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Corporate Value Results

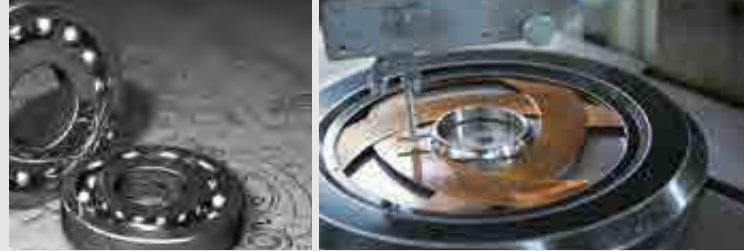
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NSK Report 2016 Editorial Policy

Effective from the fiscal year ended March 31, 2016, NSK has upgraded and expanded the format and content of its Annual Report. The NSK Report 2016, which provides a complete picture of the Company together with the story and results of efforts to create corporate value as well as a comprehensive account of NSK's underlying strengths, is designed to provide all stakeholders with a deeper understanding of the Company.

This Report provides a concise summary of all information deemed important in the Group's efforts to create corporate 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 to and initiatives in corporate social responsibility (CSR) can be found in the CSR section of our website and in our CSR Report.

In putting together this Report, we referred to the International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC).

Disclaimer

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

This document is an English translation of "NSK Report 2016" dated September 1, 2016, 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 1, 2016. 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.

Highly Evaluated by Outside Agencies

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 indices as of September 2016.





Mission Statement

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

Management Principles

- 1 To serve our customers through innovative and responsive solutions, taking advantage of our world leading technologies.
- 2 To provide challenges and opportunities to our employees, channeling their skills and fostering their creativity and individuality.
- 3 To identify the needs of the times and of the future and to use all of NSK's resources to meet those needs by being versatile, responsive and dynamic.
- 4 To work together with our employees and contribute to the communities in which we operate.
- 5 To manage our business from an international perspective and to develop a strong presence throughout the world.

NSK Vision 2026

SETTING THE FUTURE IN MOTION

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

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

We're NSK.
And, we're setting the future in motion.

Mission Statement and NSK Vision 2026

NSK has identified efforts to contribute to the well-being and safety of society through innovative technology integrating MOTION & CONTROL™ as its overarching Mission Statement. On this, the occasion of its 100th anniversary, the Company has also established NSK Vision 2026 to guide its progress over the next 10 years. With the concept of "Setting the Future in Motion," NSK will work as one to provide a safer, more secure, more comfortable and more prosperous society.

Note: For details, please refer to page 73.

Business Development History

100 Years of NSK

NSK's Business Development History, Depth of Overseas Production and Widespread Product Use

Located in Osaki-cho, Ebara-gun, Tokyo Prefecture (current headquarters: Osaki, Shinagawa-ku, Tokyo), NSK was established as Japan's first manufacturer of bearings in 1916. Since then, 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 overseas operations. Looking ahead to the next 100 years, NSK will endeavor to take another dramatic leap forward and enhance its value to establish a presence that is vital to society.

[NSK Company's website](http://www.nsk.com)

History

▶ <http://www.nsk.com/company/history/>



NSK's Business Development

1916-1957

Founding, Early Years and the Postwar Reconstruction Period

NSK spent its early years putting in place a structure and system that specialized in bearings while steadily increasing production. After the war, every effort was made to develop bearings for a variety of industries and to help Japan's reconstruction.

After returning from a tour of the West, NSK's founder, Takehiko Yamaguchi, established Nippon Seiko Limited Partnership Company in 1914 with the aim of locally manufacturing precision machinery components. Buoyed by the successful trial production of bearings in 1915, he founded NSK Ltd. in 1916 and commenced mass production. NSK upgraded and expanded its product lineup and put in place a dedicated structure and system. Under a policy of "technology first," NSK became the leader of the Japanese bearing industry. Under orders from the government, the Company set up a system to boost production of aircraft and automotive bearings.

After the war, NSK focused on resuming operations at its plants. Considerable emphasis was placed on supporting the nation's recovery through the development and manufacture of bearings across the automotive, rail, textile and iron-making fields. Around 1948, the Company began exporting several products and cultivating opportunities overseas.



Takehiko Yamaguchi, first president of NSK Ltd.



Replica bearings created according to the oldest blueprint in existence at NSK

1958-1983

Full-Scale Start-Up of Business Diversification and Globalization

In addition to expanding production and increasing its technological capabilities, the Company took steps to diversify its business activities. Moreover, NSK began building a global sales and production network to develop its overseas business in earnest.

From Japan's postwar reconstruction through the early stages of its high economic growth, demand for bearings continued to expand. NSK worked diligently to modernize its plant and equipment while increasing production through the development of innovative technologies. NSK also established a new plant in western Japan and increased its production capacity as well as new technology research centers to enhance technological capabilities. The Company diversified its activities by technology tie-ups with overseas companies, and entered into joint ventures, thus expanding into various fields including steering systems, seat belts, components for automatic transmissions and ball screws for machine tools. Around the same time, NSK pushed forward an overseas business strategy including the development of a global sales and production network. Spearheaded by the United States (1962) and Germany (1963), NSK established sales offices and local entities outside Japan. This quickly led to the start of overseas production from 1970.



Diversifying products
Ball screws



Brazil Plant

Major Domestic and Worldwide Trends and Events

As Japan took its first steps toward industrialization, the local manufacture of machine parts became an increasingly important issue and vital to the nation's ongoing development. With Japan on a war footing, calls for domestic production and increased output then took on a greater sense of urgency. In the period immediately following the war, Japan struggled under the dual burdens of insufficient supply and rising inflation. The Korean War then triggered a recovery due to special procurements and robust demand.

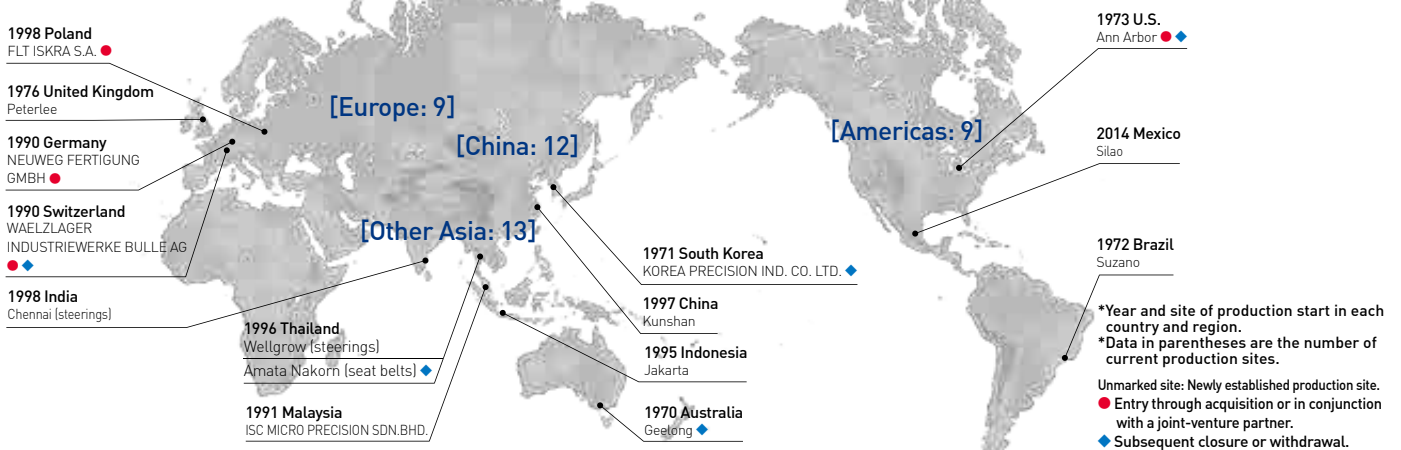
From the 1960s, Japan enjoyed a period of high economic growth. In addition to the widespread use of electric home appliances, motorization helped drive demand for transportation infrastructure including roads and railways as well as an increase in automobile production. Spearheaded by technology innovation and the flood of new products, demand continued to surge. As for overseas business, Japanese companies focused on export activities during this period. In the 1970s, Japan experienced successive oil shocks. Thereafter, the nation transitioned to a period of stable economic growth.

Development of Typical Products and Technologies

- 1915** Japan-First First ball bearing in Japan
- 1926** Japan-First Cylindrical roller bearings for aircraft engines
- 1945** Japan-First Main bearings for domestically produced jet engines
- 1948** Japan-First Extra large self-aligning roller bearings for thermal power plants
- 1948** Japan-First Large four-row tapered roller bearings for work rolls used in steel rolling mills
- 1949** Japan-First Miniature ball bearings for cameras

- 1958** Japan-First Ball screws
- 1959** Ball screw-type steering systems
- 1961** World-First Stainless-steel miniature ball bearings for ultra-high-speed dental handpieces
- 1963** Japan-First Bearings for Shinkansen bullet trains
- 1975** World-First High-precision bearings for video tape recorders (VTRs)
- 1979** World-First Bearing fatigue analysis technologies

Initial Production Sites in Each Country and Current Number of Production Sites in Each Region



1984-1993

Undertaking the Challenge of MOTION & CONTROL™ while Promoting Globalization

In addition to its focus on MOTION & CONTROL™, NSK newly established the NSK corporate philosophy. At the same time, the Company sought to further globalize its operations through the continued overseas expansion of its production, R&D and sales functions.

Affected by shifts in the economic environment, NSK addressed the need to expand on a quantitative basis and to evolve qualitatively. In addition to developing products that help to freely control motion under the new corporate identity of MOTION & CONTROL™, the Company put in place a new corporate philosophy on its 75th anniversary aiming to contribute to the well-being and safety of societies and to protect the global environment through its worldwide activities. NSK endeavored to meet the automotive, electrical equipment and other needs of Japanese companies seeking to expand their overseas operations. The Company also put in place a three-pronged R&D structure encompassing Japan, the United States and Europe while further reinforcing its sales network through the establishment of local subsidiaries in Thailand, Taiwan, Mexico and Spain. Moreover, NSK acquired the U.K.-based UPI Group as a part of efforts to aggressively expand its business.



Acquired the UPI Group



NSK's Corporate Philosophy

1994-2008

Promoting Business Structural Reforms as a Part of the Company's Transformation

While transitioning from selection and concentration to a growth track, NSK actively cultivated emerging markets. Against a backdrop of growing EPS, infrastructure, new energy and other demand, the Company sought to expand both revenue and earnings.

NSK took steps to reform the structure of its business in response to a deterioration in its earnings against the backdrop of the collapse of Japan's economic bubble and the economic crisis in Asia. In addition to reorganizing production and sales in Japan, the Company's structural reforms included the transfer and integration of various products between plants in Europe and a review of its sales structure. NSK pushed forward efforts to upgrade its joint-venture needle bearings business to a wholly owned subsidiary and to sell its seat-belt business. To lay a foundation for the future, the Company rolled out new plants in such emerging markets as China, Indonesia, Thailand and India. Steps were also taken to acquire a former state-owned bearing company in Poland. NSK worked diligently to capture a share of the markets attributable to EPS growth and the growing demand for infrastructure by the so-called BRICs and new energy including wind power generation. In line with its steady transformation, NSK reported record sales and earnings in fiscal 2007.



Kunshan Plant



A bearing for wind turbines

2009-2016

Looking toward NSK's 100th Anniversary

After overcoming the downturn attributable to the Lehman shock, NSK endeavored to establish the corporate fundamentals appropriate for a company with net sales of ¥1 trillion. Based on the NSK Vision 2026, the Company is embarking on a new chapter in its evolution toward the next 100 years.

Through a variety of measures and hard work, NSK overcame considerable difficulties in the wake of the Lehman shock and is moving steadily toward its 100th anniversary. The Company reported record revenue and earnings in fiscal 2014 and 2015 and is well on its way to becoming a company with net sales of ¥1 trillion. NSK maintains a global network of more than 31,000 employees spread across 210 locations in 30 countries worldwide. However, NSK's business environment is experiencing unprecedented change. Technology innovation in the automotive and industrial machinery sectors is progressing at a rapid pace. While NSK continuously implements the necessary measures to establish the corporate fundamentals appropriate for a company with net sales of ¥1 trillion, the Company has put in place a vision that will guide it over the next decade. Embarking on a new chapter of evolution toward the next 100 years, the Company is setting the future in motion as it works to realize its vision.



100th anniversary corporate advertisement

Triggered by the Plaza Accord in 1985, the value of the yen increased sharply. This in turn led to trade friction. Against this backdrop, Japanese companies accelerated overseas expansion led mainly by the automobile and electric equipment sectors. Driven by the shift in demand attributable to this overseas growth by NSK's customers, calls for local production continued to expand. Buffeted by the emergence and collapse of Japan's economic bubble, trends in domestic demand changed significantly.

- 1984 **World-First** Direct-drive motors and Megatorque Motors™ for factory automation
- 1984 **World-First** Mask exposure devices for semiconductors and large screen TVs
- 1985 **Japan-First** Bearings for passenger jet engines (V2500)
- 1986 **World-First** Electric power steering (EPS) systems for battery-powered forklifts
- 1991 Bearings made from ultra-high purity (EP) steel
- 1991 **Japan-First** Integrated single-axle actuator, Monocarrier™

After the collapse of Japan's economic bubble, the domestic economy stalled. Affected also by Asia's currency crisis, several major financial institutions filed for bankruptcy. As a result, Japan fell into a period of economic crisis. Despite robust conditions in IT-related fields as a result of the rapid penetration of personal computers, corrections by the market later contributed to a deterioration in economic conditions. Entering the new millennium, emerging countries that overcame the confusion caused by Asia's currency crisis saw their economies grow at a fast pace. This helped to drive the world economy forward.

- 1999 **World-First** Half-toroidal continuously variable transmission (CVTs)
- 2004 **World-First** The world's smallest deep groove ball bearings (inner diameter 0.6 mm; outer diameter 2.0 mm; width 0.8 mm)
- 2004 NSKHPST™ series of industrial machinery high performance standard bearings
- 2005 Full complement cylindrical roller bearings for wind turbines
- 2007 **World-First** Hub unit bearing with an integrated multi-sensor that can detect road load in three directions
- 2008 Manipulation system that enables fine processing

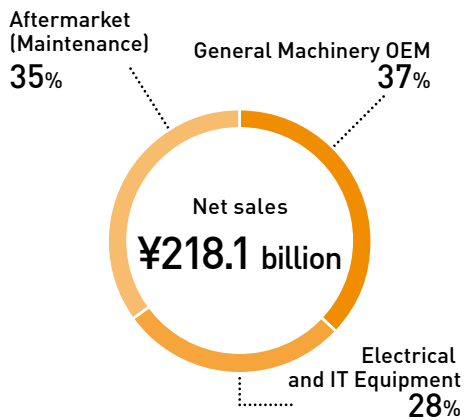
Owing mainly to credit instability attributable to the subprime mortgage problem in the United States, and exacerbated by the Lehman shock in 2008, most major economies fell into a simultaneous recession. Burdened by the strong yen, the Japanese economy also experienced a prolonged period of downturn due largely to such issues as the Great East Japan Earthquake in 2011 and the difficulties in Europe caused by the financial crisis in Greece. As adjustments were made to correct the strong yen and stock prices began to climb, signs of a recovery finally began to emerge from the end of 2012.

- 2009 **World-First** Electro-mechanical integrated column-type EPS
- 2010 **Japan-First** High-performance wheel bearings for satellite altitude control
- 2011 **World-First** Low-friction ball screws for regenerative braking system applications used in electric and hybrid cars
- 2011 **World-First** Ball screws for seismic dampeners used in buildings
- 2012 **Japan-First** Axle sensor bearings for passenger train cars
- 2013 **World-First** Lubricant grease derived from 100% food-grade ingredients

NSK's Business

Industrial Machinery Business

Industrial Machinery Bearings



As a comprehensive bearing manufacturer, NSK offers a varied lineup of miniature through to extra-large products catering to needs across a broad range of industries. The Company is working to expand its business globally across three sectors: the general machinery sector including steel, machine tools, wind turbines and railways; the electrical and IT equipment sector such as home appliances and personal computers; and the aftermarket, providing maintenance and repair services.

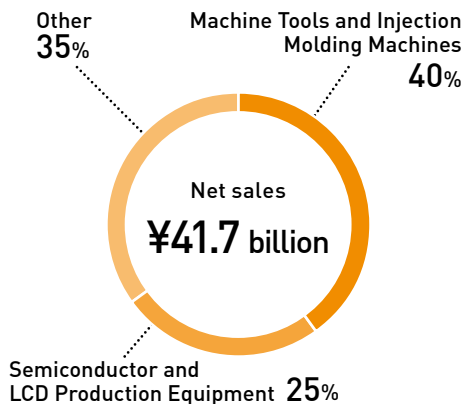


Double row cylindrical roller bearings
High rigidity series



NSKHPS™ Large spherical roller bearings

Precision Machinery and Parts



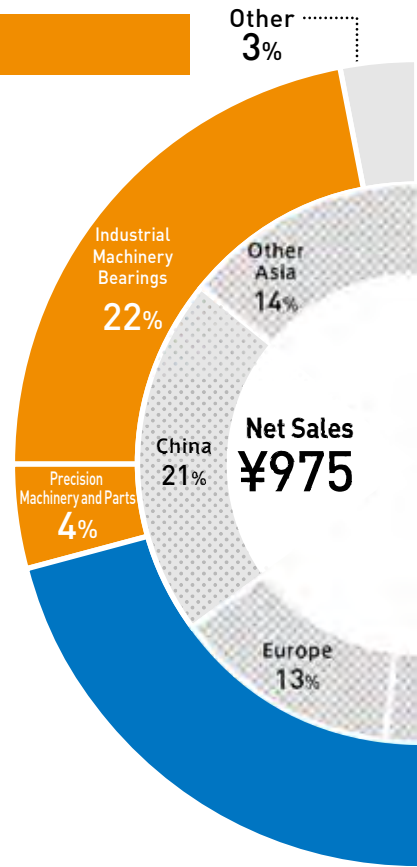
NSK helps to push forward new developments in a wide range of advanced fields. Through the supply of precision machinery and parts including the ball screws and linear guides that play an important role in linear motion products, and such mechatronic products as XY Tables and MEGATORQUE MOTOR™ that employ ultra-high precision positioning as well as control technologies, the Company provides invaluable support in the production of machine tools, injection molding machines, industrial robots, semiconductor and LCD production equipment, conveying machines and medical devices.



Ball screws for high-speed machine tools
HMD/HMS Series



MEGATORQUE MOTOR™ PS/PN Series



● Bearing Net Sales

Domestic share

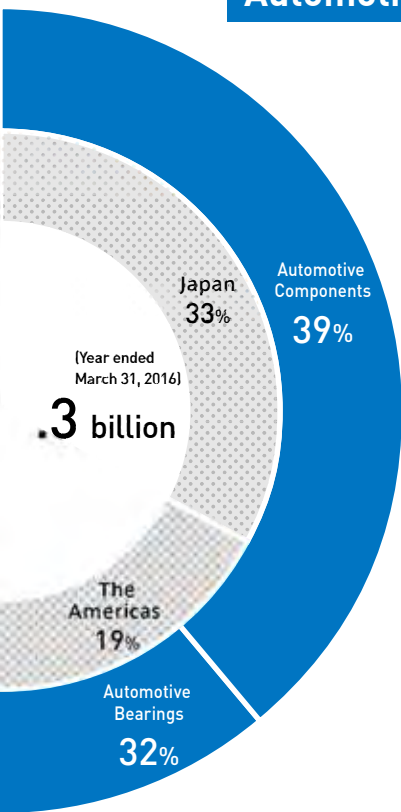
No. 1

NSK Products: Playing a Key Role in an Array of Industries

NSK caters precisely to a variety of needs by ensuring that it is fully aware of the characteristics of customers' industries as well as usage environments and the different requirements of each country and region.

<p>Machine Tools</p> <p>Ball screws for high-speed machine tools HMS Series</p> <p>High precision angular contact ball bearings</p>	<p>Steel</p> <p>Four-row tapered roller bearings for work rolls</p>	<p>Mining and Construction</p> <p>NSKHPS™ Spherical roller bearings</p>	<p>Wind Turbines</p> <p>Full-complement cylindrical roller bearings NNCF (double row)</p>
<p>Railways</p> <p>Double-row cylindrical roller bearing with oil bath lubrication for railway axle</p>	<p>Home Appliances</p> <p>Deep groove ball bearings</p>	<p>Semiconductor Production Equipment</p> <p>Super high load capacity single-axis actuator Toughcarrier™</p>	<p>Pumps & Compressors</p> <p>NSKHPS™ High load capacity single-row angular contact ball bearings</p>

Automotive Business

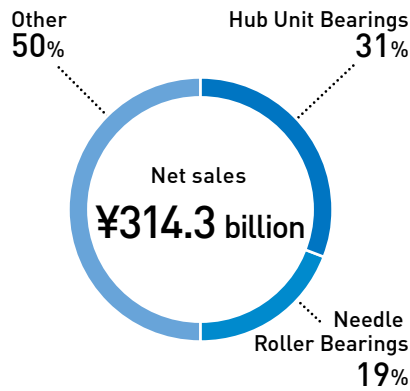


(for industrial and automotive use)

Global share

No. 3

Automotive Bearings



Today, between 100 and 150 bearings are used in a single vehicle. As concerns toward the environment and safety continue to grow, bearing manufacturers are being asked to provide lighter weight and more efficient products. NSK offers a full range of bearings and supplies high-quality products to both its Japanese customers and automotive and component manufacturers in Europe, the United States, and emerging countries through its global production network.

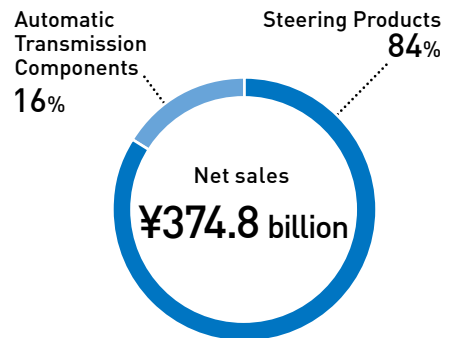


Double-row angular contact ball bearings with inner and outer mounting flange (HUB III for driven wheels)



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

Automotive Components



Steering Products

Steering products play a key role in supporting the turning performance of automobiles. In providing advanced driving assistance while improving the flow of automatic operations, electric steering systems are becoming increasingly important. NSK is making a contribution to this field through its proven technological capabilities and reliability.



Functional safety compliant electric power steering

Automatic Transmission (AT) Components

AT components help to enhance the efficient transmission of power and speed while facilitating the smooth shifting of gears. NSK's lineup of AT components and needle roller bearings facilitate the shift to multistep AT and address the need for the further reduction of frictional loss.



Clutch assembly optimized high efficiency

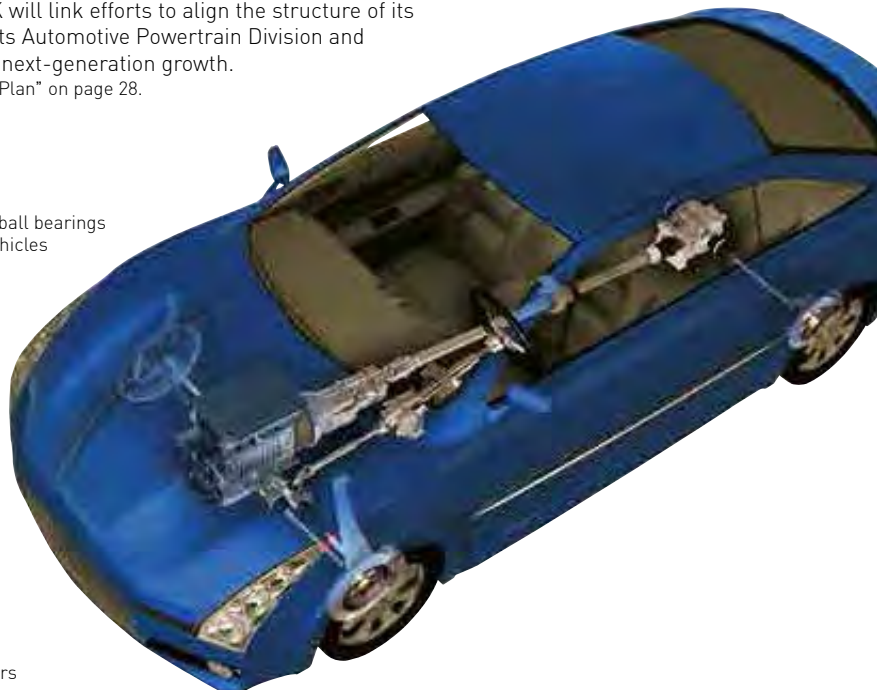
With the dramatic advance of innovative automotive technologies, the demand for improved fuel efficient, autonomous vehicle driving control and the shift toward electric vehicles are rapidly progressing. In the fiscal year ending March 31, 2017, NSK will link efforts to align the structure of its Automotive Business to these changes and to reorganize its Automotive Powertrain Division and Automotive Steering & Actuator Division headquarters for next-generation growth. Note: For details, please refer to "The Fifth Mid-Term Management Plan" on page 28.

Powertrain Business

- Powertrain products —  Low-torque ball bearings for hybrid vehicles
- Electrical components field —  Bearings for alternator
- Chassis

Steering & Actuator Business

- Steering
- Actuators —  Ball screws for e-brake boosters



Creating New Value That Adds to Society

The NSK Group's Stakeholders

Suppliers

Customers

Employees

Value Created

Environmental contribution

(making products lighter, more compact, and with longer service lives)

Contribution to an advanced technological society

Realization of a more prosperous society

Growth of a wide range of industries

Advancement of mobility societies

Improvement of shareholder value

Shareholders
and Investors

Future
Generations

Local
Communities

In its mission statement, NSK declares its aims of realizing the well-being and safety of society, and contributing to the protection of the global environment through its MOTION & CONTROL™ technology.

NSK considers safety, quality and compliance as its top priorities and creates new value that contributes to society through its operations, spanning development to design, production, sales and aftermarket services.

NSK Vision 2026

Diverse Capital and Inputs

Manufacturing Capital	Production sites (Plants) Japan: 21 Overseas: 43
	R&D centers At 14 locations in 9 countries
Intellectual Capital	Ratio of new employees with science backgrounds (annual average over the past five years) 70.9%
	Number of employees worldwide 31,587
Human Capital	Total number of in-house training course attendees (Japan/year) 6,996
	Total equity ¥478.9 billion
Financial Capital	Interest-bearing debt ¥278.2 billion
	Cash and cash equivalents ¥175.5 billion
Social/Relationship Capital	Number of customer inquiries to NSK salespeople 7,890 cases/year
Natural Capital	Energy input (per year) Electricity: 1,368,232 MWh Fuel: 2,342,032 GJ

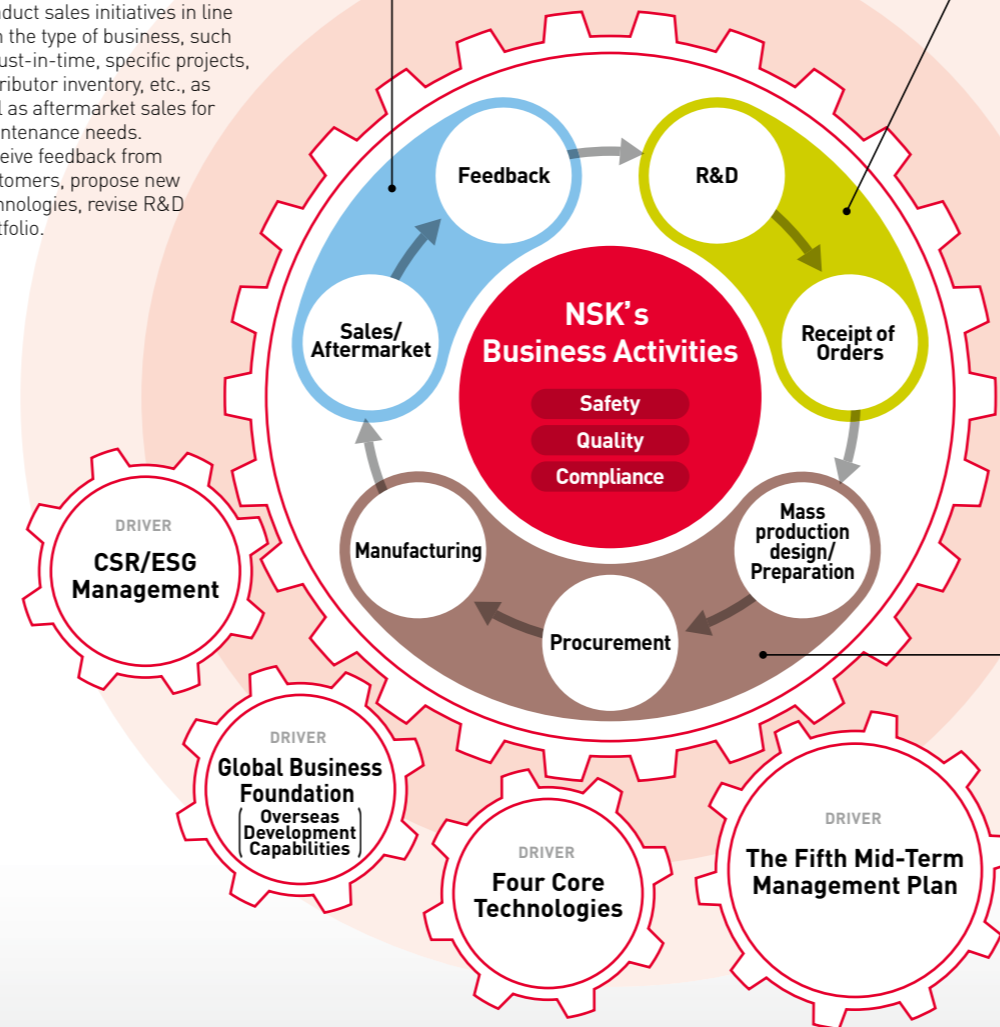
(As at March 31, 2016)

NSK's Value Creation Process (Business Model)

Business Foundation and Four Drivers for Expansion and Enhancement

Sales ~ Feedback P.13

Conduct sales initiatives in line with the type of business, such as just-in-time, specific projects, distributor inventory, etc., as well as aftermarket sales for maintenance needs. Receive feedback from customers, propose new technologies, revise R&D portfolio.



R&D ~ Receipt of Orders P.11

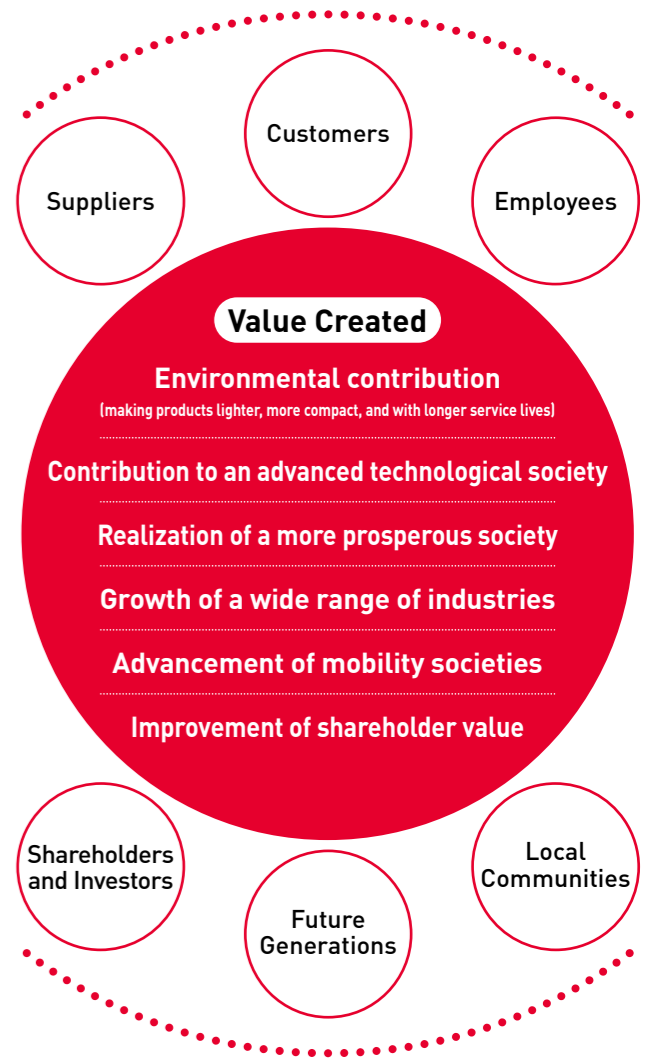
Engage in R&D in such topics as basic research, advanced development, application development and manufacturing engineering; development ~ receipt of orders for industrial machinery bearings and precision machinery and parts that fulfill the needs of all industries; development ~ receipt of orders for automotive bearings and automotive components compatible with new automobiles developed by the manufacturers of finished vehicles. For standardized products based on international standards, develop activities to win orders by, for example, providing customers with technical support.

Mass Production Design ~ Manufacturing P.12

Undertake mass production design and preparation depending on the capital expenditure cycle and each type of business cycle, such as new product, maintenance and repair, as well as new vehicles; commence production following procurement of raw materials and components. Undertake repeated production while constantly increasing competitiveness through improved quality, cost and delivery times, including for standard products.

Output and Outcomes

Products/Services	Share of bearings market Ranked 3rd in the world
	Number of EPS mounted on vehicles (cumulative total) More than 65 million
	Number of new product releases 24 products/year (22 in the previous fiscal year)
Financial Outcomes from Provision of Added Value	Cash flow from operating activities ¥108.6 billion
	Dividends/Payout ratio ¥18.4 billion/28.0%
	Lost-worktime injury rate* (global) 0.70 (0.80 in the previous fiscal year)
	* For more information on lost-worktime injury rate, please see p. 43.
Impact on Society/Environment	Diversity (Japan) Proportion of female employees 7.0% (6.9% in the previous fiscal year)
	Number of employees who have attained a TOEIC score of 730 or higher 472
	Development of environmentally friendly products 211 products (cumulative total)
(Output as burden on the environment)	CO ₂ emissions per production unit 1.6% increase



Social Issues

Well-Being and Safety of Society
Protection of the Global Environment

External Factors Affecting Corporate Value Creation

Foreign Exchange Rate Fluctuations

Exchange rate fluctuations affect revenue as the ratio of net sales outside Japan to total net sales is 67%, and the overseas production ratio is 55%.

Resource Price Fluctuations

Changes in the prices for resources, such as the steel and rare earths minerals that are raw materials for NSK products, affect revenue

Economies/Economic Trends

Economic trends in each country and market affect related demand. For example, the number of new vehicles sold by finished vehicle manufacturers affects Automotive Business revenue

Capital Expenditures

Capital expenditure cycles affect the sales of bearings and precision products that are affected by demand in a wide range of industrial sectors

Competitive Environment

Although barriers to entry into the equipment industry are high, changes in the competitive environment for Japanese and global manufacturers of bearings, precision products and automotive components may affect revenues

Changes in Technological Innovation and Industry Structure

The impact that automotive technological innovation and IoT has on the structure of industry will have direct and indirect effects on NSK's business

Short term

Long term

NSK's Business Activities and Corporate Value Creation

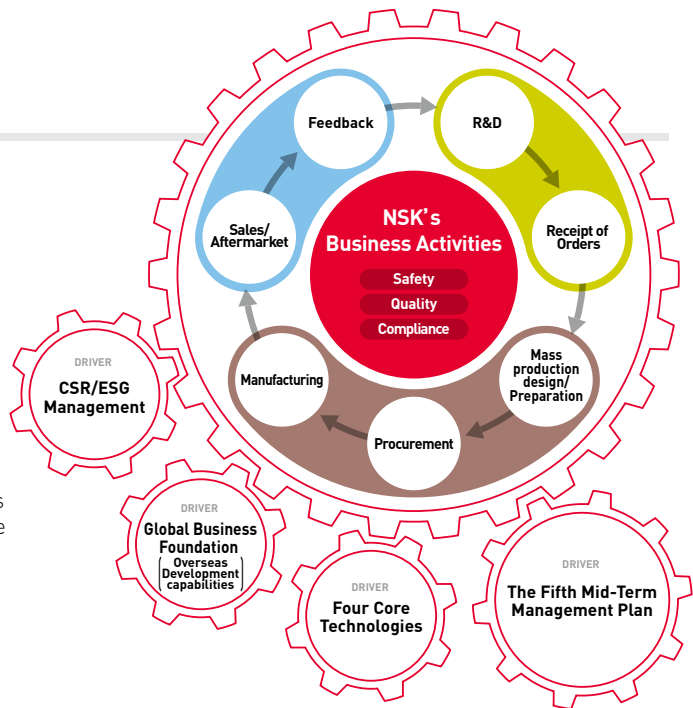
Framework for NSK's Business Activities

NSK engages in BtoB operations, where its direct customers are automakers and machinery manufacturers, not end users.

NSK has two business segments, the Industrial Machinery Business and the Automotive Business, reflecting the industries in which its customers operate. The Industrial Machinery Business Division Headquarters and the Automotive Business Division Headquarters oversee these businesses on a global level. (Please see "Organizations Supporting Global Management" on page 39.)

Each business division headquarters maintains its own production, sales and technology units that take responsibility for the entire business value chain, from marketing activities for order receipt to product design, manufacturing, sales, delivery, payment collection and the aftermarket.

As shown in the chart on the right, NSK's value chain creates value for its customers through business activities encompassing research and development, manufacturing, sales and feedback from customers.



Shared and Distinct Features of the Industrial Machinery Business and the Automotive Business

The following features are shared by the Industrial Machinery Business and the Automotive Business.

- ① NSK's products are components that enhance the performance of the customer machinery in which they are incorporated. The product specifications and functional requirements of our customers influence NSK's products and business activities.
- ② QCDDSM
Quality, Cost, Delivery, Development, Service and Management play an important role in securing our competitive advantage.
- ③ Demand conditions in the industries of its customers influence NSK's net sales and profits.
- ④ The ability to develop business on a worldwide scale influences NSK's competitiveness and growth potential.
- ⑤ The ability to propose technological solutions is key to acquiring new projects.
- ⑥ In principle, products are manufactured once orders are received, rather than in anticipation of orders.

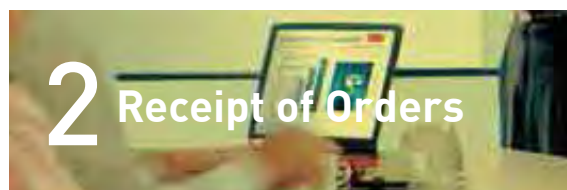
The table below lists the distinct features of the Industrial Machinery Business and the Automotive Business.

	Industrial Machinery Business	Automotive Business
Customers	<ul style="list-style-type: none"> ● Machinery manufacturers in Japan and overseas (excluding automotive), distributors ● Large number of customers, wide range of products 	<ul style="list-style-type: none"> ● Automakers in Japan and overseas ● Auto component manufacturers in Japan and overseas
Features of Customers and NSK Businesses	<ul style="list-style-type: none"> ● Products for use in general machinery are produced in small lots and many varieties, whereas products for electrical and IT equipment are mass produced (large volumes of standardized products) ● Products for use in general machinery and the aftermarket include large products with relatively long lead times ● The aftermarket mainly consists of demand from end users of general machinery for maintenance and repair of facilities and equipment. It also includes sales of standardized products through distributors. In partnership with distributors, it is important to avoid lost opportunities by maintaining appropriate inventory levels to ensure immediate delivery. 	<ul style="list-style-type: none"> ● In principle, opportunities to win new orders arise when automakers introduce new vehicle models or undertake a full model change. According to the schedule of each customer's new vehicle project, NSK cooperates on development after being nominated as a development supplier. Development suppliers are generally also responsible for supplying mass-produced products, and prepare mass production in accordance with the launch schedule for the new vehicle. ● The delivery volume required for a single project has been on the rise as customers employ common platforms and planned production volumes grow. ● NSK's net sales are affected by the sales volumes of car models on the market. In principle, deliveries are based on the just-in-time system, so inventories are light. However, customers often require that manufacturing takes place near regions of demand, meaning that the local production ratio is relatively high.
NSK's Competitive Advantages	<ul style="list-style-type: none"> ● Extensive product lineup as a comprehensive manufacturer ● Technological capabilities based on our four core technologies ● Accumulated expertise in customer needs and technology for a wide range of industries and applications ● Manufacturing, supply and technical support capabilities delivered via a global network 	<ul style="list-style-type: none"> ● Diverse business relationships/customer base among automakers and first-tier auto parts makers ● Global supply capabilities ● Developmental capabilities/technological response capabilities for advances in automobile functions ● Global management systems to focus on meeting the needs of non-Japanese customers



1 R & D

Our four core technologies are tribology, materials, numerical simulation, and mechatronics (see page 36). In the field of R&D, NSK engages in broad research and development that applies to both business segments, in addition to fundamental research, advanced development, application development and production technologies. R&D aims to create new products, technologies and businesses.



2 Receipt of Orders

The independent sales divisions of the Industrial Machinery Business and the Automotive Business coordinate with other internal departments to win new 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 projects, the sales divisions coordinate with the relevant sites in other countries.

Key Inputs

- Personnel with strong technical skills to support the technology foundation (human capital)
- Accumulated technology, including intellectual property, engineering rules and standards (intellectual capital)
- R&D centers, led by the Technology Development Division HQ (intellectual capital)
- R&D structure with external parties (intellectual capital, social and related capital)
- NSK Institute of Technology (NIT) as a framework for human resource development (intellectual capital, human capital)
- Financial foundation for funding R&D (financial capital)

- Experience and track record in QCDDSM (quality, cost, delivery, development, service and management) (manufacturing capital, intellectual capital, human capital)
- Marketing capabilities based on tight-knit relationships with customers and distributors (human capital)
- NSK's brand recognition backed by its 100-year history (social and related capital)
- Customers choose NSK as a partner to develop new models thanks to its technical capabilities and reliability (intellectual property, social and related capital)

Highlights of Activities and Our Strengths

- NSK aims to improve existing products, develop new products and establish new production technologies by developing new core technologies while strengthening its four core technologies.
- NSK has technology centers in Japan, Europe, the Americas and Asia. These technology centers collaborate on meeting technological requirements while expanding a global technology network and keeping up with the globalization of its customers.
- NSK addresses relatively short-term R&D topics while also conducting long-term research on future technologies.

Our Strengths

- NSK excels at solving complex technological problems, thanks to the breadth of its technical staff and accumulated technologies gained from deep knowledge and experience.
- NSK collaborates and jointly develops products with its customers, suppliers and external research institutions, and leverages those efforts in product development (e.g., steel materials, grease, motors, ECUs).
- NSK has a global network of technology centers.
- NSK has a structured education program and a training organization for nurturing and improving technical staff.

- The pattern for acquiring orders differs depending on the customer's business, products and components used, and NSK optimizes its approach accordingly.
 - Orders to develop new products and designs
 - Orders for new products as an improvement on existing models
 - New orders for existing products
 - Orders for standardized products and catalog products
- Order activities are built from information obtained about global trends and customer needs, which is shared among the relevant departments.
- NSK participates in related industrial exhibitions (e.g., machine tools, mining machinery, technology and motor shows) to showcase its products and technologies.
- NSK also works to win orders currently filled by its competitors by offering superior technologies and delivery times.

Our Strengths

- NSK has internal systems that support tight-knit communications between customers and its engineering and sales staff.
- NSK's global development and supply capabilities also help it win orders.
- In the Automotive Business, Global Account Managers (GAMs) and Key Account Managers (KAMs) work together on project requirements.

Relation to Four Drivers

Relation to Four Drivers

- Creating new added value and demand to realize Innovate and Challenge **[the Fifth Mid-Term Management Plan]**
- Engaging in R&D activities to advance and deepen NSK's core technologies and know-how **[four core technologies]**
- Maintaining overseas technology centers, in charge of interfacing with customers on global projects (coordination, leads) and identifying technological trends overseas **[global business foundation]**
- Developing environmentally friendly products **[CSR/ESG management]**

Relation to Four Drivers

- Winning new orders in both the Industrial Machinery Business and the Automotive Business as a key to achieving the fifth mid-term management plan and building a foundation for future business. **[the Fifth Mid-Term Management Plan]**
- Securing sources of growth that entail global projects in the Automotive Business (overseas projects for Japanese customers, projects for non-Japanese customers) and orders for overseas projects in the Industrial Machinery Business (local production, local supply) **[global business foundation]**
- Improving quality and environmental performance to become a candidate supplier for customers **[CSR/ESG management]**

NSK's Business Activities and Corporate Value Creation

Mass Production Design and Preparation ~ Manufacturing

3 Mass Production Design and Preparation

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, final customer approval is required for product specifications, equipment and processes.

Key Inputs

- Mass production equipment preparation, capital investment (manufacturing capital)
- Talented design engineers (human capital)
- Accumulation of technologies related to mass production, engineering/manufacturing rules and standards (intellectual capital)
- Technology centers that coordinate with customer technology divisions (intellectual capital, R&D center)
- NIT as a framework for human resource development (intellectual capital, human capital)

Mass Production Design

- Once customer requirements and specifications are satisfied, NSK optimizes designs for ease of fabrication in plants, cost competitiveness and quality assurance.
- NSK builds quality into the design and production processes.

Preparation for Mass Production

- Preparations are made based on the customer's development time line. During the process of fabricating prototypes and finalizing product specifications, NSK sets up mass production facilities, prepares dies and tools for mass production, and determines required processes.
- When preparing for mass production, optimizing cost competitiveness is key.

NSK has a framework for managing the entire process from order receipt to mass production launch, which entails checking and confirming costs and specifications at each stage of the process (NPDS).

Our Strengths

- Design quality is a key factor in manufacturing quality. Accordingly, accurately understanding the specifications required by customers and reflecting them in product design lead 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 for moving from product design to mass production preparation in a timely and cost-effective manner, which helps to improve profits.

Relation to Four Drivers

- Realizing operational excellence, mass production design and preparation with the aim of achieving high quality and cost competitiveness **【the Fifth Mid-Term Management Plan】**
- Maintaining the strong technological base required for mass production design **【four core technologies】**
- Playing a key role in the launch of global projects and overseas projects **【global business foundation】**
- Building in quality in the mass production design and preparation stages as an essential requirement **【CSR/ESG management】**

Relation to Four Drivers

4 Procurement

The equipment, raw materials, parts and production materials required to manufacture mass-produced products are procured from manufacturers and suppliers. NSK's basic procurement policy involves procurement at each production site and procurement by the head office, which determines procurement policies on a company-wide level. Collaboration with suppliers to ensure stable procurement is essential.

- Each production site procures materials in a timely and appropriate manner (manufacturing capital, intellectual capital)
- NSK procures from suppliers with which it jointly develops (intellectual capital)
- NSK coordinates and collaborates with suppliers on a range of objectives, such as quality, the environment, compliance, BCP and disaster prevention (social and related capital)
- Financial strategy to ensure smooth procurement (financial capital)

- By ascertaining the QCDDSM performance of suppliers, NSK ensures the reliable procurement of products, stronger cost competitiveness and high quality.
- To strengthen procurement competitiveness, NSK is closely involved in the finalization of specifications for procured products, screens suppliers, and focuses on supplier management.
- NSK discloses its basic procurement policy and holds regular briefings on its procurement policy.
- NSK aims to reduce foreign exchange risk by working to increase the ratio of local procurement at sites outside Japan.
- As costs for procured products can be affected by changes in market prices for natural resources, NSK constantly monitors market trends.
- From the standpoint of CSR procurement, NSK monitors supplier performance based on stringent criteria in its supplier CSR guidelines for human rights, the environment, compliance, information security and BCP, and suggests improvements as needed.

Our Strengths

- NSK maintains strong favorable relationships with suppliers in its procurement activities.
- NSK jointly develops materials, parts and grease with suppliers to improve the quality of its products.
- In overseas production, NSK advances overseas with its suppliers and assists its suppliers to make inroads overseas.
- In equipment procurement, NSK develops its own equipment and has a system for procuring within the Group.

Relation to Four Drivers

- Improving profitability by reducing procurement costs **【the Fifth Mid-Term Management Plan】**
- Conducting joint development with suppliers in order to increase the quality of materials and parts **【four core technologies】**
- Procuring from non-Japan sites of Group companies and suppliers, and supporting global business development **【global business foundation】**
- Identifying and developing relationships with overseas suppliers **【global business foundation】**
- Maintaining systems for CSR procurement, green procurement, avoiding conflict minerals and ensuring compliance with the UK Modern Slavery Act **【CSR/ESG management】**



5 Manufacturing

The NSK Group manufactures products at its plants, requiring stringent management of quality, cost and delivery (QCD). Both the Industrial Machinery Business and the Automotive Business maintain their own manufacturing plants.

- Production plants and facilities (manufacturing capital)
- Production technologies, manufacturing drawings and accumulated know-how (intellectual capital)
- Personnel necessary for production and strong technical skills (human capital)
- Suppliers and local communities' support for production (social and related capital)
- Raw materials (e.g., steel, components), oils (e.g., cutting oil, grinding oil), electricity, water and other resources used in production (natural capital, manufacturing capital)

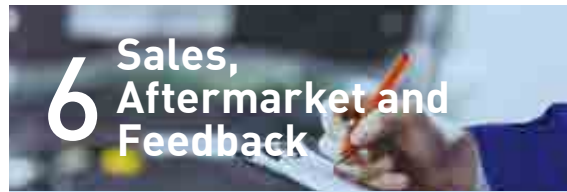
- Manufacturing activities that take place at production plants include manufacturing, quality assurance, production technology and equipment management, production management, plant accounting and labor management.
- As NSK's profitability is influenced by the cost of production, production volume, productivity, plant profits/losses, quality, safety, disaster prevention and environmental protection, plants hold an important responsibility for making improvements on these fronts.
- Certain plants both in Japan and overseas play the role of mother plants, using their experience to guide and resolve issues at similar plants.
- Small-group activities (QC circles) are conducted at each plant on an ongoing basis to improve workplace processes.
- The NSK Manufacturing Education and Training Center provides hands-on training to engineers from plants around the world with the aim of passing down technical skills and improving technical capabilities in the production divisions.
- NSK maintains positive relationships with local communities when conducting its manufacturing activities.

Our Strengths

- NSK has a total of 64 plants, with 21 in Japan and 43 overseas, enabling it to meet global demand in a timely manner.
- Mother plants in Japan launch plants overseas and provide assistance with problem solving.
- More overseas plants are being operated under the supervision of local staff, and some overseas plants have advanced to the level of being able to support the launch of new plants overseas.

Relation to Four Drivers

- Implementing initiatives to strengthen the production division and realizing operational excellence (e.g., F2 project and next-generation manufacturing (NSK Smart Factories) [the Fifth Mid-Term Management Plan])
- Accumulating data and technologies through manufacturing [four core technologies]
- Promoting collaboration between plants in Japan and overseas on manufacturing tasks through the mother plant system [global business foundation]
- Improving manufacturing activities, such as safe working conditions and reduced burden on the global environment [CSR/ESG management]



6 Sales, Aftermarket and Feedback

Sales activities span the delivery of manufactured products to customers and distributors, inspection and acceptance of the delivered products, and finally recognition of the sale. Aftermarket services entail the maintenance and repair of equipment and machinery for customers and end users. Feedback from customers is reflected in production plan reviews, inventory management, product improvements and development of new products.

- Management of PSI (production, sales and inventory) in order to deliver products to customers in a timely manner (human capital)
- Aftermarket services share information with customers, end users and distributors, developing trust relationships (social and related capital)
- Examination and accumulation of analysis data related to conditions under which products are used, defects and service life (intellectual capital)

Sales

- The timely delivery of products is important across all businesses.
- Product delivery and sales activities differ according to business form, such as just-in-time systems for automakers, project-based industrial machinery orders, and inventory orders for distributors.

Aftermarket

- NSK maintains and repairs not only its own products but also products made by other companies.
- In addition to delivering replacement components based on scheduled maintenance plans, NSK also handles emergency demand - when quick delivery is vital.
- Inventory management is key to addressing demand and delivery frequency for aftermarket services. This can also have an impact on profits.

Feedback

- Production plans are reviewed in accordance with the production volume plans of automakers and demand fluctuations for industrial machinery (e.g., customer production plans, capital investment trends, distributor inventory policies).
- Cases in which NSK was not able to meet requests for replacement parts due to insufficient inventory or tight delivery deadlines are studied and used to improve its inventory policy.
- Data about defects and breakdowns, as well as feedback from customers, are used to improve products and are reflected in new production development to acquire new business.

Our Strengths

- NSK is able to maintain proper inventory levels as a result of advanced PSI (production, sales and inventory) management.
- The bedrock of the aftermarket business is NSK's strong relationships with distributors and its extensive network.
- NSK has advanced analysis capabilities and accumulated technologies from access to broad data fields, such as for defects and damage at customers and end users.
- Feedback is used to improve products and propose solutions with new technologies.

Relation to Four Drivers

- Realizing operational excellence through PSI management [the Fifth Mid-Term Management Plan]
- Utilizing feedback to advance core technologies, achieving Innovate and Challenge objectives [four core technologies, the Fifth Mid-Term Management Plan]
- Strengthening the global sales foundation (overseas affiliates, distributor network) [global business foundation]
- Considering the local community and areas near plants when products are shipped, considering the environment during transportation and delivery (e.g., modal shift) [CSR/ESG management]

Financial and Non-Financial Highlights

Eleven-Year Summary

NSK Ltd. and Consolidated Subsidiaries

Years ended March 31			2006	2007	2008	2009	
Financial Data	Net sales		628,474	717,225	772,036	647,593	
	[By segment]	Industrial Machinery Business	261,388	294,058	307,243	267,021	
		Automotive Business	353,124	397,863	435,705	352,453	
		Others	13,962	25,303	29,087	28,118	
		[By region]	Japan	330,062	364,395	388,929	323,375
		(Based on	The Americas	92,367	105,111	107,321	78,754
		customer location)	Europe	98,165	121,698	133,853	111,866
			Asia	107,880	126,021	141,933	133,596
			China	—	—	—	—
			Other Asia	—	—	—	—
		Operating income		42,552	62,383	69,343	22,106
		Ordinary income		38,916	57,595	64,854	16,964
		Net income attributable to shareholders of the parent		25,586	34,853	42,613	4,561
		Capital expenditures		48,784	37,689	53,905	44,138
	Depreciation and amortization		30,099	35,316	38,380	39,729	
	R&D expenditures		9,728	10,100	10,240	10,691	
	Cash flows from operating activities (A)		66,332	64,153	69,236	11,785	
	Cash flows from investing activities (B)		(62,386)	(64,600)	(23,187)	(46,422)	
	Free cash flows (A) + (B)		3,946	(447)	46,049	(34,637)	
	Dividends paid		6,482	8,650	10,277	7,574	
	Net assets		247,823	276,727	283,775	248,787	
	Total assets		743,032	815,788	828,580	744,229	
	Interest-bearing debt		222,918	255,557	264,413	323,165	
Non-Financial Data	Number of employees worldwide (persons)		22,639	23,413	25,069	24,050	
	Number of overseas employees (persons)		12,897	13,285	14,374	12,895	
	Number of employees: non-consolidated (persons)		4,272	4,519	4,888	5,274	
	Proportion of female employees (Japan) (%)		—	5.6	5.5	5.5	
	Total waste (1,000t)*1		83	91	100	85	
	CO ₂ emissions (1,000t-CO ₂)*1		304	437	451	384	
	Number of environmentally friendly products (cumulative)		64	75	96	110	
Per Share Data (Yen)	Net income		47.28	64.53	78.84	8.44	
	Net assets		436.48	485.62	495.61	431.74	
	Cash dividends		12.0	16.0	19.0	14.0	
Financial Indices	Operating income margin (%)		6.8	8.7	9.0	3.4	
	Return on average shareholders' equity (ROE) (%)		12.1	14.0	16.1	1.8	
	Return on average assets (ROA) (%)		3.7	4.5	5.2	0.6	
	Ratio of net worth to total capital (%)		31.7	32.2	32.3	31.4	
	Net D/E ratio (times)		0.73	0.69	0.56	0.85	
	Shareholder return ratio (%)*2		25.4	24.8	24.1	165.9	
	Period-end share price (yen)		1,022	1,124	755	377	
	Price earnings ratio (PER) (times)		21.6	17.4	9.6	44.7	
Price book-value ratio (PBR) (time)		2.3	2.3	1.5	0.9		
Dividend yield (%)		1.2	1.4	2.5	3.7		
Exchange Rate Data	US\$1		110.37	116.93	114.55	100.74	
	€1		137.39	150.35	162.22	144.47	

*1 Total waste and CO₂ emissions data up to the year ended March 31, 2010, encompasses Japan only. Data from the year ended March 31, 2011 is presented on a global basis.

*2 Shareholder return ratio = Dividends paid ÷ Net income

NSK did not acquire treasury stock over the 11-year period under review. The Company has acquired treasury stock during the year ending March 31, 2017.

Millions of yen (Financial data)

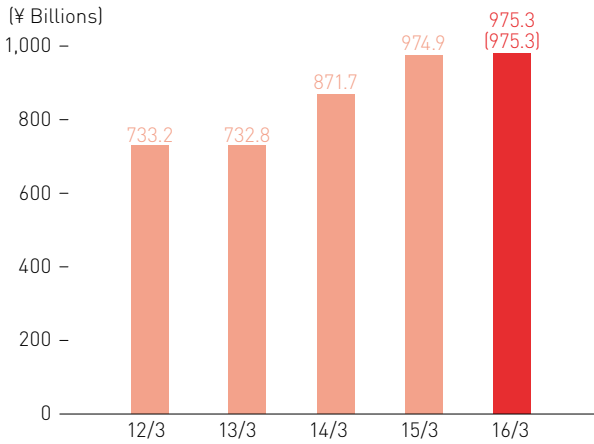
	2010	2011	2012	2013	2014	2015	2016	2016 (IFRS)
	587,572	710,431	733,192	732,842	871,742	974,885	975,319	975,319
	201,963	259,095	255,835	216,142	242,969	276,361	259,784	259,784
	366,463	424,157	444,585	490,545	590,545	656,998	689,122	689,122
	19,145	27,178	32,772	26,154	38,226	41,525	26,411	26,411
	289,540	354,542	363,754	333,348	329,136	328,837	318,434	318,434
	70,609	85,466	86,267	103,352	134,482	164,821	183,652	183,652
	98,504	102,176	107,958	102,667	124,590	133,752	131,830	131,830
	128,918	168,246	175,213	193,473	283,532	347,475	341,403	341,403
	—	82,587	89,068	91,442	167,239	210,237	204,361	204,361
	—	85,658	86,143	102,030	116,293	137,238	137,042	137,042
	11,305	43,524	44,417	32,361	68,049	97,327	94,726	89,534
	7,598	38,572	42,004	30,310	66,785	91,002	93,964	—
	4,765	26,110	28,514	15,739	31,167	61,962	67,169	65,719
	21,818	41,294	54,619	48,025	45,448	49,197	54,364	54,996
	37,149	34,943	35,807	34,598	35,086	38,568	41,611	43,048
	8,794	10,515	10,373	10,432	9,919	10,660	11,155	11,155
	51,108	64,973	57,158	53,797	70,342	67,709	105,273	108,622
	(29,355)	(33,348)	(56,090)	(45,262)	(42,402)	(46,335)	(44,422)	(45,212)
	21,753	31,625	1,068	8,534	27,940	21,374	60,850	63,410
	4,327	5,950	6,491	5,943	8,650	15,161	18,425	18,425
	264,688	275,269	299,066	340,812	382,155	481,859	473,560	478,871
	789,624	788,626	845,073	882,547	1,000,932	1,129,164	1,038,218	1,032,374
	304,937	274,585	296,750	305,102	315,532	326,400	278,152	278,152
	24,633	26,334	27,444	28,487	30,454	31,088	31,587	31,587
	13,204	15,039	16,181	17,267	19,231	20,052	20,296	20,296
	5,932	6,306	6,203	6,398	6,310	6,294	6,278	6,278
	6.6	6.5	6.7	6.5	6.6	6.9	7.0	7.0
	87	176	180	182	192	201	206	206
	378	865	877	871	939	968	991	991
	124	140	157	173	190	202	211	211
	8.82	48.30	52.75	29.14	57.70	114.56	124.06	121.38
	458.65	475.45	518.56	591.36	664.74	842.69	828.33	839.56
	8.0	11.0	12.0	11.0	16.0	28.0	34.0	34.0
	1.9	6.1	6.1	4.4	7.8	10.0	9.7	9.2
	2.0	10.3	10.6	5.2	9.2	15.3	14.9	14.3
	0.6	3.3	3.5	1.8	3.3	5.8	6.2	6.1
	31.4	32.6	33.2	36.2	35.9	40.4	43.2	44.0
	0.73	0.60	0.58	0.51	0.41	0.31	0.23	0.23
	90.7	22.8	22.7	37.7	27.7	24.4	27.4	28.0
	738	717	637	715	1,062	1,758	1,030	1,030
	83.7	14.8	12.1	24.5	18.4	15.3	8.3	8.5
	1.6	1.5	1.2	1.2	1.6	2.1	1.2	1.2
	1.1	1.5	1.9	1.5	1.5	1.6	3.3	3.3
	92.83	85.63	79.02	83.10	100.24	109.93	120.14	120.14
	130.89	112.92	109.40	107.14	134.37	138.77	132.58	132.58

Financial and Non-Financial Highlights

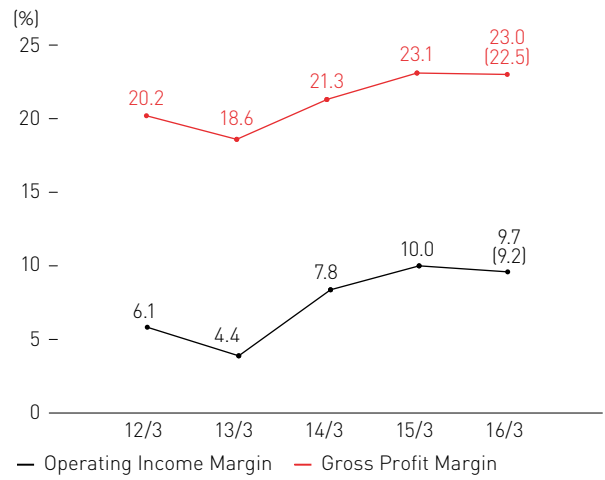
Trends in Major Indices

Note: Figures in parentheses are presented in accordance with International Financial Reporting Standards (IFRS).

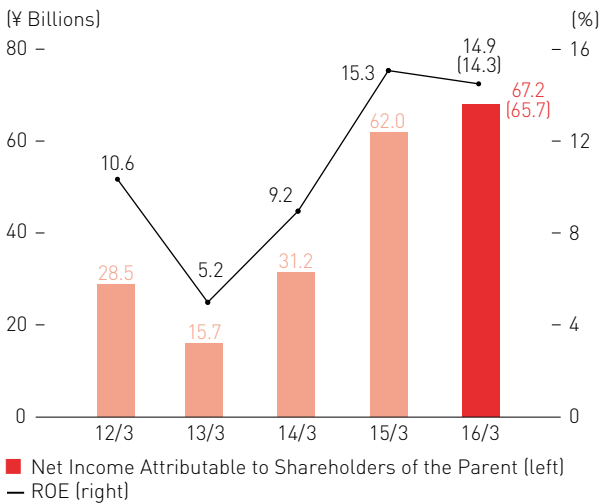
Net Sales



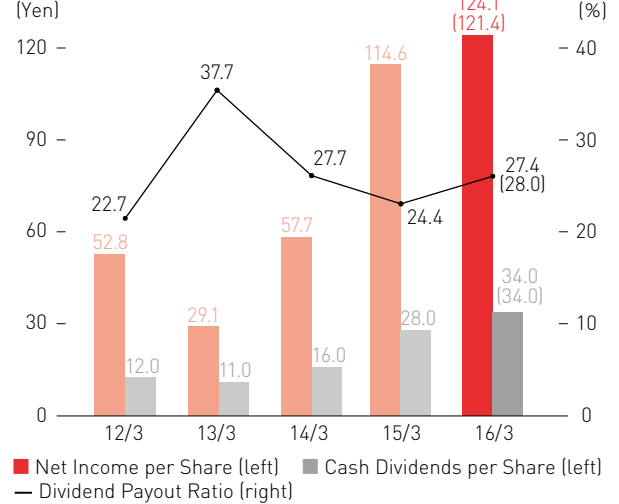
Operating Income Margin / Gross Profit Margin



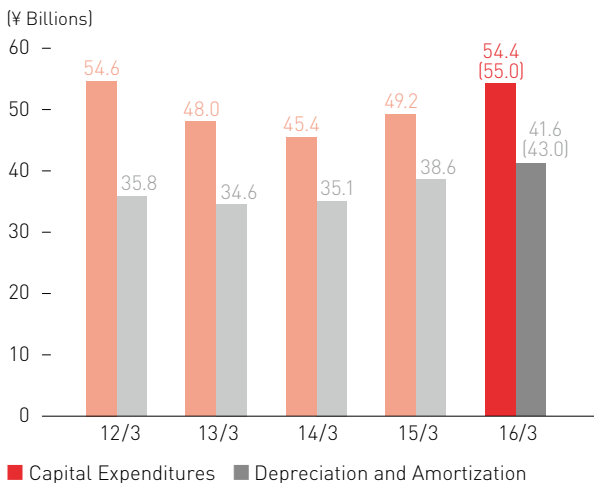
Net Income Attributable to Shareholders of the Parent ROE



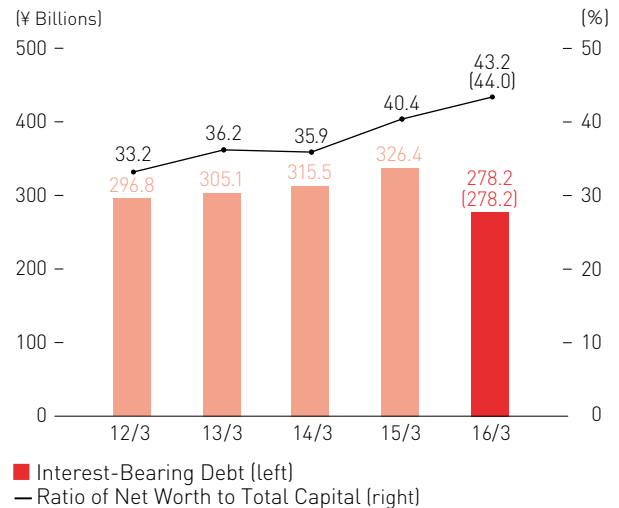
Net Income per Share Cash Dividends per Share, Dividend Payout Ratio



Capital Expenditures / Depreciation and Amortization

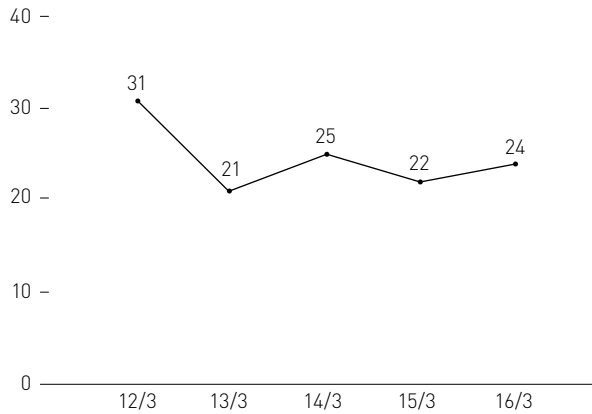


Interest-Bearing Debt / Ratio of Net Worth to Total Capital

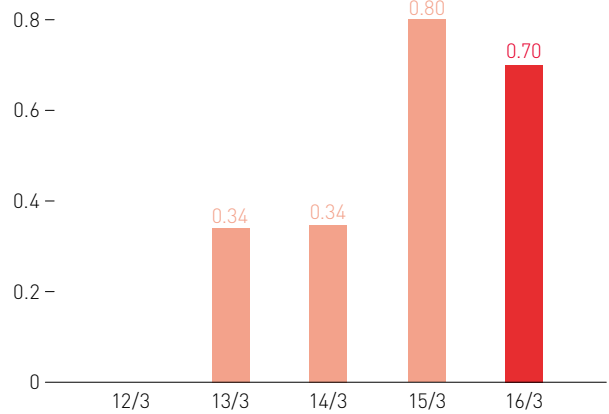


Number of New Product Releases (annual)

(Products)

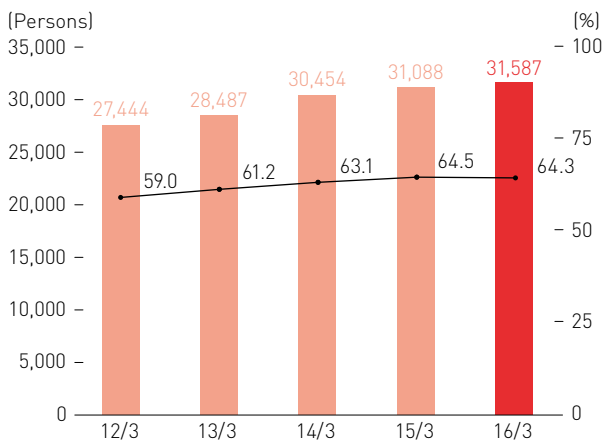


Lost-Worktime Injury Rate



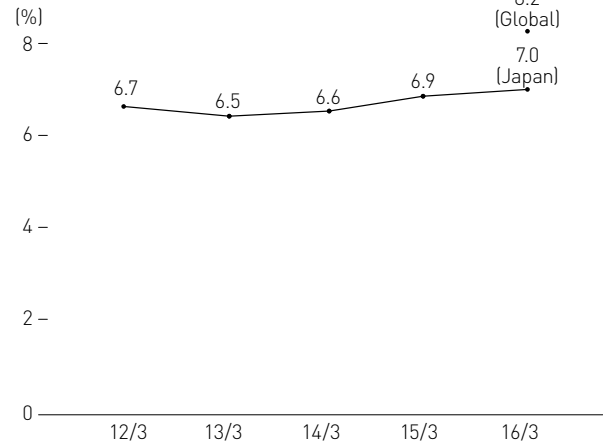
Note: Began collecting data for the NSK Group in Japan from the year ended March 31, 2013. Data from the year ended March 31, 2015, are presented on a global basis.

Number of Employees Worldwide Ratio of Overseas Employees



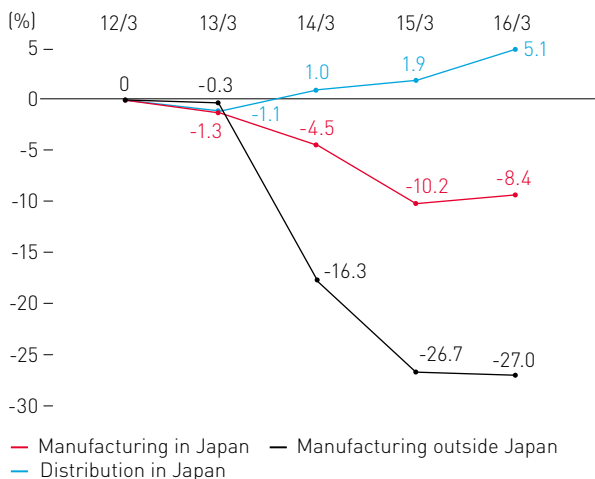
■ Number of Employees Worldwide (left)
— Ratio of Overseas Employees (right)

Ratio of Female Employees



*Data include certain estimates.

CO₂ Emissions per Production Unit

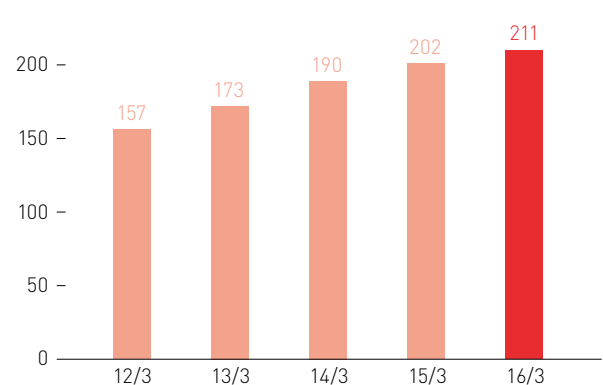


— Manufacturing in Japan — Manufacturing outside Japan
— Distribution in Japan

Note: Rates of percentage increase and decrease are presented compared with the base date of the year ended March 31, 2012.

Number of Environmentally Friendly Products Developed

(Accumulated No. of products)



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

To Our Stakeholders



President and Chief Executive Officer

Toshikazu Uchiyama

Guided by Vision 2026, We Will Accelerate Steps to Set the Future in Motion and Reach the Next Phase of Growth.

Celebrating Our 100th Anniversary

Our centennial year is an important milestone in which we must address the issue of how we must adapt and evolve toward the future. To achieve this, I believe that we must foster a culture and mindset that allows us to take a bold, proactive approach to business.

NSK will celebrate its 100th anniversary in November 2016. Since its foundation as Japan's first manufacturer of bearings in 1916, the Company has continued to support the advancement of society by developing and manufacturing bearings and other automotive parts, as well as machine components such as precision machinery and parts. I would like to express my sincere appreciation to all our stakeholders, including shareholders, investors, customers, and partners, for their support over the past century.

Looking back over the past 100 years, our customers have played a vital role in nurturing NSK. As Japan's industry grew in strength and the global status of Japanese iron and steel, electrical equipment, automobile, machine tool and other manufacturers rose, there became a constant need for new, higher-performance products. By listening and earnestly responding to the needs of our customers, NSK has constantly striven to deliver products that exceed expectations.

In reaching this milestone in NSK's long history, I believe we must consider how to further strengthen the Company as well as reconsidering whether our existing business activities and products are sufficient. Bearing models tend to retain the same basic design over a long period of time, and at first glance are a product type that undergoes little change. Although it is difficult to imagine a future world in which bearings do not play a

significant role, we do expect applications and customers' needs to change over the next 50-100 years. In the automotive sector, for example, we anticipate an increasingly rapid shift from conventional internal combustion engines to electric, plug-in hybrid and fuel cell vehicles. This shift in power source is expected to alter the number of bearings used as well as the performance and quality levels required. Turning to steering products, by-wire technologies that control steering wheels electronically in a similar fashion to aircraft have begun to emerge. Given these trends, **we must recognize the risk of relying solely on our traditional business areas, consider what will be required for future growth, and realign our research and development efforts accordingly.**

At the same time, we must also look to the knowledge of our predecessors, drawing on their experience in responding to past changes in the economic environment and technological innovations. NSK was quick to expand its business globally and was a pioneer in the development of electric power steering (EPS).

Looking ahead, it is imperative that we remain one step ahead of change and that we foster a culture and a mindset that is conducive to action. In this regard, I would like to take the lead in ensuring that this mindset is shared among all employees.

The Fourth Mid-Term Management Plan and NSK Vision 2026

Despite achieving all of the quantitative targets set out under the Fourth Mid-Term Management Plan, we are aware of several areas in which we fell short of our goals. With a view to the next 100 years, we have positioned *Setting the Future in Motion* as our vision for the next decade. Under this vision, we will break free of our previous passive and reactive approach and adopt a more proactive stance in our mindset, behavior and decision-making criteria.

We take considerable pride in having achieved all of the quantitative targets set out under the Fourth Mid-Term Management Plan in the fiscal year ended March 31, 2016, the final year of the plan. Despite coming close, the Company fell short of its objectives for the preceding two management plans. Our performance during the period of the Second Mid-Term Management Plan was affected by the financial crisis that followed the Global Financial Crisis, while throughout the Third Mid-Term Management Plan, our results were buffeted by

substantial changes in economic conditions and the market environment driven by the appreciation of the Japanese yen. In contrast, the Company enjoyed relatively favorable currency and economic conditions during the Fourth Mid-Term Management Plan.

Turning to specific measures, our success in improving profitability in the Automotive Business was a major positive result. Having confronted several challenges that hindered our efforts in the past, I am confident that we have made a significant breakthrough.

To Our Stakeholders

In addition, revenue in the steering business surpassed ¥300 billion thanks largely to an increase in electric power steering system sales.

The substantial upswing in our business in emerging markets over the past three years is also a source of satisfaction—especially in China, where our operations have grown to more than ¥200 billion.

Meanwhile, the Industrial Machinery Business, which was positioned as a driver of earnings growth, was unfortunately affected by the economic cycle from the second half of the final fiscal year of the Mid-Term Management Plan.

In line with our objective of establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion, we have seen a certain level of results from our initiatives, including evolution of the global management structure. However, other tasks remain ongoing, such as standardizing operations and creating a structure that is strongly resilient to economic swings. As we take the first step on our journey into the next century, NSK Vision 2026 outlines where we want to be in 10 years. The concept of *Setting the Future in Motion* expressed in this vision does not imply changing a specific business but rather expresses our intention to move away from a passive and reactive approach to a

more proactive stance in our mindset, behavior and decision-making criteria.

Although NSK has traditionally excelled in following its customers' instructions to the finest detail, we have not been the best at proposing new ideas that our customers may not have noticed.

Because our products are not finished goods, our initial contact with society comes through an intermediary in the form of machinery and equipment makers and other finished goods manufacturers. To create new finished goods, products and services, we must consider how finished goods are being used by end users and identify any unmet user needs, in addition to addressing the demands of our direct customers and the needs of markets. On this basis, it is vital that we are always aware of the need to create new products and services. While maintaining our current strengths, we aim to hone our abilities further while extending our reach to the end users that our customers serve in order to better understand their expectations and needs. This will help us increase the scope and quality of the finished goods and services we provide. We will adopt an increasingly forward-looking and proactive mindset as we move forward.

NSK's Stakeholders and Value

NSK places emphasis on the stakeholders who represent the next generation and believes that increasing value for its customers will ultimately lead to greater value for employees and shareholders.

NSK has identified six core stakeholders: customers, suppliers, employees, shareholders and investors, local communities and the next generation. Of these, the next generation of stakeholders includes the children and students who represent our future, and to whom we must pass on a bountiful environment and a stable society. What will NSK look like when today's new graduates reach their 40s and 50s? Although the makeup of the company may have changed considerably by then, we hope to build NSK into a larger and better company than it is today.

To do so, NSK needs to provide greater value to its stakeholders. As a manufacturer, NSK must first and foremost provide value to its customers—in other words, deliver happiness and satisfaction to our customers through the products we make and the services we provide. In addition to the performance and functionality of the finished goods, we must clearly understand the requirements of our customers and design our products to deliver value accordingly. To this end, it is important to

design value into our products and assure our customers that we are addressing their requirements to the fullest. Most of our products are used for a long period of time. Accordingly, after-sales services are integral to the value gained from using our products. In the unlikely event of a problem occurring, we are ready to provide solutions based on a thorough investigation and analysis of the root cause of the problem. The ability to provide this high level of reassurance is highly valued by our customers.

We aim to delight our customers with the value we provide, and from a broader perspective, enhance the value of the NSK brand. Doing so allows the managers and employees at NSK who support our design, manufacturing and sales operations, to find meaning in their work. The continuous expansion of this value will ultimately lead to greater value for NSK's shareholders.

**Globalization is set to progress further at NSK.
The development and utilization of global managers will be a key to strengthening production worldwide and enhancing the capabilities of the Group's human resources.**



In the past, overseas operations at NSK were regarded as somewhat special, and the company's overall financials and results were reported primarily on a non-consolidated basis. As the company is now managed and financial reports compiled on a consolidated basis, even the bonuses of employees working at plants in Japan are determined by global performance metrics. Moreover, our plants in Japan fulfill the role of mother plants to the plants located overseas. This essentially means that any issues that arise at overseas plants can be accurately and swiftly addressed with assistance from the mother plants in Japan. As such, our international business connections have strengthened to a point that would have been surprising in the past. Moreover, our sales team in Japan hear of customer needs for the same products and services in China or the United States, for example, during the course of their duties. In this sense, every aspect of our operations is becoming globalized.

However, we see room for improvement in decision-making transparency, methods and procedures in light of the global standards for these aspects of

management. The globalization of NSK to date has centered on transplanting Japanese culture overseas. More recently, however, production at our overseas plants has been managed at sophisticated levels on a par with general best practices. One such plant is located in Changwon, South Korea. Although it may be partly due to the local culture, employees at the plant have a proactive, competitive mindset, constantly seek improvement, and are passionate about their work. Plants in other countries could learn much from excellent plants such as this, and we have therefore started to dispatch staff from these outstanding plants to our other overseas plants, such as those in India and Mexico, to provide guidance.

Steering systems are a core product of the Automotive Business. With the proliferation of electric power steering systems over the past 10 years, production at our plants overseas has also expanded. Growth in the global business has made it vital that we increase production outside Japan and collaborate globally. As overseas expansion in steering systems has been relatively recent, this has allowed us to increase efficiency through the standardization of equipment, processes and quality assurance systems.

We have produced bearings overseas for more than 40 years, meaning that our plants are at different stages of modernization. Our newest plants have the latest processes and equipment, but our plants built 40 years ago require investment to modernize and enhance their competitiveness. Although our overseas bearing plants started out with methodologies transferred from Japan, over many years of operations they have gradually localized their practices. We must reinforce the complementary relationships between our global plants and bring them up to a consistently high level of performance worldwide.

In addition to expanding business outside Japan, NSK also has further localized its operations. In order to raise the bar at our plants overseas and expanding operations, we must hire and train exceptional personnel. However, at some plants hiring outstanding personnel can prove a challenge due to the site location or regional characteristics. To further enhance group management, it is important to assign talented personnel to global management positions. Personnel reassignments and placements must take these points

To Our Stakeholders



into consideration. Globalization of our personnel is one area in which we can improve further. We need managers and upper-level managers with the ability to function not only in their own country but around the world, bringing their advanced expertise to the marketing, development and design, production technology, production management and procurement divisions. At NSK, we refer to these employees as global management resources. We have identified key global posts throughout the company and evaluated and categorized individual abilities in databases for use in career development and training.

Fifth Mid-Term Management Plan, Key Perspectives and Points for Future Management

Our Fifth Mid-Term Management Plan, positioned as our first step for the next 100 years, focuses on two topics: operational excellence and innovate and challenge. To realize sustained growth, we aim to strengthen our core businesses and create new technologies, products and businesses. It is important that we take action now to plant the seeds of our major new businesses 10 years from today.

NSK has identified two key future management themes in the Fifth Mid-Term Management Plan that it unveiled in May: operational excellence and innovate and challenge. The three years of the Fifth Mid-Term Management Plan are positioned as a period in which we will embark on a new chapter in evolution towards next 100 years. We will seek greater efficiency across all functions of our current businesses, including production, sales, technology and administration, to achieve stronger corporate fundamentals. We then plan to use the proceeds of this increased profitability to invest in the creation of products and businesses for the next generation.

Operational excellence means that we will increase the competitiveness of our core businesses. NSK has yet to establish corporate fundamentals appropriate for a company with net sales of ¥1 trillion—an objective of the Fourth Mid-Term Management Plan. NSK aims to create a strong structure able to endure changes in the economic environment while enhancing profitability. Globally, we must solidify the foundation of our operations, including the administrative divisions.

The other key theme, **innovate and challenge, means that we will ensure profitability and allocate resources for forward-looking investments.** To attain sustained growth, NSK is pursuing new technologies, products and businesses. Although we do not expect all new products and businesses to become major sales drivers over the next three years, now is the time to begin sowing the seeds for businesses that have the potential to develop into new pillars a decade ahead. We must maintain a sense of urgency and allocate resources to new products and businesses as appropriate.

Automotive technology has evolved rapidly and dramatically amid the diversification of automobile power sources and the advent of autonomous driving technology, while centering on the keywords of the environment, safety

and IT. In the industrial machinery field, manufacturing has evolved to incorporate information technology, such as the “Internet of Things” (IoT) and smart factories, while needs related to infrastructure, energy, food, water and air have become increasingly important. NSK aims to hone its ability to contribute to these changes by fully leveraging its core technologies and its relationship with its customer base. It is vital that we quickly identify ideas for business seeds and nurture their growth.

Electric power steering systems have grown into a major sales driver for NSK over many long years of business development. It is not easy to create and nurture new products and businesses with sales in excess of ¥100 billion, a level that approaches the scale of the electric power steering business. We must first aim for ¥10 billion in sales. Although some businesses may fail to achieve that scale, **if we plant many seeds of innovation now, a few will inevitably grow into viable businesses. However, if we limit our scope too narrowly from the outset by focusing overly on business potential, positive outcomes will be elusive. It is important that we give new ideas a try without fear of failure, starting with small steps.**

Approximately two-thirds of our employees are based outside Japan. These employees come from diverse backgrounds, and many have experience at other companies. Taking NSK’s 100th anniversary as an opportunity, we hope to encourage our employees to identify themselves more with NSK and our brand, bringing the Group closely together as a unified whole. Under this common vision, we aim to evolve into a company that surprises and delights its customers by taking a more proactive and optimistic stance in order to *Set the Future in Motion*, rather than continuing with the passive and defensive mindset of the past.

NSK aims to advance corporate governance while contributing to the environment through its mainstay activities. At the same time, the Company places the utmost importance on its connections to local communities and society as a whole.

Through this integrated report, NSK endeavors to disseminate information to all stakeholders.

I believe that the recent focus on the environment, society, and governance (ESG) by management at listed companies is important. Regarding corporate governance at NSK, the company first appointed one independent director in the fiscal year ended March 31, 2000, and established a voluntary Compensation Committee. NSK subsequently adopted a company with committees structure and is now based on a company with three committees structure. NSK also increased its number of independent directors to four in June 2005. NSK has endeavored to improve external oversight, ensure transparency and better fulfill its explanatory obligations. We believe this has resulted in a more sophisticated level of decision making. Corporate governance structures are often evaluated solely by their type. However, we believe greater importance should be placed on how corporate governance at NSK actually functions in practice.

At first, the responsibilities, positioning and reasons for including independent directors on our Board were not fully understood in-house. However, **we believe our independent directors have gradually had a positive influence on our approach to management and how matters are decided internally, due to the supervision, guidance, criticism, and differing viewpoints they provide. In this sense, we believe the quality of management at NSK has been fortified by the presence of independent directors.**

Currently, the Board of Directors broadly delegates authority for business execution and deliberates business strategies and issues, such as major capital expenditure proposals. On occasion, however, the Board of Directors discusses projects that are relatively detailed compared to the scale of the company. Looking ahead, **we aim to have the Board of Directors focus its deliberations more on the bigger picture, including longer-term management issues, strategies and company-wide direction.** We intend to further invigorate the Board of Directors by shaping it into an organization for lively deliberations based on individual opinions and judgments, rather than simply an assembly of non-independent directors representing each business division.

Regarding the environment (E) and society (S), NSK should consider both with respect to its relationship with the six types of stakeholders. NSK is a listed company, and its shareholders are naturally an important stakeholder. As the value created by a company is essentially the value generated by its businesses, it is vital that we disclose business conditions to shareholders. We believe it is our

obligation to explain the nature of our businesses, the value they create, profit forecasts, business plans and our strategies for creating further value. IR activities traditionally tend to focus on interactions with institutional investors and analysts. Although the annual general meeting of shareholders is our main opportunity to reach out to individual shareholders, this does not provide sufficient time to engage with each individual shareholder. We will endeavor to disseminate information about NSK to all shareholders by expanding the scope of information disclosed on our website and better managing the general meeting of shareholders.

It is also essential that we consider our relationship with other stakeholders, such as our employees and local communities. NSK contributes to the environment through its core businesses in bearings and machine components by reducing energy loss. To fulfill our responsibilities to society as a whole, we carefully consider our relationship with local communities. Led primarily by our plants and business sites in each region, we have forged close relationships with the communities around us. One example is Japan's Fujisawa Plant, which has worked to maintain a positive relationship with the local community throughout its almost 80 years of operation.

Even in operations that have a long history, we take care to mitigate their impact on local communities, especially those where homes have proliferated in surrounding neighborhoods. We constantly monitor the level of noise and plan the delivery and shipment of goods to accommodate local communities. NSK has established ongoing initiatives to reduce CO₂ emissions and waste from its business activities. We also believe it is important to interact and forge connections with local communities wherever we operate around the world in order to deepen mutual understanding and awareness. As an example, at our plant in Thailand, all employees travel together by bus once a year to order to volunteer in initiatives to protect mangrove trees.

Through this integrated report, we aim to convey to a wide readership the value created by NSK's business activities, as well as our ESG and social responsibility initiatives. Although our initial publication of this integrated report has room for improvement, we hope that **the financial and non-financial information disclosed in this report will further the understanding of NSK among all stakeholders. We appreciate your continued support as we move forward.**

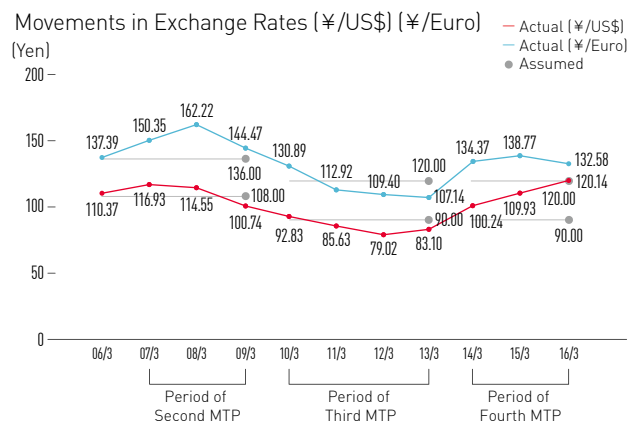
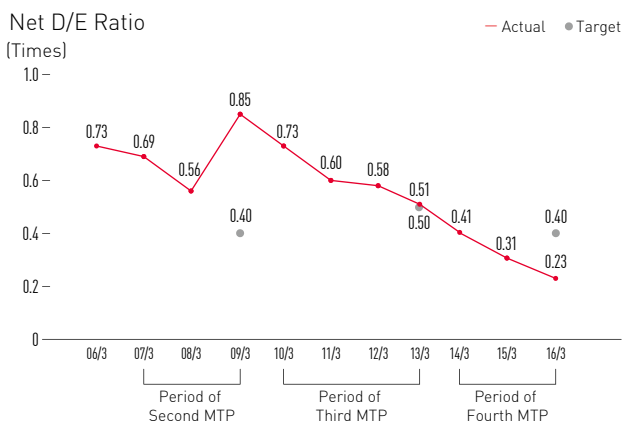
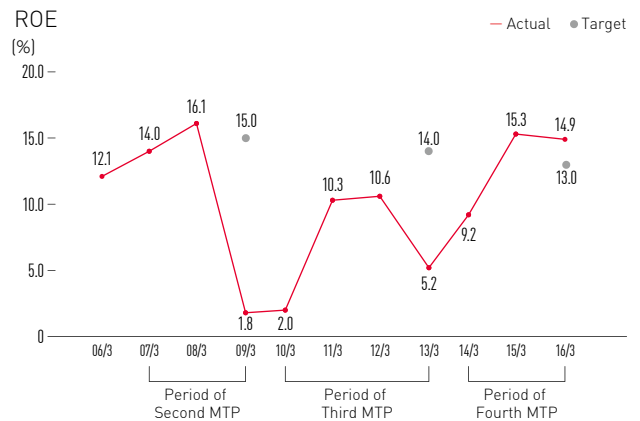
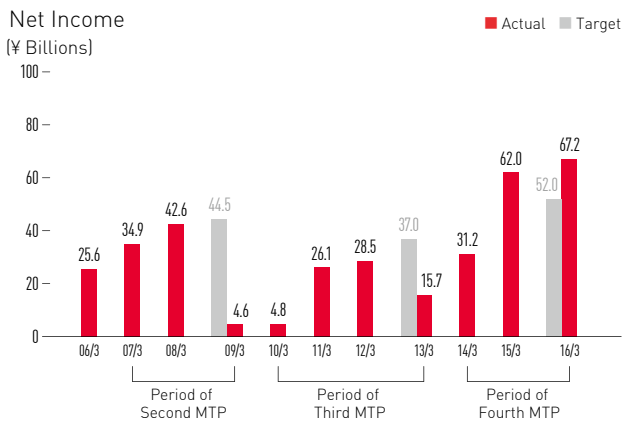
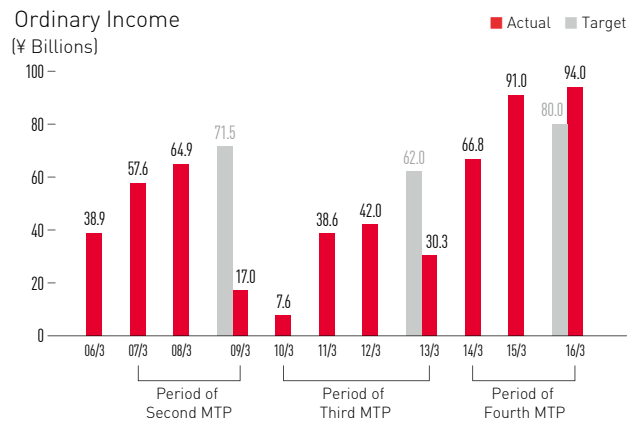
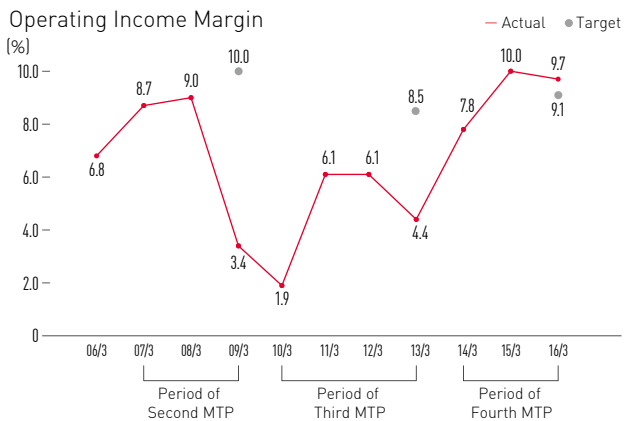
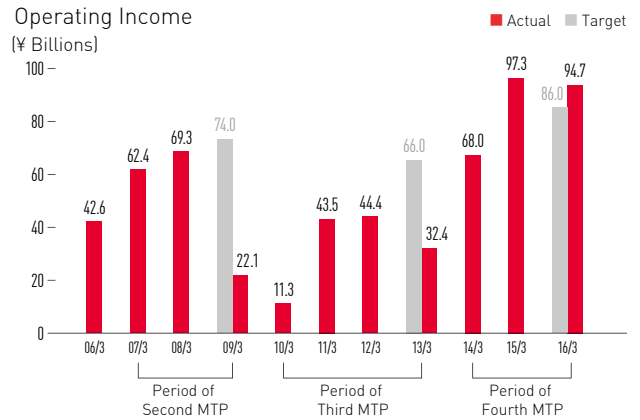
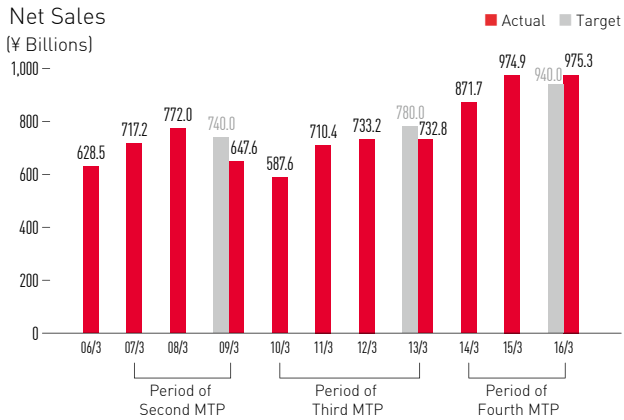
Looking Back on Past Mid-Term Management Plans

Here we take a retrospective look at the past 10 years of mid-term management plans, from the second to the fourth. (Note: Mid-Term Management Plan is abbreviated as MTP)

	The Second MTP Year to March 31, 2007–Year to March 31, 2009	The Third MTP Year to March 31, 2010–Year to March 31, 2013	The Fourth MTP Year to March 31, 2014–Year to March 31, 2016
Vision Positioning	<p>To become No. 1 in total quality</p> <p>Establish foundation for NEXT10 (where NSK should be at 100th anniversary of establishment in 2016)</p> <ul style="list-style-type: none"> • Transition to growth strategy • Improvement of profitability 	<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 net 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 net sales of ¥1 trillion in 2016, the 100th anniversary of NSK's foundation • Implement measures to achieve mid-term targets • Continue to implement basic strategies (focus on profitability, growth in emerging countries, global management)
Outline of the MTP	<p style="text-align: center;">Common Group Strategies</p> <ol style="list-style-type: none"> ① Strengthen manufacturing capability ② Strengthen product development capability ③ Strengthen overseas profitability ④ Strengthen global management capability <p style="text-align: center;">Positioning of Each Business</p> <p>Industrial machinery bearings: Profit growth driver</p> <p>Automotive products: Stable profit foundation</p> <p>Precision machinery and parts: Steady contribution to total profits</p> <p style="text-align: center;">Foundation to Underpin Measures</p> <p>Global <i>hitozukuri</i> (human resource development) supporting growth</p> <p>Production innovation through thorough <i>monozukuri</i> awareness</p> <p>Rebuilding of global IT systems</p>	<p style="text-align: center;">Our Three Core Management Strategies</p> <ol style="list-style-type: none"> ① Enhancement of business-based management (sales & marketing, production and technological divisions brought under business headquarters management) ② Growth strategies ③ Profitability improvement <p style="text-align: center;">Specific Measures</p> <p>A. Enhancement of business-based management Autonomous management by integrated business management and the clarification of divisional responsibilities</p> <p>B. Growth strategies</p> <ol style="list-style-type: none"> ① Increase presence in emerging markets ② Expand environmental, infrastructure and resource businesses ③ Respond to technological innovation <p>C. Profitability improvement</p> <ol style="list-style-type: none"> ① Proactive sales strategy (strengthen proposal-based sales capabilities) ② Reorganize global production sites ③ Accelerate new product development 	<p style="text-align: center;">Business Strategies</p> <ul style="list-style-type: none"> • Growth with focus on profitability ① Growth in emerging countries ② Enhancement of customer and sector strategies ③ Production and technological innovation capabilities ④ Strategic alliances <p style="text-align: center;">Corporate Foundation</p> <ul style="list-style-type: none"> • Develop management capability to handle ¥1 trillion in sales volume ① Enhancement of corporate governance and compliance ② Reform of business structure ③ Advancement of global management <p style="text-align: center;">Basics of MTP (Priority Issues)</p> <p>Safety, quality and compliance</p>
Looking Back	<p>Until the second year of the Second MTP (the year ended March 2008), the Company steadily expanded its business due to factors that included favorable global economic conditions and the added impetus provided by high demand for infrastructure and resource-related business in emerging markets, as well as the weak yen. As a result, the Company achieved record-high sales, as well as operating and ordinary income, for four consecutive fiscal years.</p> <p>However, Lehman Brothers filed for bankruptcy in the autumn of the third and final fiscal year, fiscal 2008, and the environments of all businesses and markets suffered significant deterioration due to the global economic crisis. As emergency revenue measures, the Company thus made adjustments to its production levels and reduced fixed costs, but business performance in the final year of the Second MTP (the year ended March 2009) fell short of targets.</p>	<p>Amid the severe business conditions that followed the collapse of Lehman Brothers, the Company responded to the paradigm shift typified by the keywords "emerging markets" and "technological innovation," worked on reorganizing its business structure toward net sales of ¥1 trillion and achieved some measure of success.</p> <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 of the Third MTP (the year ended March 2013) 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 net sales and profit, a year ahead of schedule in the second year of the Fourth 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, net 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>
Achievements	<ul style="list-style-type: none"> • Strengthened the industrial machinery bearings business (improved roller bearing supply capacity, expanded aftermarket sales networks) • Expanded the global business and improved revenues in the automotive products business • Improved overseas profitability, primarily in Europe and Asia • Expanded business structures in China and India 	<ul style="list-style-type: none"> • Strengthened its business foundation in China (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 	<ul style="list-style-type: none"> • Achieved all the MTP numerical targets • Improved profitability on a consolidated basis • Expanded business in China, increased EPS sales • Made progress with the global management structure • Strengthened and enhanced compliance
Issues and Shortcomings	<ul style="list-style-type: none"> • Rapid responses to changes in the demand environment (reflect on effects of the Lehman Brothers collapse, particularly in Japan) • Quality improvements in the Precision Machinery and Parts Business are incomplete • Even though measures to boost earnings have been carried out, including partial plant shutdowns in the U.S. business, further improvement in profitability is needed 	<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 net 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

Business Trends

(Note: To show 11 years of trends, the actual figures for both the year ended March 2015 and the year ended March 2016 are to JP GAAP)



The Fifth Mid-Term Management Plan

Outline of the Fifth Mid-Term Management Plan

Under the banner of NSK Vision 2026, the NSK Group formulated its new Fifth MTP, which covers the three-year period from the current fiscal year (ending March 2017) to the fiscal year ending March 2019. Positioning the Fifth MTP period as the first three years for embarking on new chapter in evolution towards next 100 years, the Company will advance initiatives supported by two main policy pillars: operational excellence and innovate and challenge. The new MTP was launched in a harsh business environment brought about by changes in the economic situation. It is with this background that NSK aims to enhance profitability through the swift creation of a business structure resilient to economic changes, proactively reinvesting the profits gained into the development of new products and technologies targeting new fields of future growth.

Twin Pillars of the Fifth Mid-Term Management Plan

1. Operational Excellence

By going one step further in leveraging *monozukuri*, a key ingredient in our DNA, NSK aims to bring to fruition more robust front-line capabilities in each of its operations. The Company will pursue efficiency in all of its manufacturing, sales, technical and administrative functions; devise ways to enhance corporate fundamentals and profitability, and raise the competitiveness of its core businesses.

2. Innovate and Challenge

This pillar focuses on the creation of new value for the future through new technologies, products and businesses. By pursuing operational excellence, the Company will secure a level of profitability necessary to reinvest in innovation for the next stage of development, thereby achieving further growth.

Aims and Implementation

1. Sustainable Growth

That NSK is targeting growth is obvious, but the Company will at the same time endeavor to work with its stakeholders to create value by giving back to the community and helping to solve societal issues. Through our focus on sustainable growth, NSK will contribute to the creation of a safe, convenient, comfortable and environmentally friendly society.

2. Reconstruct Profit Base

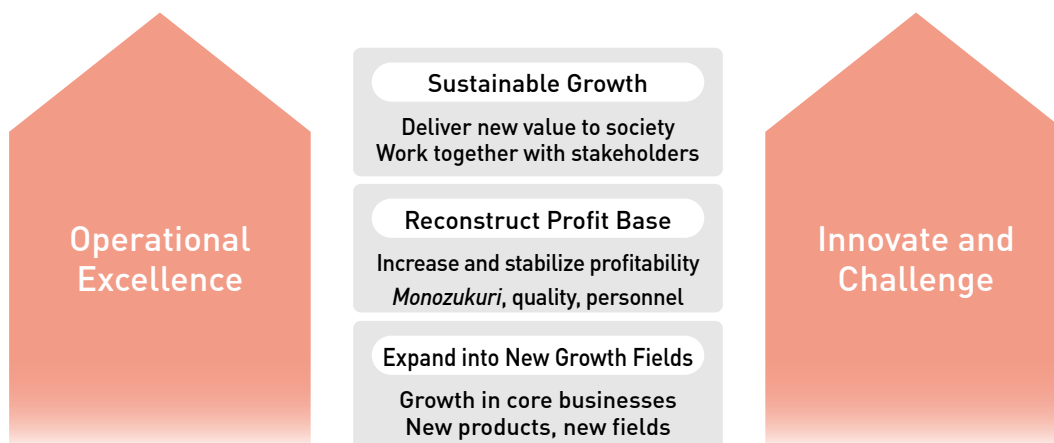
Having improved profitability under the Fourth MTP, the Company will work to reconstruct its business structure and profit base to make them resilient to changes in demand and economic conditions. In addition, NSK will keep to the basics; we will continue our traditional emphasis on *monozukuri* and quality, while taking care of our employees and valuing our customers and business partners.

3. Expand into New Growth Fields

In addition to growth through functional and elemental components that leverage NSK's core technologies, the Company is broadening its focus to include the applications, machinery, equipment and systems which use NSK products. The Company will be more proactive in advancing technological developments and marketing designed to enhance these functions and raise their value.

NSK Vision 2026 Setting the Future in Motion

Embark on New Chapter in Evolution towards Next 100 years



Industrial Machinery, Automotive

Safety, Quality, Compliance

Strategies by Business: Industrial Machinery

Current Business Environment and Mid- to Long-Term Outlook

Against a backdrop of factors that include the slowdown of growth in emerging markets, a downturn in resource prices, and excess production capacity in part of the sector, the demand environment for the Industrial Machinery Business is in an adjustment phase and its future is still uncertain. Furthermore, the recovery during this Fifth MTP will likely be limited and lacking in strength due to the absence of either a regional powerhouse or a sector to drive development. And due to the entry of emerging market manufacturers, the competitive environment for bearing manufacturers at home and abroad is increasing in its intensity.

In contrast, it is likely that technological demands in the industrial machinery field will evolve over the mid- to long-term and that fields involving the environment, infrastructure, and IT will become more essential and more susceptible to change. After thoroughly assessing the needs in priority fields where technological innovation and increased demand are expected, NSK will aim to use its technological capabilities to further expand its market presence.

Key Initiatives and Measures

Key Initiatives

In the Industrial Machinery Business, we have decided to focus our efforts on responding to changes in the business environment and the expansion of target fields.

- As far as operational excellence is concerned, we are working to improve our response to shifts in the market, reinforce profitability, and enhance our product development capabilities.
- With regard to our innovate and challenge policy, in addition to concentrating our resources on focus sectors, NSK will focus on creating new added value and generating demand.

Measures Geared toward Initiatives

• Respond to changes in the business environment

In a business environment in which low growth is assumed, the Company will rework its competitive edge and improve profitability by reviewing costs and quality, working to further shorten lead times, and strengthening its product appeal. At the Industrial Machinery Business's main plant located in Fujisawa, the Company will introduce new manufacturing methods and new technologies to improve productivity, expand the scope of automation, and perform reorganization of areas such as the plant's product lineup.

• Measures for focus sectors

The Company has cited several focus sectors expected to witness mid- to long-term growth in the years ahead: the infrastructure field, including wind turbines and railcars; capital goods, including the ever-evolving machine tools that are becoming more sophisticated from a technological aspect; and the rapidly growing fields of robotics and medicine. NSK will expand its market presence and share by utilizing technological innovation to provide solutions to its customers. The Company will also strengthen the management of its sales channels in the aftermarket field. Other measures that the Company will advance include strengthening the swiftness of delivery systems in developed countries and, in emerging markets, improving quality to leverage the features of the distributors.

• Creation of new added value and demand

In aiming for the creation and proposal of new added value, the Company will engage in the technological development of a condition monitoring system (CMS) and establish a business model for that system. Possessing two product lineups, bearings and linear motion components, NSK will focus on developing new products by harnessing the synergy created when combining these two technologies and on its capabilities for making further advances in the maintenance business in emerging markets.

Key Initiatives in Industrial Machinery Business

Respond to Changes in the Business Environment and Expand Target Fields

Operational Excellence

- Reinforce response capabilities and profitability
- Enhance product capabilities

Innovate and Challenge

- Concentrate resources on focus sectors
- Create new added value and demand

Respond to Changes in Business Environment

Rebuild competitiveness

- 1 Respond to fierce competition
 - Reassess product capability
 - Shorten lead times
- 2 Improve cost competitiveness
 - F2 (Fujisawa) project
 - Introduce new manufacturing methods

Initiatives for Focus Sectors

Sustainable Growth

- 1 Expand presence through solution-provision capability
 - Infrastructure (wind turbines, railcars)
 - Capital goods (machine tools)
 - Robots, medical
- 2 Channel management
 - Global aftermarket

Create New Added Value and Demand

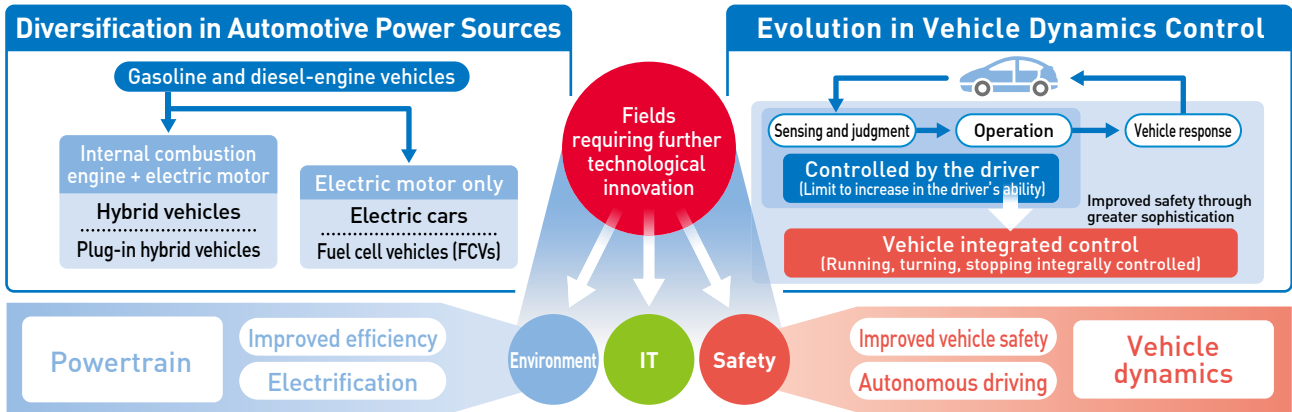
Solution provider

- 1 Develop CMS technology and establish business model
- 2 Harness synergy effect between bearing and linear-motion technologies
- 3 Make advance in maintenance business

The Fifth Mid-Term Management Plan

Strategies by Business: Automotive

Changes in the Automotive Business Environment



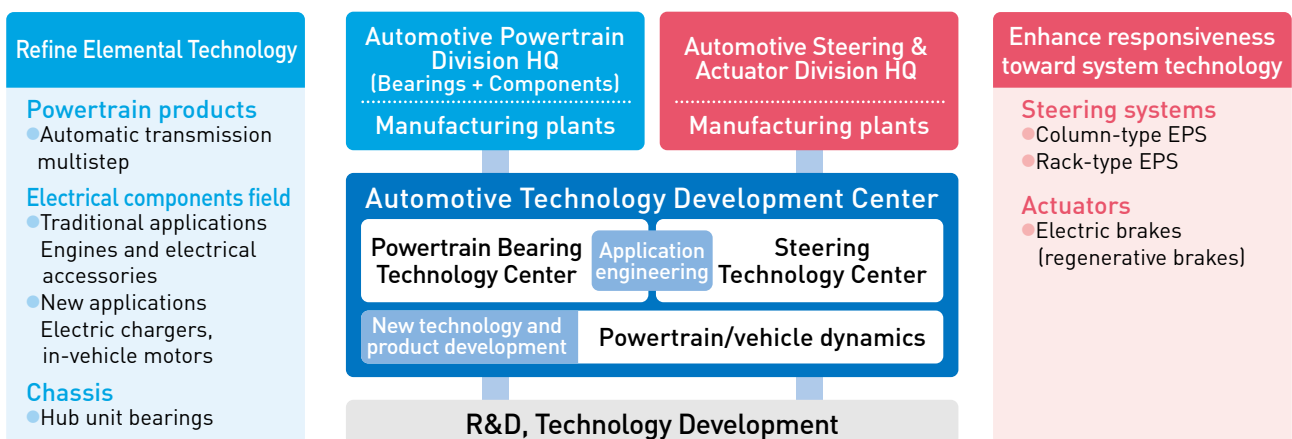
Diversification in Automotive Power Sources

Over the next 10 to 20 years, we anticipate further progress in the diversification of automotive power sources from traditional internal combustion engines (gasoline- and diesel-engine vehicles) to hybrids, plug-in hybrids, electric cars, and FCVs. Against a backdrop of societal demand for improved environmental performance and seeing that this trend will create a need for increased efficiency even at the component level, NSK is linking these demands for improved performance to its products.

Evolution in Vehicle Dynamics Control

In vehicle dynamics control, significant changes are proceeding at a rapid pace. Technological innovation is moving away from driver-controlled automobiles to the integrated control of a vehicle's dynamics by the vehicle itself. In association with the evolution of vehicle dynamics control, such as Advanced Driver Assistance Systems (ADAS) and autonomous driving, plans for bringing increased sophistication to automotive safety performance are under way. As a component manufacturer that handles system products, NSK will contribute to improving the safety aspects of these technologies.

Automotive Business: New Organization



Aims and Structure of the New Organization

Amidst the current unprecedented technological innovation in the automotive industry, NSK has to further demonstrate its strengths, advance innovative technological developments, and link them to next-generation growth. With the structural reorganization of its Automotive Business Headquarters at the start of the Fifth MTP, NSK changed from its previous organization centered on product types to a structure centered on two division headquarters, one covering

powertrains and the other covering steering systems and actuators. At the same time, the Company established the Automotive Technology Development Center to oversee R&D and product design in the automotive field. Under this we incorporated the Powertrain bearing and Steering technology centers responsible for application engineering, as well as a cross-sector automotive technology organization in charge of new technology and product development. The Company will utilize the new organization to better respond to the drastic changes in its business environment.

Key Initiatives in the Automotive Business

Reinforce Profit Base and Establish Platform for Future Growth

Operational Excellence

- Expand drivetrain business, achieve growth with accompanying profitability
- Expand customer portfolio for EPS

Innovate and Challenge

- Respond to technology evolution (high-efficiency, electrification, autonomous driving)
- Develop lower-assist EPS

Key Initiatives of the Automotive Business

The Automotive Business regards the reinforcement of its profit base and establishment of a platform for future growth as focus topics.

- With regard to operational excellence, the Company will promote growth through the profitability of its drivetrain business and expand its EPS customer portfolio.
- With regard to its innovate and challenge policy, NSK will focus on its response to automotive technological innovation, with an emphasis on high efficiency, electrification and autonomous driving. The Company will make headway toward completion of lower-assist EPS development to acquire volume production orders.

Powertrain Business Strategies

The Powertrain Business is the core business underpinning NSK's mid- to long-term growth. The Company will further refine the elemental technologies that up until now have been centered on automotive bearings and automatic transmissions (AT). We are planning sales expansion in the transmission field, where the AT

multistep and increased business for customers who handle unit products are providing an added impetus. In the hub unit bearings field, NSK will enhance its customer base overseas. In addition, against a backdrop of in-vehicle electrical components becoming more widespread, the Company is targeting growth by developing new products to add to existing products in the field, such as electric chargers and in-vehicle motors, the demand for which is expected to increase in the years to come.

Steering and Actuator Business Strategies

For the Steering and Actuator Business, the period covered by the Fifth MTP is positioned as a critical time for sowing the seeds for the next phase of growth. It is anticipated that column-type EPS systems, an NSK core product, will account for approximately 40% of total EPS demand and will take a priority role in the expansion of our customer base. In contrast, as a lower-assist EPS, the Company is advancing the development of the rack-type EPS and aiming for expansion during the Sixth MTP period. NSK will also make progress with the development of the new core products, including actuators for electric brakes, by leveraging the mechatronic technologies acquired by the EPS business and enhancing its capabilities to respond to automotive component systemization.

The Fifth Mid-Term Management Plan Numerical Targets

	(*Based on IFRS) FY2015 (Actual)	(*Based on IFRS) FY2018 (Plan)
Net sales	¥975.3 billion	¥1 trillion
Operating income	¥89.5 billion	¥100.0 billion
Net income (attributable to owners of the parent)	¥65.7 billion	¥70.0 billion
Operating income margin	9.2%	10.0%
ROE	14.3%	10.0% or more
Net D/E ratio	0.23 times	0.3 times
Exchange rate	US\$1 = ¥120 €1 = ¥133 1 RMB = ¥18.9	US\$1 = ¥105 €1 = ¥120 1 RMB = ¥16.7

Numerical Targets

- As mentioned above, we anticipate limited demand recovery in the course of this MTP, particularly in the Industrial Machinery Business. In spite of this, however, the Company has decided to aim to achieve its previous targets: net sales of ¥1 trillion, an operating income of ¥100 billion and an operating income margin of 10%.

	(*Based on IFRS) Fourth MTP (Actual)	(*Based on IFRS) Fifth MTP (Plan)
The Fifth Mid-Term Management Plan Capital Expenditure/R&D Expenses		
Capital expenditure (including intangible assets)	¥149.0 billion	¥180.0 billion
Operational Excellence Enhance profitability, reorganize plant network, improve operational efficiency		¥140.0 billion
Innovate and Challenge New manufacturing methods, smart factories, new products and fields		¥20.0 billion
Reinforce Business Base Safety, security, environment, BCP		¥20.0 billion
R&D expenses	¥68.5 billion	¥80.0 billion
Depreciation and amortization	¥115.3 billion	¥130.0 billion

- NSK will strive to improve its capital efficiency and financial stability: As an indicator of capital efficiency, the Company plans to achieve an ROE of 10% or more and a net D/E ratio of 0.3 times as an indicator of its financial foundation.
- As investment for growth, NSK plans to invest a total of ¥180.0 billion and exceed depreciation and amortization by more than ¥50.0 billion during the three years of the MTP.
- With regard to R&D expenses, the Company has decided on ¥80.0 billion and has positioned areas of significant resource input to realize future growth from a mid- to long-term perspective.

Financial Strategy / Policy on Shareholder Returns

1 Financial Position

As at March 31, 2016, NSK's financial position (based on JP GAAP) stood at total assets of ¥1,038.2 billion, shareholders' equity of ¥448.6 billion, cash and cash equivalents of ¥175.5 billion and interest-bearing debt of ¥278.2 billion. The ratio of net worth to total capital was 43.2% with a net D/E ratio of 0.23 times, beyond the 0.4 times target set for the Fourth MTP.

A factor behind these results was that NSK's ability to generate cash steadily increased. Net income of ¥67.2 billion for the fiscal year ended March 31, 2016, marked an all-time high. While net cash flow provided by operating activities amounted to ¥105.3 billion (a year-on-year increase of 55%), net cash flow used in investing activities totaled ¥44.4 billion (a year-on-year decrease of 4%) and free cash flow increased ¥60.9 billion. With regard to cash flow used

in financial activities, interest-bearing debt decreased by ¥44.6 billion and dividends paid of ¥17.9 billion were made, including a dividend increase. The Company increased its annual dividend by ¥6 per share compared with the previous fiscal year to ¥34 per share, and the dividend payout ratio was 27.4% (an increase of 3 percentage points over the previous fiscal year).

NSK's financial structure has thus improved significantly over the past few years. The Company has received high evaluations from ratings agencies, including an upgrade to an A rating from Rating and Investment Information, Inc. (R&I) in August 2014 after being rated A- over a 15-year period from 1999, and maintaining an A+ rating from Japan Credit Rating Agency, Ltd. (JCR), since September 2006.

Credit Rating Information

Rating and Investment Information, Inc. (R&I)

A
(Stable)

R&I issuer ratings represent an opinion on a company's ability to fulfill its financial obligations with regard to all the financial obligations borne by the issuer. The third-highest rating, A, signifies "high creditworthiness supported by a few excellent factors."

Japan Credit Rating Agency, Ltd. (JCR)

A+
(Stable)

The JCR long-term issuer A rating is the third-highest evaluation, which denotes "a high level of certainty to honor the financial obligations," while the plus sign indicates a relatively high standing within that same rating category.

2 Retrospective Look at the Financial Results

The following is a retrospective review and analysis of 11 years of business performance and financial results, from the fiscal year ended March 2006 to the fiscal year ended March 2016.

(Based on JP GAAP)

	2006/3	2016/3	Evaluation/Comment
Total assets	¥743.0 billion	¥1,038.2 billion	Increased 1.4 times due to the expansion of the business scale
Shareholders' equity	¥235.7 billion	¥448.6 billion	Increased 1.9 times due to accumulating profit
Cash and cash equivalents	¥51.8 billion	¥175.5 billion	Increased 3.4 times in association due to the expansion of operations
Interest-bearing debt	¥222.9 billion	¥278.2 billion	Contained to a +25% increase (+¥55.2 billion)
Net income (cumulative)		¥343.0 billion	Profits remained on a growth trend across entire 11-year period
Capital expenditures (tangible/cumulative)		¥468.5 billion	Made cumulative capital investments exceeding accumulated depreciation by ¥67.5 billion
Depreciation and amortization (cumulative)		¥401.1 billion	
FCF (cumulative)		¥188.1 billion	Lower than cumulative profit due to factors including the expansion of business scale and growth investments
Cash dividends (cumulative)		¥97.9 billion	Returned 52% of the FCF to shareholders
Dividend payout ratio (cumulative)		28.5%	Paid a consistent dividend, including immediately after the global financial crisis
Ratio of net worth to total capital	31.7%	43.2%	+11.5% increase
Net D/E ratio	0.73 times	0.23 times	Improved beyond the MTP target of 0.4 times
Net debt/EBITDA	2.4 times	0.8 times	Improved by 1.6 points
Credit rating (R&I)	A-	A	Rating upgraded in August 2014

3 Financial Strategies for the Future / Policy on Shareholder Returns

Under the Fifth MTP, NSK has pressed ahead with (1) the stabilization of its financial base to underpin (2) growth with profitability and (3) shareholder returns, and newly put forward its policy to work for the sustainable growth of its corporate value.

With regard to (1), the Company plans to conduct growth investment (¥180.0 billion over the three years) aimed at mid- to long-term increases in corporate value, and regards the stabilization of its financial base as paramount to the payment of ongoing dividends to all shareholders. The Company recognizes that maintaining an A credit rating and a net D/E ratio of around the 0.3 times are the minimum base requirements needed to ensure the Company's financial stability.

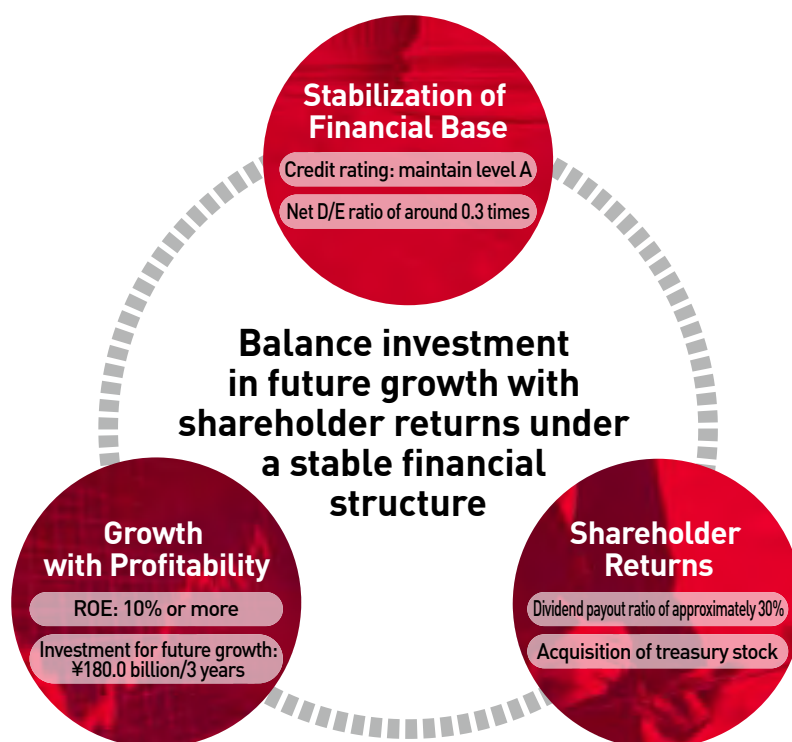
With regard to (2), the Company has stated its intention to make growth investments of ¥180.0 billion over the three years of the MTP and set an ROE target of 10% or more. Achieving growth by constantly and actively investing profits and increasing ROE in excess of the investment return (the cost of capital) expected by shareholders and can be considered the "mission" of a publicly listed company. We believe that achieving a mid-term ROE that is 10% higher than the Company's cost of capital—estimated from past share trends, business characteristics and the current state of the stock market—is important for the further improvement of shareholder value.

With regard to (3), enhancing the returns provided to shareholders is another important policy under the Fifth MTP,

alongside growth investment. With regard to dividends, we have publicly stated for the first time our intention to achieve a dividend payout ratio target of 30% on a consolidated basis. In addition, to commemorate the 100th anniversary of NSK's establishment in the fiscal year ending March 2017, we plan to pay a commemorative interim (end of September) dividend of ¥10. As part of our plan to enhance shareholder returns, the Company also acquired ¥15 billion of treasury stock in May 2016, marking the first such acquisition in around 12 years.

In addition to returning profits through dividends, the Company recognizes share buybacks as one of the most important choices available in its financial and capital policy. Taking into account its financial situation and stock market trends, the Company would like to proceed with an appropriate and flexible financial strategy in the years to come.

With aims that included improvement of management efficiency through the standardization of its financial reporting and raising the international comparability of financial information in the capital markets, NSK decided to adopt International Financial Reporting Standards (IFRS) voluntarily from the fiscal year ended March 2016. The JP GAAP and IFRS financial data are shown side by side in the data section of this report. However, the Company's financial reports will be based solely on IFRS from the current fiscal year onward.



Industrial Machinery Business

Business Overview

The industrial machinery bearings business is comprised of three sub-segments: the general machinery sub-segment, 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; the electrical and IT equipment sub-segment, 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 two meters that are utilized in wind turbines. The typical household contains around 150 bearings, which are used in general appliances like vacuum cleaners and washing machines.

On the other hand, the precision machinery and parts business manufactures linear motion products and mechatronics products that are utilized in machine tools, injection molding machines, transfer machines, and machines for producing semiconductors and LCD panels. Many NSK products are being put to work in machine tools in which precise positioning is paramount.

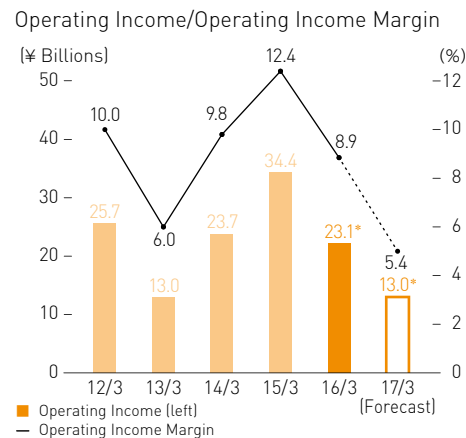
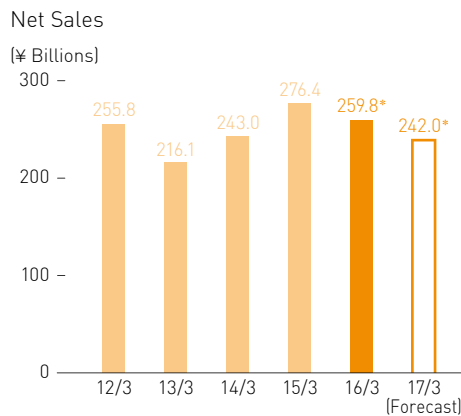
(Refer to page 4 of this report for information on our net sales and main products.)

Business Environment

The Industrial Machinery Business is influenced by a range of factors, including changes in business conditions, movements in customer demand, the status of competition and technological innovation. Due to changes in the global economic cycle, capital expenditure trends and demand for machine tools and electrical machinery are in an adjustment phase, and their future remains uncertain. There is also concern that the appreciation of what had been a weak yen until the previous fiscal year, combined with movements in unstable resource markets, will impact the Group's net sales and profit. In addition, the competitive environment with rival bearing makers at home and abroad remains in a severe condition. Accordingly, in terms of demand, cost and price aspects, the business environment has become more severe than it has been over the past two years.

In this market environment, the NSK Group has targeted and will address two areas under its Fifth Mid-Term Management Plan: 1) Raising its share of infrastructure-related sectors projected to grow in the mid- to long-term, such as wind power generation and railways, and 2) Expanding its presence in new fields where high growth can be expected, such as robotics and medicine.

(Refer to page 27 of this report for information on the Mid-Term Management Plan.)



*16/3 and 17/3 (forecast) to IFRS standards

A Look Back at the Year Ended March 31, 2016, and the Forecast for the Year Ending March 31, 2017

A decrease in sales and profits caused by the economic slowdown of emerging markets

Demand in the industrial machinery business decreased due to the economic slowdown, primarily in emerging markets. Looking at the results by region, the decrease in sales in Japan and in the Americas was centered on the machine tool sector and the aftermarket sector respectively. In Europe, despite increased sales in the home appliance sector, sales also declined in the aftermarket sector. In China, sales decreased primarily in the electrical sector despite higher sales in the wind turbine sector. In other Asian countries, sales decreased due to weak demand on the whole.

As a result, net sales in the Industrial Machinery Business totaled ¥259.8 billion. Also, due to the decrease in sales and deterioration in the product mix, operating income was ¥23.1 billion, and the operating income margin was 8.9%.

In the fiscal year ending March 31, 2017, it is expected that the global demand adjustment phase will continue due to the downturn in the Chinese economy. Uncertainty is also anticipated to surround recovery drivers. Under these conditions, the Company forecasts net sales of ¥242.0 billion (a year-on-year decrease of 6.9%), in accordance with a decrease in sales volume. Also, due to the effects of intensified competition and the appreciation of the yen, we anticipate an operating income of ¥13.0 billion (a year-on-year decrease of 43.7%) and an operating income margin of 5.4% (a year-on-year decrease of 3.5 percentage points).

Risks and Opportunities, Future Policies

Aiming for business performance recovery by strengthening target fields and further growth in aftermarket sales

The slowdown of global economic growth, including in emerging markets, is a major external risk to the Industrial Machinery Business. However, even with the low growth of the macro economy, specific fields, such as those related to infrastructure like wind turbines and railcars, can be expected to remain as global growth markets in the years to come. As the number of offshore wind turbine installations grows, performance requirements will extend to high output, countermeasures against damage, and predicting remaining service life. In the case of railcars, the extension of high-speed railways into the inland regions of the continent will lead to a demand in cold weather region specifications and longer service life. Faced with the increasing sophistication of such market needs, NSK aims to expand its market presence by utilizing its ability to deliver technological proposals.

Furthermore, changes in the market environment, such as the global expansion of our customers, and an increasingly tough competitive environment can also be said to present risks. For example, there is the possibility that the intensifying rivalry in emerging markets between manufacturers from developed countries and local manufacturers will exert an adverse influence on the NSK Group's business performance and financial position. However, the Group will aim to maintain and expand its market share and ensure profitability by devising ways to bolster its competitiveness in areas other than on price, such as by the expansion of business in fields requiring high-quality bearings and technical service enhancements.

The Group's Industrial Machinery Business is dependent on a wide variety of sectors, but there is an increasing trend for general economic cycles to have an effect on its business performance. In the precision machinery and parts business, as the semiconductor production equipment and machine tool industries make up a large amount of our sales, we consider the high rate of dependency on specific demand fields a significant risk. Accordingly, NSK is working to mitigate the impact from any fall in demand from fields in which the Company has a high dependence by raising the sales ratio in general machinery and the aftermarket, fields which broadly underpin demand. The Company will continue its business expansion efforts in the highly profitable aftermarket field in particular, as well as seek improvements in the added value provided to end-users and advance sales channel measures which enhance quality.

Automotive Business

Business Overview

NSK's Automotive Business previously consisted of two categories that had formed the basis of its products: automotive bearings, such as hub unit bearings, and automotive components, including electric power steering (EPS) systems and automatic transmission components.

To respond to the trend for rapid changes in automobiles, however, from the fiscal year ending March 31, 2017, the Company has changed to a two-division HQ system: the Automotive Powertrain Division Headquarters, which supports the enhanced sophistication of automobiles via elemental components, and the Automotive Steering & Actuator Division Headquarters, which handles system components that serve an essential function in automobiles. Under the Automotive Technology Development Center, we incorporated the Powertrain bearing and Steering technology centers responsible for application engineering, as well as a cross-sector automotive technology organization in charge of new technology and product development.

Automotive technological innovation centered on the environment and safety is rapidly developing, and structural changes from technical standpoints, such as power source diversification and the evolution of vehicle dynamics controls geared toward autonomous driving is accelerating. Building off technologies the Company has accumulated up to now, NSK will contribute to improving the basic functions of the automobile—running, turning and stopping—through its components and system products.

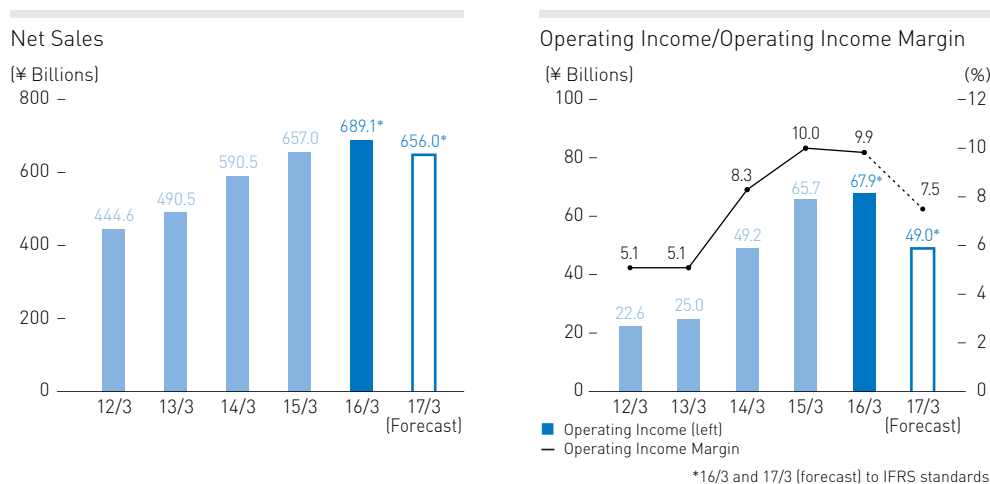
(Refer to page 5 of this report for information on our net sales and main products.)

Business Environment

Directly affected by automotive sales around the world and production volumes of automakers, the Automotive Business is influenced by global economic trends. Over the mid- to-long term, global automotive production volume is forecast to serve as a growth driver in emerging markets and expand toward 100 million vehicles a year; automotive are thus considered a growth industry.

Against the backdrop of expansion in automotive production volume, the sales volumes in the automotive business are also expected to increase. As such, technological innovation in the automotive sector is becoming ever more imperative. Based on the business environment assumed in its Fifth Mid-Term Management Plan the Company is advancing business expansion and strengthening profitability by means of a new organizational structure. In more specific terms, the Company will expand its lineup of powertrain field-related products, evolve in electrical applications, develop lower-assist EPS, and introduce actuator products to the market.

(Refer to pages 28-29 for information on the Mid-Term Management Plan.)



A Look Back at the Year Ended March 31, 2016, and the Forecast for the Year Ending March 31, 2017

Gradual expansion continued in the year ended March 2016, new net sales and profit records set

During the year ended March 31, 2016, demand in the global automotive market continued its gradual expansion. In Japan, the Group's sales declined due to sluggish sales of Japanese mini vehicles. In the Americas, however, EPS and automotive bearing sales rose due to robust demand in the North American market. In Europe, a continued gradual recovery in the automotive market led to higher sales. Despite slower growth in the automotive market, sales in China increased due to the impact of special tax incentives for compact cars. Although market conditions varied between countries, sales in other Asian countries also increased, primarily due to demand for EPS.

As a result, net sales in the Automotive Business totaled ¥689.1 billion, and an increase in sales and the effects of cost reduction produced operating income of ¥68.0 billion and an operating income margin of 9.9%.

Although it is thought that automotive will continue to be a growth industry, it is expected that the pace of growth will slow during the next two to three years. It is forecast that global automotive production volumes will grow by approximately 3%, from 89.0 million units in the fiscal year ended March 31, 2016, to 92.0 million in the fiscal year ending March 31, 2017. It is expected that the number of vehicles produced by Japanese automakers will increase by about the same amount, approximately 3%.

Under these conditions and despite the expected increase in sales volume, the Company forecasts net sales in its Automotive Business of ¥656.0 billion (a year-on-year decrease of 4.8%) due to the impact of the yen's appreciation, operating income of ¥49.0 billion (a year-on-year decrease of 27.8%) due to lower selling prices and increased development costs, and an operating income margin of 7.5% (a year-on-year decrease of 2.4 percentage points).

Risks, Opportunities, and Future Policies

Working toward the next stage of growth by responding to the increasing sophistication of automotive technologies and changes in the environment

In the automotive market, it is forecast that there will be a continuation in the diversification of power sources from the previous standard gasoline- and diesel-powered vehicles to hybrids, plug-in hybrids, electric cars and fuel cell vehicles. This will lead to increasing requirements for efficiency improvements in component performance, further performance improvements in environmental aspects, and enhanced safety aspects and IT developments associated with autonomous driving and the evolution of vehicle dynamics controls known as ADAS (Advanced Driver Assistance Systems). While there are risks in these kinds of environmental changes, they can also lead to opportunities to increase our market share. In response to the comfort, safety and environmental performance demanded in association with the increased sophistication of automotive technologies, NSK is adding to its 100 years of business development and accumulation of wide-ranging technologies by undertaking further research and development to achieve further growth in the Automotive Business.

In addition, in NSK's strategic product field of EPS, demand for lower-assist products is gradually increasing. Although the number of vehicles equipped with column-type EPS system, a product in which we excel, continues to increase in accordance with the growth of the automotive market, the comparative slowing of the rate of growth can be considered a risk. Thus, although there are plans to stabilize and strengthen the profit foundation in the coming years by expanding the customer base with the column-type EPS systems, NSK will advance product development that leverages its technological edge so that rack-type EPS systems will become the growth drivers from the Sixth Mid-Term Management Plan onward.

NSK Group products are utilized in many industrial fields and end-products as well as in many automobiles that require high functionality. In the case of automobiles, should by any chance a product defect that leads to a large-scale product recall or product liability litigation arise, there is the risk that this could result in the incurrence of significant costs or in an erosion of society's trust in the Company.

In recognition of the importance of quality, the NSK Group has established systems designed to ensure high quality and utilizes insurance that allows a certain level of risk cover. Continuing to redouble its efforts with regard to quality and safety in the years to come, the Company's policy is to give these areas sufficient consideration. (Refer to pages 42–43 of this report for information on quality and safety management.)

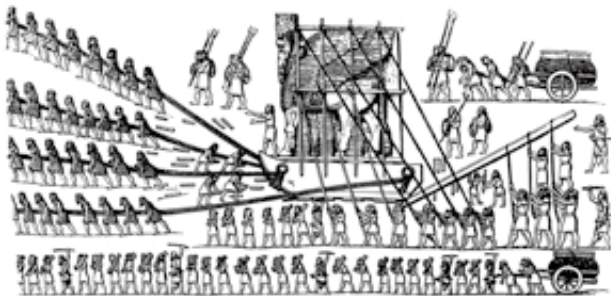
NSK's Four Core Technologies

Since its establishment, NSK has concentrated its efforts on the constant pursuit of new technologies and improvements in quality. NSK leads the world in each of its product fields: 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 core technologies. The technologies and products that have been created based on our four core technologies 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.

1 Tribology

Tribology is a technology that controls the friction and wear of sliding surfaces of materials that are in contact while in relative motion. This is the key technology for bearings that support the rotational or linear motion applications. The principle of bearings traces its origin to ancient Assyria, where the method used for transporting gigantic stones with relative ease involved placing logs underneath them. It can thus be said that the technology is based on human wisdom and ingenuity that date back to before the Christian era.

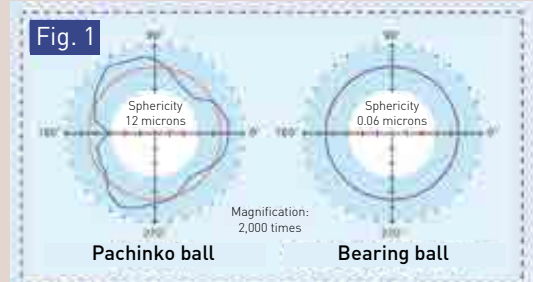
Referred to as the jewels of tribology technologies, bearings are used in the rotating parts in a variety of machines. Bearings contribute to reducing friction and friction-induced wear, preventing machine galling caused by frictional heat and energy-saving, long-serving and more reliable machines.



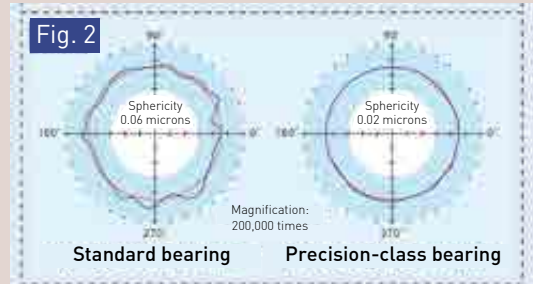
From a mural unearthed at Nineveh, the capital of ancient Assyria

Ball (Steel Ball) Sphericity Comparison

● Pachinko Ball (Japanese Pinball) Compared with a Bearing Ball



● Standard Bearing Ball Compared with a Precision-Class Bearing Ball



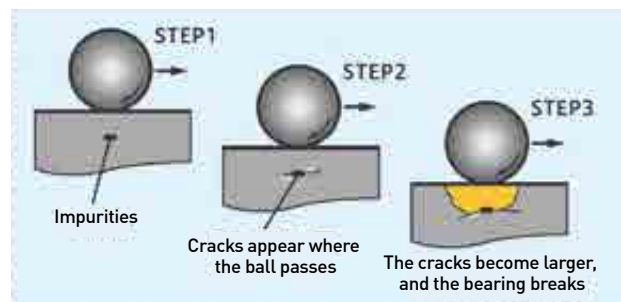
The performance of bearings are backed up by the high accuracy of the balls that are used. Even if you expanded a ball bearing 10 mm in diameter to match the size of Earth (12,000 km in diameter), the unevenness of its surface would still be less than the height of the Great Buddha statue at Kamakura in Japan (11.35 meters high).

2 Materials

Materials play a key role in enhancing the functionality and durability of bearings subjected to a harsh operating environment. If there are impurities contained in the bearing materials, even in extremely minute amounts, these will cause the bearing to break. For that reason, a special steel known as bearing steel is used in bearings that is practically free of impurities.

Aiming to develop products with even greater durability and reliability, NSK uses a wide variety of performance assessments and analytical technologies to develop new materials with optimal compositions and new heat treatment processes with optimal conditions. Moreover, the Company engages in technological developments in which new materials, such as ceramics and high polymeric materials, are utilized.

The usual process by which a bearing breaks due to impurities



3 Numerical Simulation

At a time when the demands made of products are increasingly sophisticated, the technologies that are indispensable in the optimal design of bearings and in product development are numerical simulation. For example, there could be a thousand ways for a parts combination to meet a certain condition. Determining which is the optimum combination would require the making of 1,000 types of trial products and innumerable experiments under the same matching test conditions. However, expending such an enormous amount of time and budgetary funds is impossible. What solves that kind of difficult problem is a computer simulation. It is precisely because of the enormous amount of accurate data that NSK has built up in its bearing R&D spanning 100 years that virtual performance and evaluation testing have become possible.

Taking advantage of NSK's advanced numerical simulation also enables performance evaluations under which the testing of actual machinery is conducted under extremely difficult conditions. The diagram on the right is a simulation of the oil flow when a tapered roller bearing rotates. If the simulation can be conducted by a computer based on past data without testing on an actual machine, this brings about significant time and cost benefits.

Oil flow analysis of a tapered roller bearing



4 Mechatronics

Mechatronics refers to technologies that combine mechanics and electronics. Placing part of the control of a machine onto electronic circuits and combining them with sensors and actuators achieves complex movements and enables the realization of difficult functions merely by combining machine elements.

Based on technologies in the mechanical field fostered through product development and at production sites, NSK has been honing its proprietary mechatronics technologies in combination with electronics and creating new products that exemplify MOTION & CONTROL™.

A representative example is electric power steering (EPS). When a driver turns the steering wheel, a built-in motor amplifies the forces and reduces those from the driver's steering inputs. In addition, when a tire is about to lose traction and skid, the electronic control system in an EPS will change the responses of the steering wheel and prompt the driver into the best handling to avoid a skid. When driving at high speed, the EPS cancels out the tire vibrations passed to the steering wheel by means of a motor and thus contributes greatly to safer and more comfortable driving.

Modularization-compatible, high-performance EPS



Global Business Platform

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. While giving exhaustive consideration to being a good corporate citizen in each region, the Company is also endeavoring to further enhance and strengthen its global business foundation.

Global Sites

Background to Globalization

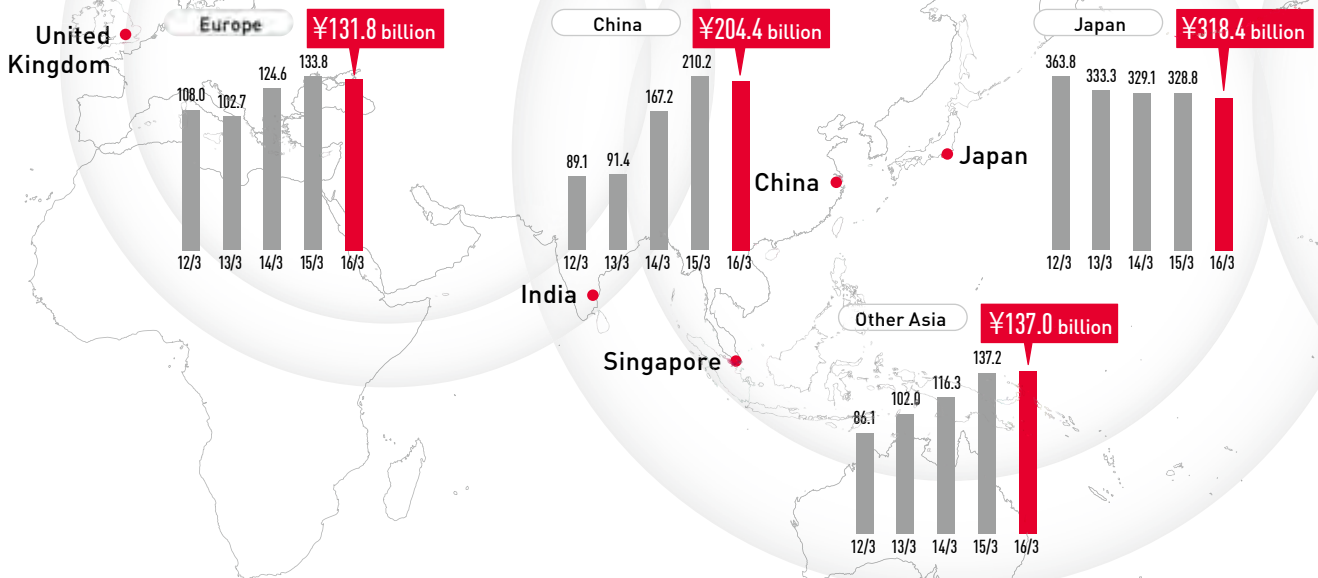
As far as the Japanese manufacturing industry goes, NSK long has been advancing overseas expansion. Having continued its overseas exports that commenced in 1948 and started overseas production in Brazil, the United States and the United Kingdom in the 1970s, the Company has regarded these operations as the basis of its overseas business through their locally manufactured products. In addition to expanding its product lineup in association with the overseas relocations of its Japanese customers, primarily in the electrical sector and automobiles from the 1980s onward, the Company established production sites in China, Indonesia, Thailand, India and elsewhere against a backdrop of emerging market economic development at the start of the 1990s. Thereafter, the Company further increased its global expansion due to a number of factors, including business expansion in emerging markets, the globalization of automobile platforms and increased business with non-Japanese overseas customers. The overseas business currently accounts for nearly 70% of net sales.

Current Status of Global Sites

As of March 31, 2016, the Company had a total of 210 production, sales and technology sites in operation in 30 countries under six headquarters in six countries.

In addition to their responsibilities for developing business in each area, the respective sites are performing an important role in global project collaboration, which is currently on the increase. Group companies supply high-quality products in a stable manner by undertaking local production in response to customer demand, while the sales and technology centers in each area work to improve NSK's brand power by offering rapid and detailed responses and services to customers' various needs. Expanding into every area in the world, the network represents one of NSK's essential business foundations.

Sales by Region (Based on Customer Location)



Headquarters (●)
6 locations in 6 countries

Production Sites
64 locations in 13 countries

Sales Sites
120 locations in 29 countries

Representative Offices
6 locations in 5 countries

R&D Centers
14 locations in 9 countries

The Americas	○	●	◆	◇	◆
U.S.A.	1	7	10		1
Canada			3		
Mexico		1	1	1	
Brazil		1	5		1
Peru			1		
Argentina			1		
Total	1	9	21	1	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		
Total	1	9	15	2	3

Asia/Oceania	○	●	◆	◇	◆
Japan	1	21	32		6
China	1	12	18	1	1
Taiwan			3		
South Korea		2	2		1
Singapore	1		2		
Indonesia		3	2		
Thailand		2	6		1
Malaysia		2	4		
Philippines				1	
Vietnam			1	1	
India	1	4	9		
Australia			4		
New Zealand			1		
Total	4	46	84	3	9
Total	6	64	120	6	14

○Headquarters
●Production sites
●Sales sites
◇Representative offices
◆R&D centers

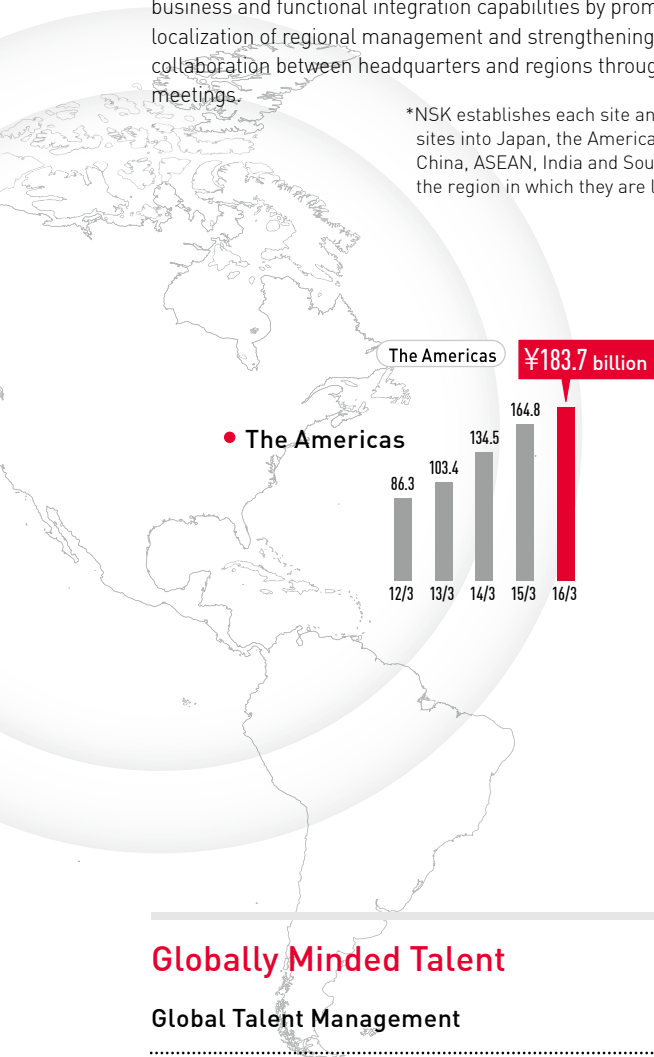
Global Management

Advancement of Global Management

One of the themes under the Fourth MTP was the “advancement of global management.” After gaining global consistency as the NSK Group, this initiative aimed to build a system to enable the flexible business management of the local entity in each region.*

The Company has taken steps to further enhance its both business and functional integration capabilities by promoting the localization of regional management and strengthening collaboration between headquarters and regions through global meetings.

*NSK establishes each site and divides the sites into Japan, the Americas, Europe, China, ASEAN, India and South Korea by the region in which they are located.

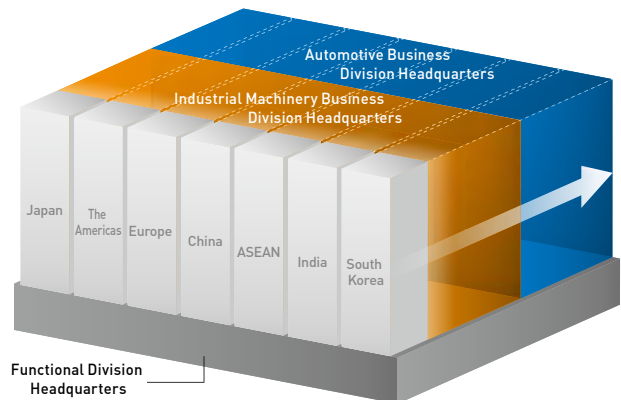


Organizations Supporting Global Management

Regarding its Industrial Machinery Business and Automotive Business as its two business axes, NSK has adopted a matrix-type organization underpinned by the regional headquarters in charge of business execution in each region and a functional headquarters that supports cross-organizational business 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. In this way, directions and directives with regard to business planning and the execution of strategy are made to flow from the business headquarters to the regional headquarters and from there to the business sites. On the other hand, each functional headquarters located at headquarters in Japan is responsible for functions that are common throughout the entire Group, such as human resources, legal affairs and accounting, and oversees and supports from policy and standardization aspects.

The Company is aiming for two effects by having adopted this kind of organizational form: 1) to reduce the duplication of operations and costs under a policy that maintains consistency on a global basis with regard to common functions across the entire Company and, 2) from the business execution standpoint, to delegate decision making to lower-level organizations, based on outlines determined by higher-level organizations, and to enable faster responses.



Globally Minded Talent

Global Talent Management

Under its Management Principles, the NSK Group works “to provide challenges and opportunities to its employees, while channeling their skills and fostering their creativity and individuality,” and “to manage its business from an international perspective and to develop a strong presence throughout the world.” In order to achieve business efficiency from an optimal global viewpoint while promoting the localization of operations that are spread across the world, management human resources, who possess global views regardless of their region of origin, and the recruitment and training of local human resources to support them, are considered important. For that reason, NSK is aiming for the development of global talent management by introducing a training program to select and educate human resources who have the potential to become key executives as well as a common global succession plan.

Global Posts, Global Management Resources

The NSK Group controls key management personnel posts as global posts. This includes the regional key management posts that have responsibilities for business and functions in each region and global business as well as key posts of the Japanese headquarters. In the case of the Asian region and some of the posts, there are instances in which Japanese employees on assignment fill the posts because of business features or differences in the expansion period, but as progress with global management is made, the rate at which local human resources are taking up posts is certainly on the rise. In the years to come, amid ongoing responses to changes in the business environment, it is believed that there will naturally be further advances made in the diversification of management personnel. The Company will embark on the streamlining of its systems to ensure excellent human resources and smoothly progress with personnel changes between regions and posts.

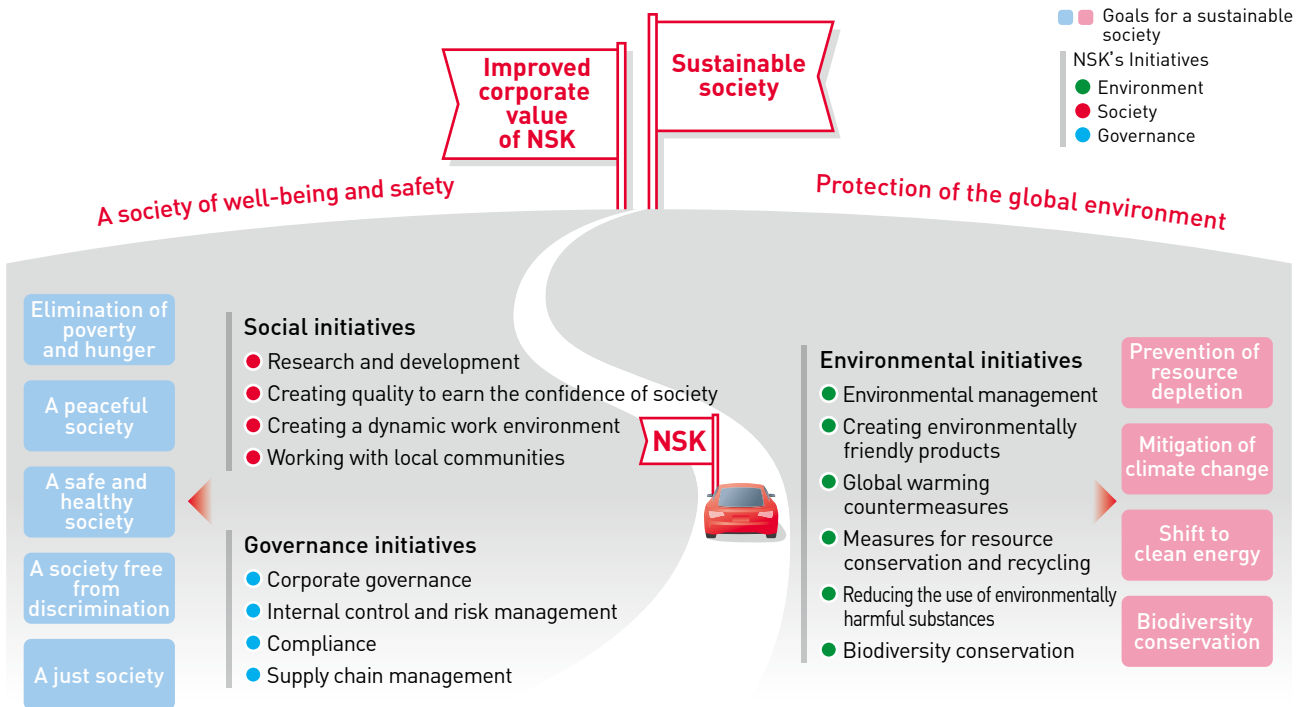
CSR / ESG Management

Approach to CSR

NSK's View of CSR

NSK's Mission Statement makes clear NSK's commitment to contributing to the development of society and to the protection of the global environment, and NSK's Management Principles set the course to realizing these goals (see page 1). The NSK products have the special characteristic of aiding the smooth functioning of a wide range of machinery, and they support the reliability, safety and energy efficiency of the machines into which they are incorporated. NSK regards its fundamental corporate activity as contributing to smoothly running, safe

societies, protection of the global environment and the realization of sustainable societies through the supply of those products—that is, through the Company's main business. NSK aims to achieve greater corporate value and sustainable growth by ensuring that all directors and employees are firmly committed to NSK's purpose and by making sincere efforts to contribute to business growth and society by taking the perspective of customers and other stakeholders.



NSK's CSR Activities and Material Issues

Goals for a sustainable society

- Elimination of poverty and hunger
- A peaceful society
- A safe and healthy society
- A society free from discrimination
- A just society
- Prevention of resource depletion
- Mitigation of climate change
- Shift to clean energy
- Biodiversity conservation

The role played by NSK

- Contribution to a society of well-being and safety
- Protection of the global environment

Reflecting the needs of stakeholders

Addressing material CSR issues in a bid to realize a sustainable society and improve NSK's corporate value

- 1 Quality Management > P.42**
Creating quality to earn the confidence of society
 - 2 Safety Management > P.43**
Creating safe and healthy workplaces
 - 3 Environmental Management > P.44**
Activities aimed at protecting the global environment
 - 4 Human Resource Management > P.46**
Creating a dynamic work environment
- CSR/ESG Management Platform**
- Corporate Governance > P.48
 - Compliance > P.52

NSK's Initiatives

See the NSK CSR Report for detailed information on the Company's initiatives:
<http://www.nsk.com/sustainability/csrReport/index.html>

Relationships with Stakeholders

The NSK's business is built on the trust of a variety of stakeholders. NSK believes that active communication is the key to building better relationships with its stakeholders.

The Company is also striving to build a corporate culture in which each site, each department, and each and every officer and employee recognizes the needs of stakeholders and the broader society and can reflect those needs in their own everyday work.



Customers

The NSK's customers are companies that purchase NSK's products and also the end users of the devices and machines that incorporate NSK's products. The Company aims to develop and provide high-quality, safe, reliable products that meet customer needs, and seeks customer input through technology exchanges and everyday sales contacts.



Employees

Employees, who create NSK's superior technology, services, and high-quality products and who support the NSK's business success, are an important asset of the Company—the foundation of its business success. NSK believes that the source of its business growth is employees who engage enthusiastically in their work and enjoy high job satisfaction. While fostering communication between all parties concerned, the Company aims to create workplaces that enable all employees to reach their full potential.



Suppliers

The NSK's business is dependent upon numerous suppliers. The Company aims to ensure mutual growth by communicating with suppliers about the needs of customers and other stakeholders and by pursuing joint technical development, quality, CSR and other activities.



Local Communities

NSK has developed a global business with nearly 200 business sites around the world. The Company aims to be valued as a member of local communities by fostering good communication with the members of the communities in which it does business, understanding their needs, and contributing to their development.



Shareholders and Investors

Shareholders and investors are important stakeholders, and they expect NSK to keep growing. NSK seeks to obtain their understanding by disclosing business and financial information in a timely and appropriate manner to shareholders and investors. To ensure sustainable growth and increase corporate value, the Company seeks to increase the transparency and soundness of management and to practice business that is well-balanced in terms of the society and environment.



Future Generations

NSK sees children and students, the torchbearers of the future, as important stakeholders. The Company is working to one day hand over a rich environment and safe society to the next generation and to help build a more sustainable society by supporting the growth of future generations through programs such as science classes and internships.

CSR / ESG Management

Material CSR Issues **1** Quality Management

Creating Quality to Earn the Confidence of Society

NSK's Approach

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

Quality Assurance Vision 2026

To strengthen Group-wide initiatives, NSK's management checks the status of quality control and directs all necessary measures in a top-down manner through meetings of the Quality Board, which is chaired by the president and composed of directors in charge of each business division headquarters. In March 2015, NSK put in place the Quality Assurance Vision 2026 as a part of efforts to identify specific targets through to 2026. As indicated at the right of the page, this vision also clarifies the ideal state to which the Company aspires. Guided by this vision, NSK will work diligently to achieve a level of "NSK Quality" that engenders trust and contributes

to the safety and peace of mind of customers. In specific terms, the Company will endeavor to enhance the quality of its products, work and human resources, key elements that provide the underlying strength of its business activities, while at the same time incorporating the necessary quality to deliver attractive products that reflect the requirements of customers.

NSK Quality

Safety/Smartness/Confidence for customer

[Customer 1st] [100% conforming article]

The ideal state to which the Company aspires

- Social contribution by product quality
- Quality constitution appraised by customers
- All employees think and act based on the quality 1st principle under high-quality ethics

The Fifth Mid-Term Management Plan (FY2016 to FY2018)

1. Fostering quality-first culture and human development
2. Enhancing preventive measures for quality monitoring and audit
3. Establishing a field quality responsibility system
4. Reasserting strict adherence to quality control basic matters
5. Enhancing site control ability based on 5 GEN-Principle*

*A set of Japanese principles that focus on "GEN-ba," the ACTUAL frontline; "GEN-butsu," the ACTUAL item or product; "GEN-jitsu," the ACTUAL condition or situation; "GEN-ri," the ACTUAL principle or theory; and "GEN-soku," the ACTUAL rules or standards.

Initiatives to Achieve Higher Quality

NSK recognizes that quality can be classified into the field, design, manufacturing and supplier components. On this basis, the Company makes every effort to enhance quality in order to garner the high acclaim of customers.

Initiatives Aimed at Enhancing Field Quality

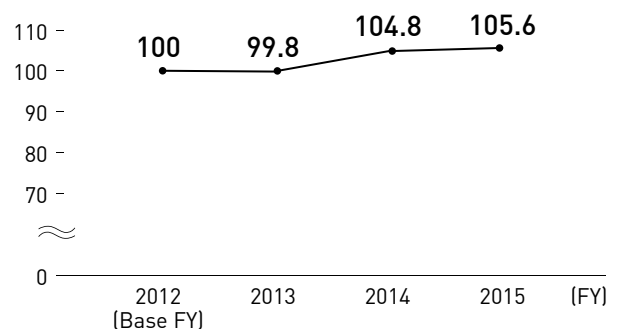
As a company that services the manufacturing sector, NSK works diligently to achieve a level of quality that meets the expectations of the market and end users. Looking beyond the level of quality that satisfies its direct customers in the manufacturing industry, the Company strives to accurately grasp the needs of end users while putting in place a structure that is capable of advancing manufacturing proposals.

Initiatives Aimed at Enhancing Design Quality

NSK is endeavoring to enhance the quality of its design capabilities by incorporating feedback from market customers. The Company makes every effort to design products with a superior level of quality by meeting its own unique level of quality targets over and above the basic quality that customers have come to expect.



▶ Degree of Customer Satisfaction (with FY2012 as a base of 100)



Initiatives Aimed at Enhancing Manufacturing Quality

NSK works diligently to deliver a consistent high level of product quality that meets customers' requirements. In addition to building manufacturing processes that focus on the 4Ms (manpower, machinery, materials and methods), the Company is looking to enhance the quality of its products.

Initiatives Aimed at Enhancing Supplier Quality

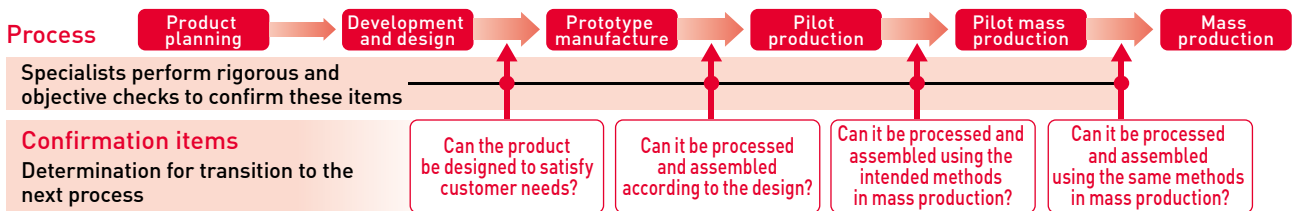
High-quality materials and parts, as well as other key inputs including various types of oils and greases, are essential in the manufacture of high-quality products. NSK engages in a wide range of activities aimed at enhancing quality based on strong ties of mutual trust with suppliers.

To build quality into each process, the Company is promoting the NSK Product Development System (NPDS).

This system is used for new projects and is designed to achieve efficient mass production of high-quality products by solving problems at key points in each process before moving on to the next stage. Moving forward, NSK will deploy this innovative NPDS globally.

In fiscal 2015, energies were channeled toward ensuring that Quick DRs were firmly entrenched within the Company's manufacturing operations. Quick DRs entail efficient design reviews that focus on the parts of the design that have been revised.

► Outline of the NPDS



Material CSR Issues **2** Safety Management

Creating Safe and Healthy Workplaces

Basic Approach

To protect the safety and health of each and every employee, NSK undertakes initiatives with the following basic philosophy: "Safety is the first and foremost priority."

Striving to ensure workplace safety, the Company implements measures to address unsafe equipment and facilities while promoting a set of uniform global standards across the Group as a whole. At the same time, proactive measures are being taken to share information with employees and to ferment a culture in which workers openly caution each other through mutual education.

Occupational Safety and Health Management System

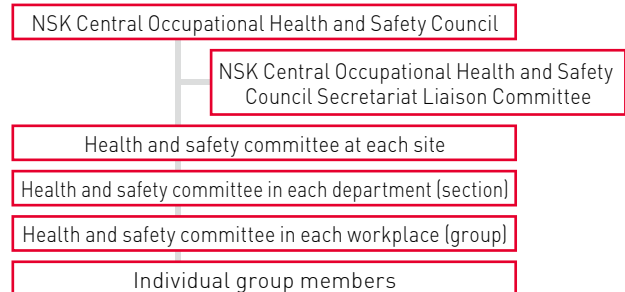
NSK realizes how important it is to be proactive about safety and health in the workplace, which forms the heart of manufacturing. This is the key to providing an environment in which employees can reach their full potential. Based on this conviction, NSK regularly convenes the NSK Central Occupational Health and Safety Council, which involves both labor and management, to set the course for labor issues for the entire company. Following the course determined by the council, NSK is building an occupational safety and health management system that complies with OHSAS 18001 and other related regulations while striving to foster a "safety first" corporate culture that fully engages all employees at each site.

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

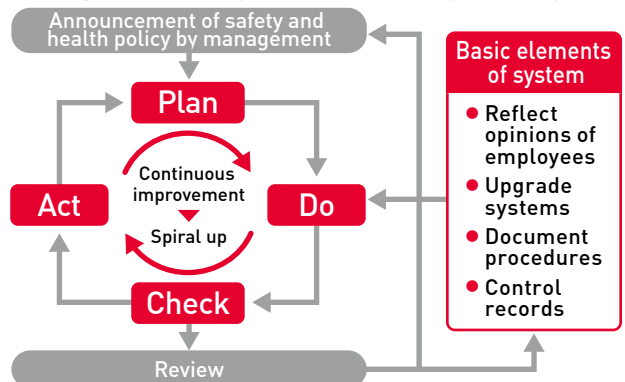
Occupational Accidents

NSK employs the lost-worktime injury rate (the number of persons absent from work due to occupational accidents ÷ total actual working hours × 1,000,000) as a key safety management performance indicator. In fiscal 2015, the global lost-worktime injury rate was 0.70, down 0.10 compared with the previous fiscal year.

► Occupational Safety Structure



► Occupational Safety and Health Management System



► Lost-Worktime Injury Rate

	FY2014	FY2015
In Japan	0.44	0.32
Outside Japan	1.00	0.91
Global	0.80	0.70
Japan's Manufacturing Industry (Average)	1.06	1.06

Lost-worktime injury rate = Number of persons absent from work due to occupational accidents ÷ Total actual working hours × 1,000,000. Defined as occupational accidents involving one or more days of absence from work.

CSR / ESG Management

Material CSR Issues **3** Environmental Management

Activities for Global Environmental Protection

NSK adheres to the principle that global environmental protection, as outlined in the Company's mission statement, must be an ever-present concern in all its business activities. Accordingly, the Group states in its Environmental Policy that environmental management forms the basis of its existence and

pursuits. While raising the awareness of each of its employees, NSK works to create environmentally friendly products, implement global warming countermeasures, enact measures to promote resource conservation and recycling, and reduce use of environmentally harmful substances.

▶ NSK Group's Environmental Management



Material and Energy Balance

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

▶ Input and Output of Global Business Activities (FY2015)

INPUT (Global)			
Materials and parts	Energy	Water supply	Materials and parts (Japan) (Environmentally harmful substances) PRTR*1-designated substances 495 tons
Steel 654×10³ tons	Electricity 1,368,232 MWh	Water 4,752×10³ m³	
Oils and greases 20×10³ tons	Fuel 2,342,032 GJ	Groundwater 1,803×10³ m³	
		General water 2,239×10³ m³	
		Industrial water 710×10³ m³	

NSK Group

Development

Design

Procurement

Manufacturing

Distribution

OUTPUT (Global)			
Atmospheric gases	Waste	Water quantity	Environmentally harmful substances (Japan) Discharge/transfer of PRTR-designated substances 96 tons
CO ₂ *2 1,015,000 tons	Total waste 205,539 tons	Wastewater 2,763×10³ m³	
NO _x 126 tons	Recycled 188,977 tons	Rivers 630×10³ m³	
SO _x 40 tons	Landfill waste 3,802 tons	Sewage system 2,133×10³ m³	
	Incinerated waste and water treatment 12,759 tons	BOD*3 2.3 tons	

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

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

*3 An index indicating to what degree water has been polluted by organic materials, and the amount of oxygen required for the organic material to oxidize and decompose into microbes. The amount of the biochemical oxygen demand (BOD) load shown here is the BOD measurement value multiplied by the amount of the river water discharge.

Other related information

With regard to information on environmental management (policy, framework, targets/achievements, environmental accounting), global warming countermeasures, measures for resource conservation and recycling, reducing the use of environmentally harmful substances and biodiversity conservation, please refer to our CSR Report (NSK website: <http://www.nsk.com/sustainability/csrReport/index.html>).

Creating Environmentally Friendly Products

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

The products of the future must perform better than today's in order to help reduce the impact human societies have on the natural environment. In an effort to contribute to the well-being and safety of society and to protect the global environment, as spelled out by its corporate philosophy, NSK is working hard to accurately determine the needs of its customers and the broader society, as well as to develop environmentally friendly

products and technologies which, in keeping with its basic policy, make the most of the Company's four core technologies (tribology, materials, numerical simulation, and mechatronics). By delivering these products and technologies to all corners of the globe, NSK aims to contribute to the sophistication of the machinery in which its products are incorporated and to the development of environmentally friendly products as well as to the reduction of environmental impact throughout society.

Basic Policy for the Development of Environmentally Friendly Products

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

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

► FY2015 Activities

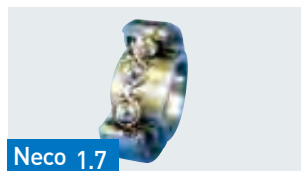
In fiscal 2015, NSK developed nine new environmentally friendly products that help customers conserve energy and resources. The total number of environmentally friendly products developed since 2002 comes to 211.

Environmentally Friendly Products Developed in FY2015



Neco 2.9

Spherical roller bearings featuring high reliability and excellent sealing performance for conveyor pulleys in mines



Neco 1.7

Ball bearings for fan clutches with excellent sealing performance



Neco 1.2

Super-large ball screws with world-top-class load capacity



Neco 1.3

The world's lightest electric power steering (EPS) system
(As of January 2016, data compiled by NSK)

NSK Eco-Efficiency Indicators (Neco)

In fiscal 2008, the Company introduced the NSK eco-efficiency indicators (Neco) as a yardstick for quantitatively assessing the degree of environmental friendliness possessed by the products it develops. Since that time, the Company has utilized Neco to conduct assessments of products under development.

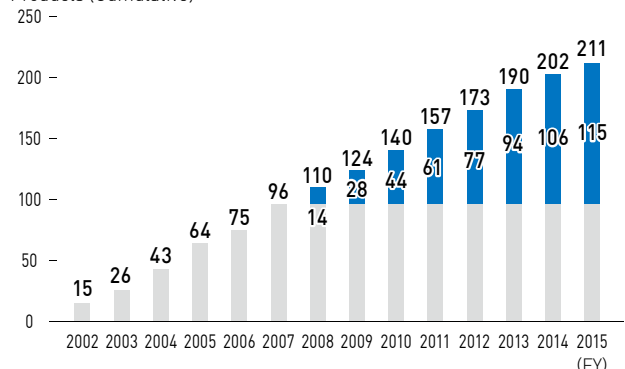
The Neco score is represented by a numerical value obtained by dividing product value V and environmental impact E. The numerator V represents, in numerical form, the degree of improvement of a product in development were an existing product assessed at 1 with regard to assessment parameters that need to be increased to improve product value, such as service life, performance and accuracy. By comparison with an existing product, the denominator E represents assessment parameters, such as product weight, power consumption and friction loss, that must be reduced to decrease the environmental impact.

To use bearings as an example, the longer a product's service life is when compared with an existing product, the better able that

product is at withstanding high-speed rotation, the lighter and more compact it is, and the less friction loss there is, the higher its Neco value will be. NSK is working to develop new products with a Neco score of 1.2 or higher.

► Number of Environmentally Friendly Products Developed

Products (Cumulative)



■ Newly developed products with a Neco score of 1.2 or higher Established in FY2008
■ Newly developed products consistent with the Basic Policy for Development of Environmentally Friendly Products established in FY2001

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

CSR / ESG Management

Material CSR Issues 4 Human Resource Management

Creating a Dynamic Work Environment

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

NSK's Approach

In its Management Principles, NSK clearly states its aim "to provide challenges and opportunities to our employees, channeling their skills and fostering their creativity and individuality." In accordance with the concept of making the best use of each and every individual employee, who represent corporate assets, the Company creates work environments where they can work enthusiastically and enjoy job satisfaction while aiming to develop the human resources who will lead NSK in the future.

Making the most of diverse human resources

 Realization of diversity

 Facilitating a work-life balance

Making the Best Use of Individuals in a Fair Manner Dynamic Work Environment

Creating environments where employees can work with vitality

 Respect of fundamental rights at work

 Creating secure, safe and comfortable workplaces

Providing opportunities and workplaces that foster the growth of self-motivated employees

 Realization of talent management

 Providing both workplaces that foster self-development and training opportunities

Respect of Fundamental Rights at Work

Prohibiting Discrimination and Respecting Fundamental Rights at Work

Respecting the Universal Declaration of Human Rights, NSK promotes activities based on the declaration's ideas. Having clearly stated its aim "to provide challenges and opportunities to our employees, channeling their skills and fostering their creativity and individuality" in its Management Principles (please refer to page 1), the Company also defines the "prohibition of unfair discrimination" and "respect for basic fundamental rights at work" in the NSK Code of Corporate Ethics. Prohibiting discrimination—on the basis of race, appearance, belief, gender, social status, lineage, ethnicity, nationality, age or disability—as well as harassment, forced labor and child labor, the Company creates workplaces where diverse human resources can work enthusiastically while working hard to provide equal opportunity in recruitment, job assignment, evaluations and other employment issues.

In addition to making the concepts with regard to NSK human rights better known among its employees, the Company identifies acts to the contrary through internal audits and its internal reporting system and, when necessary, implements initiatives such as the taking of rapid appropriate action.

Employment Policy to Preserve the Stability of Both Society and NSK

As a company that is committed to *monozukuri*, NSK is aiming for sustainable growth. For that reason, NSK takes a long-term perspective on employment and regards continually recruiting and developing the outstanding human resources who will lead businesses as essential. Having established a policy with regard to mass layoffs, the Company also engages in appropriate employment practices in accordance with the laws and ordinances of each country and region where a business site is located.

Labor-Management Relations Based on Dialogue

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

Developing Human Resources with a Global Mind-Set

As the globalization of business advances, NSK believes it is vital that employees draw on and make use of their abilities to the fullest extent in recognizing and solving common challenges that span national borders and cultural barriers.

Program for Human Resource Development

Having set up educational training programs in each region, the Company provides employees with the opportunities and forums that will contribute to their personal and professional development. While globally expanding its specialized training—including training for candidates selected to become the next generation of executives, the NSK Manufacturing Education and Training Center that teaches and passes on technical skills, and the NSK Institute of Technology (NIT) that provides comprehensive technical training for engineers—the Company undertakes the human resource development that will underpin its business.

▶ Number of Participants in Education and Training Programs in FY2015 (in Japan)

	Programs	No. of participants
Training held at headquarters	New employee training/ Language training, etc.	1,027
Training held at technology divisions	NSK Institute of Technology (NIT)	192
Specialized training (conducted by headquarters)	NSK Manufacturing Education and Training Center, sales training, etc.	147
Training held at plants (conducted by plants)	Quality education, safety education, ISO-related education, etc.	4,823
Others	Retirement plan seminars, etc.	807
Total		6,996

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

Language Training

NSK uses English as its common language in order to conduct operations smoothly through active communication between employees around the world. At the headquarters divisions in Japan and at some plants, the Group offers English-language training with external instructors. This provides employees with the opportunity to learn practical English relevant to their work.



Automotive Business Planning & Controller Department,
Automotive Business Division Headquarters

Sayo Tanaka

I participated in an English-language training course in London. At first, I could not express my opinion in a positive manner, but under such circumstances I noticed that "even if you speak English, you do not hold a conversation if you have no stories to tell, and speaking reveals a person." Receiving inspiration from colleagues of many nationalities, who spoke of their ambitions and their thoughts about their own and their countries' futures, I acquired more knowledge and felt strongly that I wanted to have my own opinions. In the years to come, I would like to make use of my English skills, smoothly conduct business with NSK employees around the world and, without being satisfied with the way things are, continue to develop for the future.

In fiscal 2015, training course participants who had shown considerable improvement in their language skills were sent to English-speaking countries and introduced to foreign-language training to learn English in more practical scenarios. At overseas business sites, the Company is also conducting Japanese and English courses for local employees.



Automotive Bearing Technology Center
NSK (China) Research and Development Co., Ltd.

Xu Yayun

When I joined NSK, I could not speak a word of Japanese, but thanks to the company's Japanese-language classes, when I went to Japan for training I had reached the simple conversation stage. In Japan, I read Japanese books, watched dramas, memorized a lot of vocabulary and passed Level 2 of the Japanese Language Proficiency Test. Through learning Japanese, I have also come to know the way the Japanese people think, as well as about Japanese culture and customs. Since I came back to China, I have been cooperating well with people in Japan through e-mails and telephone meetings while making efficient progress with my work.

Respecting Diversity Creating Organizations That Embrace Diversity

In addition to developing businesses worldwide, NSK believes that local communities and the Company can grow together by implementing stable employment. Each and every one of our diverse, skilled personnel, who transcend contexts such as nationality, age or gender, is making maximum use of his or her abilities and characteristics and advancing the creation of a corporate culture and working environments where people can feel job satisfaction.

Making the Most of Diverse Human Resources

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

In the years ahead, the Company plans to sequentially advance upgrades, such as in its common systems for assessing global posts, common remuneration systems, the handling of and guidelines for regional transfers, and the expansion of training programs for those in positions of responsibility.

Supporting Women's Career (Japan)

At NSK, there are currently many workplaces where there are significantly fewer women than men, and the ratio of women in management positions is also less at 1.3% (fiscal 2015, NSK nonconsolidated). The Company has thus commenced efforts, such as training and exchanges of opinions, with the aim of

conducting a review to expand the work options for women and improving the ratio of women in employment.

Helping to Support an Aging Society (Japan)

Japan's population is aging rapidly. In light of changes in the public pension system, it has become a social challenge to enable workers to have access to employment opportunities even after mandatory retirement. NSK recognizes that the knowledge and skills of experienced senior employees are beneficial in growing its business. The Company's basic policy is to provide work opportunities to persons willing to work even after they have reached the retirement age of 60. The Company has had a reemployment program since April 2001.

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

	Seniors	Others (part-time employees, etc.)	Total
FY2011	325	34	359
FY2012	383	29	412
FY2013	441	29	470
FY2014	470	28	498
FY2015	505	25	530

* NSK and main group companies in Japan.

Facilitating a Work-Life Balance

NSK believes that having employees enhance both their work and their private lives, and who are enthusiastic and active, has a beneficial effect on its business as a whole. For that reason, and in light of employees' needs and social issues, the Company is placing an emphasis on developing ideal working environments for all employees, regardless of gender or age. In Japan, there are calls for social issues, including the low birthrate and the rapidly aging population, to be addressed. NSK has thus been making plans to enhance programs that support employees' child care, such as child-care leave periods and extending the duration of the shorter working hours system for child care, in order to bring about a reduction in the number of employees who give up working on childbirth and child-rearing grounds.

In addition, the Company offers a re-employment registration system for employees who choose to resign in order to accompany a spouse transferred to another location.

▶ Childcare and Nursing Care Support System*1

	NSK	Japan law
Childcare leave	Through the end of April when child is 3 years old (the first five days paid)	Up to 18 months (non-paid)
Shorter working hours for childcare	Through the end of March in the third year of elementary school	Up to 3 years old
Nursing care leave	Up to 1 year	Up to 93 days
Shorter working hours for nursing care	Up to 1 year	Up to 93 days
Elimination of half-day holiday restriction	Usually, 12 times per year; but when providing nursing care, unlimited	
Re-employment registration system*2	System for employees that resign when their spouse is temporarily transferred to another city, but who want to eventually return to work at NSK	

* 1 NSK and main group companies in Japan

* 2 Launched in fiscal 2014

CSR / ESG Management

Corporate Governance

Basic Philosophy

NSK regards corporate governance as a structure that enables operational organizations to realize efficient and fair management under the supervision of the Board of Directors. The Company works diligently to strengthen this structure based on the following four policies:

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

NSK has put in place a set of Corporate Governance Rules that encapsulate this basic philosophy and structure. Directors and executive officers manage the business from a Group-wide perspective in accordance with these rules.

Corporate Governance Structure

Current Structure and Operating Status

NSK has adopted a company with three committees system under which executive and supervisory roles are clearly defined. The purpose of adopting this system is to maintain and enhance management soundness and transparency. In the case of executive functions, the CEO makes final management decisions, whereas specific operational functions are overseen by the executive officers in charge. From a supervisory function perspective, the Board of Directors makes decisions on such important matters as fundamental management policies, while supervising operational organizations. To reinforce supervisory functions, the Company also has established the Compensation Committee, the Nomination Committee and the Audit Committee (each consisting of two independent directors and one non-independent director).

For the year ended March 31, 2016, the Board of Directors and the Audit Committee met 10 and 14 times, respectively, whereas the Compensation Committee and the Nomination Committee each met five times.

Initiatives Geared toward Further Enhancements

To enhance its corporate governance, NSK has cited the further improvement of its Board of Directors' functions as one of its highest priorities. The Company verifies whether the functions of the Board of Directors are being properly fulfilled and, for the purpose of further strengthening its effectiveness, has evaluations of the Board of Directors carried out by external experts. Based on the results of those evaluations, the Company carries out the effective operations of the Board of Directors and the enhancement of training.

In addition, directors have the opportunity to refresh their knowledge with regard not only to the content of proceedings but also to NSK's status by briefings held prior to Board of Directors' events and by visiting business sites on a regular basis. These enable intense deliberations and transparent and fair decision making at Board of Directors' meetings. The Company will respect the meaning and spirit of the Corporate Governance Code and continue to work to improve its ongoing sustained growth and corporate value.

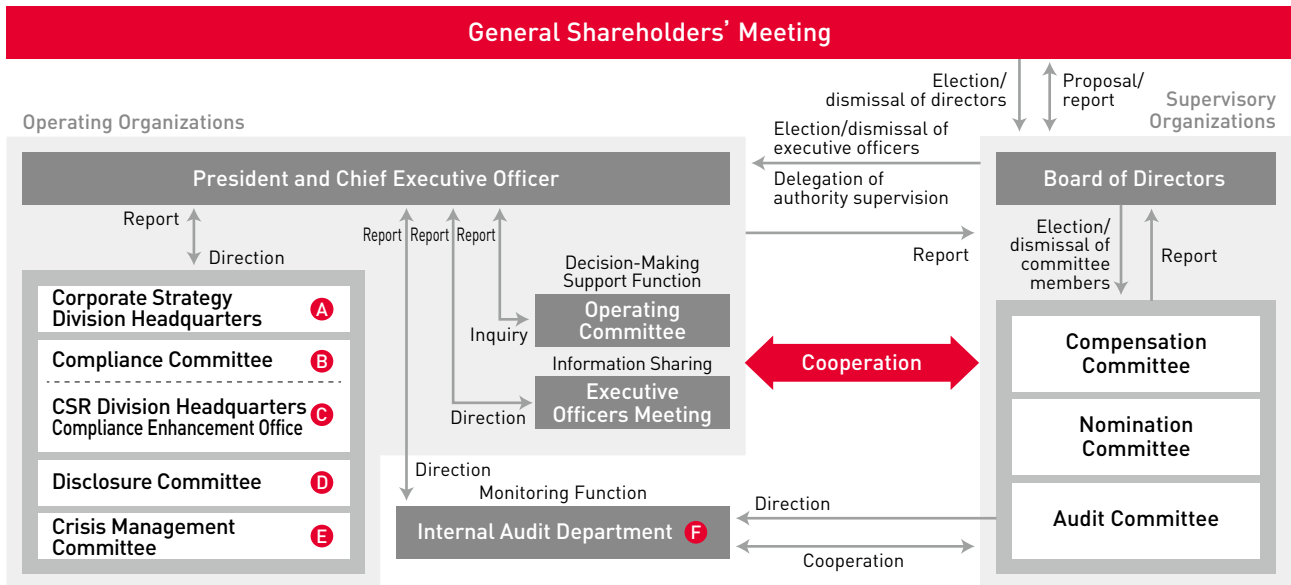
► Strengthening NSK's Corporate Governance Structure (As of July 1, 2016)

(Year to March 31)

- | | |
|------|---|
| 2016 | ● Became a company with three committees in accordance with revisions to Japan's Companies Act |
| 2013 | ● Established 2013 the Compliance Committee |
| 2011 | ● Submitted a notification to the Tokyo Stock Exchange to confirm independence of all four independent directors
● Established independence criteria for the Company's independent directors |
| 2007 | ● Became a company with committees pursuant to Japan's Companies Act; restructured the Compensation, Nomination and Audit committees to each comprise two independent directors and one non-independent director
● Established the Internal Control Project Team (later merged into the current Internal Audit Office) |
| 2006 | ● Established the Information Disclosure Team (current Disclosure Committee) |
| 2005 | ● Established the Nomination Committee
● Adopted a company with committees system
● Established the Management Monitoring Office (current Internal Audit Department) to undertake auditing functions and monitor the operations of the Company |
| 2004 | ● Established the Voluntary Audit Committee |
| 2003 | ● Established the Crisis Management Committee |
| 2000 | ● Adopted an executive officer system and subsequently appointed independent directors to the Company's Board of Directors
● Established the Compensation Committee |



► NSK's Corporate Governance Structure



A Corporate Strategy Division Headquarters

Coordinates with each business, functional and regional headquarters to support the CEO and oversee and manage general risks related to management of the NSK Group. Responsible for maintaining and enhancing the internal control systems necessary for the operation of the NSK Group's global business.

B Compliance Committee

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

C CSR Division Headquarters Compliance Enhancement Office

This office is responsible for enacting compliance-strengthening measures based on the policies set by the Compliance Committee. In addition to conducting educational initiatives to ensure that the company constantly acts as a good corporate citizen with a sense of social responsibility, the office plans, proposes, enacts and monitors measures to ensure compliance with laws, internal rules and corporate ethics. The office also reports periodically to the Compliance Committee on the status of the compliance-strengthening measures.

D Disclosure Committee

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

E Crisis Management Committee

Responsible for preparing and strengthening response systems to major risks to the company, such as natural disasters, pandemics or major accidents, in order to prevent such risks from eventuating or to minimize damage. Also responsible for leading a swift and appropriate response in the event of a disaster.

F Internal Audit Department

As the division responsible for internal auditing of operations, responsible for conducting audits to determine the legitimacy, adequacy and efficiency, etc., of operations, and monitoring the performance of operations. Also responsible for overseeing the evaluation of the effectiveness of internal controls over financial reporting.

Independence of Independent Directors

NSK believes that the participation of independent directors in meetings of the Board of Directors, as well as meetings of the Compensation, Nomination and Audit committees, together with their role in determining important matters and supervising operational organizations, contributes to increased management soundness and transparency while helping to ensure that no conflicts of interest occur with general shareholders. NSK has set specific standards for independence, which are applied when appointing independent directors. By applying these standards, NSK mitigates the risk that a candidate might have a special relationship with the Company's management or its principal shareholders, or a conflict of interest with general shareholders. All four of NSK's independent directors meet these standards of independence. To ensure that decisions made by the Board of Directors are proper, valid and relevant, the Company draws on the opinion of its independent directors, who possess a wide range of experience and expertise as senior executives or specialists and offer their advice while supervising management from an independent standpoint.

Internal Control Systems

NSK has clarified and documented a set of basic principles to ensure that its global Group management and internal control systems function efficiently, and is working to strengthen internal controls across the Group as a whole. In addition, the Internal Audit Department, which serves as the Company's internal auditing division, coordinates with the Audit Committee while monitoring operating divisions in the execution of their duties from a position independent of the operational organizations. The Internal Audit Department also audits the development and operational status of the Company's internal control systems. As a part of efforts to put in place and strengthen the Group's global internal audit platform, internal audit offices have been established in each regional headquarters, tasked with overseeing the operations of local subsidiaries. Moreover, efforts are being channeled toward addressing the key issues of the Company's mid-term management plan: 1) enhancing compliance, 2) strengthening monitoring, 3) improving audit effectiveness and 4) promoting operational efficiency.

CSR / ESG Management

Corporate Governance

Directors/Officers' Compensation

1. Policy for Directors/Officers' Compensation

The previous compensation package for Officers of NSK comprised fixed compensation, performance-based salary, a stock option program (share subscription rights) and retirement benefits. However, at the Compensation Committee meeting of NSK held on May 16, 2016, the introduction of a share-based compensation program and the ending of stock option programs and retirement benefits were decided.

The new compensation package for NSK's Officers consists of basic compensation, which includes fixed compensation, a performance-based salary that fluctuates and share-based compensation, whereas "directors' compensation" and "executive officers' compensation" will be respectively determined. When a director also serves as an executive officer, the total of each respective compensation amount shall be paid.

2. Decision-Making Process for Directors/Officers' Compensation

[Directors' Compensation]

The Directors' compensation package consists of basic compensation and share-based compensation.

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

Moreover, for the purpose of further enhancing the commitment of directors to a sustainable increase in corporate value, NSK introduced a share-based compensation program using a Board Benefit Trust system. Under the program, NSK grants directors shares of NSK stock at retirement based on a point system whereby points are awarded depending on whether the director is independent or non-independent and according to the value of the stock. However, NSK will compensate directors with money acquired by converting a certain portion of NSK's shares into cash. For directors who also serve as executive officers, performance shares as directors will not be provided.

[Executive Officer's Compensation]

The executive officer compensation package consists of basic compensation, a performance-based salary and share-based compensation.

For basic compensation, the amount is determined according to the

title of the executive officer. Moreover, an additional amount will be paid to executive officers with representation rights.

Using the consolidated sales operating income margin and consolidated ROE targeted in the Company's mid-term management plan and the operating income margin and cash flow as numerical targets for a single fiscal year and index to evaluate quality-contributing activity as criteria, the total amount of performance-based salary is calculated. For the compensation amount for the respective executive officers, the title and achievement level in the performance of job duties are evaluated for payment.

Moreover, for the purpose of further enhancing the commitment of executive officers to a sustainable increase in corporate value, NSK introduced a share-based compensation program using a Board Benefit Trust system. Under the program, NSK grants executive officers shares of NSK stock at retirement based on a point system whereby points are awarded depending on the title of executive officer and according to the value of the stock. However, NSK will compensate executive officers with money acquired by converting a certain portion of NSK's shares into cash.

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.

3. Directors/Officers' Compensation, etc.

The amount of compensation for directors and executive officers for the year ended March 31, 2016, was as follows.

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

Classification	Compensation, etc., Total (¥ Million)	Fixed Compensation		Performance-Based Salary		Stock Options		Retirement Benefits	
		No. of Directors/Officers	Amount (¥ Millions)	No. of Directors/Officers	Amount (¥ Millions)	No. of Directors/Officers	Amount (¥ Millions)	No. of Directors/Officers	Amount (¥ Millions)
Directors (Non-independent)	132	9	113	—	—	9	17	2	2
Directors (Independent)	54	6	42	—	—	6	12	—	—
Executive Officers	1,990	38	801	33	643	39	187	32	357

Notes: 1. Compensation for directors (non-independent) includes compensation for directors who also serve as executive officers.

2. The amount of performance-based salary is the payment amount as of July 1, 2016, based on the results for the year ended March 31, 2016. The payment amount of performance-based salary as of July 1, 2015, based on the results for the year ended March 31, 2015, was 794 million yen.

3. The amount of the retirement benefit is the accrued officers' retirement benefits in the year ended March 31, 2016. Retirement benefits to three executive officers who retired in the year ended March 31, 2016, were 176 million yen.

4. Figures listed above are rounded down to one million yen.

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

Name	Consolidated Compensation, etc., Total (¥ Millions)	Title	Company	Amount for Each Item of Consolidated Compensation, etc.			
				Fixed Compensation (¥ Millions)	Performance-Based Salary (¥ Millions)	Stock Options (¥ Millions)	Retirement Benefit (¥ Millions)
Toshihiro Uchiyama	122	Director	NSK Ltd.	6	—	1	—
		Executive Officer	NSK Ltd.	38	43	12	20
Bernard Lindsay	208	CEO	NSK Americas, Inc.	68	114	7	17
Adrian Browne	128	Executive Officer	NSK Ltd.	78	24	4	20
Jürgen Ackermann	100	CEO	NSK Europe Ltd.	58	32	5	3

Actions for Japan's Corporate Governance Code

NSK shall adhere to each principle of the Code. In addition, NSK's implementation status of the 11 items necessary for disclosure is as follows. For details, please refer to the following NSK websites. This page is a summary of the relevant sections of the "NSK Corporate Governance Report" (in Japanese only).
① <http://www.nsk.com/company/governance/index.html> ② <http://www.nsk.com/investors/events/>

[Principle 1-4. Cross-Shareholdings]

(1) Policy for Cross-Shareholdings

From the perspective of improving corporate value over the medium to long term, NSK holds the shares of other listed companies as cross-shareholdings based on a comprehensive consideration of the business stability, growth, partnership and reliability. The Board of Directors receives periodic reporting for the objectives and rationale behind the cross-shareholdings and supervises such cross-shareholdings.

(2) Criteria of Exercising Voting Rights as to Our Cross-Shareholdings

The exercising of voting rights as to our cross-shareholdings will be determined from the perspectives of whether the agenda leads to damaging shareholder value and whether there is a contribution to improving the corporate value of NSK and the companies in which NSK owns shares over the medium to long term.

[Principle 1-7. Related Party Transactions]

NSK's Board of Directors approves transactions (related party transactions) between NSK and our executive officers/major shareholders in accordance with applicable laws and regulations including the Companies Act and internal regulations to ensure that such transactions do not harm the interests of the Company or the common interests of our shareholders and receives periodic reporting. Furthermore, the Audit Committee carries out audits on transactions based on necessity.

[Principle 3-1. Enhanced Information Disclosure]

i) Company objectives, business strategies and business plans, etc.

NSK stipulated a mission statement, and based on the mission statement, the Board of Directors resolves medium- to long-term business strategies and business plans, etc. For our mission statement, please refer to page 1 of this NSK Report. For our business strategies and business plans, please refer to this NSK Report and NSK's website ② above.

ii) Basic Views and Guidelines on Corporate Governance

Please refer to page 48 of this NSK Report.

iii) Policies and Procedures of the Compensation Committee in Determining the Compensation of Executive Officers and Directors

Please refer to page 50 of this NSK Report.

iv) Policies and Procedures in the Appointment of Executive Officers and the Nomination of Directors by the Nomination Committee

For the selection of Directors, based on our expected composition of the Board of Directors and the qualifications according to NSK's corporate governance system for Directors, candidates for Director are selected and discussed as part of the agenda of general shareholders' meetings via discussion and approval by the Nomination Committee.

vi) Explanation of Individual Appointment and Nomination When the Nomination Committee Selects Executive Officers and Appoints Candidates for Directors

Reasons for the nomination of candidates for Director discussed in the Nomination Committee are described in the notice of ordinary general meeting of shareholders.

[Supplementary Principle 4-1-1. Roles and Responsibilities of the Board of Directors]

NSK, as a company with three committees separates execution and supervision and actively delegates decision making in our business to execution divisions to improve the efficiency of management and increase mobility. At the same time, NSK values securing the appropriate checking and controlling and compliance with laws by allowing the Board of Directors to focus on supervising management.

[Principle 4-8. Effective Use of the Independent Directors]

NSK appointed four independent directors who have beneficial expertise for NSK, excellent personality and wide knowledge, as well as the ability to fulfill their roles and responsibilities with the aim of contributing to the sustainable growth of the Company and increasing corporate value over the medium to long term.

[Principle 4-9. Independence Standards and Qualification for the Independent Directors]

NSK stipulated the Independence Standards of the Independent Directors in internal regulations and selects candidates for independent director according to that standard. In addition, we reported all four independent directors to the Tokyo Stock Exchange as independent officers. For our Independence Standards of the Independent Directors, please refer to our website ① above.

[Supplementary Principle 4-11-1. Composition of the Board of Directors]

Given the business and industry surroundings of the Company, NSK composes its BOD to enable it to be sufficiently familiar with business in order to supervise the management decisions regarding important executive matters. When composing the board, the size of the board is limited to the extent that variety and balance of careers such as expertise and experience are duly reflected.

[Supplementary Principle 4-11-2. Concurrent Positions of the Board of Directors]

The concurrency of outside directors is disclosed via the Notice of Calling, the Business Report, securities reports, etc. The Company has disclosed the major status of concurrency in addition to legally required items.

[Supplementary Principle 4-11-3. Evaluation of the Board of Directors Effectiveness]

NSK evaluated its Board of Directors for the purpose of verifying the appropriate fulfillment of functions of the Board of Directors for the sustainable improvement of corporate value and further enhancing the effectiveness of the Board of Directors. NSK outsourced evaluations to outside specialists, and self-evaluations with surveys and interviews and external evaluations were carried out.

The results confirmed that NSK's Board of Directors effectively functions as a structure that makes transparent, fair and appropriate decisions on a timely basis. Based on the evaluation results, NSK clarifies challenges toward further improvement and strives to increase the effectiveness of the Board of Directors to contribute to the further improvement of corporate value.

[Supplementary Principle 4-14-2. Training of the Directors and Auditors]

The Company conducts trainings for directors upon their assumption and other opportunities as necessary on relevant laws such as the company code as well as finance, business and governance. For outside directors, the Company explains the BOD agenda in detail in advance for them to enrich their view of particular matters regarding NSK, which contributes to an eager discussion.

[Principle 5-1. Policy for a Constructive Dialogue with the Shareholders]

(1) Basic Views

The Company believes that in disclosing its management information rapidly and fairly as well as seeking to steady return its profit, we are to be a company that continues to conform to the expectations of shareholders and investors.

(2) IR system

The Company positions IR activities as the important initiatives of its management and implements dialogues with shareholders and investors and actively discloses its information. The Company organizes the IR Office as a dedicated division that is under direct control of the CEO and supervised by an executive officer who are responsible for IR. Moreover, we have an internal system where the IR Office discloses information on business and finance, in cooperation with relevant divisions, in a comprehensible, fair and appropriate manner.

(3) Measures for dialogue and activity status

The Company regularly holds meetings for institutional investors and analysts regarding, among other things, book closings, the mid-term management plan and business. Moreover, the Company actively communicates with stakeholders through CEO small meetings, conferences hosted by securities companies and overseas road shows in addition to individual press interviews. Furthermore, the Company conducts a wide range of IR activities such as conferences for individual investors.

(4) Relays

The Company relays opinions gathered from dialogue with shareholders and investors to executive officers and relevant divisions in a timely manner.

(5) Administration of insider information

The Company will not disclose or divulge insider information in dialogue with shareholders and investors. When disclosing important information regarding the Company that might influence investment decisions of investors in compliance with relevant laws and regulations, the Disclosure Committee confirms its timeliness and appropriateness. In addition, the Company internally regulates dialogues regarding book closings during one week before the disclosure of a book closing, which is referred to as the "Silent Term."

Takeover Defense

The Company introduced response measures to large-scale purchases of the Company shares ("Takeover Defenses") at the annual general meeting of shareholders held in June 2008, and subsequently renewed it with the approval of the shareholders at the annual general meetings of shareholders held in June 2011 and June 2014. The Company is a stock company, the shares of which are traded on capital markets, and the free trading of its stock by all shareholders and investors is permitted.

The Company believes that, in the case of a large-scale purchase of the Company shares, the decision whether to accept such a purchase should ultimately be left to the shareholders.

However, taking into account recent capital market conditions in Japan, there is a possibility that a sudden and unsolicited large-scale purchase of a Company 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 target company, or without the target company's board of directors being provided with information and time to express its opinion and prepare 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 cases in which the purchaser does not intend to manage the Company reasonably or in good faith.

Therefore, the Company decided to introduce and subsequently renew the Takeover Defenses for the purpose of (i) allowing the Company shareholders, who will make the final decision, to sufficiently understand the specifics of such a proposal by any person attempting a large-scale purchase of shares and to make an appropriate decision, and (ii) securing and increasing the Company's corporate value or the common interests of the Company shareholders.

Details of the Company's Takeover Defenses are published on our website. Please refer to "Continuation of the Response Measures to Large-Scale Purchases of the Company Shares (Takeover Defenses)" as of May 23, 2014.
<http://www.nsk.com/company/governance/index.html# tab4>

CSR / ESG Management

Compliance

Basic Philosophy

To remain a company that is trusted by society, NSK believes that complying with laws and abiding by the highest ethical standards are some of the most important management tasks that the Company should undertake. The foundation of compliance at NSK is the NSK Code of Corporate Ethics, which outlines universal principles that must be followed by all officers and employees.

In light of the demands placed on the Company by society, NSK is working to ensure thorough awareness of the content of this Code by producing and distributing the NSK Compliance Guidebook, which contains detailed explanations of the Code.

NSK's Efforts for the Enhancement of Compliance

NSK was investigated by the Japan Fair Trade Commission due to a suspected violation of the Japan Antimonopoly Act regarding sales of bearing products in July 2011. Later, the Company received a decision that it violated antimonopoly laws in multiple countries. For this sequence of events, we express our sincere regret for the concern this matter has caused our shareholders, customers and other stakeholders.

NSK regards the situation with the utmost seriousness, and we are devoting every effort to ensure strict compliance with all applicable laws and regulations in our corporate activities and the promotion of business activity based on our social responsibility.

Our main efforts include the continuous provision of mandatory compliance training and education for officers and employees. In addition, we had issued the "NSK Compliance Guidebook" in Japanese, English, Chinese, Korean, Polish, Indonesian and Thai by fiscal 2015 so that the content could be understood by employees in each country in their native language. Moreover, we continue to hold meetings to report and discuss compliance matters and carry out inspections and audits of compliance at each site. Furthermore, in 2016, we newly designated July 26, the date when NSK was investigated by the Japan Fair Trade Commission in 2011, as "NSK Corporate Philosophy Day" in order to never forget the cartel incident and to prevent a reoccurrence. NSK uses this day as an opportunity to review and reconfirm our mission statement with a strong commitment to never cause any misdeeds. On this day, via a live broadcast to sites in Japan and

several other countries, the President gave a speech and invited outside lecturers to speak. Overseas sites are also respectively making efforts to comply.

NSK will continue to be united in our commitment to the enhancement of compliance by implementing various measures.

Key Policies Implemented for Strengthening Compliance

Compliance Committee Meetings

Compliance Committee Meetings were held 17 times between the committee's establishment in March 2012 and February 2016. NSK continues to hold the meeting four times a year.

Global Legal and Compliance Meetings

In May and November 2015, the Global Compliance Meetings were held with personnel in charge of compliance from regional headquarters in attendance. NSK continues to hold the meeting twice a year.

Compliance Conferences

Compliance Conferences were held in July and December 2015, with personnel in charge of compliance attending from each division and Group Company in Japan. NSK continues to hold the meeting twice a year.

Compliance Education

NSK conducted the following compliance education and training for officers and employees of the NSK Group.

1. Antimonopoly Act training

Number of training sessions: 105 for the year ended March 31, 2016 (74 in Japan, 31 outside Japan)

2. Compliance training (at plants, engineering sections and Group companies)

Topics: Subcontractor laws, information leaks, power harassment, internal reporting, etc.

3. E-learning

Topics: Antimonopoly Act of Japan, prevention of bribery, prevention of insider trading, etc.

Activities to Raise Awareness Toward Compliance

1. Issued the 2015 edition of the NSK Compliance Guidebook

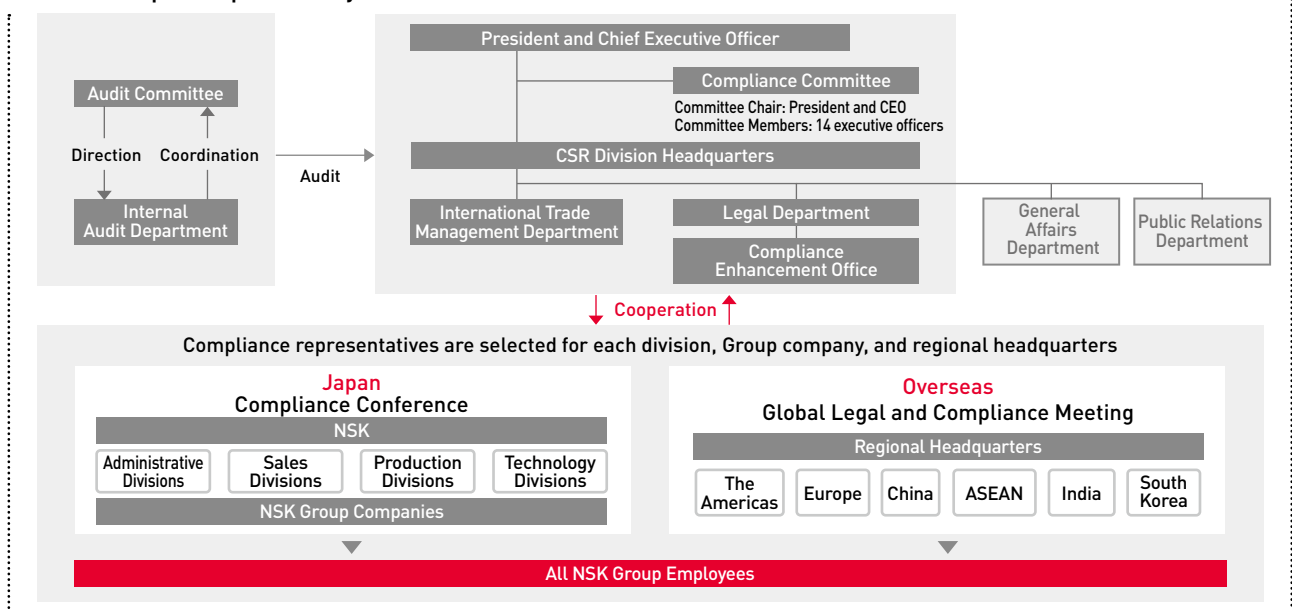
2. Compliance slogan contest, creation of compliance posters

Of the 6,775 submissions received, two slogans were selected as winners and three slogans were selected as runners-up. Posters using the two winning slogans were created and put on display at all business sites.

3. Compliance newsletter

Since its inaugural edition in November 2012, a total of 37 editions have been published.

▶ NSK Group Compliance System



Risk Management

NSK targets a wide variety of risks in our risk management. Overall risks that could affect business deployment, business performance and the financial situation, etc., of the NSK Group are listed in our "Securities Report" (in Japanese only). The particularly important risks are translated and listed below. For risks distinct to each business, the actions for such risks and compliance relations, please see the corresponding pages (pages 33, 35 and 52) of this NSK Report.

(1) Economic Conditions in Countries, Regions and Industries

The NSK Group manufactures and sells products to diversified industries including automobiles in countries that span the four corners of the globe. As a result, the business performance and financial position of the Group could be adversely affected by changes in the economic environments of those specific countries and regions in which it operates.

(2) Reliance on Specific Industries

There is a risk that the business performance and financial position of the NSK Group could be adversely affected by sudden declines in demand from the industries on which it is heavily reliant. Specifically, the NSK Group is particularly dependent on automotive bearings and automotive products for the automotive sector, which accounts for more than one-half of its sales. At the same time, the Group's dependence on certain specific fields is increasing. This includes semiconductor production equipment in the precision equipment-related product field and the machine tool industry, where the sales ratio is high. For industrial machine bearings and precision equipment-related products, NSK strives to increase the relative sales ratio of the general machinery field and aftermarket with broad demand to mitigate the impact from downward fluctuations in fields upon which NSK is highly dependent.

(3) Reliance on Specific Suppliers

The NSK Group's basic strategy is to avoid reliance on a single supplier by procuring components and materials from multiple sources. However, the Group could become unable to source necessary items due to the technical requirement that not all the suppliers could meet, and a supplier's lack of production capacity, poor-quality products, natural disasters including fires and earthquakes, bankruptcy or other reasons, which in turn could impede the Group's ability to supply products to customers. Such a contingency could adversely affect the business performance and financial position of the NSK Group.

(4) Rising Prices of Raw Materials

Fluctuations in the international economy, demand trends and a host of other factors might substantially affect the prices of such raw materials as iron ore, coking coal, scrap and crude oil. In turn, there are concerns that an increase in raw material prices could drive up the cost of materials and parts used in the products of the NSK Group. The Group is working to reduce costs by procuring items from overseas, conducting Value Analysis (VA) and Value Engineering (VE) campaigns, implementing a variety of other measures and passing on cost increases through higher product prices. However, there is a risk that the NSK Group might not be able to recover cost increases fully and that business performance could be adversely affected as a result.

(5) Quality Risks

The NSK Group's products are used in a broad range of industries and end-user products, and our parts are essential for high-precision functions. Our products are often used in products that are depended upon to protect human lives, such as automobiles, rolling stock and aircraft. The NSK Group has an established high-quality assurance system that recognizes the importance of quality. However, if a product defect leads to large-scale recalls or product liability lawsuits, the business performance and financial position of the Group could be adversely affected by the risk of substantial costs and reputational damage.

Although the NSK Group has obtained global product liability insurance and recall insurance for some products, there is a risk that this might not be sufficient to cover all compensation payments and other losses.

>> Related information on pages 42 and 43, Quality Management

(6) Product Development Risks

The purpose of product development is to bring new products to the market, which is an important priority from the viewpoint of income expansion. However, product development needs for the NSK Group's products are diversifying in the market while the pace of change in these needs has accelerated. Accordingly, there are risks that i) sales of newly developed products might be weaker than anticipated due to the Group misjudging market needs, ii) sales of products decreasing due to delays in product development and mass production, iii) our newly developed products inadvertently infringing on the intellectual property rights of a competitor's products and technologies or that other companies might introduce new products or iv) new technologies that could be used as alternatives to those developed by the Group. If unavoidable, these risks could adversely affect the business performance and financial position of the NSK Group.

>> Related information on pages 10-13, NSK's Business Activities and Corporate Value Creation

(7) Intellectual Property Risks

The NSK Group believes in the importance of protecting its intellectual property rights, such as by filing patents on the technologies it develops. The NSK Group obtains intellectual property rights in Japan and abroad to sustain and improve the competitiveness of its businesses. However, risks relating to the increasing importance of intellectual property include i) the risk of invalidity claims concerning the intellectual property of the NSK Group, ii) the risk that royalty payments might arise regarding the use of the intellectual property rights of a third party for our business or the risk that the Group might not be able to obtain permission to use the intellectual property of other parties, iii) the risk of infringement of the intellectual property by third parties and iv) the risk that the NSK Group might not be able to eliminate counterfeit products effectively in certain countries or regions. These risks could adversely affect the business performance and financial position of the NSK Group.

(8) Overseas Expansion Risks

The NSK Group conducts businesses in regions worldwide. In the fiscal year under review, overseas sales accounted for more than 60% of consolidated net sales. Our businesses in overseas markets share the following common risks related to expansion overseas.

- 1) Unforeseen changes in government laws and regulations
- 2) Changes in social, political and economic conditions, or deterioration in public safety
- 3) Transportation delays or damage to electrical power and other infrastructure
- 4) Foreign exchange restrictions and foreign exchange rate fluctuations
- 5) Unfavorable changes in tax systems or taxation
- 6) Invocation of protective trade restrictions
- 7) Credit risk at business partners due to different business practices
- 8) Unfamiliar employment systems and social insurance systems
- 9) Changes in labor conditions and difficulty in hiring personnel
- 10) Outbreak of contagious diseases

(9) Disaster and Terrorist Risks

The production and sales activities of the NSK Group could be adversely affected if its business sites or those of its suppliers and customers are hit by disasters, such as earthquakes, floods, fires, heavy snow, nuclear incidents or outbreaks of new infectious diseases; by terrorist attacks; or by physical and human damage resulting from social unrest caused by changes in the political situation. Furthermore, given that insurance does not completely cover all damage resulting from fire disasters and natural disasters, countermeasures for natural disasters and terrorism are one of the Group's important management tasks, and the Group will do its utmost in this regard, including taking precautionary measures to minimize damage and ensure that the NSK Group can continue operations. However, the Group cannot completely eliminate such risks.

(10) Litigation Risks

The NSK Group engages in the manufacturing industry, and it could be said that NSK faces the risk of lawsuits for product liability, in particular. The NSK Group has product liability insurance that covers alleged claims in litigation for product liability. Although this insurance will work in some cases, it does not provide unlimited and unconditional coverage for claims against the NSK Group for product liability.

In the United States and Canada, plaintiffs, including representatives of purchasers of bearings or other products, have filed class actions and a *patria* suit against certain parties, including NSK and some of its subsidiaries in the United States, Canada and Europe. The plaintiffs allege, among other things, that the defendants conspired with each other to restrict competition in sales of bearings and other products in these countries, and seek damages, injunctive relief, and other relief against the defendants. Furthermore, in the United Kingdom, plaintiffs, one of our customers, have filed a claim against defendants, including NSK and some of its subsidiaries in Europe, in damages related to the past violation of European competition law. NSK or its subsidiaries or its affiliated companies could face additional follow-on actions similar to these actions. The NSK Group will manage these actions appropriately. Furthermore, as the cases proceed, the NSK Group will consider whether it may be able to reach settlements with such plaintiffs and others.

As a result of the above litigation, financial losses, such as payment of monetary damages, might occur in the future; however, it is difficult to provide a reasonable estimate of the amount of such losses at this time. Their impact on NSK's operational results, etc. is uncertain.

(11) Environmental Risks

The NSK Group has identified environmental protection activities as an important aspect of its management policies and has worked to improve its environmental management systems. To date, there have been no major environmental problems. However, there is a risk that environmental problems could occur in the future, leading to costs relating to compensation payments, product recalls, the suspension of production and clean-up operations, as well as fines and other official penalties and reputational damage. It is also possible that the introduction of new regulations might result in substantial costs.

>> Related information on pages 44 and 45, Environmental Management

(12) Recruitment Risks

The NSK Group recognizes that to maintain its competitiveness it needs to continuously recruit, hire and train talented people. There is rising competition for skilled personnel in our business fields. If the NSK Group is unable to recruit and train personnel, it could impair business expansion and have adverse effects on operations.

>> Related information on pages 46 and 47, Human Resource Management

(13) Labor Dispute Risks and the Labor Environment

The NSK Group considers that there is little risk of deterioration in labor relations because it holds labor management council meetings regularly to discuss improvement of the labor environment and labor conditions. However, there is a risk that differences in labor practices in overseas, or unforeseeable contingencies, such as changes in the legal, economic or social environments, could cause labor relations to deteriorate, leading to labor disputes and other problems. In such cases, there is a possibility that the Group's business operations might be curtailed.

The NSK Group is taking initiatives to provide a safe and ideal labor environment, but there is also a risk of industrial accidents caused by malfunctioning equipment or improper operation by workers. In particular, serious industrial accidents could adversely affect the Group's operations.

>> Related information on page 43, Safety Management, and pages 46 and 47, Human Resource Management



1 Norio Otsuka

Director, Chairman
Chairperson of the Board of Directors
(Number of Shares Owned: 116,800)

2 Toshihiro Uchiyama

Director, President and Chief Executive
Officer,
Chairperson of the Nomination Committee
(Number of Shares Owned: 76,000)

3 Saimon Nogami

Director, Representative Executive Vice
President,
Member of the Compensation Committee,
Responsible for Administrative Divisions,
Head of Corporate Strategy Division
Headquarters
(Number of Shares Owned: 32,200)

4 Shigeyuki Suzuki

Director, Representative Executive Vice President,
Head of the Automotive Business Division
Headquarters,
Head of Automotive Business Division
Headquarters—Automotive Powertrain Division
Headquarters
(Number of Shares Owned: 41,900)

6 Hirotohi Aramaki

Director, Executive Vice President,
Responsible for Technology Divisions,
Head of Technology Development Division
Headquarters
(Number of Shares Owned: 48,300)

7 Minoru Arai

Director, Senior Vice President,
Responsible for Manufacturing Divisions,
Responsible for Quality Assurance Divisions,
Head of Manufacturing Strategy Division
Headquarters,
Head of Procurement Division Headquarters
(Number of Shares Owned: 22,300)

8 Toshihiko Enomoto

Director,
Member of the Audit Committee
(Number of Shares Owned: 12,716)

9 Kazuaki Kama

Outside Director,
Independent Director,
Member of the Nomination Committee,
Executive Corporate Advisor of IHI Corporation,
Independent Director of Kyokuto Boeki Kaisha,
LTD.,
Independent Director of Konica Minolta, Inc.,
Outside Director of Sumitomo Life Insurance
Company
(Number of Shares Owned: 900)

11 Yasunobu Furukawa

Outside Director,
Independent Director,
Chairperson of the Audit Committee,
Member of the Compensation Committee,
Certified Public Accountant,
Independent Director of Keisei Electric Railway
Co., Ltd.,
Outside Corporate Auditor of Saitama Resona
Bank, Ltd.
(Number of Shares Owned: 500)

12 Teruhiko Ikeda

Outside Director,
Independent Director,
Chairperson of the Compensation
Committee,
Advisor of Mizuho Trust & Banking Co., Ltd.,
Independent Director of Sapporo Holdings
Limited,
Outside Corporate Auditor of TOKYO FM
Broadcasting Co., Ltd.
(Number of Shares Owned: 0)

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 155th 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]
<http://www2.tse.or.jp/disc/64710/140120160530405538.pdf>
[Independent Directors/Auditors Notifications] (Japanese only)
<http://www2.tse.or.jp/disc/64710/140120160530405543.pdf>
2. Number of the Company's shares owned as of March 31, 2016



6 Yasuhiro Kamio

Director, Representative Executive Vice President,
 Head of Industrial Machinery Business Division Headquarters,
 Head of Industrial Machinery Business Division
 Headquarters—Japan Sales and Marketing Division Headquarters
 (Number of Shares Owned: 69,600)

10 Ichiro Tai

Outside Director,
 Independent Director,
 Member of the Nomination Committee,
 Member of the Audit Committee
 (Number of Shares Owned: 3,400)



Executive Officers and Group Officers

President and Chief Executive Officer	Toshihiro Uchiyama
Representative Executive Vice Presidents	Saimon Nogami Shigeyuki Suzuki Yasuhiro Kamio
Executive Vice Presidents	Hirotohi Aramaki Masatada Fumoto
Senior Vice Presidents	Yasutsugu Hada Nobuo Goto Naoki Sugimoto Koji Inoue Yukio Ikemura Hiroshi Suzuki Minoru Arai Hiroya Miyazaki Adrian Browne Shin Ikeda Katsumi Kobayashi Issei Murata Masami Shinomoto Hiromasa Orito Kazunori Iritani

Vice Presidents	Hiroyuki Itou Jürgen Ackermann Masaru Takayama Seiji Ijuin Nobuaki Mitamura Takashi Yamanouchi Kazuya Fukuda Kenichi Yamana Akitoshi Ichii Steven Beckman Susumu Ishikawa Tatsuya Atarashi Tomoyuki Yoshikiyo Guoping Yu
Group Officers	Seong-Il Jo Yoshinori Sugimoto Sakae Kuwashiro

Consolidated Balance Sheets (JP GAAP)

NSK Ltd. and Consolidated Subsidiaries

(Millions of Yen)

As of March 31,		2015	2016	
Assets	Current assets:			
		Cash and deposits	76,089	80,732
		Notes and accounts receivable	189,635	176,834
		Short-term investment securities	106,141	88,589
		Finished goods	74,060	68,991
		Work in process	45,363	39,965
		Raw materials and supplies	22,746	21,607
		Deferred tax assets	11,807	10,956
		Others	49,985	46,306
		Less allowance for doubtful accounts	(2,674)	(2,237)
		Total current assets	573,157	531,745
	Non-current assets: Property, plant and equipment	Buildings and structures	228,425	225,837
		Machinery, vehicles and equipment	655,604	652,280
		Tools, furniture and fixtures	76,789	78,671
		Land	37,836	37,751
	Lease assets	3,198	3,508	
	Construction in progress	25,734	20,745	
	Accumulated depreciation	(692,693)	(691,763)	
	Total property, plant and equipment	334,896	327,031	
	Intangible fixed assets			
	Goodwill	111	–	
	Others	11,680	13,274	
	Total intangible fixed assets	11,791	13,274	
	Investments and other assets			
	Investment securities	118,672	99,301	
	Long-term loans receivable	283	198	
	Deferred tax assets	3,113	6,712	
	Net defined benefit asset	77,361	49,898	
	Others	10,267	10,374	
	Less allowance for doubtful accounts	(380)	(318)	
	Total investments and other assets	209,319	166,167	
	Total non-current assets	556,007	506,473	
	Total assets	1,129,164	1,038,218	
Liabilities	Current liabilities:			
		Notes and accounts payable	137,900	127,176
		Short-term loans	69,339	61,080
		Current portion of long-term loans payable	47,569	18,168
		Current portion of corporate bonds	–	20,000
		Accrued income taxes	5,804	5,047
		Others	78,823	75,804
		Total current liabilities	339,436	307,277
	Non-current liabilities:	Corporate bonds	60,000	40,000
		Long-term loans	149,491	138,903
		Deferred tax liabilities	48,088	32,798
		Accrued officers' retirement benefits	1,674	1,762
		Reserves for environmental safety measures	179	1,751
		Net defined benefit liability	40,059	34,072
		Others	8,375	8,091
	Total non-current liabilities	307,867	257,381	
	Total liabilities	647,304	564,658	
Net Assets	Shareholders' equity			
		Common stock	67,176	67,176
		Additional paid-in capital	78,938	79,127
		Retained earnings	252,667	301,411
		Treasury stock	(4,083)	(3,949)
		Total shareholders' equity	394,699	443,765
	Accumulated other comprehensive income	Valuation difference on available-for-sale securities	44,438	33,649
		Translation adjustments	7,592	(18,633)
		Remeasurements of defined benefit plans	9,316	(10,202)
		Total accumulated other comprehensive income	61,347	4,812
	Share subscription rights	252	476	
	Non-controlling interests	25,560	24,505	
	Total net assets	481,859	473,560	
	Total liabilities and net assets	1,129,164	1,038,218	

Consolidated Statements of Financial Position (IFRS)

NSK Ltd. and Consolidated Subsidiaries

As of March 31,			(Millions of Yen)		
			2015	2016	
Assets	Current assets	Cash and cash equivalents	184,374	175,515	
		Trade receivables and other receivables	200,251	182,332	
		Inventories	142,171	130,564	
		Other financial assets	2,860	4,052	
		Income tax receivables	5,009	2,174	
		Other current assets	18,943	16,613	
		Total current assets	553,610	511,253	
	Non-current assets	Property, plant and equipment	331,286	323,116	
		Intangible assets	14,051	15,785	
		Investments accounted for using equity method	21,171	22,179	
Other financial assets		106,932	86,163		
Deferred tax assets		17,623	20,455		
Net defined benefit assets		77,361	49,898		
Other non-current assets		3,471	3,522		
	Total non-current assets	571,899	521,121		
	Total assets	1,125,509	1,032,374		
Liabilities and Equity	Liabilities	Current liabilities	Trade payables and other payables	147,901	140,713
			Other financial liabilities	119,795	99,674
	Provisions		238	150	
	Income tax payables		5,421	4,536	
	Other current liabilities		54,122	48,172	
	Total current liabilities		327,479	293,247	
	Non-current liabilities	Financial liabilities	210,175	179,654	
		Provisions	292	1,855	
		Deferred tax liabilities	51,294	35,540	
		Net defined benefit liabilities	44,057	38,125	
		Other non-current liabilities	5,408	5,080	
		Total non-current liabilities	311,227	260,255	
		Total liabilities	638,707	553,503	
Equity	Issued capital	67,176	67,176		
	Capital surplus	79,191	79,603		
	Retained earnings	230,214	278,524		
	Treasury shares	[4,083]	[3,949]		
	Other components of equity	89,038	33,306		
		Total equity attributable to owners of the parent	461,536	454,661	
	Non-controlling interests	25,265	24,210		
	Total equity	486,801	478,871		
	Total liabilities and equity	1,125,509	1,032,374		

Consolidated Statements of Operations (JP GAAP)

NSK Ltd. and Consolidated Subsidiaries

(Millions of Yen)

Year ended March 31,	2015	2016
Net sales	974,885	975,319
Cost of sales	749,374	751,093
Gross profit	225,511	224,225
Selling, general and administrative expenses	128,183	129,498
Operating income	97,327	94,726
Non-operating income (expenses):		
Interest and dividend income	2,748	2,378
Interest expenses	(5,059)	(4,728)
Equity in earnings of affiliated companies	2,659	4,729
Product compensation	(5,507)	(2,234)
Others, net	(1,165)	(908)
	(6,325)	(762)
Ordinary income	91,002	93,964
Extraordinary income (loss)		
Gain on sales of investment securities	—	701
Antimonopoly Act related loss	3,025	2,647
Reserves for environmental safety measures	—	1,571
Income before tax expenses and minority interests	87,976	90,447
Income taxes		
Current income taxes	20,340	20,221
Deferred income taxes	2,380	(555)
Total income taxes	22,721	19,665
Net income	65,255	70,781
Net income attributable to non-controlling interests	3,293	3,611
Net income attributable to shareholders of the parent	61,962	67,169

Consolidated Statements of Comprehensive Income (JP GAAP)

NSK Ltd. and Consolidated Subsidiaries

(Millions of Yen)

Year ended March 31,	2015	2016
Net income	65,255	70,781
Other comprehensive income		
Valuation difference on available-for-sale securities	13,040	(10,722)
Translation adjustments	23,016	(27,317)
Remeasurement of defined benefit plans	19,678	(19,195)
Share of other comprehensive income of associates accounted for using equity method	402	(990)
Total other comprehensive income	56,138	(58,226)
Comprehensive income	121,393	12,554
(Details)		
Comprehensive income attributable to parent company	116,215	10,634
Comprehensive income attributable to non-controlling interests	5,178	1,920

Consolidated Statements of Income (IFRS)

NSK Ltd. and Consolidated Subsidiaries

Year ended March 31,	(Millions of Yen)	
	2015	2016
Sales	974,885	975,319
Cost of sales	750,725	755,663
Gross profit	224,160	219,655
Selling, general and administrative expenses	131,857	130,130
Share of profits of investments accounted for using the equity method	2,670	4,740
Other operating expenses	8,014	4,731
Operating income	86,958	89,534
Financial income	2,777	2,388
Financial expenses	5,108	4,714
Income before income taxes	84,626	87,208
Income tax expense	21,916	17,904
Net income	62,710	69,303
Net income attributable to:		
Owners of the parent	59,383	65,719
Non-controlling interests	3,326	3,584
(Earnings per share attributable to owners of the parent)		
Basic earnings per share (yen)	109.79	121.38
Diluted earnings per share (yen)	109.66	121.30

Consolidated Statements of Comprehensive Income (IFRS)

NSK Ltd. and Consolidated Subsidiaries

Year ended March 31,	(Millions of Yen)					
	2015			2016		
	Before tax effect	Tax effect	Amount (net)	Before tax effect	Tax effect	Amount (net)
Net income			62,710			69,303
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements of net defined benefit liability (asset)	29,973	(10,739)	19,233	(28,337)	10,309	(18,028)
Net changes in financial assets measured at fair value through other comprehensive income	17,524	(3,716)	13,807	(17,263)	6,384	(10,879)
Total items that will not be reclassified to profit or loss	47,497	(14,456)	33,040	(45,601)	16,693	(28,907)
Items that may be reclassified to profit or loss						
Exchange differences on translating foreign operations	25,256	-	25,256	(28,276)	-	(28,276)
Total items that may be reclassified to profit or loss	25,256	-	25,256	(28,276)	-	(28,276)
Total other comprehensive income	72,753	(14,456)	58,297	(73,878)	16,693	(57,184)
Total comprehensive income for the period			121,008			12,119
Total comprehensive income for the period attributable to:						
Owners of the parent			115,834			10,198
Non-controlling interests			5,173			1,920

Consolidated Statements of Changes in Net Assets (JP GAAP)

NSK Ltd. and Consolidated Subsidiaries

(Millions of Yen)

Year ended March 31, 2015	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	67,176	78,560	210,739	(4,369)	352,107
Cumulative effects of changes in accounting policies	—	—	(4,872)	—	(4,872)
Restated Balance	67,176	78,560	205,867	(4,369)	347,234
Changes of items during the period					
Cash dividends	—	—	(15,161)	—	(15,161)
Net income attributable to shareholders of the parent	—	—	61,962	—	61,962
Purchase of treasury stock	—	—	—	(49)	(49)
Disposal of treasury stock	—	378	—	335	714
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	378	46,800	285	47,464
Balance at the end of current period	67,176	78,938	252,667	(4,083)	394,699

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total other comprehensive income			
Balance at the beginning of current period	31,387	(14,067)	(10,225)	7,094	328	22,626	382,155
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	(4,872)
Restated Balance	31,387	(14,067)	(10,225)	7,094	328	22,626	377,283
Changes of items during the period							
Cash dividends	—	—	—	—	—	—	(15,161)
Net income attributable to shareholders of the parent	—	—	—	—	—	—	61,962
Purchase of treasury stock	—	—	—	—	—	—	(49)
Disposal of treasury stock	—	—	—	—	—	—	714
Net changes of items other than shareholders' equity	13,050	21,659	19,542	54,253	(75)	2,934	57,112
Total changes of items during the period	13,050	21,659	19,542	54,253	(75)	2,934	104,576
Balance at the end of current period	44,438	7,592	9,316	61,347	252	25,560	481,859

(Millions of Yen)

Year ended March 31, 2016	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	67,176	78,938	252,667	(4,083)	394,699
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated Balance	67,176	78,938	252,667	(4,083)	394,699
Changes of items during the period					
Cash dividends	—	—	(18,425)	—	(18,425)
Net income attributable to shareholders of the parent	—	—	67,169	—	67,169
Purchase of treasury stock	—	—	—	(12)	(12)
Disposal of treasury stock	—	188	—	146	335
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	188	48,743	134	49,066
Balance at the end of current period	67,176	79,127	301,411	(3,949)	443,765

	Accumulated other comprehensive income				Share subscription rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Translation adjustments	Remeasurements of defined benefit plans	Total other comprehensive income			
Balance at the beginning of current period	44,438	7,592	9,316	61,347	252	25,560	481,859
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—
Restated Balance	44,438	7,592	9,316	61,347	252	25,560	481,859
Changes of items during the period							
Cash dividends	—	—	—	—	—	—	(18,425)
Net income attributable to shareholders of the parent	—	—	—	—	—	—	67,169
Purchase of treasury stock	—	—	—	—	—	—	(12)
Disposal of treasury stock	—	—	—	—	—	—	335
Net changes of items other than shareholders' equity	(10,789)	(26,226)	(19,519)	(56,535)	223	(1,054)	(57,366)
Total changes of items during the period	(10,789)	(26,226)	(19,519)	(56,535)	223	(1,054)	(8,299)
Balance at the end of current period	33,649	(18,633)	(10,202)	4,812	476	24,505	473,560

Consolidated Statements of Changes in Equity (IFRS)

NSK Ltd. and Consolidated Subsidiaries

(Millions of Yen)

Year ended March 31, 2015	Equity attributable to owners of the parent			
	Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance	67,176	78,888	181,913	(4,369)
Net income	–	–	59,383	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	59,383	–
Purchase of treasury shares	–	–	–	(49)
Disposal of treasury shares	–	378	–	335
Share-based payment transactions	–	(75)	–	–
Cash dividends	–	–	(11,362)	–
Other	–	–	280	–
Total transactions with owners, etc.	–	303	(11,082)	285
Closing balance	67,176	79,191	230,214	(4,083)

	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	–	32,742	–	32,742	356,351	22,335	378,686
Net income	–	–	–	–	59,383	3,326	62,710
Other comprehensive income	23,451	13,769	19,230	56,451	56,451	1,846	58,297
Total comprehensive income for the period	23,451	13,769	19,230	56,451	115,834	5,173	121,008
Purchase of treasury shares	–	–	–	–	(49)	–	(49)
Disposal of treasury shares	–	–	–	–	714	–	714
Share-based payment transactions	–	–	–	–	(75)	–	(75)
Cash dividends	–	–	–	–	(11,362)	(2,244)	(13,606)
Other	–	(155)	–	(155)	124	–	124
Total transactions with owners, etc.	–	(155)	–	(155)	(10,649)	(2,244)	(12,893)
Closing balance	23,451	46,356	19,230	89,038	461,536	25,265	486,801

(Millions of Yen)

Year ended March 31, 2016	Equity attributable to owners of the parent			
	Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance	67,176	79,191	230,214	(4,083)
Net income	–	–	65,719	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the period	–	–	65,719	–
Purchase of treasury shares	–	–	–	(12)
Disposal of treasury shares	–	188	–	146
Share-based payment transactions	–	223	–	–
Cash dividends	–	–	(17,877)	–
Other	–	–	468	–
Total transactions with owners, etc.	–	412	(17,409)	134
Closing balance	67,176	79,603	278,524	(3,949)

	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	23,451	46,356	19,230	89,038	461,536	25,265	486,801
Net income	–	–	–	–	65,719	3,584	69,303
Other comprehensive income	(26,643)	(10,851)	(18,025)	(55,520)	(55,520)	(1,664)	(57,184)
Total comprehensive income for the period	(26,643)	(10,851)	(18,025)	(55,520)	10,198	1,920	12,119
Purchase of treasury shares	–	–	–	–	(12)	–	(12)
Disposal of treasury shares	–	–	–	–	335	–	335
Share-based payment transactions	–	–	–	–	223	–	223
Cash dividends	–	–	–	–	(17,877)	(2,974)	(20,852)
Other	–	(211)	–	(211)	257	–	257
Total transactions with owners, etc.	–	(211)	–	(211)	(17,074)	(2,974)	(20,049)
Closing balance	(3,191)	35,292	1,204	33,306	454,661	24,210	478,871

Consolidated Statements of Cash Flows (JP GAAP)

NSK Ltd. and Consolidated Subsidiaries

(Millions of Yen)

Year ended March 31,		2015	2016
Operating activities	Income before income taxes and minority interests	87,976	90,447
	Depreciation and amortization	38,453	41,500
	Amortization of goodwill	114	111
	Increase (decrease) in allowance for doubtful accounts	907	(209)
	Net defined benefit liabilities and net defined benefit assets	(2,272)	(8,718)
	Interest and dividend income	(2,748)	(2,378)
	Interest expenses	5,059	4,728
	Equity in losses (earnings) of affiliates	(2,659)	(4,729)
	Antimonopoly Act related loss	3,025	2,647
	Reserves for environmental safety measures	–	1,571
	Loss (gain) on investments in securities	–	(701)
	Decrease (increase) in notes and accounts receivable	(16,119)	(475)
	Decrease (increase) in inventories	(4,470)	519
	Increase (decrease) in notes and accounts payable	3,404	(6,658)
	Others	3,807	5,105
		Subtotal	114,478
	Interest and dividends received	7,917	5,126
	Interest paid	(5,120)	(4,781)
	Antimonopoly Act related loss paid	(18,878)	–
	Income taxes paid	(30,687)	(17,831)
	Net cash provided by operating activities	67,709	105,273
Investing activities	Net decrease (increase) in time deposits	(96)	(1,381)
	Purchase of short-term investment securities	(200)	–
	Proceeds from sales of short-term investment securities	540	–
	Purchase of property, plant and equipment	(43,891)	(45,897)
	Proceeds from sales of property, plant and equipment	1,008	402
	Purchase of investment securities	(46)	(49)
	Proceeds from sales of investment securities	227	3,994
	Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	–	1,042
	Payments for loans receivable	(755)	(3,058)
	Collection of loans receivable	151	5,287
Others	(3,271)	(4,762)	
	Net cash used in investing activities	(46,335)	(44,422)
Financing activities	Net increase (decrease) in short-term loans	(4,527)	(6,507)
	Increase in long-term loans	9,647	9,735
	Repayments of long-term loans	(25,123)	(47,793)
	Proceeds from issuance of corporate bonds	40,000	–
	Payments for redemption of corporate bonds	(15,000)	–
	Acquisition of treasury stock	(44)	(5)
	Dividends paid	(11,353)	(17,861)
	Dividends paid to non-controlling interests	(2,244)	(2,974)
	Others	340	(106)
		Net cash used in financing activities	(8,304)
	Effect of exchange rate changes on cash and cash equivalents	2,364	(4,195)
	Net increase (decrease) in cash and cash equivalents	15,434	(8,858)
	Cash and cash equivalents at beginning of the year	168,940	184,374
	Cash and cash equivalents at end of the period	184,374	175,515

Consolidated Statements of Cash Flows (IFRS)

NSK Ltd. and Consolidated Subsidiaries

	(Millions of Yen)	
Year ended March 31,	2015	2016
Operating activities		
Income before income taxes	84,626	87,208
Depreciation and amortisation	39,875	43,048
Increase (decrease) in net defined benefit liability and net defined benefit asset	(2,483)	(5,374)
Interest and dividend income	(2,748)	(2,378)
Interest expenses	5,059	4,728
Share of profits of investments accounted for using the equity method	(2,670)	(4,740)
Decrease (increase) in trade receivables	(18,696)	2,407
Decrease (increase) in inventories	(4,470)	519
Increase (decrease) in trade payables	3,184	(5,902)
Other	10,620	6,594
Subtotal	112,300	126,110
Interest and dividend received	7,917	5,126
Interest paid	(5,121)	(4,783)
Antimonopoly Act related loss paid	(18,878)	-
Income tax paid	(30,687)	(17,831)
Net cash provided by operating activities	65,529	108,622
Investing activities		
Purchases of property, plant and equipment	(43,891)	(45,869)
Proceeds from sale of property, plant and equipment	1,008	272
Purchases of other financial assets	(246)	(49)
Proceeds from sale of other financial assets	768	3,994
Other	(4,353)	(3,560)
Net cash used in investing activities	(46,715)	(45,212)
Financial activities		
Proceeds from long-term loans	9,647	9,735
Repayments of long-term loans	(25,123)	(47,793)
Proceeds from issuance of corporate bonds	40,000	-
Payments for redemption of corporate bonds	(15,000)	-
Purchase of treasury shares	(44)	(5)
Dividends paid	(11,353)	(17,861)
Dividends paid to non-controlling interests	(2,244)	(2,974)
Other	(1,627)	(9,174)
Net cash used in financial activities	(5,744)	(68,073)
Effect of exchange rate changes on cash and cash equivalents	2,364	(4,195)
Net increase (decrease) in cash and cash equivalents	15,434	(8,858)
Cash and cash equivalents at beginning of the period	168,940	184,374
Cash and cash equivalents at end of the period	184,374	175,515

Analysis of Business Results for the Year Ended March 31, 2016

The NSK Group has adopted International Financial Reporting Standards (IFRS) as opposed to its previous use of generally accepted accounting principles in Japan (JP-GAAP) effective from the fiscal year under review (April 1, 2015 to March 31, 2016). In providing a comparative analysis, consolidated financial statements for the previous fiscal year have been restated in accordance with IFRS.

1 Overview of the Year Ended March 31, 2016

In the lead-up to the 100th anniversary of the Company's foundation in 2016, the NSK Group has worked to implement its Mid-Term Management Plan, spanning the three-year period beginning April 2013, with the objective of "establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion." In order to enhance its corporate foundation, the NSK Group has adopted a business strategy of growth with a focus on profitability, and is implementing measures to develop the management capability required to handle ¥1 trillion in sales volume.

Looking at global economic conditions during the year ended March 31, 2016, uncertainty in the overall Japanese economy rose, partially due to the yen's appreciation from the beginning of the year, despite the positive impact of lower crude oil prices and various

policies implemented by the Japanese government. The U.S. economy continued its steady growth, primarily due to strong consumer spending. The European economy continued on a path of moderate recovery, primarily in the Eurozone. The Chinese economy continued to slow. Despite signs of an upturn in some areas, conditions in other Asian countries remained stagnant.

Against the backdrop of this economic environment, consolidated net sales for the year ended March 31, 2016 totaled ¥975,319 million, a year-on-year increase of 0.0%. From a profit perspective, operating income came to ¥89,534 million, a year-on-year increase of 3.0%. Income before income taxes was ¥87,208 million, a year-on-year increase of 3.1% and net income attributable to owners of the parent was ¥65,719 million, a year-on-year increase of 10.7%.

2 Business Segment Information

Details regarding the market environment and results by business segment are presented as follows.

Industrial Machinery Business

Demand in the Industrial Machinery Business decreased due to the economic slowdown, primarily in emerging markets. Looking at results by region, sales in Japan decreased, primarily in the machine tool sector. In the Americas, sales in the aftermarket sector decreased. In Europe, sales declined due to lower sales in the aftermarket sector, despite increased sales in the home appliance sector. Sales in China decreased, primarily in the electrical sector, despite higher sales in the wind turbine sector. In other Asian countries, sales decreased due to overall weak demand.

As a result, net sales in the Industrial Machinery Business totaled ¥259,784 million, a year-on-year decrease of 6.0%, and operating income came to ¥23,090 million, a year-on-year decrease of 25.8%.

Automotive Business

Looking at automobile demand, the global market continued its gradual expansion during the year under review. The NSK Group's sales in Japan declined due to sluggish sales of mini vehicles. In the Americas, sales of both electric power systems (EPS) and automotive bearings rose due to robust demand in the North American market. In Europe, continued gradual recovery in the automotive market led to higher sales. In China, sales increased due to the impact of special tax incentives for compact cars, despite slower growth in the automotive market. Sales in other Asian countries also increased, primarily due to EPS demand, although market conditions varied between countries.

As a result, net sales in the Automotive Business totaled ¥689,122 million, a year-on-year increase of 4.9%. Operating income came to ¥67,909 million, a year-on-year increase of 12.3%.

3 Analysis of Financial Position

Total assets as of the end of the fiscal year under review stood at ¥1,032,374 million, a decrease of ¥93,135 million compared with total assets as of March 31, 2015. The main reasons for this decline were decreases of ¥8,858 million in cash and cash equivalents, ¥17,918 million in trade receivables and other receivables, ¥11,606 million in inventories, ¥8,169 million in property, plant and equipment, ¥20,768 million in other financial assets (non-current assets), and ¥27,463 million in net defined benefit assets. Total liabilities were ¥553,503 million, a decrease of ¥85,204 million compared with total liabilities as of March 31, 2015. This was mainly due to decreases of ¥7,188 million in trade payables and other payables, ¥20,120 million in other financial liabilities (current liabilities), ¥30,521 million in financial liabilities (non-current liabilities), and ¥15,753 million in deferred tax liabilities. Total equity stood at ¥478,871 million, down ¥7,930 million compared with total equity as of the end of the previous fiscal year. The principal increase came from net income attributable to owners

of the parent of ¥65,719 million. The major decrease was in other components of equity due to such factors as appreciation in the value of the yen of ¥55,731 million.

Total current assets decreased ¥42,357 million compared with the previous fiscal year-end to ¥511,253 million. Total current liabilities declined ¥34,232 million to ¥293,247 million. As a result, the current ratio increased from 1.69 times as of the previous fiscal year-end to 1.74 times. Gross interest-bearing debt decreased ¥50,807 million compared with the end of the previous fiscal year to ¥278,152 million. Net interest-bearing debt (interest-bearing debt net of cash and cash equivalents) was down ¥41,948 million compared with the previous fiscal year-end to ¥102,636 million. The net D/E ratio decreased from 0.31 in the previous fiscal year to 0.23. Equity per share attributable to owners of the parent decreased from ¥852.83 to ¥839.56. The equity ratio attributable to owners of the parent increased from 41.0% as of the fiscal year-end to 44.0%.

4 Cash Flows

Total cash and cash equivalents at the end of the period stood at ¥175,515 million, a year-on-year decrease of ¥8,858 million. Cash flows for the fiscal year under review are presented as follows.

Cash Flows from Operating Activities

Net cash provided by operating activities totaled ¥108,622 million, an increase of ¥43,092 million, compared with the previous fiscal year. Major cash inflows included ¥87,208 million in income before income taxes and ¥43,048 million in depreciation and amortisation. The principal cash outflow was ¥17,831 million for income tax paid.

Cash Flows from Investing Activities

Net cash used in investing activities totaled ¥45,212 million, a decrease of ¥1,502 million compared with the previous fiscal year.

Cash Flows from Financial Activities

Net cash used in financial activities totaled ¥68,073 million, an increase of ¥62,329 million compared with the previous fiscal year. The principal cash inflow was ¥9,735 million representing proceeds from long-term loans. The major cash outflows were ¥47,793 million for repayments of long-term loans, ¥17,861 million for dividends paid, and ¥2,974 million for dividends paid to non-controlling interests.

Basic Knowledge of Bearings

Here, we provide basic information on bearings.

1 Structure and Function

Introduction

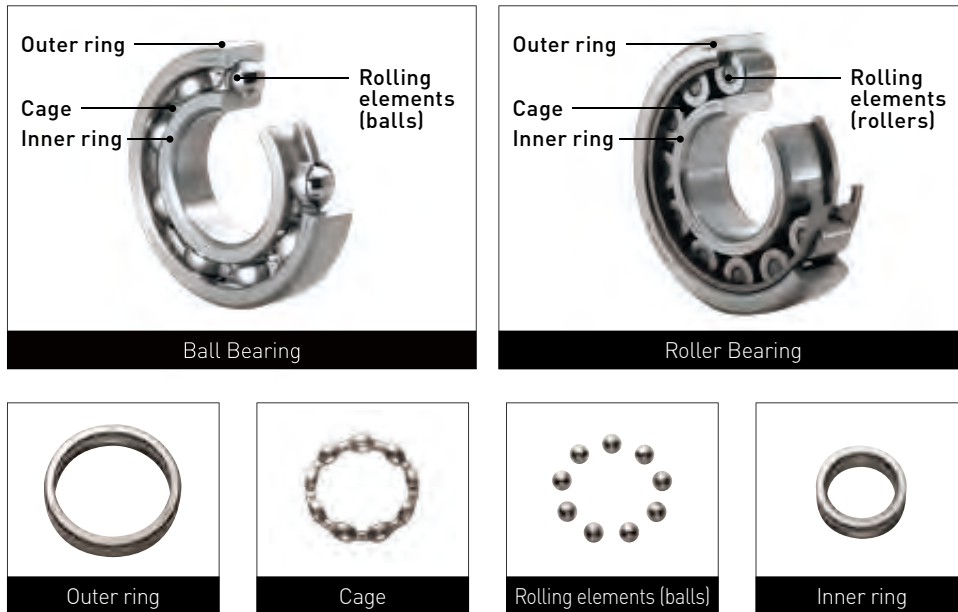
A surprisingly large number of bearings can be found all around us. Take automobiles, for example: There are 100 to 150 bearings in a typical car. Without bearings, the wheels would rattle, the transmission gear teeth would not be able to mesh, and the car wouldn't run smoothly. Bearings are used not only in cars but in all kinds of machinery such as trains, airplanes, washing machines, refrigerators, air conditioners, vacuum cleaners, photocopy machines, computers and

satellites. Bearings enhance the functionality of machinery and help to save energy. Bearings do their work silently, in tough environments, hidden in machinery where we cannot see them. Nevertheless, bearings are crucial for the stable operation of machinery and for ensuring top performance.

The term *bearing* incorporates the meaning of "to bear," in the sense of "to support," and "to carry a burden." This refers to the fact that bearings support and carry the burden of revolving axles.

Structure

The ball bearings and roller bearings pictured below represent two typical types of the most basic bearings, known as rolling bearings. Rolling bearings are made up of four elements: an outer ring, an inner ring as well as rolling and cage elements and have an extremely simple basic structure.



Function

The basic function of bearings is principally to reduce mechanical friction. Reducing friction means:

- Benefit 1** Machinery will run more efficiently
- Benefit 2** There will be less frictional wear, extending the operating life of the machinery
- Benefit 3** Preventing abrasion burn and avoiding mechanical breakdown

Bearings also contribute to lower energy consumption by reducing friction and allowing the efficient transmission of power. This is just one way in which bearings are environmentally friendly.

2 Types of Bearings

A brief overview of typical bearings is presented as follows.

1 Deep groove ball bearing



This is the most widely used bearing in the world.

2 Angular contact thrust ball bearing



In this type, the rolling element meets the inner and outer ring raceways at a contact angle. This bearing can carry radial and axial loads.

3 Thrust ball bearing



Thrust ball bearings are capable of handling loads in the axial direction (axial loads). They can support heavy loads.

4 Cylindrical roller bearing



The rolling elements are the cylindrical roller type.

5 Tapered roller bearing



The rolling elements are of the tapered roller type. Because the rollers are tapered, this bearing is able to carry combined axial and radial loads.

6 Self-aligning roller bearing



This bearing has an automatic aligning function to compensate for minute misalignments between the inner and outer rings during operation.

7 Thrust needle bearing



This bearing is used in parts such as compressors that deliver the air in automobile air-conditioning units.

8 Cage and roller



This is one of several kinds of bearings used in vehicles' manual transmissions. It is required to be highly durable.

3 Future of Bearings

Here, we introduce some themes on the further evolution of bearings.

Theme 1: Energy savings

While bearings require a level of precision measured in nanometers, efforts continue to focus on securing further improvements in the reduction of friction. The smaller a machine becomes, the smaller its components. Moreover, no matter how small machines become, total energy consumption will be large when viewed on a global scale. In order to produce even greater energy savings, we should continue to seek out even better ways of reducing friction using bearings.

Theme 2: Cleaner

Improving bearing technology can have beneficial effects on the environment: a reduction in vehicle exhaust gas emissions, for example. In addition, the vast majority of

bearings are made from steel that does not contain any harmful chemical substances. This steel can be recycled into new steel materials. Bearings offer excellent potential as products for recycling and reuse.

Theme 3: Comfort

Machines must be agreeable for both people and the environment. In the past, machines have supported improved production; in the future, there will be demands that machines help society and individuals enjoy more fulfilling lives. Also, the bearings that are used in those machines must be asked to fulfill functions and roles that differ from the old ones.

NSK will continue to work on research and development "for people and the planet."

For further information, please access our website:
<http://www.nsk.com/company/introduction.html>

Glossary

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.
Alternator	An alternator is an electric generator to use and change engine rotation to electricity. The term <i>alternator</i> derives from alternating current.
AT	AT stands for A utomatic T ransmission. Automatic transmission is one type of transmission found in automobiles and motorcycles. ATs are equipped with a function that automatically changes the gear ratio in response to vehicle speed and the rotational velocity of the engine.
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.
BtoB	BtoB stands for B usiness to B usiness, which means transactions between companies.
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 which 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 boasts a top-class world market share of column-type EPS.
CSR	CSR stands for C orporate S ocial R esponsibility. The NSK Group takes CSR to mean "ensuring that all of its corporate activities meet the expectations of its diverse stakeholders and, in so doing, ensure the sustainable development of both society and NSK."
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, safety and health.
Design Quality	Design quality is targeted quality and is quality set in the design phase and realized in order to satisfy the functions and performance of products.
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.
Electric Power Steering	Please refer to "EPS."
Environmentally Friendly Products	Environmentally friendly products refer to the products that perform better than existing products in order to help reduce the impact human societies have on the natural environment. The NSK Group works on product manufacturing that contributes to a reduction of the impact on the environment by upholding the following standards: <ol style="list-style-type: none"> 1. Each product should contribute toward the energy and resource conservation of the machine in which it is installed. 2. The amount of energy and resources required during product manufacturing should be minimal. 3. Environmentally harmful substances should not be used in products or manufacturing processes. 4. Products should contribute to the health and safety of end users by having low emissions of vibration, noise and dust. (Please also refer to page 45.)
EPS	EPS stands for E lectric P ower S teering. An EPS is a mechanism that supports the turning of automobile steering wheels (in other words, enabling the turning of steering wheels even with light force) by using an electric motor instead of hydraulic power. EPS can be divided into three types (column type, pinion type and rack type) depending on the location of the motor to which the power assist is provided.
ESG	ESG stands for E nvironment, S ocial and G overnance, and generally ESG refers to the company's efforts for the environment and society, as well as the structure and operating status of its corporate governance.
EV	EV stands for E lectric V ehicle. EVs are automobiles that drive the wheels by using electric motors as the power source.
Four Core Technologies	Four core technologies refer to NSK's core technologies. For details, please refer to page 36.
F2 (Fujisawa) Project	With the aim of more efficient production, the F2 (Fujisawa) Project targets the improvement of profitability by reforming product types produced at two plants in the Fujisawa area and by increasing the number of buildings, updating manufacturing equipment and introducing new engineering methods in the No. 2 plant. F refers to the No. 1 Fujisawa Plant and F2 refers to the No. 2 Fujisawa Plant.
GAM	GAM stands for G lobal A ccount M anager in NSK. GAMs coordinate the global platform projects of automobiles across regions.
Green Procurement	Green procurement refers to the procurement of raw materials in consideration of the environment. The NSK Group has stipulated the NSK Group Green Procurement Standards (http://www.nsk.com/sustainability/csrReport/supplemental/greenps.html).

Term	Meaning
Hub Unit Bearings	A hub for automobiles is the component where the wheels are screwed on. Hub unit bearings are used for the rotation part of the hub and are unit-type bearings integrated with coupling parts. Depending on the level of integration, there are various types of hub unit bearings.
IoT	IoT stands for the I nternet of 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.
KAM	KAM stands for K ey A ccount M anager in NSK. KAMs coordinate with Global Account Managers 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 activity and response in technological matters.
KPI	KPI stands for K ey P erformance I ndicator. A KPI is an indicator to measure the achievement level of targets.
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.
Lower-Assist EPS	Lower-assist EPS refers to rack-type EPS and pinion-type EPS (single pinion, dual pinion) that provide power assist near the tires among the types of electric power steering. Column-type EPS provides assist near the steering wheel.
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.
NIT	NIT stands for N SK I nstitute of T echnology, which is an internal educational institute for our engineers to master more advanced technology.
NSK Manufacturing Education and Training Center	The NSK Manufacturing Education and Training Center was established in 2005 for the purpose of passing on technical skills in the production section to the next generation and fostering production site leaders.
OHSAS 18001	OHSAS stands for O ccupational H ealth and S afety A ssessment S eries. This standard was issued by the British Standards Institution (BSI) as OHSAS18001 in 1999 with support from 13 institutions such as standardization-related groups and certification institutions around the world. OHSAS18001 is a mechanism for managing occupational safety and health management risks that relate to workers such as health hazards and occupational accidents and for improving the performance.
Operational Excellence	In this report, operational excellence refers to "efforts to enhance front-line capability to increase the competitiveness of the NSK Group's business."
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 a epicyclic gearing mechanism consisting of three elements—sun gear, planetary gear and ring gear.
Powertrain	Powertrain describes the main components that generate power and deliver to the drive wheel in automobiles.
Product Quality	Product quality is also called resulting quality, and it is the quality of products actually manufactured. Product quality is realized by control of the manufacturing phase.
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.
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 is electric power steering that assists tire direction movement with a rack shaft in the steering gear section. (Please also refer to "Lower-Assist EPS.")
Sales Channel	Sales channels mean sales routes. Distributors play a role in the product supply to end users as sales channels.
Smart Factory	Smart Factory in this report refers to a new concept factory set up in the Fifth Mid-Term Management Plan. 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.
UK Modern Slavery Act 2015	The Modern Slavery Act 2015 c.30 was established in 2015 in the United Kingdom to respond to crimes such as human trade, forced labor and sexual exploitation.
Vehicle Dynamics	Vehicle dynamics refers to the control of the dynamic performance of vehicle movement, in other words, the safe and smooth control of the change in posture and movement of vehicles for basic vehicle functions, namely, "running," "stopping" and "turning."

NSK Group

As of March 31, 2016

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 industrial machinery bearings
	NSK MICRO PRECISION CO., LTD. (NAGANO)	100.0%	Manufacture of industrial machinery bearings
	NSK NEEDLE BEARING LTD.	98.1%	Manufacture of automotive bearings
	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 bearing, parts
	NSK TOYAMA CO., LTD.	100.0%	Manufacture of industrial machinery bearing parts
	SHINWA SEIKO CO., LTD.	82.4%	Manufacture of automotive bearing parts, etc.
	KURIBAYASHI SEISAKUSHO CO., LTD.	73.5%	Manufacture and sales of automotive bearing parts
	NSK MACHINERY CO., LTD.	100.0%	Manufacture of machine tools, etc.
	NSK REAL ESTATE CO., LTD.	100.0%	Real estate management and rental, etc.
	NISSEI BLDG. MANAGEMENT LTD.	70.0%	Management of Nissei Building
	NSK-CHUGAI, LTD.	65.0%	Insurance agent and sales of electrical components, etc.
	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.
	ADTECH CORPORATION	51.0%	Research and development of automotive components
	NSK OVERSEAS HOLDINGS CO., LTD.	100.0%	Holding company of subsidiaries
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 JIKUJKE 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 UK LTD.	100.0%	Sales of industrial machinery bearings, etc.
	NSK BEARINGS EUROPE LTD.	100.0%	Manufacture of automotive bearings, etc.
	NSK STEERING SYSTEMS EUROPE LTD.	100.0%	Manufacture of automotive components
	NSK PRECISION UK LTD.	100.0%	Manufacture of precision machinery & parts
	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 industrial machinery 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			
Singapore	NSK INTERNATIONAL (SINGAPORE) PTE LTD.	100.0%	Sales of industrial machinery bearings, etc.
	NSK SINGAPORE (PRIVATE) LTD.	70.0%	Sales of industrial machinery bearings, etc.
Indonesia	PT. NSK BEARINGS MANUFACTURING INDONESIA	100.0%	Manufacture of industrial machinery 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 industrial machinery bearings
	ISC MICRO PRECISION SDN. BHD.	100.0%	Manufacture of industrial machinery bearings
China	NSK (CHINA) INVESTMENT CO., LTD.	100.0%	Holding company of Chinese subsidiaries and affiliates, sales of bearings, etc.
	KUNSHAN NSK CO., LTD.	85.0%	Manufacture of automotive bearings, etc.
	CHANGSHU NSK NEEDLE BEARING CO., LTD.	100.0%	Manufacture of automotive bearings
	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.
	SUZHOU NSK BEARINGS CO., LTD.	100.0%	Manufacture of automotive bearings
	AKS PRECISION BALL (HANGZHOU) CO., LTD.	100.0%	Manufacture and sales of steel balls
	NSK (CHINA) RESEARCH AND DEVELOPMENT CO., LTD.	100.0%	Research and development of bearings, etc.
	NSK-WANDA ELECTRIC POWER ASSISTED STEERING SYSTEMS CO., LTD.	90.0%	Manufacture of automotive components
	NSK-YAGI PRECISION FORGING (ZHANGJIAGANG) CO., LTD.	82.0%	Manufacture of automotive bearing parts, etc.
	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.	
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
South Korea	NSK KOREA CO., LTD.	100.0%	Manufacture and sales of industrial machinery bearings, etc.
	NSK NEEDLE BEARING KOREA CO., LTD.	100.0%	Manufacture of automotive bearings
Vietnam	NSK VIETNAM CO., LTD.	100.0%	Sales of industrial machinery bearings, etc.
India	NSK INDIA SALES CO. PVT. LTD.	100.0%	Sales of industrial machinery bearings, etc.
	NSK-ABC BEARINGS LTD.	97.5%	Manufacture and sales of automotive bearings
	RANE NSK STEERING SYSTEMS LTD.	51.0%	Manufacture and sales of automotive components
Australia	NSK AUSTRALIA PTY. LTD.	100.0%	Sales of industrial machinery bearings, etc.
New Zealand	NSK NEW ZEALAND LTD.	100.0%	Sales of industrial machinery bearings, etc.

Information for Investors / Company Data

As of March 31, 2016

Corporate Address

NSK Ltd.
Nissei Bldg., 1-6-3 Ohsaki, Shinagawa-ku,
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Fax: +81-3-3779-7431

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Nissei Bldg., 1-6-3 Ohsaki, Shinagawa-ku,
Tokyo 141-8560, Japan
Tel: +81-3-5487-2564 Fax: +81-3-3779-7442
E-mail: ir@nsk.com

NSK's Website

NSK provides a wealth of data including both financial and non-financial information on its website.

► <http://www.nsk.com>

Annual Meeting of Shareholders

The Annual Meeting of Shareholders was held on June 24, 2016.

Common Stock

Authorized: 1,700,000,000 shares
Issued: 551,268,104 shares (Treasury stock: 9,286,771)

Number of Shareholders

28,467

Transfer Agent

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

Listing

Tokyo

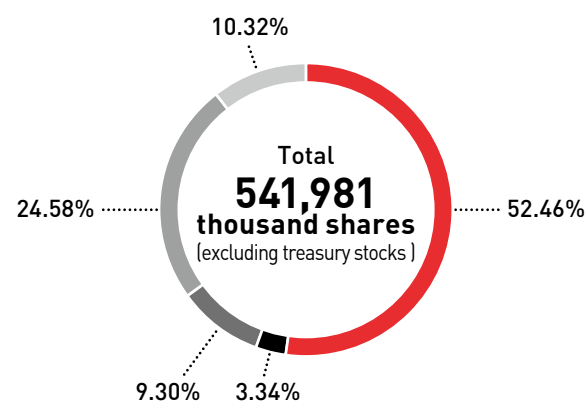
Security Code

6471

Breakdown of Shareholders

Number of Shares (thousand shares)

■ Financial Institutions... 284,304 ■ Foreign Investors... 133,204
■ Securities Companies... 18,093 ■ Individuals / Others... 55,965
■ Other Japanese Corporations... 50,413



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

Share Price Trend (TSR*)

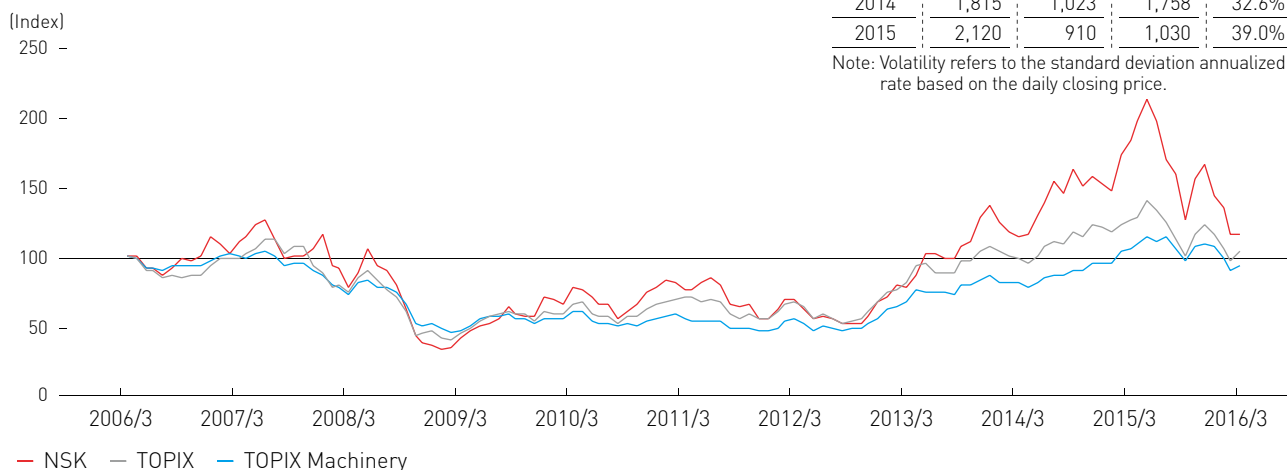
Investment Period	1 Year		3-Year		5-Year		10-Year	
	Cumulative/annual rate	Cumulative	Annual rate	Cumulative	Annual rate	Cumulative	Annual rate	
NSK	-39.5%	55.0%	15.7%	57.7%	9.5%	17.3%	1.6%	
TOPIX	-10.8%	38.2%	11.4%	72.1%	11.5%	-5.6%	-0.6%	
TOPIX Machinery	-18.2%	27.5%	8.4%	46.9%	8.0%	3.9%	0.4%	

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

Share Price Fiscal Year Trends (High·Low·Fiscal Year-End·Volatility)

Fiscal Year	High (Yen)	Low (Yen)	Fiscal year-end (Yen)	Volatility
2006	1,187	792	1,124	28.2%
2007	1,349	745	755	42.4%
2008	1,077	282	377	74.3%
2009	750	366	738	47.6%
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%

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



Note: Share price index trends including dividends (March 31, 2006 = 100).

About NSK Vision 2026

Please refer to the designated 100th Anniversary site for details.

▶ <http://www.nsk.com/100th/index.html>



NSK Vision 2026

NSK will mark its 100th anniversary on November 8, 2016. NSK Vision 2026 is a statement that outlines what the NSK Group will strive for and accomplish over the 10 years after its 100th anniversary, with the ultimate aim of becoming a company that continues to contribute to society while achieving sustainable growth.

Background behind Formulating the Vision

As society and markets undergo substantial change, it is important that we consistently create the distinct value that only NSK can deliver. Only in this manner can we expect to be a leading global company that continuously delivers higher levels of value to customers and society. As our products, services, and human resources diversify, it is important to set a specific future vision that each and every employee of the NSK Group can share and work towards in order to create new value. For this reason, we identified objectives for the NSK Group to aim for and accomplish and put in place NSK Vision 2026.

Steps Leading to Formulation

In formulating the vision, we gathered large numbers of direct comments, conducted global surveys completed by the Group's employees worldwide as well as group discussions and held meetings with management. We worked to analyze our current weaknesses and strengths and to clarify our mission, the value that NSK should be expected to provide, and the issues to be addressed.



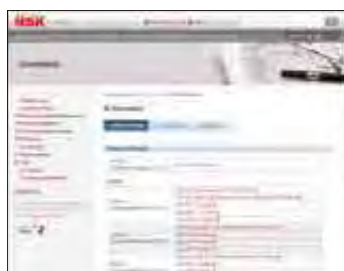
NSK Vision 2026 provides the direction for achieving the Company's Mission Statement. The Action Guidelines provide details of the behavior required of each and every employee if we are to realize our Vision.

Other Information Concerning the Company

Further Financial Information

Please refer to the Company's financial report and other IR-related materials for more detailed information on NSK's financial results for the fiscal year ended March 31, 2016.

▶ <http://www.nsk.com/investors/documents/>



Other IR-Related Information

Please refer to the Company's IR website for a wider range of investor information including financial highlights, business segment information, stock & bond information, IR calendar, etc.

▶ <http://www.nsk.com/investors/>



CSR-Related Information

Please refer to the Company's CSR website and CSR Report for more details on CSR activities and other related information.

▶ <http://www.nsk.com/sustainability/>



CSR Report 2016





NSK used environmentally friendly paper and printing methods for this publication.

CAT. No. E8409 2016 AX-10 Printed in Japan ©NSK Ltd. 2016