44.3%
2017	1,916	1,261	1,426	28.5%
2018	1,488	885	1,037	26.1%
2019	1,208	579	694	33.7%

*Volatility refers to the standard deviation annualized rate based on the daily closing price.

Policy on Cross-Shareholding

NSK aims to reduce the crossholding of shares deemed to have little benefit in increasing mid- to long-term corporate value. Conversely, if the Company believes that there is a valid rationale for holding such shares, it will continue to do so. Regarding the appropriateness of crossshareholdings, NSK conducts quantitative and qualitative evaluations on an annual basis to determine whether each individual shareholding is delivering acceptable benefits in relation to the Company's capital cost. We will promote the sale of any cross-shareholdings whose possession cannot be justified, taking into account stock prices and market trends.

The number of cross-shareholdings (disclosed in the Annual Securities Report) totaled 136 stocks as of the end of March 2010. However, this number has been reduced to 72 stocks as of the end of March 2020 (a reduction of 7 stocks in the year ended March 2020, and 64 stocks over the 10 years from the year ended March 2010).

Strategies and Performance

Financial and Non-Financial Highlights

Financial Highlights

NSK Ltd. and Consolidated Subsidiaries

JP-GAAP up to and including the fiscal year ended March 31, 2015,
IFRS from the fiscal year ended March 31, 2016, onward.

Years ended March 31		2010	2011	2012	2013
Financial Data	Sales	587,572	710,431	733,192	732,842
	[By segment]*1				
	Industrial Machinery Business	201,963	259,095	255,835	216,142
	Automotive Business	366,463	424,157	444,585	490,545
	Others / Adjustments	19,145	27,178	32,772	26,154
	[By region]				
	Japan	289,540	354,542	363,754	333,348
	[Based on customer location]				
	The Americas	70,609	85,466	86,267	103,352
	Europe	98,504	102,176	107,958	102,667
	Asia (excluding Japan)	128,918	168,246	175,213	193,473
	China	—	82,587	89,068	91,442
	Other Asia	—	85,658	86,143	102,030
Operating income	11,305	43,524	44,417	32,361	
Ordinary income	7,598	38,572	42,004	30,310	
Net income attributable to owners of the parent	4,765	26,110	28,514	15,739	
Capital expenditures	21,818	41,294	54,619	48,025	
Depreciation and amortisation	37,149	34,943	35,807	34,598	
R&D expenses	8,794	10,515	10,373	10,432	
Net cash provided by operating activities (A)	51,108	64,973	57,158	53,797	
Net cash used in investing activities (B)	(29,355)	(33,348)	(56,090)	(45,262)	
Free cash flows (A) + (B)	21,753	31,625	1,068	8,534	
Dividends paid	4,327	5,950	6,491	5,943	
Acquisition of treasury shares	—	—	—	—	
Total equity attributable to owners of the parent (Shareholders' equity)	247,941	257,012	280,312	319,286	
Total assets	789,624	788,626	845,073	882,547	
Interest-bearing debt	304,937	274,585	296,750	305,102	
Per Share Data (Yen)	Earnings (Net income)	8.82	48.30	52.75	29.14
	Equity attributable to owners of the parent (Shareholders' equity)	458.65	475.45	518.56	591.36
	Cash dividends*2	8.0	11.0	12.0	11.0
Financial Indices	Operating income margin (%)	1.9	6.1	6.1	4.4
	Return on average shareholders' equity (ROE) (%)	2.0	10.3	10.6	5.2
	Return on average assets (ROA) (%)	0.6	3.3	3.5	1.8
	Ratio of equity attributable to owners of the parent to total assets (%)	31.4	32.6	33.2	36.2
	Net D/E ratio (times)	0.73	0.60	0.58	0.51
	Dividend payout ratio (%)	90.7	22.8	22.7	37.7
	Total return ratio (%)*3	90.7	22.8	22.7	37.7
	Period-end share price (yen)	738	717	637	715
	Price earnings ratio (PER) (times)	83.7	14.8	12.1	24.5
	Price book-value ratio (PBR) (times)	1.6	1.5	1.2	1.2
Dividend yield (%)	1.1	1.5	1.9	1.5	
Exchange Rate Data	US\$1	92.83	85.63	79.02	83.10
	€1	130.89	112.92	109.40	107.14

*1. In accordance with segment changes in the business domains (part of operations transferred from the Industrial Machinery Business to the Automotive Business), data from

*2. The breakdown of the ¥38.0 per share dividend paid in the fiscal year ended March 31, 2017, is a normal dividend of ¥28.0 per share and a ¥10.0 per share dividend to

*3. Total return ratio = (Dividends paid + Acquisition of treasury shares) ÷ Net income attributable to owners of the parent.



(Millions of Yen)

	2014	2015	2016	2017	2018	2019	2020
	871,742	974,885	975,319	949,170	1,020,338	991,365	831,034
	242,969	276,361	243,395	226,924	266,249	269,974	232,470
	590,545	656,998	705,511	696,271	723,564	689,658	573,814
	38,226	41,525	26,411	25,974	30,524	31,732	24,750
	329,136	328,837	318,434	330,512	372,134	367,537	314,281
	134,483	164,821	183,652	165,177	155,498	157,581	139,249
	124,590	133,752	131,830	121,920	137,856	130,127	110,075
	283,532	347,475	341,403	331,559	354,849	336,119	267,427
	167,239	210,237	204,361	201,185	212,097	194,994	148,525
	116,293	137,238	137,042	130,373	142,752	141,124	118,902
	68,049	97,327	89,534	65,341	97,875	79,279	23,604
	66,785	91,002	—	—	—	—	—
	31,167	61,962	65,719	45,560	69,312	55,809	17,412
	45,448	49,197	54,996	58,602	68,788	81,102	54,927
	35,079	38,568	43,048	43,354	46,785	48,801	53,926
	9,919	10,660	11,155	13,858	17,059	19,023	18,265
	70,342	67,709	108,622	67,936	83,746	92,617	72,387
	(42,402)	(46,335)	(45,212)	(54,243)	(53,001)	(72,673)	(39,784)
	27,940	21,374	63,410	13,692	30,744	19,943	32,602
	8,650	15,161	18,425	20,174	21,245	20,737	15,550
	—	—	—	14,999	—	19,999	—
	359,201	456,046	454,661	461,350	537,175	536,676	505,505
	1,000,932	1,129,164	1,032,374	1,043,955	1,092,310	1,086,456	1,029,884
	315,532	326,400	278,152	267,399	250,908	274,780	279,170
	57.70	114.56	121.38	86.08	131.16	107.46	34.00
	664.74	842.69	839.56	873.11	1,016.30	1,048.18	987.01
	16.0	28.0	34.0	38.0	40.0	40.0	30.0
	7.8	10.0	9.2	6.9	9.6	8.0	2.8
	9.2	15.3	14.3	9.9	13.9	10.4	3.3
	3.3	5.8	6.1	4.4	6.5	5.1	1.6
	35.9	40.4	44.0	44.2	49.2	49.4	49.1
	0.41	0.31	0.23	0.28	0.22	0.27	0.28
	27.7	24.4	28.0	44.1	30.5	37.2	88.2
	27.7	24.4	28.0	77.1	30.5	73.1	88.2
	1,062	1,758	1,030	1,592	1,426	1,037	694
	18.4	15.3	8.5	18.5	10.9	9.7	20.4
	1.6	2.1	1.2	1.8	1.4	1.0	0.7
	1.5	1.6	3.3	2.4	2.8	3.9	4.3
	100.24	109.93	120.14	108.42	110.86	110.91	108.75
	134.37	138.77	132.58	118.84	129.70	128.40	120.83

the fiscal year ended March 31, 2016, onward, are presented under the new categories. commemorate the 100th anniversary of the Company's founding.

Financial and Non-Financial Highlights

Non-Financial Highlights

Years ended March 31			Scope	Unit	2017	2018	2019	2020
Environment (E)	Environmentally friendly products*1	Number of environmentally friendly products (cumulative)	NSK Group	products	219	224	226	232
	Products that contribute to the reduction of CO ₂ emissions	CO ₂ emissions avoided at the product use stage	NSK Group	×10 ³ t-CO ₂ e	1,309	1,324	1,446	1,572
Energy	Total energy consumption		NSK Group	TJ	16,312	17,088	17,224	15,872* ³
		Fuel and gas	NSK Group	TJ	2,330	2,426	2,455	2,295
		Electricity and heat* ²	NSK Group	TJ	13,982	14,772	14,769	13,577
		Rate of renewable energy use	NSK Group	%	—	—	0.4	2.8
		Energy consumption per production unit (base year: FY2017)	NSK Group	%	+2.6	0 (Base year)	+3.7	+14.0
Greenhouse gases	Total GHG emissions (Scope 1, Scope 2)		NSK Group	×10 ³ t-CO ₂ e	991	1,001	978	883* ³
		Scope 1	NSK Group	×10 ³ t-CO ₂ e	137	143	142	132
		Scope 2	NSK Group	×10 ³ t-CO ₂ e	854	858	836	752
		(Reference) Scope 3	NSK Group	×10 ³ t-CO ₂ e	2,056	2,039	2,705	2,194* ³
		Reduction rate of GHG emissions (base year: FY2017)	NSK Group	%	—	0 (Base year)	2.3	11.8
		GHG emissions per production unit (base year: FY2017)	NSK Group	%	+6.4	0 (Base year)	+0.6	+8.3
Steel	Steel consumption	NSK Group	×10 ³ t	705	756	758	618	
Water	Total water consumption		NSK Group	×10 ³ m ³	4,716	4,713	4,700	4,308* ³
		Groundwater	NSK Group	×10 ³ m ³	1,840	1,869	2,011	1,789
		General water	NSK Group	×10 ³ m ³	2,274	2,325	2,194	2,028
		Industrial water	NSK Group	×10 ³ m ³	601	519	495	490
		Water withdrawal per production unit (base year: FY2017)	NSK Group	%	+7.6	0 (Base year)	+2.6	+12.1
Total waste, etc.	Total waste		NSK Group	×10 ³ t	212.2	223.5	227.8	200.2* ³
		Landfill disposal volume	NSK Group	×10 ³ t	3.7	3.0	3.4	2.6
		Recycling rate	NSK Group	%	98.2	98.6	98.4	98.6
		Industrial waste per production unit (base year: FY2017)	NSK Group	%	+1.8	0 (Base year)	+5.6	+15.8
Air	NO _x emissions	NSK Group	t	128	132	128	119	
	SO _x emissions	NSK Group	t	48	50	42	38	
Water quality	Total discharged water		NSK Group	×10 ³ m ³	2,863	3,040	3,159	2,847
		Rivers	NSK Group	×10 ³ m ³	704	453	729	591
		Sewage system	NSK Group	×10 ³ m ³	2,159	2,587	2,430	2,256
		BOD	NSK Group	t	2.3	1.3	1.4	1.2
Environmentally harmful substances	PRTR-designated substances (materials and parts)	Group in Japan	t	488	490	464	395	
	Discharge/transfer of PRTR-designated substances	Group in Japan	t	96	105	72	78	
	VOC	NSK Group	t	162	154	139	141* ³	
Biodiversity	Biodiversity conservation activities (social contribution initiatives) Number of sites undertaking initiatives	Group in Japan	Site	4	3	6	6	

*1. Newly developed products until the year ended March 31, 2008, that are consistent with the "Basic Policy for the Development of Environmentally Friendly Products," and from the year ended March 31, 2009, newly developed products with an NSK Eco-efficiency Indicators (Neco) score of 1.2 or higher. *2. Energy use based on purchased power is set as the primary energy input of power companies equivalent to the Company's energy usage. *3. Third-party verification is performed. For more information, please see P. 75.



Years ended March 31			Scope	Unit	2017	2018	2019	2020
Social (S)	Number of employees (consolidated)	Total	NSK Group	persons	31,501	31,861	31,484	30,747
		Japan	Group in Japan	persons	11,291	11,607	11,755	11,803
		The Americas	Group in the Americas	persons	3,065	3,080	3,093	2,804
		Europe	Group in Europe	persons	3,667	3,908	4,259	4,206
		Asia	Group in Asia	persons	13,478	13,266	12,377	11,934
	Ratio of men/women employees	Men	NSK Group	%	82.4	82.4	80.9	81.0
		Women	NSK Group	%	17.6	17.6	19.1	19.0
	Average age	Total	Group in Japan	age	41	41	41	42
		Men	Group in Japan	age	42	42	42	42
		Women	Group in Japan	age	36	37	37	37
	Number of employees who took childcare leave	Total	Group in Japan	persons	75	69	109	162
		Men	Group in Japan	persons	34	40	73	125
		Women	Group in Japan	persons	41	29	36	37
	Employment rate of people with disabilities		Group in Japan	%	2.20	2.09	2.25	2.24
	Occupational safety	Lost-time injury frequency rate	NSK Group	%	0.68	0.60	0.37	0.35* ²
	Health and wellness	Percentage of employees participating in the Specific Health Guidance program	Group in Japan	%	—	25.7	25.3	25.1
		Percentage of employees receiving stress checks	Group in Japan	%	—	93.8	95.9	94.9
		Percentage of employees who smoke	Group in Japan	%	—	39.1	37.6	36.6
	Human resource development	Number of participants in Global Management College	NSK Group	persons	13	14	13	12
		Number of participants in Japan Management College	Group in Japan	persons	17	15	10	10
Number of participants in NSK Institute of Technology		NSK Group	persons	403	466	451	527	
Number of employees who have attained a TOEIC score of 730 or higher (cumulative)		Group in Japan	persons	507	536	563	631	
Employee Engagement Survey* ¹	Number of participants (officers and employees)	NSK Group	persons	22,365	28,893	15,538	15,518	
Research and development	Number of patents held	NSK Group	patents	6,430	6,987	7,499	8,052	

*1. Conducted as a compliance awareness survey until fiscal 2017.

*2. The Company receives third-party assurances. For more information, please see P. 75.

As of June 30			Unit	2017/6	2018/6*	2019/6	2020/6
Governance (G)	Composition of the Board of Directors	Number of directors	persons	12	12	12	9
		Rate of outside directors	%	33.3	41.7	41.7	55.6
		Ratio of males	%	100	91.7	91.7	88.9
		Ratio of females	%	0	8.3	8.3	11.1
Years ended March 31			Unit	2017	2018	2019	2020
Attendance at Board of Directors meetings	Number of meetings	meetings	10	10	10	10	
	Average attendance rate	%	98	100	99	99	
	Average attendance rate of outside directors	%	95	100	98	98	

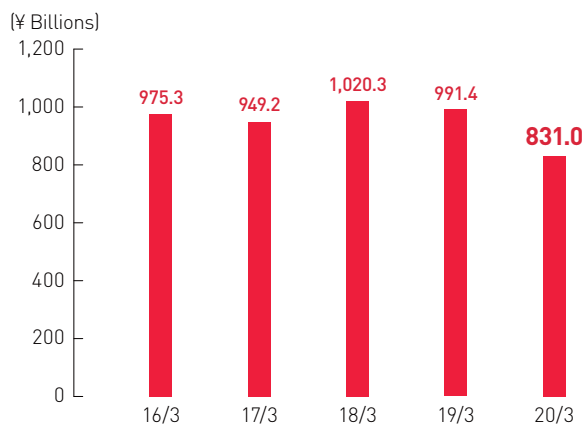
*The appointment of one independent outside director took place in July 2018.

Financial and Non-Financial Highlights

Trends in Major Indices

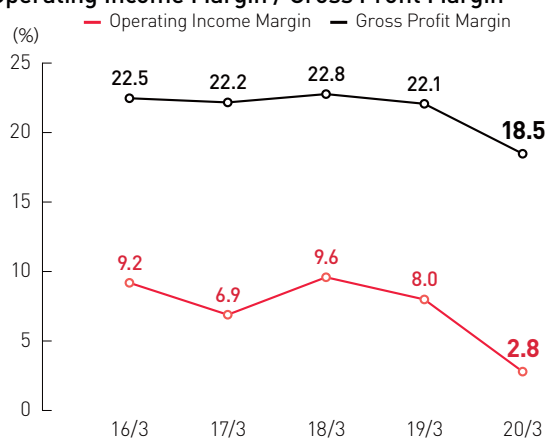
The comments under the charts apply to the actual results for the fiscal year ended March 2020.

Sales



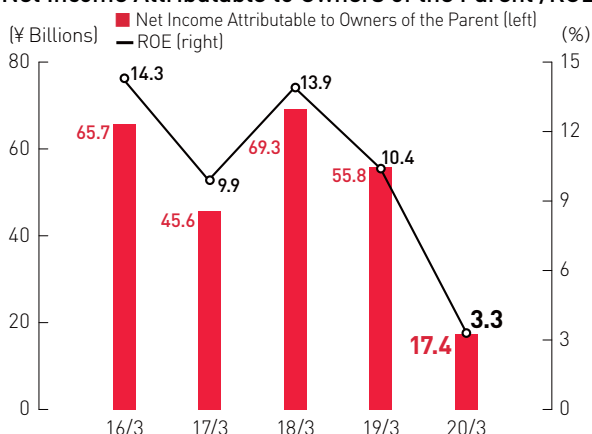
In FY20/3, sales totaled ¥831.0 billion, a decrease of 16.2% from the previous fiscal year. This was mainly due to the economic slowdown and a downturn in demand attributable to U.S.-China trade friction, as well as the COVID-19 pandemic, which pushed down demand at the end of the fiscal year.

Operating Income Margin / Gross Profit Margin



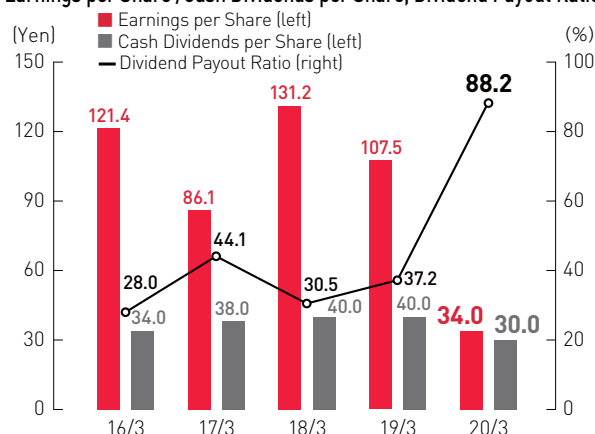
Despite efforts aimed at reducing labor and other costs, NSK's operating income margin declined to 2.8% [down 5.2 percentage points year on year]. This was due to the substantial downturn in sales.

Net Income Attributable to Owners of the Parent / ROE



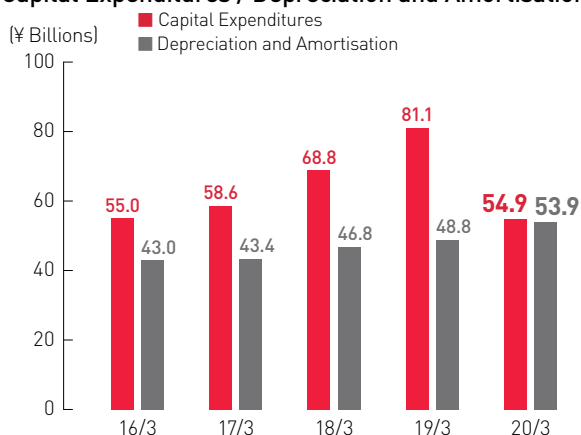
ROE for FY20/3 came to 3.3% owing to the decrease in net income attributable to owners of the parent as a result of the decrease in sales attributable to sluggish demand.

Earnings per Share / Cash Dividends per Share, Dividend Payout Ratio



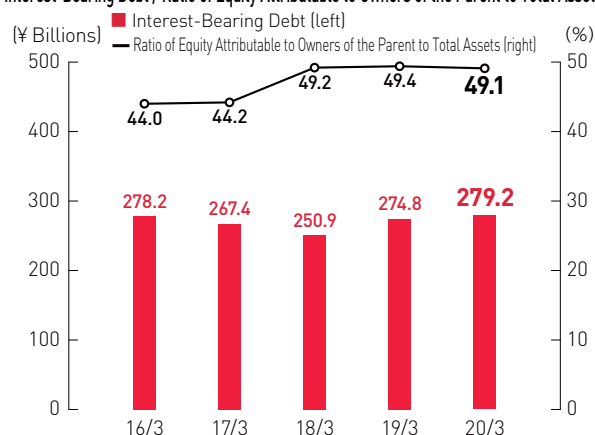
NSK set its cash dividend per share at ¥30 for FY20/3, down ¥10 from the previous fiscal year owing to the downturn in earnings per share. From the perspective of continuously undertaking shareholder returns, however, the dividend payout ratio came in at 88.2%, well above the 6th MTP target of 30%-50%.

Capital Expenditures / Depreciation and Amortisation



Against the backdrop of a weak global economy, NSK undertook investments in projects related to safety, quality and the environment; essential projects aimed at improving productivity and the replacement of equipment; ICT projects to promote work style reform; and other areas. In FY20/3, capital expenditures totaled ¥54.9 billion, down ¥26.2 billion from the previous fiscal year.

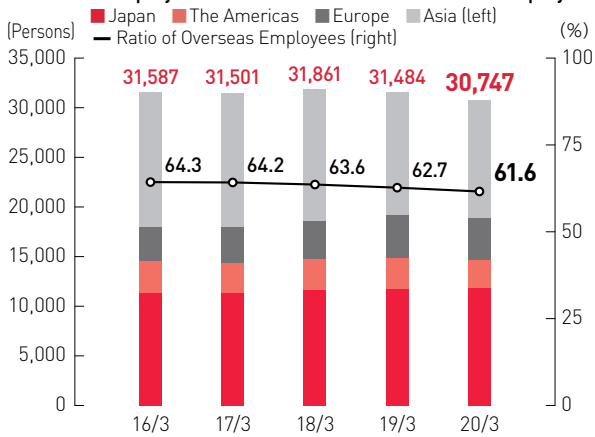
Interest-Bearing Debt / Ratio of Equity Attributable to Owners of the Parent to Total Assets



To address the spread of COVID-19 from the second half of FY20/3, NSK took steps to properly control interest-bearing debt and secure working capital. The current level, however, does not have an impact on the Company's financial foundation, and NSK has a good balance between shareholder returns and financial stability.

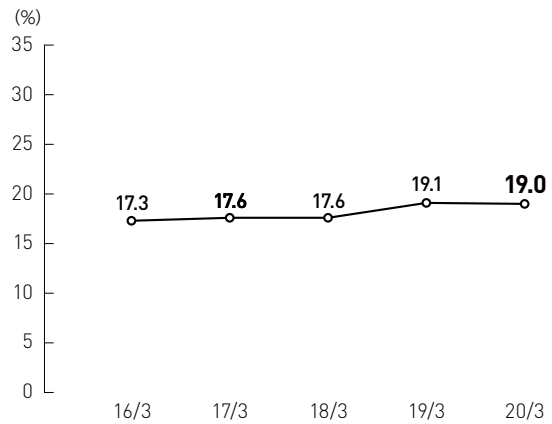


Number of Employees Worldwide / Ratio of Overseas Employees



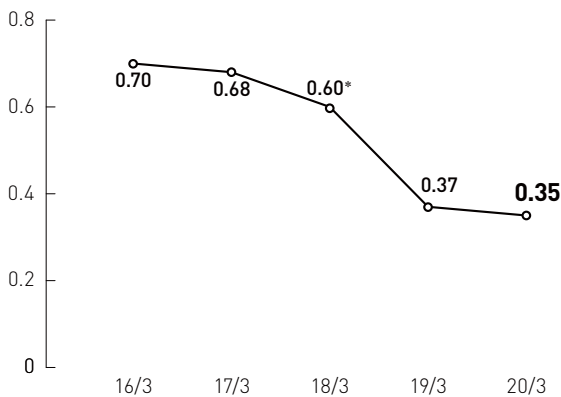
NSK took steps to adjust its workforce to an optimal level that best suits its business activities. As a result, the number of employees worldwide at the end of FY20/3 fell to 30,747, a decrease of 737 from the end of the previous fiscal year.

Ratio of Female Employees



NSK is striving to expand work options and provide career advancement programs for female employees. The ratio of female employees at NSK was 19.0% on a global basis. Details of initiatives aimed at empowering women are presented on P. 22.

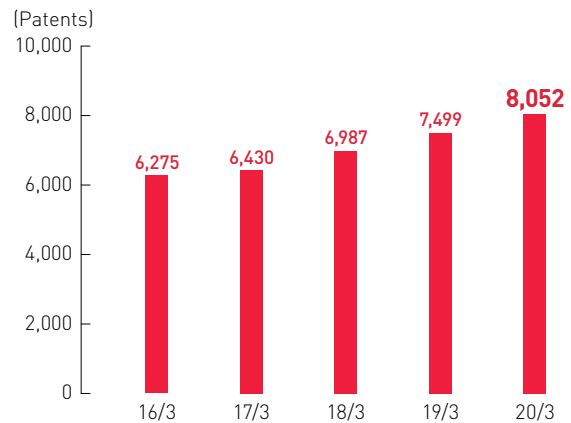
Lost-Worktime Injury Frequency Rate



Thanks to strengthened workplace safety initiatives, the lost-time injury frequency rate is on a declining trend globally. For additional information on NSK's safety management, please see P. 32.

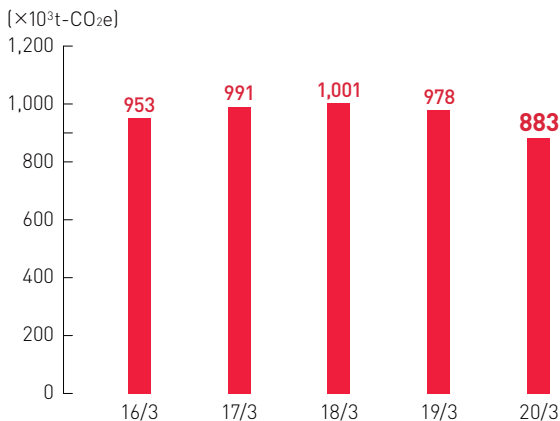
*Adjusted for the purpose of greater accuracy.

Number of Patents Held



Toward realizing "challenging innovation" and "creation of new value", NSK is strengthening technical development. The number of patents possessed in FY20/3 reached 8,052, an increase of 553 patents from the previous fiscal year.

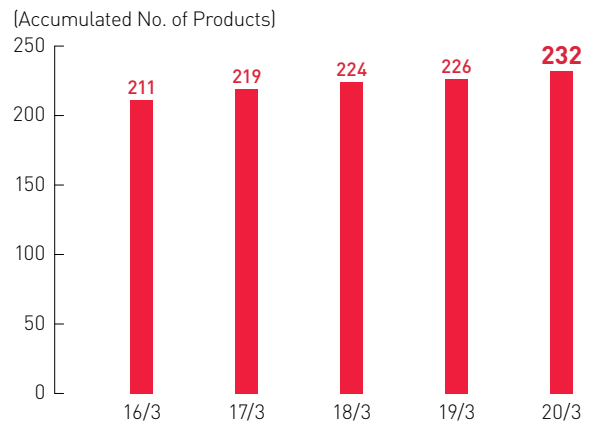
Greenhouse Gas Emissions



NSK continues to improve productivity and introduce energy-efficient machinery. As production volume decreased due to the recession, in FY20/3, greenhouse gas emissions declined 95 thousand tons from the previous fiscal year to 883 thousand tons.

Note: Due to a change in calculation criteria, the data was recalculated.

Number of Environmentally Friendly Products Developed



NSK developed 6 new products, bringing the total number of environmentally friendly products to 232. For more details, please see Developing Environmentally Friendly Products on P. 31.

Note: Cumulative data from the year ended March 31, 2003.

NSK's 4 Core Technologies, and Giving them Shape is Manufacturing Engineering

NSK has relentlessly pursued innovative technologies and focused on improving quality in order to contribute to a safer, smoother society and to protect the global environment, in line with its corporate philosophy. NSK leads the world in the product fields of bearings, automotive components and precision machinery and parts. The foundation that underpins those technologies consists of tribology, materials, numerical simulation and mechatronics, which are NSK's 4 Core Technologies.

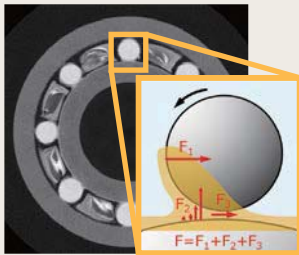
Then there is manufacturing engineering, another important technology and strength of NSK that gives shape to our Core Technologies. The technologies and products that have been created based on our 4 Core Technologies, with the "plus One" of manufacturing engineering, are contributing both to the development of industry across the world and to people's abundant lifestyles. NSK will continue to engage in advanced technological development and provide highly functional, high-quality products that meet market needs in the years to come.

4 Core Technologies + 1

Tribology

Studying, Clarifying and Controlling Friction

Tribology is the study of friction and wear of contact surfaces in relative motion, such as rotating parts that endure enormous forces with a thin oil film. Severe operating conditions are mitigated through lubrication and surface treatments developed by NSK, resulting in superior performance for applications requiring low friction, high-speed rotation, quiet operation, or enhanced durability.



Friction on the bearing's ball surface

Materials

Unrelenting Pursuit of Performance Durability and Reliability

Materials research and development affects nearly every aspect of product performance. Through careful selection of material composition, heat treatment, and ceramic materials, NSK enables optimization of application performance. This may result from improvements in function, endurance, or reliability, or through advancements in cost-effectiveness or production efficiency.



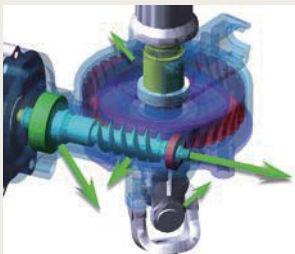
Durability testing machines

4 Core Technologies

Numerical Simulation

Simulated Recreation in Cyberspace to Predict Performance

In the past, accuracy and reliability in product development were achieved with experience-based design and longer testing periods. NSK's simulation technology allows virtual validation to accelerate design and production. Extreme conditions or innovative designs that defy previous expectations can also be evaluated and analyzed.



Simulated example of an automotive component

Mechatronics

Technology Supports People for a Convenient, Safe and Comfortable Future

Mechatronics integrates machine elements technology with control technology. By combining bearings, ball screws and linear guides, together with motors, sensors and computers, greater mechanical functionality is elicited with computer control. This technology applies new functions and performance to a range of industrial machinery, such as for automobiles and biomedicine. It also contributes to greater reliability, as well as to convenience and safety in daily life.



NSK vibration control actuator for train cars

+1

Manufacturing Engineering

Giving Shape to 4 Core Technologies

Contributing to the environment and heightening safety and security through our 4 Core Technologies requires something to breathe life into these technologies. In addition, it is essential to consistently produce with high quality. NSK tackles these issues by applying AI to its equipment, utilizing IoT, and optimizing its overall production framework while it works to realize the creation of smart factories that economize on space, save on energy, and reduce manpower requirements.



Cheonan Plant in South Korea



“SETTING THE FUTURE IN MOTION” with Mechatronics

NSK Vision 2026, “Setting the Future in Motion,” is a statement of what NSK will achieve in the 10 years following the 100th anniversary of its founding in 2016. We are determined to create new movement for the Company, for our customers, and for society at large with our mechatronics. Through this movement, we aim to establish “Industrial Actuators” as a new core product of the Industrial Machinery Business.

Strengths of Our Mechatronics

NSK has expanded its business into the field of mechatronics since around 1980. Utilizing NSK’s precision products, we have achieved the commercialization of XY Tables and Direct Drive motors, and have contributed to the spread of industrial robots and the automation of semiconductor manufacturing equipment. The strength of mechatronics technology in NSK’s industrial machinery business is “Precision Positioning Control Technology” that builds its own systems by utilizing elemental technologies such as ultimate structural design, motor and servo control, and sensors.

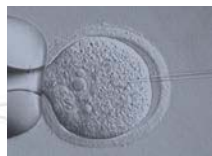
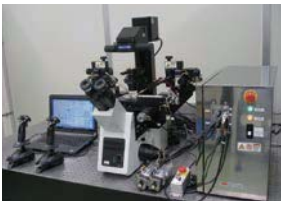
Social Needs and Technological Trends

The major social trends (megatrends), consumption growth, work style reform, supply and demand of resources, demographic structural changes and prevention of infectious disease require the industry to promote Digital Transformation (DX). In response to these demands, we are developing technologies to accelerate electrification, automation and autonomous control.

Initiatives for New Fields

In addition to production equipment, NSK is expanding its development area into the biomedical and robotics fields. More advanced motion reproducibility and autonomy will transform the work that currently must be done manually. Then, the number of people who enjoy high-quality service will increase. Workers will be more creative and more motivated to work. A smoother and more prosperous society will be realized.

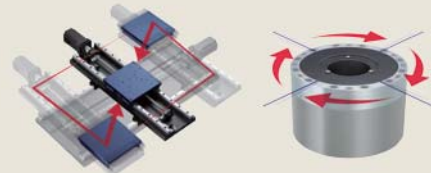
Biomedical



Cell manipulation via imagery synchronization

Manipulation system for biomedicine

Rigid support, Precise motion



Shifting Our Mindset

There is no doubt that we must have technology to support humans in the future. We are strongly shifting our development process by identifying problems that need to be solved from the final customer’s (end user’s) point of view and accelerating key technology developments as solutions for our future needs. Through collaboration with research institutes around the world and with other industries, NSK is committed to combining a variety of expertise and technologies.

Robotics for Service Robots

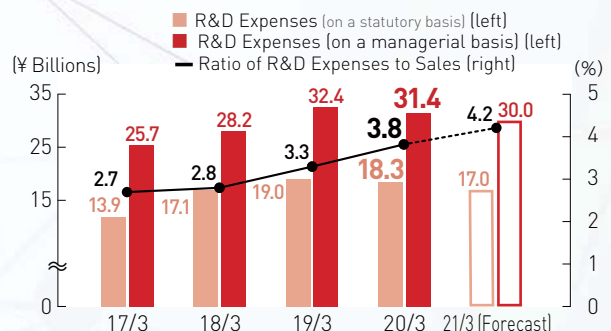


Robotics technologies under development to enrich people’s inner life and to reform work styles. Say goodbye to traffic jams and packed public transportation with a telepresence robot to use as your physical body anywhere around the world.(left) Both parents working? The robot can pick up your kids from school or take them to piano lessons.(right)

NSK’s industrial actuators accelerate Digital Transformation (DX) by using mechatronics technology.

R&D Expenses

Along with R&D expenses based on institutional accounting, NSK recognizes that all expenses involved in the technology divisions are R&D expenses in a broader sense. As part of the 6th Mid-Term Management Plan, NSK intends to make R&D expenses investments equivalent to 3%-4% of sales (¥30.0 billion-¥40.0 billion annually). This level of R&D investment, which even rivals that of Japanese and overseas bearing competitors, will enable us to quickly supply sophisticated products with new features to the market. Moreover, we will contribute to the realization of a more abundant, sustainable society by engaging in activities to save energy, reduce CO₂ emissions and conserve the global environment.



Foundation Supporting Sustainability

Global Business Foundation

In expanding business globally, NSK maintains the necessary sites, human resources and management structure as an essential foundation, and strives to expand business in each region while promoting global projects through collaboration between regions. In addition, the Company has made contributing to the development of each country and region the highest priority while emphasizing such issues as job creation and environmental protection. Looking ahead, NSK will give exhaustive consideration to being a good corporate citizen and will endeavor to further enhance and strengthen its global business foundation.

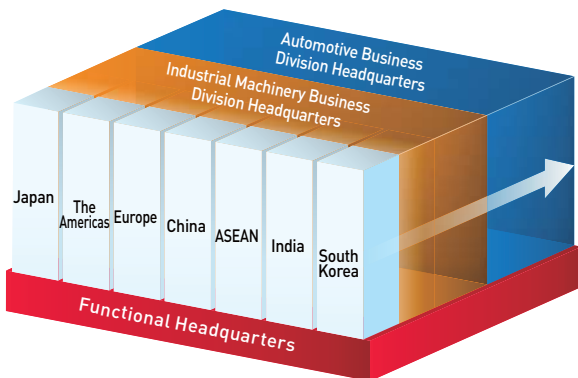
Global Management

Organizations That Support Global Management

Underpinned by the two Industrial Machinery and Automotive business axes, NSK employs a “matrix”-type organizational structure supported by regional headquarters that execute operations in each region and functional headquarters that buoy business in a cross-sectional manner from a functional standpoint.

From the business execution standpoint, a regional headquarters is positioned to oversee a region under each business headquarters, and each business site is positioned beneath each regional headquarters. Orders and directions on business planning and strategy implementation flow from the business headquarters to regional headquarters and then to individual sites. On the other hand, each functional headquarters located at headquarters in Japan supervises and supports shared Group-wide functions such as human resources, legal affairs and accounting at sites worldwide from the perspective of policy and standardization.

Adopting this type of organization is aimed at effectively 1) reducing overlapping operations and costs under a policy of making shared Group-wide functions consistent and 2) speeding up business execution responsiveness by entrusting decision-making to lower-tier organizations based on a broad framework decided by upper-tier organizations.



Note: Individual sites are divided by regions it has a presence in: Japan, The Americas, Europe, China, ASEAN, India and South Korea.

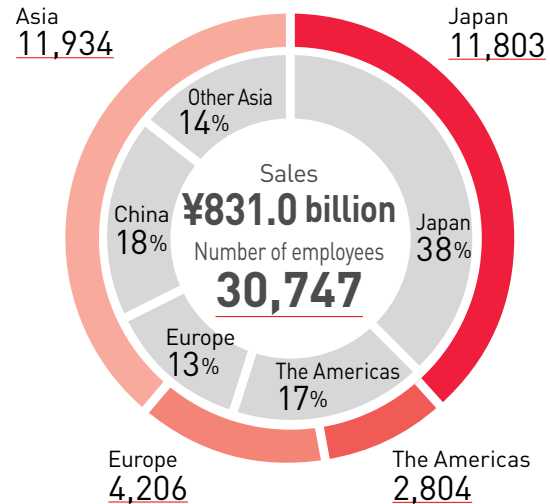
Global Management Evolution

NSK has worked to localize management with the aim of building a system able to undertake locally oriented, agile business management in each region as it expands operations overseas. Currently, the Company is expanding business under local leadership by placing numerous local employees in key posts that include regional managers.

With the perspective of fostering global management cooperation, NSK has held the International Management Committee (IMC) meeting, where top regional managers discuss mid-term management plans, business strategies and fiscal year business budgets biannually at the Tokyo headquarters. The IMC goes beyond simply strengthening collaboration across regions and headquarters to serve as a platform for all regions to participate in global management. IMC meetings have been held for around 30 years.

Sales Breakdown by Region (based on customer location) / Number of Employees Breakdown by Region (consolidated)

(Year ended March 31, 2020)



Global Sites

	Head-quarters	Production Sites	Sales Sites	Representative Offices	R&D Centers
The Americas					
U.S.	1	7	9		1
Canada			2		
Mexico		2	1		
Brazil		1	5		1
Peru			1		
Argentina			1		
6 countries and regions Total	1	10	19		2
Europe/Middle East/Africa					
U.K.	1	4	2		1
Germany		1	2	2	1
France			1		
Italy			1		
Netherlands			1		
Spain			1		
Poland		4	3		1
Russia			1		
Turkey			1		
UAE			1		
South Africa			1		
11 countries and regions Total	1	9	15	2	3
Asia/Oceania					
Japan	1	20	31		7
Singapore	1		2		
Indonesia		3	2		
Thailand		2	5		1
Malaysia		2	4		
China	1	11	18	1	1
Taiwan			3		
South Korea		2	2		1
Philippines				1	
Vietnam			2		
India	1	5	10		1
Australia			4		
New Zealand			1		
13 countries and regions Total	4	45	84	2	11
Global Total	6	64	118	4	16

208 locations in **30** countries and regions

(As of March 31, 2020)



Interviews with Regional Management Interviews with the new heads of the 3 regions

China

Regional Information and Profile

Company History | NSK has been involved in Japan-China trade and technology exchanges since the 1960s. Based on this relationship, NSK established the Kunshan plant in 1995 as the first production site in China. Since the 2000s, NSK has been expanding the range of products such as industrial bearings, precision products, automotive bearings and steering components, and now has 11 production sites. As the Chinese market is expanding, NSK's business in China has also been growing with strengthened technology and sales management.

Sales



Profile

- **NSK Career**
Apr. 2020 Appointed as Senior Vice President and Head of All Chinese Operations
Jun. 2016 Appointed as Vice President and Deputy Head of All Chinese Operations
Apr. 2013 Joined NSK (China) Investment Co., Ltd., as CFO and Head of Corporate Management Division and China Automotive Steering Business Unit
- Previously served as Director of Finance, General Manager of a China business unit, and Director of International Marketing in an industrial and automotive component company in the U.S.



Senior Vice President
Head of All Chinese Operations
Guoping Yu

NSK's Growth Potential in the Chinese Market

The top priority in the China region for fiscal 2020 is to secure volume growth and profitability after the COVID-19 pandemic in an environment of increasing geopolitical risks especially between China and the U.S. The pandemic has significantly lowered Chinese consumer confidence and weakened the import/export markets. The political tensions between China and the U.S. will likely increase, which could make things tough for China's external growth environment. Despite such risks, NSK still has many growth opportunities in China. The Chinese government recently announced many new measures to stimulate the Chinese economy. In addition to increased investment in traditional infrastructure, the government will significantly increase investment in "New infrastructure" such as 5G, NEV charging, AI, big data analysis, industrial Internet and intercity transit systems. Moreover, NSK products, such as sensor technologies, coreless motors, robotics and servomotors, have huge potential in the new market fields of biomedical equipment, smart logistics and smart manufacturing. The government is also determined to improve environmental conditions in China. This could create additional long-term demand for NSK's environmentally friendly products. Local competitors have been improving their technology and quality capabilities, leading to more intense market competition. However, NSK China is well positioned in China through the localization of its production and supply chain over the past two decades. Furthermore, with China focusing more on high technology development and high-quality living standards, we believe NSK's advanced technologies are better positioned than those of local competitors. To further improve our competitiveness, NSK China will fully utilize our existing investments, control fixed costs and speed up the development of those new products and new businesses that are a good fit for the growing markets in China. To this end, we need to establish a more efficient decision-making process by reducing the barriers between the sales/marketing, manufacturing and R&D departments. We must intensify our efforts to understand the different technical paths of new products developed by customers and engage earlier in their development process. It is essential for us to strengthen our local design capability to develop products and manufacturing equipment suitable for the Chinese market.

Regional Management in China and NSK's Global Management

Regarding our local management, to achieve sustainable growth in the changing China market, the NSK China leadership team must prioritize the development and implementation of future growth strategies. We should work with the global Business Division Headquarters to identify market demand and growth opportunities and develop the right products and marketing strategies for these areas. Working in China, it is imperative to maintain communication and good relationships with various government agencies and industrial associations for information updates and policy support. We must continue to utilize outside advisory board meetings to get opinions of Chinese leaders outside of NSK. In terms of human resource development, we must do a better job in leadership training for our internal talent. To further promote localization, I expect our regional business leaders to be more proactive in developing initiatives with a positive mindset and a "can-do" attitude.

Regarding global management, NSK is strong in establishing and enforcing NSK's core values and corporate philosophy. NSK has a solid governance structure and matrix organization including the Business Division Headquarters, regional headquarters and Functional Division Headquarters to manage complicated global businesses. The localized regional management joining NSK's global management brings new and diversified perspectives to help improve business decisions.

I was born and grew up in China. Before joining NSK in 2013, I worked for a major global industrial and automotive component company in the U.S. for almost 20 years supporting Western and Chinese customers. While there, I had increasing responsibilities in financial management, operational and supply chain management, marketing and aftermarket leadership, and general management of a business unit. China is a distinctive place. I believe I can help NSK to further grow our business in China by utilizing my strength in understanding Chinese culture, my Western political and business sense and my understanding of NSK's global management policy. I will lead NSK China to be more customer-focused, mutually respectful of each other and committed to NSK's core values.

Regional Information and Profile

Company History NSK started to expand into Europe with the establishment of a sales subsidiary in Germany in 1963. The Peterlee plant (UK) started production in 1976 as the first production site for NSK in Europe. Subsequently, NSK has been growing its business while promoting M&A activities, and now has expanded its bases into 11 countries, including those in the Middle East and Africa, for which the Europe regional headquarters is responsible.

Sales



Profile

- **NSK Career**
Oct. 2019 Appointed as Vice President and Head of All European Operations
Feb. 2019 Joined NSK Europe Ltd. as COO
- Previously worked as Senior Vice President of Product Group in an auto component company in Europe
- Ph.D. on the wear of worm gears



Vice President
Head of All European Operations
Ulrich Nass

Regional Issues and NSK's Strengths

NSK has been actively expanding its business in Europe since the establishment of its first sales office in the 1960s. Europe is also a region where the leading global bearing companies established their bases early. Compared to those companies, NSK is still a niche player in this region. However, we can use this as a strength by focusing on our customers and understanding their specific needs. The true partnerships that we build with customers are rooted in the Japanese business culture, which is a unique attribute that a Western company cannot provide. In the end, business occurs between people who trust each other, so I believe that gaining customer trust is the most important aspect of our business. NSK is committed to strengthening our local sales and engineering capabilities in each European country to swiftly and flexibly meet the diversified needs and expectations of customers. We will continue improving our presence in Europe by enhancing relationships with our customers based on trust, reliability, flexibility and outstanding brand reputation in product performance and quality.

Characteristics of Europe and Our Organizational Initiatives

Europe is a region marked by diversity, with many different countries, cultures and languages. Understanding country-specific business cultures and speaking a customer's "language" are keys to successfully developing business in this region. Having worked most of my business life in global companies, one of my key observations is that the diversity of a business and of its people and cultures is a valuable asset of such organizations. NSK has been running the Global Management College with the aim of preparing highly qualified prospects for global responsibility. I think this is a good initiative to ensure that there is a strong network inside NSK by fostering a deeper understanding of regional characteristics and culture.

In developing human resources, one of my key values is that leadership is a non-hierarchical concept and a service to be given to people. This is a philosophy in which the leader exists not for leading and controlling the people in the hierarchical system but for supporting and serving them. Based on this concept, I have started a strategic initiative called "leaders who people want to be led by" to enable our employees at all levels to improve their leadership skills and experience.

From a technological perspective, I see a big need to improve the technology input from Europe to NSK. As Europe is one of the leading regions in the world driving innovations and technological improvement, NSK's innovation and technological development must understand European technological trends if we want to continue to stay on top with our products. More specifically, we are in the process of building the Technology Scouting Office (TSO) in Europe to strengthen our activities. It has been established to scout business opportunities for products or fields new to NSK and to function as a bridge for collaboration between technology departments in Japan and external organizations such as universities and companies in Europe.

Improving NSK's Global Management

NSK was an early promoter of localization in overseas operations. To further improve our global management while respecting diversity, the keys are active involvement in decision-making processes, a clear framework of local decision-making authority and a matrix structure that encourages teams to work across regions. The leadership shown by the headquarters, especially the corporate functions, is critical for this to be effective. Language skills and state-of-the-art communication tools are a necessary basis for such an approach. Global standards for processes, ICT infrastructure and ICT tools need to be developed in collaboration with the respective regions but clearly defined and communicated from the headquarters for all global locations. Product design needs to be standardized yet consider specific regional requirements and be flexible to country-specific needs. Product innovation should follow the same approach, with global trends and needs reflected in projects developed centrally to be applied globally. The global utilization of resources must be defined by the headquarters, for example, the establishment of a global back-office center to consolidate operations. Finally, it is essential to further develop local management while maintaining a common global vision. This will enable us to take advantage of our diversity and strengths, thus leading to NSK's growth as a truly global company.



Regional Information and Profile

Company History | NSK Americas operations began with the establishment of a sales base in the U.S. in 1962. The Company started producing bearings at plants in Brazil and the U.S. in the 1970s, later expanding to steering components and precision machinery products. In 1988, the Technical Center (now the NSK American Technology Center) was established in the U.S. to enhance technology services. Also, production of automatic transmission components commenced at a new plant in Mexico in 2017, leading to the further development of NSK Americas' business.

Sales



Profile

- NSK Career
Apr. 2020 Appointed as Vice President and Head of All Americas Operations
Apr. 2011 Appointed as CFO
Aug. 2009 Joined NSK Americas, Inc.
- Previously served as Finance Director after holding various finance positions at a global automotive fluid systems manufacturer



Vice President
Head of All Americas Operations
Brian Parsons

Importance of Talent Development

On assuming the role of Head of All Americas Operations, my highest priority is to continue to build on a key focus area we have been developing in the region for a number of years: talent development. Having talented people in the correct roles and allowing them to use their expertise and experience to deliver great results is the key to business success. Throughout my career, I have benefited from many opportunities to develop my experience in new areas and have received the support of management as I developed. It is therefore natural for me to help communicate the importance of talent development to others at all levels of our organization. I regularly participate in executive Q&A sessions for our regional development programs such as the Americas Regional College and the NSK Americas Women's Development Program. I have been able to share my experiences and opinions, and to better understand the challenges and concerns facing our leaders of tomorrow.

Key Issues in the Americas Market

Considering today's business environment for the Americas, there are two key themes: changes in international trade practice and world-leading high-tech innovation.

First, specific technical competence in international trade and compliance has become increasingly important in the past few years, and NSK Americas has established and developed a dedicated function responsible for supporting our businesses and managing these complex issues. Longer term, the complexity of global trade is compounding the risks associated with lengthy global supply chains. Lengthy supply chains generally absorb working capital. COVID-19 has been a forceful reminder of the physical risks associated with lengthy supply chains. The long-term response to this is the development of a local, capable, flexible supply chain, supporting NSK's manufacturing objectives and our customers' requirements.

Second, NSK Americas sees technology as a key to continuing to meet customers' requirements throughout our region. We are already working with several leading-edge companies including EV manufacturers and are a key supplier to high-tech industries such as medical and semiconductor. New technologies are expanding our products into new market segments, such as the hub bearing market for trucks in North America. Electrification continues to be a theme of technological development across our business, and we are successfully applying NSK's technology to increase our business in the growing medical markets. Alongside our product portfolio,

technology innovation also applies to our business processes. Our digital strategy is becoming increasingly important, such as interactive collaboration tools and full e-commerce support to quickly analyze, understand and address changing customer requirements in real time. While many technologically advanced customer requirements might originate in the U.S., the global nature of NSK means that in addressing these requirements we always work closely with our affiliates across the globe. We work closely with the Business Division Headquarters in Tokyo to communicate the latest technical trends. We also work with global manufacturing locations, suppliers and R&D centers, and this allows us to respond quickly to the latest customer requirements. Going forward, we would like to continue to strengthen NSK's global network by playing a role as a liaison to communicate the latest technological information.

Regional Management in the Americas and NSK's Global Management

Considering the management of the Americas as a geographically large region that stretches from north to south, we are focused on benefiting from the wide range of cultures that make up our region. Our executive leadership team has representatives from the U.S., Brazil, Mexico and Canada. We have team members on assignments between countries, which further helps build bridges and teams across our region. Our goal is to have a diverse leadership team, with strong local management, who have a thorough understanding of local customer requirements, local culture and our NSK culture.

Looking at NSK's global management team, it has representatives from many different countries and cultures. This is critical as many of the customers we serve have a similar global outlook and presence. This diverse management team brings huge benefits to NSK in collaborative projects such as the development of global financial systems and developing and delivering bearings for global customer platforms. I think being able to work with colleagues from different countries, exchange ideas, share experiences and visit global locations is not only beneficial to our business but also hugely enjoyable for the people involved and is a great motivator for our employees. NSK's Business and Functional Headquarters have developed and expanded global interaction over the past few years, and I believe that further regional involvement in strategy setting would benefit NSK globally and continue this evolution.

Foundation Supporting Sustainability

Risk Management

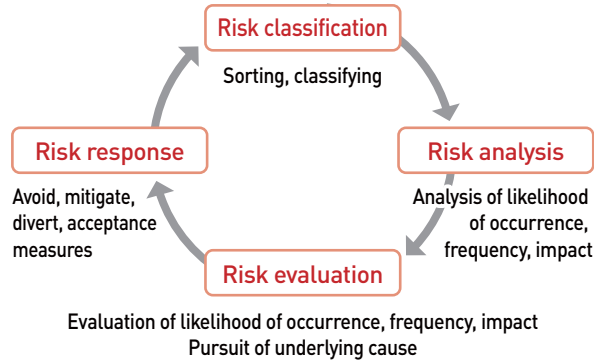
NSK works to build a risk management system based on clearly stipulated fundamental principles aimed at effectively enabling global Group management and internal control functions. Every year, all of the business sites perform their own risk assessment, classifying, analyzing and evaluating risks in accordance with changes in the social environment, the frequency of risk occurrence, the size of impact, and other factors to identify risks that should be addressed. The Corporate Planning Division Headquarters and the Finance Division Headquarters coordinate with business, regional and functional headquarters with regard to risks at each division and each business site, which are managed in accordance with prescribed reporting systems. While putting in place preventive measures, the Company devises steps to swiftly and appropriately take action in

the unfortunate event a risk should actually be manifested, and then works to mitigate impact.

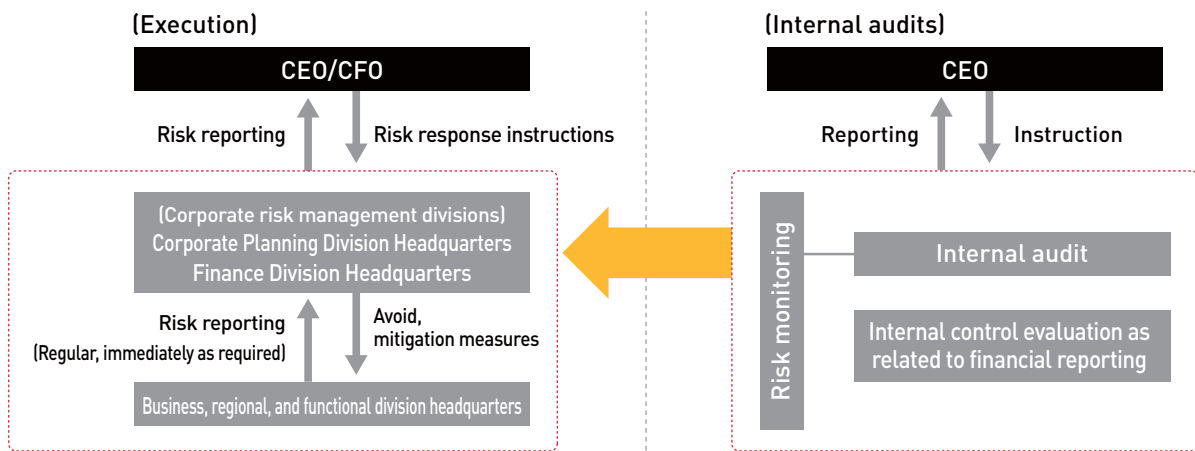
In addition, the internal audit division coordinates with the Audit Committee to monitor the tasks carried out by executive divisions, build an internal control system and audit operational status.

As NSK's business activities spread to more areas, the range of anticipated risks also widens. However, the Company has identified 10 types of representative risks deemed of high importance according to what they entail and likelihood of occurring, their degree of impact and mitigation measures. Among the risks we present, the 3 types outlined in 1, 2, and 6 could lead to business opportunities for NSK, and we include details concerning these as well.

Risk Management Flow

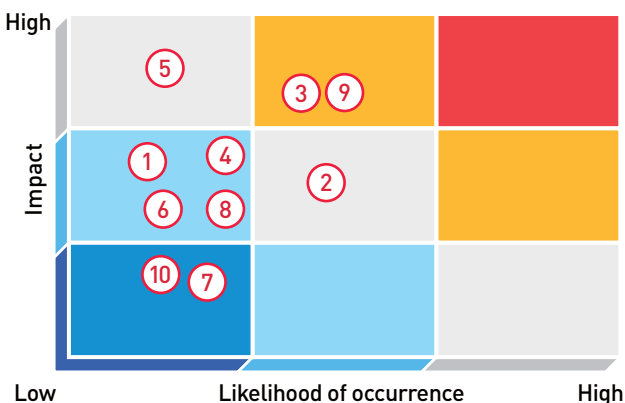


Risk Management System

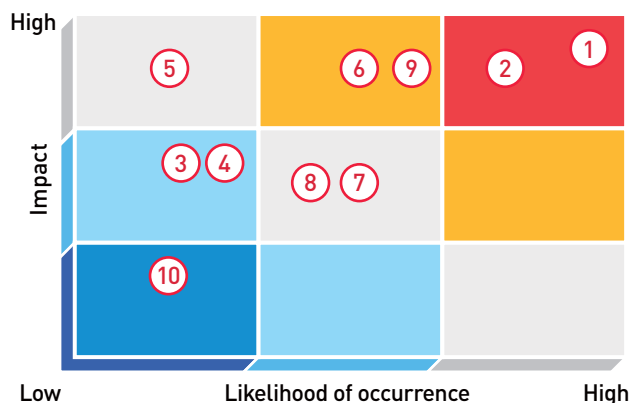


Risk Heat Map

Short-term risk: 1-2 years



Long-term risk: 10 years





Representative Risks and Mitigation Measures

Risk Types	Details of Representative Risks	Risk Mitigation Measures
① Risk associated with changes to technology innovation, and the market or competitive landscape	<ul style="list-style-type: none"> ● Risk of delayed product engineering response to market changes and customer technology demands brought on by technological innovation such as CASE and IoT ● Risk of being unable to respond to an increasingly competitive market populated by rival companies and new market entrants <p>Opportunity Generation and expansion of new businesses brought about by the introduction of new products and new technology ▶PP. 21, 27, 29, 43</p>	<ul style="list-style-type: none"> ● Understand the needs through close relationships with a broad range of customers ● Continually allocate resources to develop new products and new technology ● Leverage open innovation and alliances
② Risk related to local situations and dependency on specific region	<ul style="list-style-type: none"> ● Risk of change in the economic environment of a specific region in which the Company conducts business, and of the impact of falling into political instability ● Risk associated with halt in operations on account of deteriorating public order, outbreak of riots or terrorism ● Risk associated with business continuity in the event the supply chain breaks down ● Risk of overemphasis on Asia, particularly China <p>Opportunity Business expansion in important regions other than China, such as Europe, ASEAN and others ▶PP. 44-47</p>	<ul style="list-style-type: none"> ● Expand and enhance a balanced presence in other regions ● Get an early grasp of information on dangers by strengthening ability to gather information from each region ● Leverage our global network that has the principle of local production, local procurement
③ Risks associated with safety, prevention of fire and disaster, and pandemics	<ul style="list-style-type: none"> ● Risk of major industrial accident occurring ● Risk of halt in operations due to mistaken BCP measures to address fires or natural disasters ● Risk of being unable to secure a comfortable and safe working environment in neighboring regions, or for employees ● Risks associated with the global outbreak of new infectious diseases 	<ul style="list-style-type: none"> ● Strengthen and nurture safety awareness, thoroughly educate and enlighten employees ● Share case studies from other locations introducing what went right, and what went wrong ● Conduct simulations of anticipated scenarios, prepare disaster countermeasures, formulate a business continuity plan ● Implement thorough measures to prevent infection when an outbreak of an infectious disease occurs, including development of responsive procedures
④ Risk associated with quality	<ul style="list-style-type: none"> ● Risk of compensation claims due to significant quality defects ● Risk associated with insufficient response due to improper quality assurance system or quality control management ● Risk of spoofed, falsified quality data 	<ul style="list-style-type: none"> ● Secure high quality by strengthening process management aimed at enhancing design and product quality ● Realize zero defects through continued quality improvement activities ● Create a system to prevent data falsification and conduct thorough training
⑤ Risk with regard to compliance	<ul style="list-style-type: none"> ● Risk of violating laws and regulations due to employee carelessness or misunderstanding, etc. ● Risk of losing the trust of society due to bearing responsibility for criminal, civil and administrative acts associated with the above 	<ul style="list-style-type: none"> ● Undertake education on strict adherence to laws and regulations, create a corporate culture and atmosphere interwoven with morals and manners ● Review compliance systems, policies, and related rules on an as needed basis to strengthen and improve ● Promote specific measures related to strengthening compliance, follow up to confirm on the status of implementation
⑥ Risk concerning the environment	<ul style="list-style-type: none"> ● Risk of not progressing toward attaining reduction in CO₂ emissions (60% reduction in emissions in 2050) and other specific goals related to the environment ● Risk of being unable to respond to changes in environment-related laws and systems, or to evolving environment-related technologies and market needs <p>Opportunity Expand sales of environmentally friendly products ▶PP. 21, 31</p>	<ul style="list-style-type: none"> ● Formulate and implement environmental action plans through a special committee dedicated to environmental protection ● Understand information, and formulate and implement specific response measures, in order to conform to environment-related laws and systems ● Acquire external certifications in the development, design, production and distribution divisions that pay careful attention to environment-related issues, and manage thoroughly according to reviews by third-party institutions
⑦ Risk associated with human resources and labor	<ul style="list-style-type: none"> ● Risk of being unable to secure globally competent human resources, consequently hindering business expansion and execution of strategy ● Risk of impact on operations due to deteriorating labor relations 	<ul style="list-style-type: none"> ● Strengthen and thoroughly implement human resource management policies such as leveraging a diverse workforce, building more engaging workplaces, providing opportunities for growth ● Undertake measures to bolster engagement and systems, including support for females, elderly and people with disabilities to play an active role, conduct employee awareness surveys and Employee Relations (ER)
⑧ Risk with regard to procurement	<ul style="list-style-type: none"> ● Risk of procurement of raw materials or components being hindered by dependency on a specific source of supply, occurrence of quality issues, insufficient supplier production capacity, etc. ● Risk of impact from rising costs for raw materials or components ● Risk that CSR procurement initiatives will not make progress 	<ul style="list-style-type: none"> ● Build a firm understanding of the Company's basic policy through procurement policy briefings, NSK Supplier CSR Guidelines, procurement standards, use of whistleblowing system and other measures ● Cultivate and educate new suppliers based on high and increasingly sophisticated assessed purchasing capabilities ● Conduct supplier BCP inspections, as well as quality, environmental, and CSR audits, and support supplier improvement
⑨ Risk associated with information and communication technology (ICT)	<ul style="list-style-type: none"> ● Risk of decline in competitiveness due to lagging sophistication of IT systems ● Risk of decline in business efficiency due to loss of stability in IT system that underpins business operations ● Risk of halt in operations or loss of trust from society on account of insufficient measures or lack of IT security to defend against cyber-attacks and other external threats 	<ul style="list-style-type: none"> ● Maintain and raise technology level by pursuing new IT system technology and field trial deployment ● Ensure stability through backup and redundancy of IT system infrastructure and standardized system support ● Build and strengthen a management structure relevant to cyber security risks and educate and enhance knowledge internally with regard to information security, acquire external certifications
⑩ Risk related to finance	<ul style="list-style-type: none"> ● Risk relating to the collection of accounts receivable due to sales destination trust problems ● Risk of cost burden from problems that arise related to quality, litigation concerning business activities ● Risk of procurement of necessary funds, cash flow ● Risk related to mistakes in accounting procedures 	<ul style="list-style-type: none"> ● Identify issues early by ascertaining information from the risk reporting system in a timely manner, and respond to issues swiftly through close collaboration with relevant divisions ● Perform Group management and increase effectiveness based on the internal control system

Impact of and Response to the Novel Coronavirus

The global spread of the novel coronavirus, COVID-19, is posing a major risk to our business operations in the year ending March 31, 2021. There are signs that the pandemic is pushing down sales due to a variety of factors. This includes the drastic reduction in the number of automobiles being manufactured and weak demand in the industrial machinery sector owing to the stagnation across a wide range of economic activities. Depending on when COVID-19 will come to an end, there are concerns that the risk could be prolonged. NSK is putting the safety and security of its customers, business partners and employees first, and thoroughly implementing measures to prevent the spread of COVID-19. At the same time, we are promoting work style reform in preparation for a post-corona world through measures that include working from home and encouraging the use of online conferencing systems. In addition to efforts aimed at securing our supply chain and liquidity on hand in order to ensure business continuity, we are working to strengthen our corporate foundation by sharpening our competitive edge and restoring profitability.

Compliance

NSK's Approach

NSK has positioned compliance as one of its core values. For NSK, compliance goes beyond adherence to laws and regulations. It also entails acting in accordance with internal rules, social norms and the Corporate Philosophy in a sincere and fair manner. Moreover, compliance means earning the trust of society and contributing to the development of the economy and society in Japan and around the world.

Policy

NSK Group aims to continue developing as a company that is trusted by international society and local communities by adhering to the laws and regulations of each country in its corporate activities around the world, and by taking actions based on high ethical standards as a corporate citizen.

To that end, the Group has put in place policies and a management system related to compliance, constantly enhances its education and training for officers and employees, conducts internal audits and has established the Compliance Hotline. It also strives to fulfill its corporate social responsibility through initiatives such as preventing information leaks and addressing issues related to conflict minerals.

● NSK's Efforts to Enhance Compliance

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

Item	NSK Group Initiatives
Strengthening Systems	Established the Compliance Committee (meetings held 3 or 4 times a year)
	Established the Compliance Enhancement Office (a dedicated organization)
	Holds Global Legal and Compliance meetings (twice a year) with legal and compliance representatives outside Japan
	Holds a Compliance Conference (twice a year) with compliance representatives in Japan
Establishing Relevant Regulations & Systems	Distributed the NSK Compliance Guidebook to officers and employees (revised in 2018)
	Established the Rules for Compliance with the Competition Law
	Revised the Hotline Operational Rules to reflect the Consumer Affairs Agency's guidelines concerning the operation of internal reporting systems
	Revised Internal Regulation for Preventing Insider Trading, introduced a prior approval system for selling NSK stock and prohibited buying of NSK stock on the open market
	Established Anti-Bribery Standards
Strengthening Education and Awareness Raising Activities	Formulated Personal Information Management Regulations
	Regularly distributed the president's message calling for thorough compliance
	Implemented compliance e-learning for officers and employees
	Conducted compliance training at sales divisions, plants, engineering sections and Group companies
	Started a regular Compliance Newsletter
	Designated July 26 as "NSK Corporate Philosophy Day"
	Conducted a compliance slogan contest during compliance month (July 26–August 31)
Strengthening Monitoring	Internally shared compliance violation information
	Conducted internal audits of sales divisions relating to Antimonopoly Act compliance
	Inspected specific categorical risks in compliance for the NSK Group
	Conducted an employee engagement survey for the NSK Group (compliance awareness survey)

● Main Initiatives in Fiscal 2019

1. NSK Corporate Philosophy Day

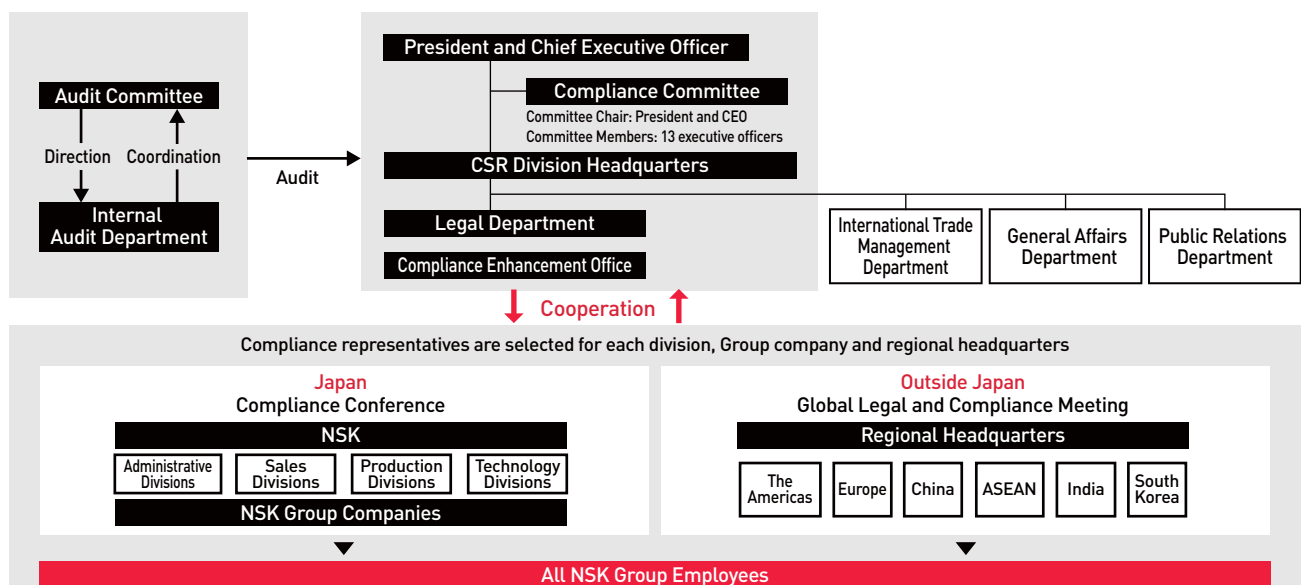
To revisit the lessons learned from past incidents, reconfirm the resolve of all NSK Group employees that no anti-competitive incident will ever occur again and ensure that all employees review the Corporate Philosophy and make it their own code of conduct, July 26 has been designated as "NSK Corporate Philosophy Day."

In fiscal 2019, employees at our domestic and overseas bases watched videos titled "Message from the President," "Understanding Our Corporate Philosophy" and "A Look Back at the Cartel Incident." In Japan, employee questions were answered about the Corporate Philosophy and examples of how the Corporate Philosophy is put into practice were shown. Overseas, after a message from the management of local bases, each site held its own events that included lectures by outside experts and discussions on compliance.

2. Employee Engagement Surveys (Compliance Awareness Surveys)

An employee engagement survey was conducted with the Human Resources Department with the objective of assessing the level of awareness of compliance and state of work environments, in terms of motivation and opportunities for growth for each employee. In fiscal 2019, we addressed issues that were identified in the fiscal 2018 survey in Japan, namely enhancing awareness of compliance in manufacturing divisions and further improving the reliability of a whistleblowing system. In addition, we conducted surveys in some regions overseas. A total of 15,518 officers and employees answered the survey.

NSK Group Compliance System (As of August 2020)





Corporate Governance

NSK's Approach

NSK believes that the establishment and maintenance of systems that ensure transparent, fair and timely decision-making is essential in order to achieve sustainable growth and increase our mid- to long-term corporate value. To realize this objective, we are working to construct our corporate governance systems based on the following 4 guiding principles.

Policy on Development of Corporate Governance Systems

We aim:

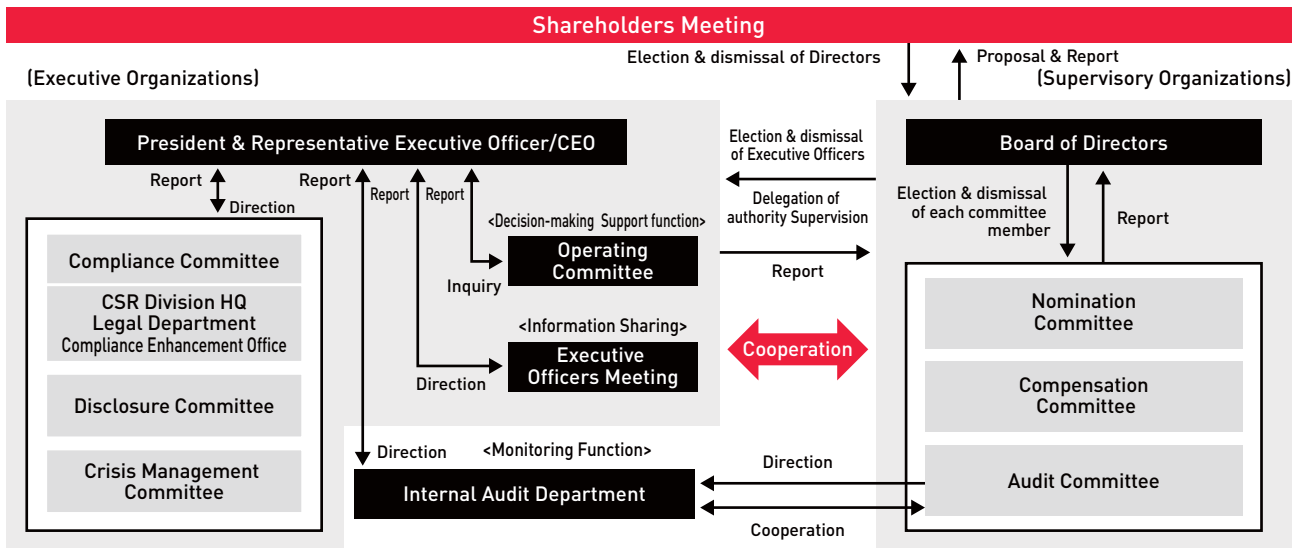
- 1 To increase the efficiency and agility of management by proactively delegating decision-making authority regarding the execution of operations from the Board of Directors to the Company's executive organizations.
- 2 To ensure that supervisory organizations have oversight of executive organizations by clearly separating the two.
- 3 To strengthen supervisory organizations' oversight of the executive organizations by ensuring cooperation between the two.
- 4 To improve the fairness of management by strengthening compliance systems.

Corporate Governance Systems

● Current Systems and Operating Status

NSK has adopted a Company with Three Committees (Nomination, Audit and Compensation) as its form of corporate organization to better achieve the basic approach. NSK's Board of Directors determines basic management policies, etc., with the aim of achieving the Group's sustainable growth and increasing mid- to long-term corporate value. The Board proactively delegates decision-making authority regarding business execution to executive organizations, while supervising the status of implementation in an appropriate manner. The CEO has the ultimate authority and responsibility for all decision-making and operational executive functions delegated by the Board. Under the direction of the CEO, executive officers are responsible for executing their respective duties in accordance with the division of duties.

● NSK's Corporate Governance Structure



● Roles and Structure of Supervisory Organizations (As of August 2020)

○ Internal director
 ● Outside director (Men)
 ● Outside director (Women)

Organizations	Board of Directors	Nomination Committee	Audit Committee	Compensation Committee
Structure	<p>Chair 9 members (4 internal directors, 5 outside directors) ● Majority outside directors</p>	<p>Chair 3 members (2 outside directors, 1 internal director) ● Majority outside directors ● Chair : Outside director</p>	<p>Chair 4 members (3 outside directors, 1 internal director) ● Majority outside directors ● Chair : Outside director</p>	<p>Chair 3 members (2 outside directors, 1 internal director) ● Majority outside directors ● Chair : Outside director</p>
Objectives and Authority	<ul style="list-style-type: none"> ● Passes resolutions related to basic management policies, etc. (including delegation of duties to executive officers) ● Supervises execution of duties by executive officers 	<ul style="list-style-type: none"> ● Determines the content of proposals submitted to the Shareholders Meeting regarding the appointment or dismissal of directors 	<ul style="list-style-type: none"> ● Audits the duties of directors and executive officers ● Creates audit reports ● Determines the content of proposals related to appointment or dismissal of the accounting auditor, and other matters 	<ul style="list-style-type: none"> ● Determines policies on the compensation of directors and executive officers ● Determines the individual compensation provided to directors and executive officers, and others matters
Secretariat	Corporate Planning Division Headquarters, Secretariat Office	Human Resources Management Division Headquarters, Corporate Planning Division Headquarters	Internal Audit Department	Human Resources Management Division Headquarters
Number of times convened in FY2019	10	8	15	5

Corporate Governance

● Changes to NSK's Corporate Governance Systems

	1999~	2004~	2006~	2015~
Form of Corporate Organization	1999 ● Adopted an executive officer system	2004 ● Transitioned to a Company with Committees System	2006 ● Transitioned to a Company with Committees	2015 ● Transitioned to a Company with Three Committees (Nomination, Audit and Compensation)
Committee	1999 ● (Voluntary) Established a Compensation Committee 2003 ● (Voluntary) Established an Audit Committee	2004 ● (Voluntary) Established a Nomination Committee ● Established Nomination, Compensation and Audit committees based on the Companies Act of Japan		2018 ● Chairs of three committees all outside directors
Outside Director	1999 ● 1 outside director 2003 ● 2 outside directors	2004 ● 3 outside directors 2005 ● 4 outside directors	2010 ● Established criteria for the independence of NSK's outside directors ● Each of the Company's outside directors registered with the Tokyo Stock Exchange as an independent director	2018 ● 5 outside directors
Others	2002 ● Established the Crisis Management Committee	2004 ● Established the Internal Audit Office (current Internal Audit Department) to undertake auditing functions and monitor the operations of the Company 2005 ● Established the Information Disclosure Team (current Disclosure Committee)	2006 ● Established the Internal Control Project Team (later merged into the current Internal Audit Department) 2012 ● Established the Compliance Committee	June 2020 ● Outside directors a majority on the Board of Directors

Initiatives to Further Enhance Effectiveness of the Board of Directors

● Officer Training

NSK provides training to its directors and executive officers to enhance their knowledge regarding relevant laws such as the Companies Act of Japan, corporate governance, its business and financial status.

We also hold executive sessions several times a year related to the direction of our business strategies and CSR/ESG management-related topics.

● Active Board Deliberations

To achieve active Board deliberations, NSK believes that it is important to provide information to directors in advance of the meeting date. We provide information in an appropriate manner, including distributing materials to all directors in advance, and prior explanation by officers and the Board secretariat.

● Evaluation of Effectiveness of the Board of Directors

In order to achieve sustainable growth and increase our med- to long-term corporate value, NSK conducts annual assessments of the effectiveness of its Board function and works to further enhance performance. To maintain the objectiveness of these assessments, they are commissioned to external experts and conducted based on questionnaires and interviews. Findings are subsequently discussed by the Board.

Main Content of Questionnaire

The main content of the questionnaire conducted in fiscal 2019 is outlined below.

- Role of the Board of Directors (including deliberating on management strategies, monitoring operation of internal control systems)
- Composition and balance of the Board of Directors
- Operation of the Board of Directors
- Operation of advisory committees (Nomination/Compensation/Audit Committees)

Assessment Results

Continuing from the previous year, an assessment in fiscal 2019 by external experts found that the assessment concluded that the Board of Directors maintained a high level of effectiveness.

- The decision-making authority delegated by the Board of Directors and the Board's supervision of executive directors' duties is appropriate.
- Outside directors gave useful opinions based on their extensive knowledge of and experience in corporate management, finance, accounting and technology at Board of Directors' meetings.
- Discussions are advancing in terms of technology and global management.

Going forward, we will continue working to improve the effectiveness of our Board of Directors, consisting of a majority of outside directors, by further strengthening our corporate governance system and focusing on discussions regarding the direction of long-term management.



Outside Directors

● Selection Standards

NSK expects outside directors to contribute to enhancing and reinforcing the Company's corporate governance, achieving sustainable growth and increasing mid- to long-term corporate value. When electing outside directors, we verify requirement as follows:

- Persons who have neither a special interest with the Company nor a conflict of interest with regular shareholders
- Persons who meet NSK's criteria for independence
- Persons who have considerable experience and deep insight as a corporate executive or as experts
- Persons who can devote sufficient time to perform duties as an outside director of NSK

The Nomination Committee determines outside director candidates who meet the above criteria. The criteria for the independence of NSK's outside directors can be found on the website below:

📄 <https://www.nsk.com/company/governance/index.html>

These criteria satisfy those of the Tokyo Stock Exchange, Inc.

● Supporting System

NSK provides opportunities for outside directors to attend meetings of the operating organizations and visit business facilities in Japan and overseas, which enables them to learn directly about the state of business execution in order to deepen their understanding of NSK's business and matters specific to NSK.

In addition, NSK holds meetings comprised of outside directors to facilitate information exchange and foster shared understanding among outside directors and executive officers. While valuing these meetings as an opportunity to freely share opinions, the Board secretariat follows up on any relevant matters as appropriate to improve the effectiveness of the Board of Directors.

Fiscal 2019 results

- Visited domestic business facilities (production bases and technology bases)
Visits to 7 locations, with 9 outside directors participating in all
- Meetings of executive organizations
All outside directors participated
- External exhibitions
4 outside directors attended

● Outside Director Attendance and the Three Committee Systems

● Chair ○ Members

Name	Date Appointed as Director	Attendance at Board of Directors and Committee Meetings in FY2019				Composition of Each Committee from June 2020		
		Board	Nomination	Audit	Compensation	Nomination	Audit	Compensation
Teruhiko Ikeda	June 2015	○ 100% (10/10)		○ 100% (15/15)	● 100% (5/5)	—	—	—
Hajime Bada	June 2018	○ 90% (9/10)	● 100% (8/8)			●		
Akemi Mochizuki	July 2018	○ 100% (10/10)		● 100% (15/15)			●	
Toshio Iwamoto	June 2019	○ 100% (7/7)			○ 100% (4/4)			○
Yoshitaka Fujita	June 2019	○ 100% (7/7)	○ 100% (7/7)			○	○	
Mitsuhiro Nagahama	June 2020	—	—	—	—		○	●

※Each of the outside directors has been registered with the Tokyo Stock Exchange as an independent director.

※On June 25, 2019, Toshio Iwamoto was appointed to the Board of Directors and Compensation Committee, and Yoshitaka Fujita was appointed to the Board of Directors and Nomination Committee. Accordingly, the number of meetings of the Board of Directors and the three committees and the number of meetings subject to attendance in fiscal 2019 differ.

※Teruhiko Ikeda retired as director on June 30, 2020.

Internal Control

Having stipulated its basic policy on the establishment of internal control systems, which forms its basic policy for the appropriate and effective functioning of global Group management and internal control functions, NSK is working to strengthen its Group-wide internal control systems. This basic policy consists of matters relating to the development of the systems necessary for ensuring that the NSK Group's operations are conducted in an appropriate manner—and that Executive Officers comply with laws, regulations and the Articles of Incorporation when performing their duties—and matters necessary for the Audit Committee in the performance of its duties.

The Board formulates this basic policy, periodically confirms the development of systems as well as the status of operations and oversees effectiveness. Based on this policy, Executive Officers establish the

specific systems (covering the organization, personnel, decision-making, reporting and auditing as well as the internal rules and regulations system that supports them) while reporting on the status of operations to the Board of Directors. Reporting directly to the CEO, the Internal Audit Department is responsible for conducting audits to determine the legality, adequacy, and efficiency etc. of operations and for the monitoring of business execution from a standpoint independent from the auditees.

The Audit Committee utilizes the internal control system to audit the performance of operations and conducts audits to ensure that the internal control system is constructed and operated in a satisfactory manner. The Internal Audit Department shall collaborate with the Audit Committee and provide support to audits conducted by the Audit Committee.

Response to Japan's Corporate Governance Code

NSK complies with all principles of the Corporate Governance Code and outlines its policies in the Corporate Governance Report that it submits to the Tokyo Stock Exchange, Inc. Please access the website below for NSK's corporate governance reports in English.

📄 English:<https://www.nsk.com/company/governance/index.html>

Corporate Governance

Directors/Officers' Compensation

Compensation for Directors and Executive Officers, Policy on Determining Compensation Amounts and Calculation Methods

As a Company with Three Committees (Nomination, Audit, and Compensation), NSK makes decisions on executive compensation structure, compensation levels, and individual compensation, etc., at a Compensation Committee chaired by an independent director, and based on advice from external consultants as well as objective information on compensation levels and trends at other companies.

The Company will determine compensation for director and executive officer positions separately. When a director also serves as an executive officer, the total of each respective compensation amount shall be paid. For directors who also serve as executive officers, stock-based compensation will not be provided for the director position.

1. Executive Officers' Compensation

The compensation package for executive officers consists of a fixed basic compensation and a performance-based compensation that fluctuates with performance. The Company will target a compensation ratio of roughly 4:6 of fixed compensation to performance-based compensation.

Executive officer compensation package

① Basic compensation	② Performance-based compensation	
	a) Short-term performance-based compensation	b) Mid- to long-term performance-based stock compensation

← 4 6 →

① Basic compensation

The amount of basic compensation is determined according to the title of the executive officer. Moreover, an additional amount will be paid to executive officers with representation rights.

② Performance-based compensation

The performance-based compensation consists of a short-term performance-based compensation and a mid- to long-term performance-based stock compensation.

a) Short-term performance-based compensation

The short-term performance-based compensation will be determined based on metrics consistent with management goals to increase profitability, raise efficiency of shareholders' equity, and improve corporate value: metrics related to the operating income margin, ROE and cash flow, as well as an achievement target for ESG goals for CO₂ emission reductions and safety and quality improvement. The individual's level of achievement in their designated job duties is also evaluated when determining the amount of compensation paid to each executive officer.

b) Mid- to long-term performance-based stock compensation

To further incentivize contributions to the sustainable improvement of corporate value, to ensure they share the interests of shareholders and to further reinforce the link between executive officer compensation and the mid- to

long-term stock price, the Company has introduced in the fiscal year ending March 2020 a performance-based stock compensation program using a Board Benefit Trust system. Through the system, points are fixed after 3 years based on a relative evaluation of the Company's total shareholder return (TSR) through a comparison with the TOPIX growth rate, the equivalent for which Company shares are then distributed upon retirement. However, for a certain portion of the above, the NSK will compensate executive officers with the equivalent amount acquired by converting shares into cash.

2. Directors' Compensation

The compensation package for directors consists of a fixed basic compensation and fluctuating stock compensation.

① Basic compensation

Basic compensation is determined based on whether the director is an outside director or an internal director in addition to the director's role on committees to which the director belongs and the Board of Directors.

② Stock compensation

To further incentivize contributions to the sustainable improvement of corporate value and to ensure they share the interests of shareholders, the Company has introduced a stock compensation program using a Board Benefit Trust system. The system distributes Company shares upon retirement based on points allocated each fiscal year, of which separate amounts are given for outside and internal directors. However, for a certain portion of the above, the Company will compensate executive officers with the equivalent amount acquired by converting shares into cash. For directors who also serve as executive officers, stock-based compensation will not be provided for the director position.

3. Other

In addition, in the event a member of a management team of another company such as a subsidiary or an affiliate, etc., assumes an executive officer position, compensation will be determined separately.

Compensation Total by Classification of Directors/Officers and Compensation Type and No. of Directors/Officers

The amount of compensation for directors and executive officers between April 1, 2019, and March 31, 2020, was as follows.

Classification	Compensation, etc., Total (¥ Millions)	Basic Compensation		Short-term Performance-Based Compensation		Stock Compensation	
		No. of Directors/Officers	Amount (¥ Millions)	No. of Directors/Officers	Amount (¥ Millions)	No. of Directors/Officers	Amount (¥ Millions)
Directors (internal)	72	7	65	—	—	1	7
Directors (outside)	77	7	61	—	—	7	15
Executive Officers	1,447	33	1,058	31	110	36	279

1. Compensation (excluding stock compensation) for directors (internal) includes compensation for directors who also serve as executive officers.
2. The amount of performance-based salary is the planned amount to be paid on July 1, 2020, based on the results for the year ended March 31, 2020. The amount of performance-based salary paid on July 1, 2019, based on the results for the year ended March 31, 2019, was ¥410 million.
3. The amount of stock compensation is the amount recorded as expenses for the current fiscal year.
4. Figures listed above are rounded down to the nearest one million yen.

Directors/Officers Receiving a Total of ¥100 Million or More in Consolidated Compensation

The amount of compensation for directors and executive officers between April 1, 2019, and March 31, 2020, was as follows.

Name	Consolidated Compensation, etc., Total (¥ Millions)	Title	Company	Amount for Each Item of Consolidated Compensation, etc. (¥ Millions)		
				Basic Compensation	Short-term Performance-Based Compensation	Stock Compensation
Adrian Browne	103	Executive officer	NSK	87	14	1
Jean-Charles Sanchez	129	Executive officer	NSK	119	7	2



Takeover Defenses

NSK renewed its response measures to large-scale purchases of the Company's shares ("Takeover Defenses") after obtaining shareholder approval at the Ordinary General Meeting of Shareholders held in June 2020. At the Ordinary General Meeting of Shareholders, the resolution passed with 74.17% approval (reference: the previous resolution to maintain these measures passed with 71.03% approval in June 2017).

NSK is a stock company whose shares are traded on capital markets, and therefore, NSK believes that, in the case of a large-scale purchase of its shares, the decision whether to accept such a purchase should ultimately be left to the shareholders.

In light of recent social and economic conditions, as well as the state of the capital markets, however, there is a possibility that a sudden and unsolicited large-scale purchase of the Company's shares could occur without necessary and sufficient information being disclosed, and without an opportunity to consider the proposal being given to the shareholders and investors of the Company,

or without NSK's Board of Directors being provided with the information and time to express its opinion and make an alternative proposal. Such large-scale purchases of shares could damage the Company's corporate value and the common interests of its shareholders, such as the case in which a purchaser does not intend to manage the Company reasonably or in good faith.

For this reason, NSK decided to introduce and subsequently renew Takeover Defenses for the purpose of securing and enhancing corporate value and the common interests of its shareholders, believing that shareholders, who will make the final decision on buying and selling stock, should have an adequate understanding of any proposals for the large-scale purchase of shares by the Large-Scale Share Purchaser, so they can make an appropriate decision.

For details of NSK's Takeover Defenses, please see the "Continuation of the Response Measures to Large-Scale Purchases of the Company Shares (Takeover Defenses)," which is published on the Company's website at the address below:

<https://www.nsk.com/company/governance/index.html>

Major changes as of June 2020:

1. Members of the Independent Committee are appointed from Independent directors.
2. It was clarified that no money or other economic benefits will be transferred in consideration for the acquisition of new share options allotted to the Large-Scale Share Purchaser.
3. The countermeasure of the Takeover Defenses was limited to an allotment of share options without contribution.

NSK Receives "2019 Corporate Governance of the Year" Award

NSK was selected as a "Winner Company" in the 2019 Corporate Governance of the Year Awards* administered by the Japan Association of Corporate Directors.

The Corporate Governance of the Year award was established by the Japan Association of Corporate Directors in 2015. The award is bestowed on companies operating in Japan based on their initiatives to revamp governance structures toward realizing healthy and sustainable business growth over the mid- to long- term. Evaluation also includes measuring company compliance with the Corporate Governance Code set out by the Tokyo Stock Exchange and the Practical Guidelines for Corporate Governance Systems defined by the Ministry of Economy, Trade and Industry.

As a result of its evaluation, the Award Committee selected NSK as a "Winner Company" for management that takes corporate governance into account and for conducting initiatives to revamp governance structures toward realizing healthy and sustainable business growth over the mid- to long- term.

Moving forward, NSK will continue to evolve and adapt its governance structures to further enhance the sustainability of the Company and its operations over the long term.

*"Corporate Governance of the Year" is a registered trademark of the Japan Association of Corporate Directors.



At the award ceremony on February 25, 2020, Yoshihiko Miyauchi (left; Chairman of the Japan Association of Corporate Directors) and Saimon Nogami (right; Senior Executive Vice President of NSK).

Interview with NSK's Outside Directors



Toshio Iwamoto

Outside Director, Independent Director

Chief Corporate Adviser of NTT Data Corporation,
External Auditor of IHI Corporation,
Outside Director of Daiwa Securities Group Inc.

Yoshitaka Fujita

Outside Director, Independent Director

Executive Advisor of
Murata Manufacturing Co., Ltd.

NSK has adopted a “Company with Three Committees” system as its organizational design and is engaged in efforts to enhance its corporate governance system in order to increase sustainable growth and mid- to long-term corporate value. Just this year, the Company restructured its Board of Directors to include a majority of outside directors.

We asked some of these outside directors for their thoughts on corporate governance at NSK.

Q1

What are your thoughts on the role expected of you as an outside director and on NSK's future business strategy?

Mr. Iwamoto

I come from a company that has expanded globally in the IT sector. Coincidentally, I conducted research on bearings when I was a student, so I believe that I have a solid understanding of bearing technology. From what I have seen in the year since being appointed as an outside director, I think that NSK is a truly focused and outstanding company. That being said, I feel that NSK has a strong tendency to think of the future of its business within the confines of the Company's relationship with its customers, end product manufacturers. In considering the future of the business 10 or 20 years down the road, it is important to think proactively, one or even two steps ahead, about a larger vision and strategy. This is where I think I can apply my experience.

Mr. Fujita

I was the CFO of an electronic components manufacturer that has expanded its business globally. Since it was a business-to-business company like NSK, I have experienced a similar type of organizational management and business operations. Throughout that experience, I paid close attention to developing and executing strategies to gain a competitive edge. Although NSK's main market and core technologies are different, I strive to offer recommendations on what it will take to set NSK apart from the competition in the manufacturing industry and

increase profitability. I also have overall management experience in finance, human resources, IT and intellectual property, and hope to offer advice in these areas as well.

Q2

With regard to governance, NSK works to clearly separate the functions of oversight and execution of business operations in the way it runs its Board of Directors. What do you think NSK's strengths are in this area, and what do you think NSK should change?

Mr. Iwamoto

NSK has increased the number of outside directors and is making a considerable effort to shift the Board of Directors into a monitoring role. In doing so, the execution of business operations will be left to the executive officers, and the Board of Directors will focus on oversight. I think that this change in itself is great, and we will do our best to fulfill our newly focused role. Now, as to what said monitoring and oversight specifically entails, that is an area of concern for companies around the world.

This is where the Audit Committee becomes essential. I believe that NSK is now in a transitional period during which the Audit Committee must determine whether the execution of business operations is actually in keeping with laws and ordinances, and whether it contributes to the growth of the Company. To that effect, it is extremely important to discuss what kind of company NSK will become and what it will offer to all its stakeholders.



Without first clarifying this, the Company will not be able to determine how to execute business operations, much less how to monitor them.

Mr. Fujita

No matter what organizational structure a company adopts, it cannot increase its corporate value through monitoring alone. Therefore, management is vital. The Board of Directors should not only determine the details of executing business operations but also engage in broader discussions on what direction the Company should take, whether that be business strategies or the Mid-Term Management Plan. The Board of Directors would then monitor whether those strategies and plans are being properly implemented.

In the past year, there has been a lot of discussion on the execution of business operations, and we have talked about changing the subject of our discussions to agenda items that are a little more strategic in nature. Rather than getting hung up on the small details, the Board of Directors should be focused on the big picture such as the major direction of the Company or the Company's strategic differentiators. We should be discussing things like marketing and how to take the business in a new direction, and whether the Company is properly accomplishing those things. As these discussions unfold, the Board of Directors should change its approach to monitoring in turn. We outside directors hope to provide wide-ranging advice on aspects of the business that go unnoticed by internal personnel.

Q3

Please tell us about the activities being carried out by the committees.

Mr. Iwamoto

The Compensation Committee spent 3 years revising the compensation system for directors and executive officers, and the new system went into effect last fiscal year. In observing the system over the year, I believe that NSK's compensation system and its design present a rational, or rather, transparent and straightforward framework for remuneration. Between basic compensation and performance-based compensation, basic compensation constitutes 40%. It is a well-designed system so much so that I feel it is a bit inflexible.

Mr. Fujita

I am a member of the Nomination Committee, which is chaired by Outside Director Bada. Our activities include CEO succession planning and planning for the training and succession of directors and top executive officers, as required by Japan's Corporate Governance Code. Outside directors discuss the objectivity and appropriateness of nominees, including the selection of outside director candidates, placing an emphasis on diversity. I feel that our discussions have been versatile and multifaceted.

Q4

When NSK conducts a merger or an acquisition, what do you consider from the standpoint of an outside director?

Mr. Fujita

The Company should have a basic policy on mergers and acquisitions. Whether buying technology, acquiring products, obtaining new customers or starting a new business in a totally different area, it is important for the Company to take its own initiative and act on it. Of course, for NSK to grow, the Company needs to seek out the business areas or companies it needs to acquire to make up for what it lacks in its Mid-Term Management Plan and future vision. After closing on a merger or an acquisition, the first 90 days are vital—success hinges on post-merger integration. These are the points that NSK should pin down in conducting a merger or an acquisition.

Mr. Iwamoto

In the 6 years that I was a company president, we achieved more than ¥800 billion in sales growth through a few dozen global mergers and acquisitions. I feel the same as Mr. Fujita—NSK will flounder without its own policy on mergers and acquisitions. A mergers and acquisitions advisor will not work with the Company all the way through post-merger integration. Unfortunately, however, I have the feeling that NSK has not properly developed its own policy or method for conducting mergers and acquisitions. Mergers and acquisitions are not the be-all and end-all, but as it is one strategy for growth, how NSK thinks about them moving forward will be a critical factor.

Q5

What kind of discussions were held in the Board of Directors meeting regarding the continuation of the takeover defenses approved at this year's General Meeting of Shareholders?

Mr. Fujita

In considering recent large-scale share purchases, we can see cases that have clearly damaged corporate value and the common interests of the shareholders. Amid the COVID-19 pandemic, valuations of companies in the automotive industry have dropped lower than their accepted corporate value, increasing the risk of a takeover. Under such circumstances, I feel that having these takeover defenses in place is appropriate to ensure that the Company has sufficient time to handle a large-scale share purchase.

That being said, takeover defenses must not turn into a self-preservation scheme for management. In carefully examining NSK's takeover defense scheme, the decision to trigger takeover defenses is essentially determined by the General Meeting of Shareholders. Even in the exceptional case that the decision to trigger takeover defenses is made by the Board of Directors, the recommendation of an independent committee comprising solely outside directors is respected to the greatest extent possible, and the Board of Directors cannot trigger defense measures without a unanimous vote. I approved the measures because this scheme eliminates the self-preservation aspect, and I thought that the measures were extremely well thought-out and that it is best to have them in place.

Interview with NSK's Outside Directors

Mr. Iwamoto

I agree with Mr. Fujita, but I also pay attention to the Financial Instruments and Exchange Act and the Foreign Exchange and Foreign Trade Act. The fact that the Foreign Exchange and Foreign Trade Act was revised to lower the threshold for prior notification of stock purchases from 10% to 1% is a significant development. NSK also falls into the scope of industries designated for foreign direct investment screening by the Ministry of Finance, so I think it is necessary to pay close attention to those world trends and how discussions on mergers and acquisitions or large-scale share purchases develop in other countries.

Furthermore, as I stated in the Board of Directors meeting, last year's Business Roundtable issued a statement approved by all 181 American CEO members declaring a move away from shareholder capitalism. There was also a discussion on the role of companies in society at this year's World Economic Forum, which indicated a shift away from the emphasis on shareholder primacy and ROE to an emphasis on conducting business in a way that benefits all stakeholders—a move in the opposite direction of how business has been conducted until now. Our discussion on this also included ESG and SDGs, and we additionally took the perspective of foreign investors and shareholders into account as we came to our conclusions on the takeover defenses.

Q6

What expectations do you have related to the growth of NSK's business and the Company's contribution to society in the future? In addition, what do you think are the associated risks and areas in which NSK is lacking?

Mr. Fujita

In looking at materials such as the NSK Report, Vision 2026 establishes 3 key management tasks: business growth and profitability, ESG management and utilization of robust managerial resources. The 6th Mid-Term Management Plan is based on these tasks. The plan sounds truly magnificent,

and if NSK can accomplish all of it, the Company will have achieved a level of excellence. Now that the COVID-19 pandemic has occurred, the world might look very different moving forward. However, NSK needs to properly follow through with this Mid-Term Management Plan, even in an unsparing financial environment. If the Company decides to do something, it is important to see it through, although some small adjustments might be necessary.

NSK can properly execute and analyze the tasks immediately at hand, but I feel that the Company's ability to accomplish mid-term objectives is weak. I think that NSK would be an even better company if it were to further clarify the KPIs for its mid-term objectives and a time line for how to achieve them within 3 years.

As NSK is a manufacturer, it is important to engage in new product development—particularly product development that distinguishes and sets the Company apart from its competition. This is something I would like to monitor in Board of Directors meetings moving forward. In addition, 70% of NSK's sales are in the automotive market. Although it might take some time, NSK should aim to stabilize its operations by diversifying sales in existing markets or increasing sales in new markets to reduce its reliance on the automotive market.


Mr. Iwamoto

This year, many employees have been working from home, and we have seen an increase in the utilization of web conferencing systems to conduct business. I have always said that we need to undergo a digital transformation (DX), and I feel that the COVID-19 pandemic has initiated this across all industries. I think that NSK has also in a sense taken a serious blow from the pandemic, and this year has become a critical juncture in which the Company really needs to think about how it must change.

In looking ahead to 2050, NSK with its 100 years of history has been an excellent company until now but has gotten this far by doing its best only as a parts and components manufacturer. The Company has not yet broken out of that shell. That might be fine to make it to 2050. As with the Japanese economy, the world economy is always growing. If the automotive industry expands, NSK will grow along with it and see an increase in revenue and profit. However, when the world undergoes a major digital transformation, putting all the Company's eggs into one basket will not work anymore. A well-balanced distribution across at least 3 baskets will be necessary. There are a variety of aspects to consider, whether that be products or business areas.

That is why mergers and acquisitions are necessary. If NSK has a goal and considers whether it needs to buy into a region or into a market to achieve that goal, then it will become apparent how the Company should transform by 2050. In that sense, I think that now is the time for NSK to discuss and seriously think about what kind of company it wants to become.

Moreover, in the end, NSK is a manufacturer, and a manufacturer cannot exist without technology. The Company needs to create products through new development and technology that will be indispensable to the progress and development of society, whether that be in terms of ESG or SDGs. NSK must secure profits along with the recognition it gains for providing these products to the world. I think discussions on strategy will be extremely important moving forward, and I would be happy to be involved in them in some way as an outside director.



No matter what organizational structure a company adopts, it cannot increase its corporate value through monitoring alone. Therefore, management is vital. The Board of Directors should not only determine the details of executing business operations but also engage in broader discussions on what direction the Company should take, whether that be business strategies or the Mid-Term Management Plan. Outside directors have a role to play in monitoring whether these discussions are being properly undertaken.



Q7

From your perspective, how do you see the future of the global management of NSK?

Mr. Fujita

In becoming a global company, it is important to determine how to install the management function at each business site and how to delegate authority. If these are not firmly established, including at the Group headquarters, globalization will not proceed smoothly. For instance, if the research-and-development function is basically all located in Japan, it is important to determine how much authority to delegate to entities outside of Japan. Will overseas entities make arrangements for research and development? Will they only be allowed to carry out product design? In the end, if the distribution of business functions and authority is not properly established, overseas sites might act independently and cause a variety of issues. I am just speaking in general, but this is a critical point.

Mr. Iwamoto

With 20,000 employees outside of Japan, it is important to have a mechanism for work-style reform and instilling a sense of value in employees.

Mr. Fujita

The Company's mission statement is particularly important, as is ensuring that employees are invested in that mission statement. The degree to which employees share an understanding of the Company's mission statement, as well as the value and purpose of the Company, is all the more important when dealing with employees in different countries, as different cultures and customs can involve different ways of thinking.

Mr. Iwamoto

Global corporations like Johnson & Johnson and IBM share a creed-like corporate philosophy that employees around the world take pride in. Without going to those lengths, I do not feel that a company truly has become a global company. That being said, I think that this is difficult to achieve.



NSK must secure profits along with the recognition it gains for providing these products to the world. I think discussions on strategy will be extremely important moving forward, and I would be happy to be involved in them in some way as an outside director.

In NSK's case, to what extent the Company can ingrain the concept of Motion & Control™ in the minds of its employees is important, and the Company needs a variety of tools at its disposal to accomplish that. In that sense, the NSK Report is a crucial tool, so I hope that NSK continues to create good reports and that all employees who work at NSK understand and take ownership of creating NSK's value.



Dialogue with Shareholders and Investors

NSK's Approach

NSK discloses management information promptly and fairly, and is actively engaged in dialogue with shareholders and investors. In addition, the Company strives to achieve stable shareholder returns and pursues sustainable growth together with higher corporate value over the mid- to long- term. In this way, we seek to continue to be a company that meets the expectations of our stakeholders, including shareholders and investors.

● General Meeting of Shareholders

Being cognizant that the General Meeting of Shareholders is a venue for active dialogue with shareholders, we set its date to avoid periods concentrated with the shareholders' meetings of other companies (at least 2 days prior to such a concentrated period) and promptly issue and post convocation notices and reports (normally posted to our website 28 days prior to the date of the meeting), among other efforts we make to create favorable conditions for the meeting.

The 159th Ordinary General Meeting of Shareholders for the year ended March 31, 2020 (held June 30, 2020)

- Number of shareholders present: 25 (fewer than typical years to prevent the spread of the novel coronavirus)
- Ratio of shareholder voting rights exercised: 84.6%

For this fiscal year, we held the meeting on June 30 as processing consolidated financial results was delayed because of the global novel coronavirus (COVID-19) pandemic. In addition, 27 days prior to the date the meeting was held the convocation and report were registered with the Tokyo Stock Exchange, and the following day they were posted to our website. They were also issued 2 weeks prior to the date of the meeting.

● Dialogue with Investors

Dialogue with Institutional Investors

We hold financial conferences to discuss our financial results and Mid-Term Management Plan where top management directly communicates a variety of topics. Moreover, we hold some 20 events every year to engage in constructive dialogue regarding our management strategy and ESG.

In fiscal 2019, not only did we discuss matters concerning our business strategy and finances but also held dialogues that covered our efforts for NSK's ESG management, as outlined in the 6th Mid-Term Management Plan. Institutional investors provided their assessment of our initiatives concerning corporate governance and items regarding ESG as a mid- to long-term management issue, and we received their requests for ongoing dialogue and ample information disclosure.

Number of dialogue opportunities in fiscal 2019: Total of 445 companies (excluding large meetings)

Financial conferences (large meetings)	2 times for a total of 207 companies
Individual IR interviews	Total of 257 companies
Institutional investor engagement visits	Total of 25 companies
President's small meetings	5 times for a total of 60 people
IR road shows outside Japan Europe/North America/Asia (Hong Kong, Singapore, Taiwan)/Australia	4 times, 55 companies
Conference participation for overseas investors	4 times for a total of 44 companies
Business site interviews	Total of 4 companies

Dialogues with Individual Investors/Individual Shareholders

We hold briefings for individual investors multiple times a year, and additionally, with the objective of bolstering dialogue with NSK's individual shareholders, from 2018 we have been conducting plant tours. We have also created a website for individual investors in order to give them a better understanding of the Company, among other efforts, and proactively disclose information and respond to queries.

Fiscal 2019

- Briefings for individual investors: Held 7 times, with 236 participants
- Plant tours for individual shareholders: Held 2 times (Haruna Plant, Ishibe Plant), with 49 participants

"To Our Individual Investors" website (Japanese only)

<https://www.nsk.com/jp/investors/individual.html>



Scene during a plant tour for individual shareholders

NSK continues to properly convey management direction, business strategy and other information, and strives for communication that facilitates accurate assessments and understanding.

At NSK, having determined our "Disclosure Policy," we strive to conduct the disclosure of information in a fair manner that does not give rise to discrepancies in information among market participants.

For further information on our Disclosure Policy, please access the link below to our website.

<https://www.nsk.com/investors/management/disclosurepolicy.html>

Management



Toshihiro Uchiyama N

Director, Representative,
President and Chief Executive Officer
[Number of Shares Owned: 94,800]



Saimon Nogami

Director, Representative,
Senior Executive Vice President,
Chief Financial Officer
[Number of Shares Owned: 53,200]



Akitoshi Ichii C

Director, Representative, Executive Vice President,
Responsible for Administrative Divisions,
Head of Corporate Planning Division Headquarters,
Responsible for Europe and the Americas,
Responsible for Investor Relations Office
[Number of Shares Owned: 60,261]



Toshihiko Enomoto A

Director
[Number of Shares Owned: 22,916]



Hajime Bada N A*

Outside Director, Independent Director,
Honorary Adviser of JFE Holdings, Inc.,
Outside Director of Mitsui Chemicals, Inc.,
External Auditor of Asagami Corporation
[Number of Shares Owned: 3,800]



Akemi Mochizuki A*

Outside Director, Independent Director,
Certified Public Accountant,
Employee of Akahoshi Audit Corporation,
Outside Director of Tsumura & Co.
[Number of Shares Owned: 3,800]



Toshio Iwamoto C

Outside Director, Independent Director,
Chief Corporate Adviser of NTT Data Corporation,
External Auditor of IHI Corporation,
Outside Director of Daiwa Securities Group Inc.
[Number of Shares Owned: 800]



Yoshitaka Fujita N A

Outside Director, Independent Director,
Executive Advisor of
Murata Manufacturing Co., Ltd.
[Number of Shares Owned: 2,800]



Mitsuhiro Nagahama C A*

Outside Director, Independent Director,
External Auditor of Kuraray, Co., Ltd.,
Outside Director of Tokyo Tatemono, Co., Ltd.,
Outside Director of Azbil Corporation
[Number of Shares Owned: -]

Executive Officers and Group Officers

President and Chief Executive Officer	Senior Vice Presidents	Vice Presidents	Group Officers
Toshihiro Uchiyama	Hiroya Miyazaki	Seiji Ijuin	Seong-Il Jo
Senior Executive Vice President	Kenichi Yamana	Susumu Ishikawa	Minoru Arai
Saimon Nogami	Nobuaki Mitamura	Hiroya Achiha	Katsumi Kobayashi
Representative Executive Vice President	Tatsuya Atarashi	Hayato Omi	Masami Shinomoto
Akitoshi Ichii	Kunihiko Akashi	Tamami Murata	
Executive Vice Presidents	Masaru Takayama	Hiroyuki Tsugimoto	
Masatada Fumoto	Guoping Yu	Jean-Charles Sanchez	
Nobuo Goto	Keita Suzuki	Hisakazu Tadokoro	
Tomoyuki Yoshikiyo		Narihito Otake	
Hideki Ochiai		Hiromichi Takemura	

N : Nomination Committee
C : Compensation Committee
A : Audit Committee
★ : Chairperson

Notes: 1. For the career summary of each director, the independence of the independent directors and the reasons behind their appointments, please see the Notice of the fiscal 2019 (the 159th) Ordinary General Meeting of Shareholders of NSK and Independent Directors/Auditors Notifications published on the following websites of the Tokyo Stock Exchange.

[Notice of the Ordinary General Meeting of Shareholders] <https://www2.tse.or.jp/disc/64710/140120200603435016.pdf>
[Independent Directors/Auditors Notifications] (Japanese only) <https://www2.tse.or.jp/disc/64710/140120200603434628.pdf>

2. Number of the Company's shares owned as of March 31, 2020

Management's Discussion and Analysis of Financial Position, Results of Operations and Cash Flows

1. Business Overview and the Results for the Year Ended March 31, 2020

(Billions of yen)	FY2018 <Actual>	FY2019 <Actual>	Increase/ Decrease YOY
Sales	991.4	831.0	-160.3
Operating income (Operating income margin)	79.3 (8.0%)	23.6 (2.8%)	-55.7
Income before income taxes	79.2	24.1	-55.2
Net income attributable to owners of the parent	55.8	17.4	-38.4

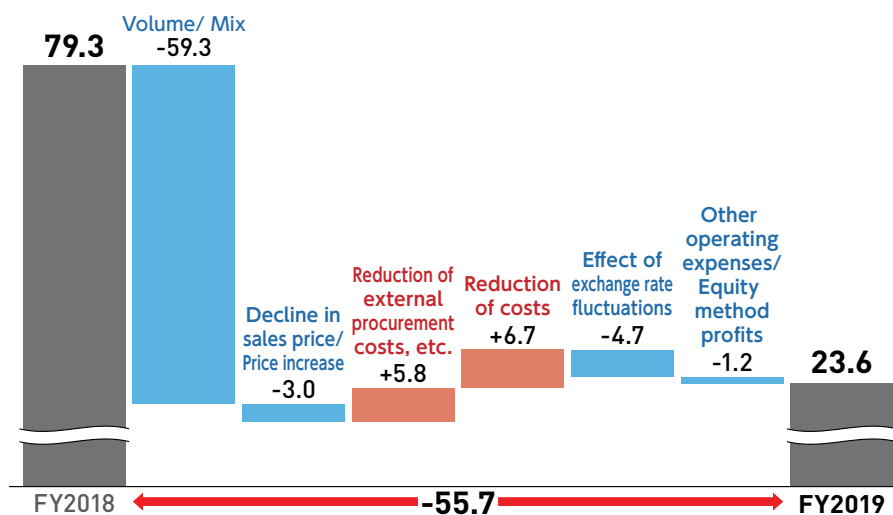
The global economy during the year ended March 31, 2020, remained sluggish, given the uncertainty surrounding concerns over U.S.-China trade friction and the U.K.'s withdrawal from the European Union, as well as rising tensions in the Middle East. In Japan, exports mainly to China remained stagnant. In the U.S., economic slowdown in the manufacturing industry became more pronounced in the second half of the fiscal year. The European

economy slowed due to stagnation in the manufacturing industry, primarily the automotive industry. In China, both overseas and domestic demand decelerated against the backdrop of trade friction with the U.S. and the slump in the automotive market continued. In addition, at the end of the fiscal year, COVID-19 spread globally, primarily in China, and largely affected each nation's economic activities. Accordingly, uncertainty over the economic outlook increased.

In this economic environment, consolidated sales for the year ended March 31, 2020 totaled ¥831,034 million, a year-on-year decrease of 16.2%, and operating income totaled ¥23,604 million, a year-on-year decrease of 70.2%. Income before income taxes was ¥24,065 million, a year-on-year decrease of 69.6%. Net income attributable to owners of the parent was ¥17,412 million, a year-on-year decrease of 68.8%.

For details regarding the market environment and results by business segment, please refer to P. 26 for the Industrial Machinery Business and P. 28 for the Automotive Business.

Operating Income: Factors Behind Change (FY2018 ⇒ FY2019)
(Billions of yen)

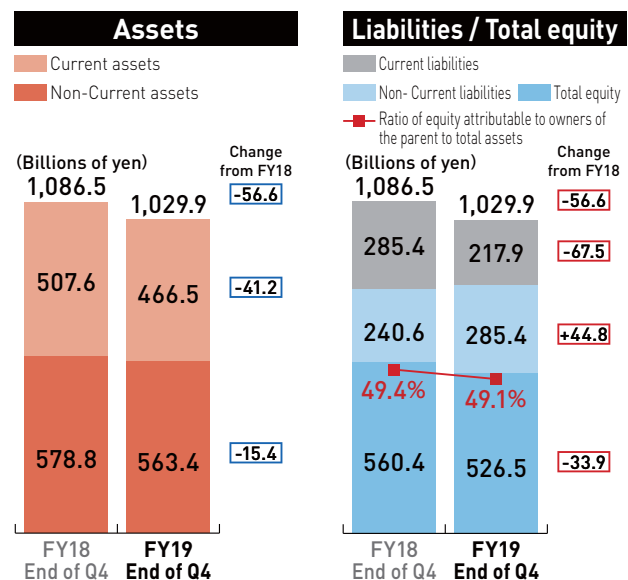


2. Analysis of Financial Position

Total assets were ¥1,029,884 million, a decrease of ¥56,572 million compared to total assets as of March 31, 2019, mainly because of the decreases in trade receivables and other receivables and other financial assets (non-current). Trade receivables and other receivables declined primarily due to a drop in sales. The decrease in other financial assets (non-current) resulted from the partial sales of listed shares owned by the Company and drop in market value due to a decline in share price.

Total liabilities were ¥503,365 million, a decrease of ¥22,690 million compared to total liabilities as of March 31, 2019, mainly due to the decrease in trade payables and other payables.

Total equity totaled ¥526,518 million, a decrease of ¥33,882 million compared to total equity as of March 31, 2019, mainly due to the decrease in other components of equity, despite the increase in net income attributable to owners of the parent.





3. Cash Flows

Total cash and cash equivalents at the end of the period under review were ¥137,298 million, an increase of ¥7,333 million compared to total cash and cash equivalents as of March 31, 2019.

Net cash flow provided by operating activities

Net cash flow provided by operating activities totaled ¥72,387 million, a decrease of ¥20,230 million, compared to the previous year after adding and subtracting the depreciation and amortisation, working capital, and so forth from the income before income taxes of ¥24,065 million.

Net cash flow used in investing activities

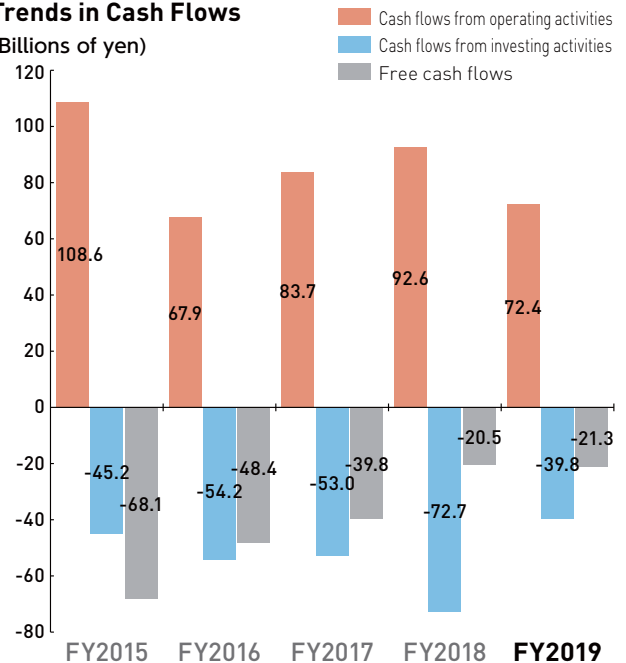
Net cash flow used in investing activities totaled ¥39,784 million, a decrease of ¥32,888 million compared to the previous year. This includes ¥47,876 million in purchases of property, plant and equipment.

Net cash flow used in financing activities

Net cash flow used in financing activities totaled ¥21,333 million, an increase of ¥856 million compared to the previous year. This main cash inflows were ¥17,688 million in proceeds from long-term loans, and ¥30,000 million in proceeds from issuance of corporate bonds. Meanwhile, the main outflows were ¥21,788 million in repayments of long-term loans, ¥20,000 million in payments for redemption of corporate bonds, and ¥20,483 million in dividends paid.

Trends in Cash Flows

(Billions of yen)



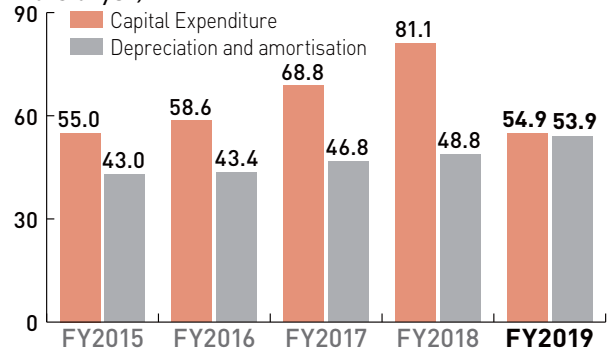
4. Summary of Capital Investment

NSK's basic policy is to sustain growth, enhance the competitiveness of its businesses, and strategically invest in the development of new technologies. During the fiscal year under review, amid a sluggish global economy dragged down by U.S.-China trade friction, NSK spent a total of ¥54,927 million (a decrease of ¥26,175 million compared with the previous fiscal year) on capital investments for projects related to "safety, quality, compliance and the environment," its core values; critical projects to increase productivity; projects to upgrade facilities; and ICT projects to advance work-style reforms.

Please see P. 43 for information about R&D.

Capital Expenditure, Depreciation and amortisation

(Billions of yen)



NSK Group Tax Policy

As the globalization of business advances, the NSK Group believes that the proper payment of taxes in the countries and regions where it operates is one of the most fundamental and important social responsibilities that it should undertake. With this understanding, the Group has established an NSK Group Tax Policy and is striving to ensure appropriate tax treatment. For more details, please visit the website given below.

▶ <https://www.nsk.com/investors/management/taxpolicy.html>

Consolidated Statements of Financial Position (IFRS)

(Millions of Yen)

As of March 31,		2019	2020
Assets			
Current assets	Cash and cash equivalents	129,965	137,298
	Trade receivables and other receivables	195,288	154,226
	Inventories	159,517	152,971
	Other financial assets	1,696	3,138
	Income tax receivables	3,502	3,513
	Other current assets	17,648	15,304
	Total current assets	507,618	466,452
Non-current assets	Property, plant and equipment	378,333	383,978
	Intangible assets	19,550	19,768
	Investments accounted for using equity method	27,613	26,785
	Other financial assets	79,934	55,498
	Deferred tax assets	9,633	9,698
	Net defined benefit assets	59,406	61,508
	Other non-current assets	4,364	6,193
	Total non-current assets	578,837	563,431
Total assets		1,086,456	1,029,884
Liabilities and equity			
Liabilities			
Current liabilities	Trade payables and other payables	130,333	97,193
	Other financial liabilities	101,145	71,806
	Provisions	85	159
	Income tax payables	4,004	3,474
	Other current liabilities	49,841	45,305
	Total current liabilities	285,411	217,939
Non-current liabilities	Financial liabilities	175,467	228,707
	Provisions	8,677	8,160
	Deferred tax liabilities	31,128	24,764
	Net defined benefit liabilities	19,530	18,345
	Other non-current liabilities	5,839	5,447
	Total non-current liabilities	240,643	285,426
Total liabilities		526,055	503,365
Equity	Issued capital	67,176	67,176
	Capital surplus	80,426	80,456
	Retained earnings	400,720	405,842
	Treasury shares	(37,779)	(37,662)
	Other components of equity	26,131	(10,308)
	Total equity attributable to owners of the parent	536,676	505,505
	Non-controlling interests	23,724	21,013
Total equity		560,400	526,518
Total liabilities and equity		1,086,456	1,029,884



Consolidated Statements of Income (IFRS)

(Millions of Yen)

Year ended March 31,	2019	2020
Sales	991,365	831,034
Cost of sales	771,783	677,511
Gross profit	219,581	153,522
Selling, general and administrative expenses	141,808	130,238
Share of profits of investments accounted for using the equity method	5,493	2,282
Other operating expenses	3,987	1,961
Operating income	79,279	23,604
Financial income	2,661	3,409
Financial expenses	2,710	2,948
Income before income taxes	79,229	24,065
Income tax expense	20,491	5,956
Net income	58,738	18,108
Net income attributable to:		
Owners of the parent	55,809	17,412
Non-controlling interests	2,928	696
(Earnings per share attributable to owners of the parent)		
Basic earnings per share (yen)	107.46	34.00
Diluted earnings per share (yen)	107.24	33.91

Consolidated Statements of Comprehensive Income (IFRS)

(Millions of Yen)

Year ended March 31,	2019			2020		
	Before tax effect	Tax effect	Amount (net)	Before tax effect	Tax effect	Amount (net)
Net income			58,738			18,108
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements of net defined benefit liability (asset)	(4,423)	616	(3,807)	2,939	(1,194)	1,744
Net changes in financial assets measured at fair value through other comprehensive income	(9,276)	2,816	(6,460)	(11,941)	3,607	(8,333)
Share of other comprehensive income of investments accounted for using equity method	125	(49)	75	(63)	18	(44)
Total items that will not be reclassified to profit or loss	(13,575)	3,382	(10,192)	(9,064)	2,430	(6,633)
Items that may be reclassified to profit or loss						
Exchange differences on translating foreign operations	(4,731)	—	(4,731)	(22,150)	—	(22,150)
Share of other comprehensive income of investments accounted for using equity method	(20)	—	(20)	(459)	—	(459)
Total items that may be reclassified to profit or loss	(4,751)	—	(4,751)	(22,609)	—	(22,609)
Total other comprehensive income	(18,326)	3,382	(14,944)	(31,673)	2,430	(29,242)
Total comprehensive income for the period			43,794			(11,134)
Total comprehensive income for the period attributable to:						
Owners of the parent			40,803			(11,075)
Non-controlling interests			2,991			(58)

Consolidated Statements of Changes in Equity (IFRS)

(Millions of Yen)

From April 1, 2018, to March 31, 2019	Equity attributable to owners of the parent			
	Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance	67,176	80,264	362,859	(17,815)
Net income	—	—	55,809	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	55,809	—
Purchase of treasury shares	—	—	—	(20,053)
Disposal of treasury shares	—	21	—	89
Share-based payment transactions	—	375	—	—
Cash dividends	—	—	(21,514)	—
Changes in the ownership interest in subsidiaries	—	(235)	—	—
Other	—	—	3,565	—
Total transactions with owners, etc.	—	161	(17,948)	(19,963)
Closing balance	67,176	80,426	400,720	(37,779)

	Equity attributable to owners of the parent				Total	Non-controlling interests	Total equity
	Other components of equity			Total			
	Exchange differences on translating foreign operations	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)				
Opening balance	(7,774)	43,584	8,880	44,689	537,175	23,839	561,014
Net income	—	—	—	—	55,809	2,928	58,738
Other comprehensive income	(4,823)	(6,537)	(3,645)	(15,006)	(15,006)	62	(14,944)
Total comprehensive income for the period	(4,823)	(6,537)	(3,645)	(15,006)	40,803	2,991	43,794
Purchase of treasury shares	—	—	—	—	(20,053)	—	(20,053)
Disposal of treasury shares	—	—	—	—	111	—	111
Share-based payment transactions	—	—	—	—	375	—	375
Cash dividends	—	—	—	—	(21,514)	(2,816)	(24,330)
Changes in the ownership interest in subsidiaries	—	—	—	—	(235)	(290)	(525)
Other	—	(3,551)	—	(3,551)	14	—	14
Total transactions with owners, etc.	—	(3,551)	—	(3,551)	(41,302)	(3,106)	(44,408)
Closing balance	(12,598)	33,494	5,234	26,131	536,676	23,724	560,400

(Millions of Yen)

From April 1, 2019, to March 31, 2020	Equity attributable to owners of the parent			
	Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance	67,176	80,426	400,720	(37,779)
Net income	—	—	17,412	—
Other comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	17,412	—
Purchase of treasury shares	—	—	—	(11)
Disposal of treasury shares	—	41	—	128
Share-based payment transactions	—	(11)	—	—
Cash dividends	—	—	(20,501)	—
Other	—	—	8,211	—
Total transactions with owners, etc.	—	29	(12,290)	117
Closing balance	67,176	80,456	405,842	(37,662)

	Equity attributable to owners of the parent				Total	Non-controlling interests	Total equity
	Other components of equity			Total			
	Exchange differences on translating foreign operations	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)				
Opening balance	(12,598)	33,494	5,234	26,131	536,676	23,724	560,400
Net income	—	—	—	—	17,412	696	18,108
Other comprehensive income	(21,864)	(8,376)	1,753	(28,487)	(28,487)	(755)	(29,242)
Total comprehensive income for the period	(21,864)	(8,376)	1,753	(28,487)	(11,075)	(58)	(11,134)
Purchase of treasury shares	—	—	—	—	(11)	—	(11)
Disposal of treasury shares	—	—	—	—	169	—	169
Share-based payment transactions	—	—	—	—	(11)	—	(11)
Cash dividends	—	—	—	—	(20,501)	(2,652)	(23,154)
Other	—	(7,951)	—	(7,951)	259	—	259
Total transactions with owners, etc.	—	(7,951)	—	(7,951)	(20,095)	(2,652)	(22,748)
Closing balance	(34,462)	17,166	6,988	(10,308)	505,505	21,013	526,518



Consolidated Statements of Cash Flows (IFRS)

(Millions of Yen)

Year ended March 31,	2019	2020
Operating activities		
Income before income taxes	79,229	24,065
Depreciation and amortisation	48,801	53,926
Increase (decrease) in net defined benefit liability and net defined benefit asset	621	(80)
Interest and dividend income	(2,368)	(2,145)
Interest expenses	2,600	2,523
Share of profits of investments accounted for using the equity method	(5,493)	(2,282)
Decrease (increase) in trade receivables	18,602	34,335
Decrease (increase) in inventories	(17,859)	579
Increase (decrease) in trade payables	(10,856)	(26,888)
Other	(1,354)	(1,127)
Subtotal	111,924	82,905
Interest and dividend received	7,484	4,693
Interest expenses paid	(2,642)	(2,581)
Income tax paid	(24,149)	(12,629)
Net cash provided by operating activities	92,617	72,387
Investing activities		
Purchases of property, plant and equipment	(73,379)	(47,876)
Proceeds from sale of property, plant and equipment	1,090	1,638
Purchases of other financial assets	(38)	(22)
Proceeds from sale of other financial assets	6,829	13,606
Other	(7,176)	(7,131)
Net cash used in investing activities	(72,673)	(39,784)
Financial activities		
Proceeds from long-term loans	34,333	17,688
Repayments of long-term loans	(46,809)	(21,788)
Proceeds from issuance of corporate bonds	40,000	30,000
Payments for redemption of corporate bonds	—	(20,000)
Repayments of lease liabilities	—	(4,157)
Acquisition of treasury shares	(20,044)	(2)
Dividends paid	(21,495)	(20,483)
Dividends paid to non-controlling interests	(2,892)	(2,652)
Other	(3,569)	61
Net cash used in financial activities	(20,477)	(21,333)
Effect of exchange rate changes on cash and cash equivalents	(784)	(3,934)
Net increase (decrease) in cash and cash equivalents	(1,318)	7,333
Cash and cash equivalents at the beginning of the period	131,283	129,965
Cash and cash equivalents at the end of the period	129,965	137,298

Basic Knowledge of Bearings

Structure and Function

Bearings—the staple of industry. A surprisingly large number of them can be found all around us. Bearings are used in all kinds of machinery, such as automobiles, airplanes, washing machines, refrigerators, air conditioners, vacuum cleaners, photocopy machines, computers and even in satellites far away in outer space. Bearings enhance the functionality of machinery and help to save energy. Around 100 bearings are used in the average household and 100 to 150 or more are in an automobile. They play an active role in making our lives smoother everywhere in the world, from everyday life to offices, factories and cutting-edge science laboratories. Bearings are utilized in tough environments and in hidden places, such as inside machinery, so we do not usually get the opportunity to see them. Nevertheless, bearings are crucial for the stable operation of machinery and for ensuring top performance.

NSK products are used here too?

Bearings are called the staple of industry. What's more, NSK's bearings are used in unexpected places, such as yo-yos, fidget spinners and spintops. Through such products that use NSK's bearings, we see opportunities to get more people aware of bearings in objects where they ordinarily would not notice them.

Yo-yo:

Developed with yo-yo world champion, the yo-yo using NSK bearings sets a world record

- NSK's bearings jointly developed with yo-yo world champion Mr. Takahiko Hasegawa are used.
- NSK's bearings are assembled in clean rooms at domestic plants.
- The area where the yo-yo string passes through was ground to specifications for competitions.



Yo-yo world champion Mr. Takahiko Hasegawa

\ This is surprising! /

NSK's high-precision bearings make yo-yos rotate well. In a competition for the longest spinning yo-yo, the yo-yo using NSK bearings set a world record, at 21 minutes and 21 seconds. Many of the contestants and world champions use yo-yos with NSK bearings.



Fidget Spinner:

Popular hit as a relaxation toy

- Fidget spinners are a simple toy that is spun while squeezing the central part with 2 fingers.
- Fidget spinners that spin for a long time are each made by hand and spin tested before being shipped at NSK's domestic plant.

\ This is surprising! /

By using special NSK bearings with exceptionally light torque (also used in HDDs), spinning times, which are typically 3–4 minutes, were increased to 12 minutes. When these fidget spinners were launched, they attracted much attention in the media as a toy made by a bearing manufacturer.

<https://youtu.be/YJ3dGMbKBXA>



Company Introductions

These products were made in a collaborative effort with companies that are unique and have strong expertise in certain fields.

Soloham Co., Ltd. President & CEO Takahiko Hasegawa

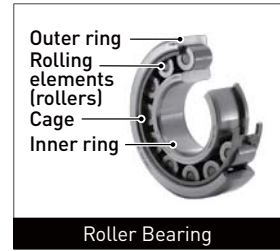
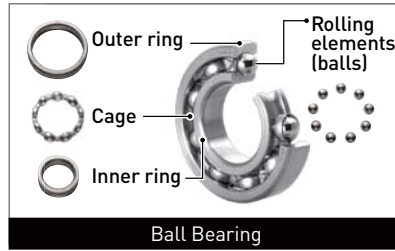
Takahiko Hasegawa is a world yo-yo champion. He is a producer of skill-based toys that have evolved from traditional toys such as yo-yos, spintops and *Kendama* (cup and ball).

URL: <http://spingear.jp/index.php?sl=en>



Structure

The ball bearings and roller bearings pictured to the right represent 2 typical types of the most basic category of bearings, known as rolling bearings. Rolling bearings are made up of 4 elements—an outer ring, an inner ring, a cage as well as rolling elements—and have an extremely simple basic structure.



Function

1. Machinery will run more efficiently

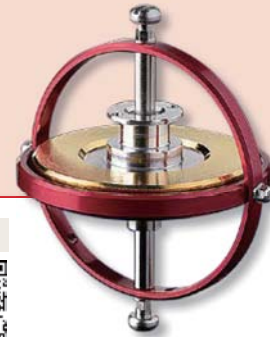
2. There will be less frictional wear, extending the operating life of the machinery

3. Preventing abrasion burn and avoiding mechanical breakdown

Premium Gyroscope:

Unwavering spin

- This scientific toy lets people experience the gyroscopic effect (rotated at high speeds, an object is unlikely to waver), thanks to high-precision bearings and lathe technology.
- Usage of bearings on the inside of the disk reduce friction and increase the idle running time.



This is surprising!

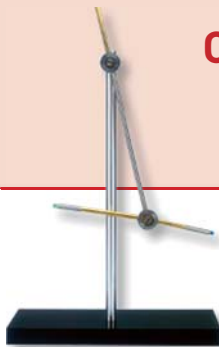
<https://www.youtube.com/watch?v=cm46vw0Ufos&feature=youtu.be>

NSK's high-precision bearings eliminate noise and enable long rotation times. Rotation times are at least 4 minutes on a stand and more than 14 minutes for an internal disk.



Chaos Maker: A move the likes of which will never be seen again, unpredictable movements

- The Chaos Maker is a double pendulum that has not one but 2 rotating joints. It exhibits the physical phenomenon of "chaotic motion," a move the likes of which will never be seen again, making the next movement unpredictable.



LED light traces drawn by the Chaos Maker

This is surprising!

https://youtu.be/t_9St49Bc2M

This product can be used to demonstrate the physical phenomenon of "chaotic motion." Beautiful long-exposure photographs can be taken with LED lights on the pendulum.



YEN SPIN Developed this spintop in the hope of a brightening our surroundings in this difficult time.

Since ancient times, spintops have served as a good luck charm to make the world a brighter place. Planning was done by telework.

Message from the Developer

We came up with this product idea in 2020 with the wish of giving the world a wheel-of-fortune for better luck. Because of these challenging times with people living in lockdown mode around the world, we hope to continue making projects that open up a brighter future for us all, gathering the collective wisdom and strengths within the realm of possibility at each company.



<https://www.youtube.com/watch?v=dwxBAUusy96Y>



Mitsumi Factory Limited Company

This company mainly produces precision processed metal for automobile, medical equipment and semiconductor applications. Its metal processing plant is located in Katsushika, Tokyo.

URL: <https://mitsumi-seisakusyo.co.jp/> (Japanese only)

NSK Micro Precision Co, Ltd.

This company develops, manufactures and sells small bearings for use in PCs, ships, fishing equipment and dental/medical equipment.

URL: <http://www.nskmicro.co.jp/english/index.html>

Term	Meaning
Actuator	Actuators refer to mechanical components that, for example, play a role in the actuation of brakes and gear shifting of automobiles.
Aftermarket	Aftermarket refers to maintenance and repair demand. In NSK, aftermarket mainly means the demand and business for repair and replacement.
Ball Screw	A ball screw is a machinery part consisting of a screw shaft, nut and ball, etc. Ball screws convert rotation into linear motion and enable accurate positioning. In ball screws, a rolling element (ball) like the ones used in bearings is incorporated in the section where the groove of the screw and screw head contact each other and, similar to a bearing, the ball screw moves smoothly and features minute levels of friction resistance.
BCP	BCP stands for B usiness C ontinuity P lan. In a BCP, companies determine activities in normal times and the methods and means for continuing business in times of emergency to minimize damage to business assets and to allow continuation or early recovery of the core business in the event of emergency situations such as natural disasters, large fires and terrorist attacks.
Big Data	Big data is large-capacity digital data generated and stored in conjunction with the spread of the Internet, increased use of the Internet and improvement in computer processing speed. By utilizing a huge amount of information, big data is expected to create future business opportunities such as resolving social and economic problems and increasing the added value of products and services. It is also necessary to create regulations and rules for the use of big data.
Brake Boosters	One of the components of an automobile's brake is referred to as a brake booster. A system that helps reduce the amount of force needed from the driver to operate the brake. One type that makes use of the engine intake's negative pressure for its operation was mainstream, but the shift toward electrification is ongoing.
CMS	CMS stands for C ondition M onitoring S ystem. One example of a CMS is a system for understanding/analyzing the operational status of bearings (e.g., vibration, noise, rotational torque) based on various data by bearings with sensors installed.
Column-Type EPS	Column-type EPS is a type of Electric Power Steering that has a power assist element of a motor located on the steering column. The steering column is a component that conveys the turning of the steering wheel of vehicles to the steering gear, and the steering column adjusts the steering wheel position and mitigates the impact during a collision. NSK has been strong at steering column production and has the top-class record of column-type EPS in the world.
Conflict Minerals	Minerals that lead to sources of funds for armed groups and antigovernment forces that violate human rights, the procurement of which gives rise to concerns about complicity in conflicts. Under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, companies listed on the U.S. market are obliged to investigate usage and disclose information every year with regard to the 4 minerals (tin, tantalum, tungsten and gold) mined in the Democratic Republic of Congo and adjoining countries.
CSR Procurement	CSR procurement refers to the procurement of raw materials and parts in consideration of compliance with laws and regulations, environmental protection, human rights, occupational safety and health.
Design Quality / Manufacturing Quality	Design quality refers to "targeted quality" and is the quality realized by building it in at the design stage to achieve satisfying function and performance. Manufacturing quality is known as "performance quality." It is the quality of products that have actually been manufactured and is realized through management at the manufacturing stage.
ECU	ECU stands for E lectronic C ontrol U nit. By using electronic circuits, ECU is a device that controls the operation of a motor, etc. Among NSK's products, ECU used for electric power steering is particularly important.
Environmentally Friendly Products	Environmentally friendly products are those products that, together with offering higher performance than conventional products, contribute to a greater reduction of negative environmental impact. At NSK, we emphasize the following for product manufacturing that contributes to the reduction of negative environmental impact: 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; and 4. Products should contribute to the health and safety of end users by having low vibration levels and low noise and dust emissions.
EPS (Electric Power Steering)	EPS stands for E lectric P ower S teering. An EPS is a mechanism that supports the driver in controlling automobile steering wheels (enabling the turning of steering wheels with light force and providing driving assistance) by using an electric motor instead of hydraulic power. EPS can be divided into 3 types (column type, pinion type and rack type) depending on the location of the motor to which the power assist is provided.
5G	5G stands for 5 th G eneration (5th generation mobile communication system). 5G is a next-generation wireless communication system with faster speed, larger capacity, fewer delays and multiple connections when compared to the current mainstream 4G technology. Moving forward, full-scale introduction of 5G is scheduled in each country and region.
Friction	Friction refers to friction resistance. Friction becomes an important factor when applying different types of movement in machinery and devices. In terms of bearings, friction affects the smoothness of movement when the inner ring and outer ring turn, so reducing and controlling friction is essential.
GAM/KAM	The G lobal A ccount M anager (GAM) refers to NSK's manager in charge of performing cross-regional coordination for global automobile platform projects. KAM stands for K ey A ccount M anager at NSK. KAMs coordinate with GAMs for key customers in each region and build close relationships with customers as the contact person in individual regions. By taking advantage of such close relationships with customers, KAMs have a role in regional sales activities and responses in technological matters.
Hub Unit Bearings	A hub unit bearing is a type of bearing that integrates the part attached to the vehicle body and the part called a hub, to which the wheel is mounted. It supports the vehicle body while smoothly rotating the wheels.
IoT	IoT stands for the I nternet o f T hings. IoT is a concept to generate new value by collecting data via the Internet from sensors embedded on various things such as automobiles, home appliances, industrial machines and public infrastructure, and analyzing such data. IoT leads to such technological innovation as efficiency increases in machine control in plants, advertising according to individual tastes, detailed adjustment of power supply and monitoring senior citizens through home appliances.



Term	Meaning
LGBT (LGBT Allies)	LGBT is an acronym for L esbian, G ay, B isexual and T ransgender. In a broad sense, this refers to sexual minorities. LGBT allies are those people who understand and support LGBT activities.
Linear Guide	A linear guide is a machinery part that is used for the section to support the linear motion of machines. Linear guides are one of the linear motion products and are used for machine tools, transfer machines and platform screen doors at stations, etc.
MaaS	MaaS, or M obility a s a S ervice, seamlessly brings together any number of modes of transportation, other than personal vehicles, into a single service. This is a new way of thinking about how people can get around via a greater level of efficiency and convenience.
Modern Slavery Act	The Modern Slavery Act has been established in the United Kingdom and Australia. The act was established to prevent crimes such as human trafficking, forced labor and sexual exploitation.
Mother Plant	We position plants with outstanding capacity such as excellent technical ability and significant production capacity as Mother plants. In NSK, Mother plants have the role of transferring technology, etc., to the plants located overseas.
Needle Bearing	Bearing with needle-type rolling elements. Low cross-sectional height and high load capacity helps realize space-saving.
NIT	NIT stands for NSK Institute of T echnology, which is an internal educational institute for our engineers to master more advanced technology.
NPDS	NPDS stands for NSK P roduct D evelopment S ystem. NPDS, NSK's proprietary quality management system, is geared toward promptly and reliably responding to new projects and to the mass production of products that satisfy customers. Being rolled out globally, at each stage of the process, from product planning to development and design, prototype manufacturing and mass production, dedicated staff perform stringent checks to confirm that any concerns are resolved and to build quality. Even after a product has entered mass production, we conduct thorough management to stably maintain high quality.
Open Innovation	Open innovation consists of initiatives used to create innovative new merchandise (products), services or business models. These innovations are based on a wide range of knowledge and technology integrated during the development of new technologies and products. Specifically, a company performing open innovation combines the technologies, ideas and know-how from other industries and fields such as other companies, universities, municipalities and social entrepreneurs, in addition to its own.
Per Production Unit	Per production unit refers to the standard amount of raw materials, workforce, power, etc., that are necessary to produce a certain amount of industrial products. "CO ₂ emission per production unit" means CO ₂ (carbon dioxide) emissions discharged in the process of production of a certain amount of a product.
Planetary Gear	Planetary gear refers to an epicyclic gearing mechanism consisting of 3 elements—sun gear, planetary gear and ring gear.
Post-Merger Integration	Post-merger integration (PMI) is an integration process in which we seek to maximize the synergistic effects following an M&A.
Powertrain	Powertrain describes the main components that generate power and deliver to the drive wheel in automobiles.
PRTR Act	The PRTR Act stands for the P ollutant R elease and T ransfer R egister Act and refers to the Act on Confirmation, etc., of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof. This is a Japanese law intended to encourage the improvement of chemical substance management by requiring that the amount of chemical substances released to the environment is reported to the authorities.
PSI Management	The PSI of PSI Management stands for P roduction, S ales and I nventory. PSI Management refers to the appropriate management and operation of production, sales and inventory.
QC Circle	QC circles are an initiative related to Q uality C ontrol. QC circles are volunteer activities held in small groups aimed at improving the quality of products, services and the workplace environment; reducing costs; increasing safety; etc.
QCDDSM	QCDDSM stands for Q uality, C ost, D elivery, D evelopment, S ervice and M anagement. The QCDDSM elements are generally focused on by the manufacturing industry including NSK.
Rack-Type EPS	Rack-type EPS (electric power steering) is a type of lower assist EPS. It is an EPS that assists tire direction movement with a rack shaft in the steering gear section.
Safety Contact	Safety Contact is an activity in which workmates share their mindsets and feelings regarding safety. At NSK, we practice Safety Contact at the top of our meetings and discussions, morning briefings and other communications.
Smart Factory	Smart Factory in this report refers to NSK's new concept factory. The status of equipment and processing in each process during manufacturing is understood with data in real time, which is utilized for quality control, equipment maintenance and product traceability. The understanding and management of big data are realized by advancements in Information Technology (IT). The evolution of the informatization of things such as IoT is the technology behind the Smart Factory.
STOP6 + 2 Initiative	STOP6 is an initiative for occupational safety to prevent fatal and serious accidents. In the manufacturing industry, STOP6 classifies accident causes and conducts key activities. STOP1: Getting caught-in or ensnared STOP2: Contact with heavy objects STOP3: Contact with vehicles STOP4: Falling and falling from a height STOP5: Electric shock STOP6: Work with hot objects, accidents caused by explosions In addition to the STOP6 initiative that addresses the causes of the above accidents, NSK also addresses "oxygen deficiency and poisoning" and "prohibition of working alone" as 2 additional accident causes in its "STOP6 + 2" activities.
VOC	VOCs stands for V olatile O rganic C ompounds. VOCs are considered to be one cause of photochemical smog.
XY Table	The XY table refers to the positioning devices that move in the X-axis (left and right) and the Y-axis (forward and backward). By stacking mechanisms (tables) that can move in each direction, these devices can be positioned to the desired location. These devices are used for precision positioning of machine tools and semiconductor production equipment.

As of March 31, 2020

Region	Company name	Consolidated equity	Outline of business
Japan	NSK STEERING SYSTEMS CO., LTD.	100.0%	Manufacture of automotive components
	NSK MICRO PRECISION CO., LTD.	55.0%	Manufacture and sales of automotive bearings, etc.
	NSK MICRO PRECISION CO., LTD. (NAGANO)	100.0%	Manufacture of automotive bearings, etc.
	AMATSUJI STEEL BALL MFG. CO., LTD.	100.0%	Manufacture and sales of steel balls
	AKS EAST JAPAN CO., LTD.	100.0%	Manufacture of steel balls
	NSK KYUSHU CO., LTD.	100.0%	Manufacture of precision machinery & parts
	ASAHI SEIKI CO., LTD.	73.8%	Manufacture of industrial machinery bearing parts, etc.
	SHINWA SEIKO CO., LTD.	82.4%	Manufacture of automotive bearing parts, etc.
	NSK TOYAMA CO., LTD.	100.0%	Manufacture of industrial machinery bearing parts
	NSK MACHINERY CO., LTD.	100.0%	Manufacture of machine tools, etc.
	KURIBAYASHI SEISAKUSHO CO., LTD.	73.5%	Manufacture and sales of automotive bearing parts
	NSK REAL ESTATE CO., LTD.	100.0%	Real estate management and rental, etc.
	NISSEI BLDG. MANAGEMENT LTD.	70.0%	Management of Nissei Building
	NSK HUMAN RESOURCE SERVICES LTD.	100.0%	Consignment services for salary and welfare, education and recruitment
	NSK LOGISTICS CO., LTD.	100.0%	Distribution service
	NSK NETWORK AND SYSTEMS CO., LTD.	100.0%	Design and development for computer systems, etc.
NSK-CHUGAI, LTD.	65.0%	Sales of electrical components and insurance agent, etc.	
ADTECH CORPORATION	100.0%	Research and development of automotive components	
NSK-WARNER K.K.	50.0%	Manufacture and sales of automotive-related products	
CHITOSE SANGYO CO., LTD.	50.0%	Manufacture of automotive-related products	
INOUE JIKUUE KOGYO CO., LTD.	40.0%	Manufacture and sales of industrial machinery bearings	

THE AMERICAS

U.S.A.	NSK AMERICAS, INC.	100.0%	Control of American subsidiaries and affiliates
	NSK CORPORATION	100.0%	Manufacture and sales of automotive bearings, etc.
	NSK PRECISION AMERICA, INC.	100.0%	Manufacture and sales of precision machinery & parts
	NSK LATIN AMERICA, INC.	100.0%	Sales of industrial machinery bearings, etc.
	NSK STEERING SYSTEMS AMERICA, INC.	100.0%	Manufacture and sales of automotive components
	NSK-AKS PRECISION BALL COMPANY	100.0%	Manufacture and sales of steel balls
Canada	NSK CANADA INC.	100.0%	Sales of industrial machinery bearings, etc.
Mexico	NSK RODAMIENTOS MEXICANA, S.A. DE C.V.	100.0%	Sales of industrial machinery bearings, etc.
	NSK BEARINGS MANUFACTURING, MEXICO, S.A. DE C.V.	100.0%	Manufacture of automotive bearings, etc.
Brazil	NSK BRASIL LTDA.	100.0%	Manufacture and sales of industrial machinery bearings, etc.
Argentina	NSK ARGENTINA S.R.L.	100.0%	Sales of industrial machinery bearings, etc.
Peru	NSK PERU S.A.C.	100.0%	Sales support of industrial machinery bearings, etc.

EUROPE

U.K.	NSK EUROPE LTD.	100.0%	Control of European subsidiaries and affiliates
	NSK BEARINGS EUROPE LTD.	100.0%	Manufacture of automotive bearings, etc.
	NSK PRECISION UK LTD.	100.0%	Manufacture of precision machinery & parts
	NSK UK LTD.	100.0%	Sales of industrial machinery bearings, etc.
	NSK STEERING SYSTEMS EUROPE LTD.	100.0%	Manufacture of automotive components
	AKS PRECISION BALL EUROPE LTD.	100.0%	Manufacture and sales of steel balls
Germany	NSK EUROPA HOLDING GMBH	100.0%	Holding company of subsidiaries in Germany
	NSK DEUTSCHLAND GMBH	100.0%	Sales of industrial machinery bearings, etc.
	NEUWEG FERTIGUNG GMBH	100.0%	Manufacture of industrial machinery bearings
France	NSK FRANCE S.A.S.	100.0%	Sales of industrial machinery bearings, etc.
Italy	NSK ITALIA S.P.A.	100.0%	Sales of industrial machinery bearings, etc.
Spain	NSK SPAIN S.A.	100.0%	Sales of industrial machinery bearings, etc.



Region	Company name	Consolidated equity	Outline of business
Netherlands	NSK EUROPEAN DISTRIBUTION CENTRE B.V.	100.0%	Distribution service
Poland	NSK BEARINGS POLSKA S.A.	95.5%	Manufacture of automotive bearings, etc.
	NSK POLSKA SP. Z O.O.	100.0%	Sales of industrial machinery bearings, etc.
	NSK STEERING SYSTEMS EUROPE (POLSKA) SP. Z O.O.	100.0%	Manufacture of automotive components
	NSK NEEDLE BEARING POLAND SP. Z O.O.	100.0%	Manufacture of automotive bearings
	AKS PRECISION BALL POLSKA SP. Z O.O.	100.0%	Manufacture and sales of steel balls
Turkey	NSK RULMANLARI ORTA DOGU TIC. LTD. STI (NSK BEARINGS MIDDLE EAST TRADING CO., LTD.)	100.0%	Sales of industrial machinery bearings, etc.
South Africa	NSK SOUTH AFRICA (PTY) LTD.	100.0%	Sales of industrial machinery bearings, etc.

ASIA

China	NSK (CHINA) INVESTMENT CO., LTD.	100.0%	Control of Chinese subsidiaries and affiliates, sales of bearings, etc.
	KUNSHAN NSK CO., LTD.	85.0%	Manufacture of automotive bearings, etc.
	NSK STEERING SYSTEMS DONGGUAN CO., LTD.	100.0%	Manufacture of automotive components
	ZHANGJIAGANG NSK PRECISION MACHINERY CO., LTD.	100.0%	Manufacture of automotive bearing parts, etc.
	CHANGSHU NSK NEEDLE BEARING CO., LTD.	100.0%	Manufacture of automotive bearings
	AKS PRECISION BALL (HANGZHOU) CO., LTD.	100.0%	Manufacture and sales of steel balls
	SUZHOU NSK BEARINGS CO., LTD.	100.0%	Manufacture of automotive bearings
	NSK (CHINA) RESEARCH AND DEVELOPMENT CO., LTD.	100.0%	Research and development of automotive bearings, etc.
	NSK HANGZHOU AUTOMOTIVE COMPONENTS CO., LTD.	100.0%	Manufacture of automotive components
	NSK HANGZHOU AUTOMOBILE ELECTRONIC TECHNOLOGY CO., LTD.	100.0%	Manufacture of automotive components
	SHENYANG NSK PRECISION CO., LTD.	100.0%	Manufacture of precision machinery & parts
	SHENYANG NSK CO., LTD.	100.0%	Manufacture of industrial machinery bearings
	HEFEI NSK CO., LTD.	100.0%	Manufacture of automotive bearings, etc.
TOHSHIN-NSK ROLLERS (SUZHOU) CO., LTD.	40.0%	Manufacture of automotive bearing parts	
Hong Kong	NSK HONG KONG LTD.	70.0%	Sales of industrial machinery bearings, etc.
Taiwan	TAIWAN NSK PRECISION CO., LTD.	70.0%	Sales of precision machinery & parts
Singapore	NSK ASEAN AND OCEANIA PTE. LTD.	100.0%	Control of ASEAN and OCEANIA subsidiaries and affiliates
	NSK INTERNATIONAL (SINGAPORE) PTE LTD.	100.0%	Sales of industrial machinery bearings, etc.
	NSK SINGAPORE (PRIVATE) LTD.	100.0%	Sales of industrial machinery bearings, etc.
Indonesia	PT. NSK BEARINGS MANUFACTURING INDONESIA	100.0%	Manufacture of automotive bearings, etc.
	PT. NSK INDONESIA	100.0%	Sales of industrial machinery bearings, etc.
	PT. AKS PRECISION BALL INDONESIA	100.0%	Manufacture and sales of steel balls
Thailand	NSK BEARINGS MANUFACTURING (THAILAND) CO., LTD.	74.9%	Manufacture and sales of automotive bearings
	SIAM NSK STEERING SYSTEMS CO., LTD.	74.9%	Manufacture and sales of automotive components
	NSK ASIA PACIFIC TECHNOLOGY CENTRE (THAILAND) CO., LTD.	100.0%	Development of products, etc.
	NSK BEARINGS (THAILAND) CO., LTD.	49.0%	Sales of industrial machinery bearings, etc.
Malaysia	NSK BEARINGS (MALAYSIA) SDN. BHD.	51.0%	Sales of industrial machinery bearings, etc.
	NSK MICRO PRECISION (M) SDN. BHD.	100.0%	Manufacture of automotive bearings, etc.
	ISC MICRO PRECISION SDN. BHD.	100.0%	Manufacture of automotive bearings, etc.
Vietnam	NSK VIETNAM CO., LTD.	100.0%	Sales of industrial machinery bearings, etc.
Australia	NSK AUSTRALIA PTY. LTD.	100.0%	Sales of industrial machinery bearings, etc.
New Zealand	NSK NEW ZEALAND LIMITED	100.0%	Sales of industrial machinery bearings, etc.
India	NSK BEARINGS INDIA PRIVATE LIMITED	100.0%	Manufacture and sales of automotive bearings, etc.
	RANE NSK STEERING SYSTEMS PRIVATE LTD.	51.0%	Manufacture and sales of automotive components
South Korea	NSK KOREA CO., LTD.	100.0%	Manufacture and sales of automotive bearings, etc.

As of March 31, 2020

Corporate Address

NSK Ltd.
Nissei Bldg., 1-6-3 Ohsaki, Shinagawa-ku, Tokyo 141-8560, Japan
Tel: +81-3-3779-7111

Contact Information

IR Office, NSK Ltd.
Nissei Bldg., 1-6-3 Ohsaki, Shinagawa-ku, Tokyo 141-8560, Japan
Tel: +81-3-5487-2564
E-mail: ir@nsk.com

NSK's Website

▶ <https://www.nsk.com/>

Common Stock

Authorized: 1,700,000,000 shares
Issued: 551,268,104 shares
(including 32,910,962 shares of treasury stock)

Number of Shareholders

47,268

Transfer Agent

Mizuho Trust & Banking Co., Ltd.
1-2-1 Yaesu, Chuo-ku, Tokyo 103-8670, Japan

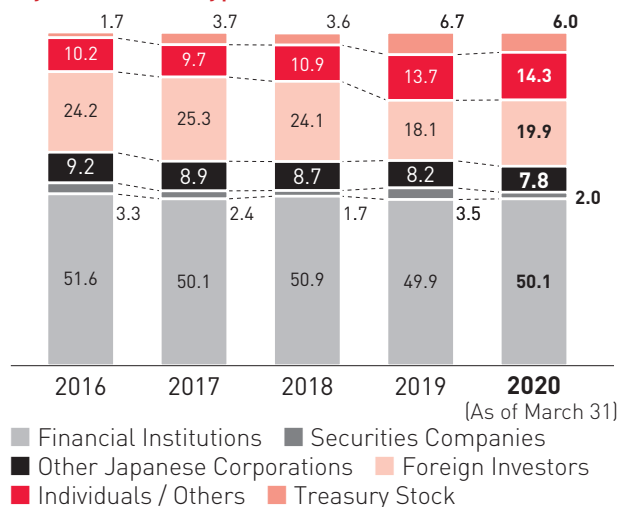
Listing

Tokyo

Security Code

6471

Breakdown of Shareholders (%) (by shareholder type)



Other Information Concerning the Company

IR-Related Information

Please refer to the Company's IR website for other IR information including the latest news and detailed financial data.
<https://www.nsk.com/investors/>

CSR-Related Information

Please refer to the Company's CSR website and Sustainability Report for more details on CSR activities and other related information.
<https://www.nsk.com/sustainability/>



Sustainability Report 2020

Highly Evaluated by Outside Agencies (SRI/ESG)

Over and above their financial aspects, companies that merit high evaluations for their environmental and social contributions are being recognized for their promise of long-term sustainable growth. These companies are also attracting interest from a socially responsible investment (SRI) perspective while forging an increasingly important presence among a wide range of institutional investors. Acknowledged for its integrity, NSK has been included in the following internationally recognized SRI/ESG indices as of August 2020.

<p>MEMBER OF Dow Jones Sustainability Indices</p> <p>In collaboration with ESAM</p> <p>https://www.spglobal.com/esg/csa/indices/djsi-index-family</p>	<p>※1</p> <p>FTSE4Good</p> <p>https://www.ftserussell.com/products/indices/ftse4good</p>	<p>※2</p> <p>FTSE Blossom Japan</p> <p>https://www.ftserussell.com/products/indices/blossom-japan</p>
<p>Corporate ESG Performance</p> <p>ISS ESG Prime</p> <p>https://www.issgovernance.com/esg/ratings/corporate-rating/</p>	<p>2020</p> <p>Sompo Sustainability Index</p> <p>https://www.sompo-am.com</p>	

※1: FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that NSK has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.
※2: FTSE Russell (FTSE International Limited and Frank Russell Company)の登録商標はここにNSKが第三者調査の結果、FTSE Blossom Japan Index組み入れの要件を満たし、本インデックスの構成銘柄となったことを証します。FTSE Blossom Japan IndexはグローバルなインデックスプロバイダーであるFTSE Russellが作成し、環境、社会、ガバナンス(ESG)について優れた対応を行っている日本企業のパフォーマンスを測定するために設計されたものです。FTSE Blossom Japan Indexはサステナブル投資のファンドや他の金融商品の作成・評価に広く利用されます。(Japanese Only)

NSK Report 2019

NSK issued "NSK Report 2019" last year. NSK was recognized with the WICI Japan Award for the Best Integrated Reporting Grand Prize.

Following the receipt of a WICI Japan Award for the 3rd consecutive year, NSK received the grand prize for the first time.

Furthermore, as part of the 23rd Environmental Communication Awards, NSK received an excellence award for environmental communication for NSK Report 2019 from Japan's Ministry of the Environment and the Global Environmental Forum.



NSK Report 2019



WICI Japan Award for the Best Integrated Reporting Grand Prize: award certificate and cup

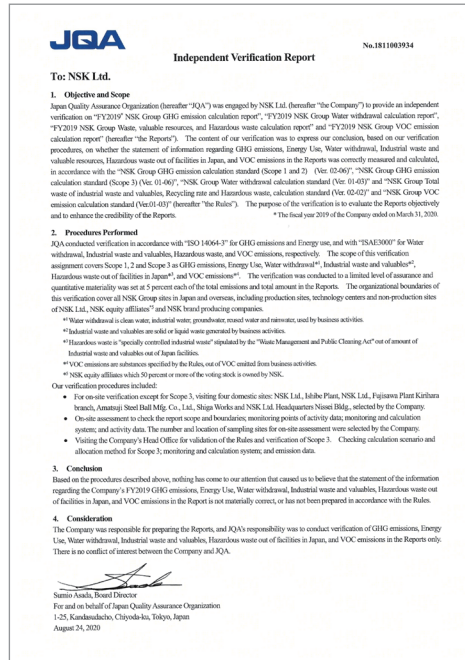


Third-Party Assurances

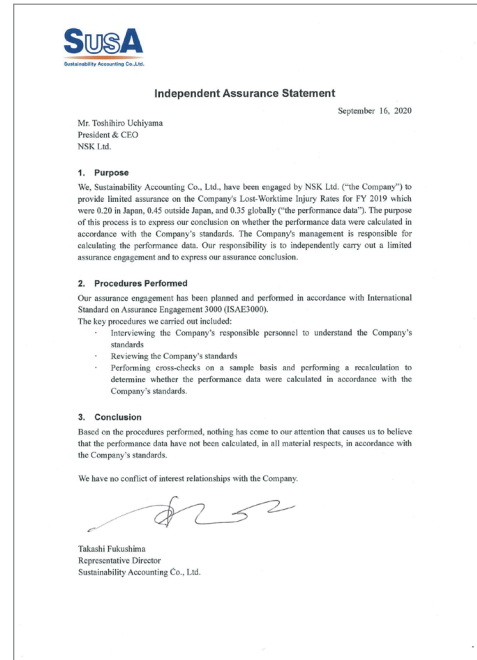
To ensure the reliability and accuracy of NSK Report 2020 as an integrated report, NSK obtained assurances from an external third party for the following data information described in this report.

Items Subject to Assurance

- Energy Use (P. 38)
- Greenhouse Gas Emissions (P. 38)
- Water Withdrawal (P. 38)
- Total Waste (P. 38)
- VOC Emissions (P. 38)
- Lost-Worktime Injury Frequency Rate (P. 39)



Independent Verification Report



Independent Assurance Statement

At the Time of Publishing the NSK Report 2020

On its 100th anniversary in 2016, NSK published its first integrated report, "NSK Report," making this fiscal year the 5th edition. Over this period, we have endeavored to disseminate information about our aims to balance our development as a corporation with contributions to solving social issues, through collaborative value that satisfies expectations from society.

This year's NSK Report has a Special Feature titled "Collaborative Value Creation and Beyond," introducing examples of our initiatives at value co-creation. The report also conveys global management at NSK through interviews with senior executives in China, Europe and the Americas. In continuation from last year, this year's report features an interview with outside directors about the Company's corporate governance.

NSK hopes that this latest edition of the integrated report will deepen the understanding of collaborative value with its stakeholders.

This report was produced primarily by the IR Office, which worked in cooperation with a broad range of departments involved and edited the opinions expressed. As the executive officer responsible for IR and thus the creation of this report, I expressly stated that the production process be valid and the information contained herein be accurate.

The NSK Report is an important tool for deepening dialogues with all our stakeholders, including shareholders and investors, and we are making concerted efforts to further enrich the content of this report. By all means, read through this report. I would be delighted.

to hear your frank views and any requests for future content.



Director, Representative,
Executive Vice President,
Responsible for Administrative Divisions,
Head of Corporate Planning Division HQs,
Responsible for Investor Relations Office

Akitoshi Ichii

