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Securities Code: 6471  
June 15, 2020

**NOTICE OF  
THE FISCAL 2019 (159th) ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders with Voting Rights:

Notice is hereby given that the Fiscal 2019 (159th) Ordinary General Meeting of Shareholders of NSK Ltd. (hereinafter referred to as “the Company”) will be held as described below.

The Japanese government has strongly requested exercising restraint in engaging in activities outside of the home in order to prevent the spread of COVID-19. After careful consideration, we have decided to conduct the meeting with appropriate infection prevention measures in place.

Taking into account the government’s request and measures to prevent the spread of COVID-19, we strongly request that shareholders consider refraining from attending the meeting in person, and instead exercise voting rights by postal mail or via the internet in advance of the meeting. Please review the “Reference Documents for the General Meeting of Shareholders” which follow this Notice, and exercise your voting rights no later than 5:15 p.m. on Monday, June 29, 2020 (Japan time).

Yours very truly,

Toshihiro Uchiyama  
Director,  
President and Chief Executive Officer  
NSK Ltd.  
1-6-3, Ohsaki, Shinagawa-ku, Tokyo, Japan

- 1. Date and Time:** Tuesday, June 30, 2020, at 10:00 a.m. (reception opens at 9:00 a.m.)
- 2. Place:** Nissei Building, 3F (Nissei Hall)  
1-6-3, Ohsaki, Shinagawa-ku, Tokyo
- 3. Agenda of the Meeting**
- Matters to be reported:** (1) Business Report, Consolidated Financial Statements, Non-Consolidated Financial Statements, and Audit Reports of the Accounting Auditor and the Audit Committee for the Consolidated Financial Statements for the 159th Fiscal Term (from April 1, 2019 to March 31, 2020)
- Matter to be resolved:**
- Proposal 1** Election of Nine Directors
- Proposal 2** Continuation of the Response Measures to Large-scale Purchases of the Company Shares (Takeover Defense Measures)

We strongly request that shareholders consider refraining from attending the meeting in person, and instead exercise voting rights by postal mail or via the internet in advance of the meeting.

### **Regarding COVID-19 Infection Prevention Measures**

At the meeting, we will be implementing the following precautions and measures to prevent the spread of infection.

- Explanation will be more concise compared to previous years to reduce the length of the meeting, thereby reducing the chance of exposure.
- Shareholders will be asked sit such that there is a two meter space between each person. Increasing physical distance between each person will reduce the number of seats available to less than 50. If the hall is full, we may be required to refuse entry to shareholders.
- At the reception desk, we will be checking the temperature of all participants using a non-contact thermometer. Individuals displaying symptoms such as having a high temperature or coughing will be refused entry to the meeting. Individuals who begin to exhibit signs of sickness such as coughing during the meeting may be asked to leave the meeting partway through.
- The coffee and tea station as well as product display will be closed.
- Company officers and employees will be wearing masks.
- We will be requesting all shareholder attendees to disinfect their hands and wear a mask.

**Other Matters Related to this Notice**

Of the documents which should be provided along with this Notice, the Consolidated Statements of Changes in Equity, the Notes to the Consolidated Financial Statements, the Non-consolidated Statements of Changes in Net Assets, and the Notes to the Non-Consolidated Financial Statements are published on the Company's website at the following address pursuant to laws and regulations as well as Article 15 of the Articles of Incorporation of the Company. Therefore, these documents are not included in the attached 159th Report.

The Company's Website  
<http://www.nsk.com/investors/stockandbond/meeting.html>

**Reference Documents for General Meeting of Shareholders****Proposal 1: Election of Nine Directors**

The terms of office of all twelve directors will expire at the conclusion of the 159th Ordinary General Meeting of Shareholders of the Company (hereinafter the "Meeting"). Accordingly, election of nine Directors is proposed based on the Nomination Committee's decision. An overview of the candidates and the policy and procedure for the election of Directors is provided below.

**Policy and procedure for the election of Directors:**

The Company believes that the Company's Board of Directors should be well versed in the Company's businesses and be capable of supervising important managerial judgments related to business execution, with the aim of enhancing the sustainable and mid- to long-term corporate value of the NSK Group. Career diversity in field of expertise and business experience are also considered in order to ensure that the Board maintains a well-balanced composition and is of an appropriate size.

For the election of Directors, the Company first selects the candidates for Director based on the ideal composition of the Board and the requirements for Directors in light of the Company's corporate governance structure. These selections were subsequently decided by the Nomination Committee held on March 26, 2020, and were deliberated at the Board meeting on June 2, 2020, and the candidates are outlined in a Proposal to shareholders and taken up at the ordinary general meeting of shareholders.

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**Note:**


- If there are any amendments to the Reference Documents for General Meeting of Shareholders, Business Report, Consolidated Financial Statements and/or Non-consolidated Financial Statements, these amendments will be published on the Company's website (<https://www.nsk.com/investors/stockandbond/index.html>).


## The List of the Candidates for Director


| No. | Name               | Current Position and Area of Responsibility in the Company                                                                 | Years as Director at NSK Ltd. | Attendance at Board of Directors and Committee Meetings                      | Concurrent Positions at Other Listed Companies |
|-----|--------------------|----------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------------------------------------------------------------------|------------------------------------------------|
| 1   | Toshihiro Uchiyama | Reappointment<br>Director, Representative,<br>President and Chief Executive Officer,<br>Member of the Nomination Committee | 8                             | Board of Directors:<br>100% (10/10)<br>Nomination Committee:<br>100% (8/8)   | 0                                              |
| 2   | Saimon Nogami      | Reappointment<br>Director, Representative,<br>Senior Executive Vice President,<br>Chief Financial Officer                  | 7                             | Board of Directors:<br>100% (10/10)<br>Compensation Committee:<br>100% (1/1) | 0                                              |
| 3   | Akitoshi Ichii     | Reappointment<br>Director, Representative,<br>Executive Vice President,<br>Member of the Compensation Committee            | 3                             | Board of Directors:<br>100% (10/10)<br>Compensation Committee:<br>100% (4/4) | 0                                              |
| 4   | Toshihiko Enomoto  | Reappointment<br>Director,<br>Member of the Audit Committee                                                                | 4                             | Board of Directors:<br>100% (10/10)<br>Audit Committee:<br>100% (15/15)      | 0                                              |
| 5   | Hajime Bada        | Reappointment<br>Outside Director<br>Independent Director                                                                  | 2                             | Board of Directors:<br>90% (9/10)<br>Nomination Committee:<br>100% (8/8)     | 2                                              |
| 6   | Akemi Mochizuki    | Reappointment<br>Outside Director<br>Independent Director                                                                  | 2                             | Board of Directors:<br>100% (10/10)<br>Audit Committee:<br>100% (15/15)      | 1                                              |
| 7   | Toshio Iwamoto     | Reappointment<br>Outside Director<br>Independent Director                                                                  | 1                             | Board of Directors:<br>100% (7/7)<br>Compensation Committee:<br>100% (4/4)   | 2                                              |
| 8   | Yoshitaka Fujita   | Reappointment<br>Outside Director<br>Independent Director                                                                  | 1                             | Board of Directors:<br>100% (7/7)<br>Nomination Committee:<br>100% (7/7)     | 0                                              |
| 9   | Mitsuhiro Nagahama | New Appointment<br>Outside Director<br>Independent Director                                                                | —                             | —                                                                            | 3                                              |


### Notes:

- Regarding attendance of meetings of the Board of Directors and Committees: The data shows each candidate's attendance at the meetings of the Board of Directors and Committees held during fiscal 2019 (April 1, 2019, through March 31, 2020). On June 25, 2019, Akitoshi Ichii was appointed to the Compensation Committee, Toshio Iwamoto was appointed to the Board of Directors and to the Compensation Committee, Yoshitaka Fujita was appointed to the Board of Directors and the Nomination Committee, and Saimon Nogami stepped down from the Compensation Committee. Accordingly, attendance is counted only during the period of appointment.
- Number of concurrent positions is noted as expected on June 30, 2020, the date of the 159th Ordinary General Meeting of Shareholders.
- The planned members of each Committee if all nine candidates for Director are elected at this Meeting are described on page 14.
- Outside Director:** Candidate for Outside Director.
- Independent Director:** Candidate for Outside Director who satisfies the Company's Criteria for Independence of Outside Directors (page 15) and the criteria for independence prescribed by the Tokyo Stock Exchange (<https://www.jpx.co.jp/english/equities/listing/ind-executive/index.html>), and who has been reported by the Company as Independent Director to the Tokyo Stock Exchange, subject to the approval of their election at this Meeting.


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| <b>No. 1</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                               | <b>Toshihiro Uchiyama</b>        |  |
| <b>Reappointment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                                                                               |                                  |                                                                                     |
| Company Shares Owned: 94,800                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                               | Age: 61 (DoB: November 28, 1958) |                                                                                     |
| Attendance:<br>(FY19)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Board of Directors: 100% (10/10)<br>Nomination Committee: 100% (8/8)                                                                                                          |                                  |                                                                                     |
| <b>Career Summary, Position and Area of Responsibility in the Company<br/>and Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                               |                                  |                                                                                     |
| Apr. 1981                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Joined the Company                                                                                                                                                            |                                  |                                                                                     |
| Mar. 2006                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Deputy Head of Procurement Division HQ                                                                                                                                        |                                  |                                                                                     |
| Jun. 2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Vice President, Deputy Head of Corporate Planning Division HQ                                                                                                                 |                                  |                                                                                     |
| Jun. 2009                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Head of Corporate Planning Division HQ                                                                                                                                        |                                  |                                                                                     |
| Jun. 2010                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Senior Vice President, Head of Corporate Planning Division HQ,<br>Responsible for IR & CSR Offices                                                                            |                                  |                                                                                     |
| Jun. 2011                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Responsible for Asia, Head of Corporate Planning Division HQ,<br>Responsible for IR & CSR Offices                                                                             |                                  |                                                                                     |
| Jun. 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Director (current)                                                                                                                                                            |                                  |                                                                                     |
| Jun. 2013                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Representative (current), Executive Vice President, Member of the Compensation Committee,<br>Responsible for Administrative Divisions, Head of Corporate Strategy Division HQ |                                  |                                                                                     |
| Jun. 2015                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | President and Chief Executive Officer (current), Chair of the Nomination Committee                                                                                            |                                  |                                                                                     |
| Jun. 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Member of the Nomination Committee (current)                                                                                                                                  |                                  |                                                                                     |
| <b>Reasons for nominating the candidate for Director:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                               |                                  |                                                                                     |
| <p>Toshihiro Uchiyama is well versed in the Company's businesses with a broad range of experience spanning the automotive business, overseas business (Americas), procurement and corporate planning. As Director of the Company, he also has a wealth of experience and achievements in corporate management. The Company has designated him as a director nominee with the expectation that, by having the President and Chief Executive Officer concurrently serve as a director, the Board of Directors will be able to better understand the status of business execution of the Company, allowing the Board to exercise its oversight function more effectively.</p> |                                                                                                                                                                               |                                  |                                                                                     |


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| No. 2                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                                                                                                                        | Saimon Nogami                     |  |
| Reappointment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                        |                                   |                                                                                     |
| Company Shares Owned: 53,200                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                        | Age: 59 (DoB: September 19, 1960) |                                                                                     |
| Attendance:<br>(FY19)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Board of Directors: 100% (10/10)<br>Compensation Committee: 100% (1/1)                                                                                                                                 |                                   |                                                                                     |
| <b>Career Summary, Position and Area of Responsibility in the Company<br/>and Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                        |                                   |                                                                                     |
| Apr. 1984                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Joined the Company                                                                                                                                                                                     |                                   |                                                                                     |
| Feb. 2011                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Deputy Head of Industrial Machinery Business Division HQ                                                                                                                                               |                                   |                                                                                     |
| Jun. 2011                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Vice President                                                                                                                                                                                         |                                   |                                                                                     |
| Jun. 2013                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Director (current), Senior Vice President, Head of Corporate Planning Division HQ,<br>Responsible for IR & CSR Offices                                                                                 |                                   |                                                                                     |
| Jun. 2015                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Representative (current), Executive Vice President, Member of the Compensation Committee,<br>Responsible for Administrative Divisions, Responsible for Asia, Head of Corporate Strategy<br>Division HQ |                                   |                                                                                     |
| Jun. 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Chief Financial Officer (current)                                                                                                                                                                      |                                   |                                                                                     |
| Apr. 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Senior Executive Vice President (current)                                                                                                                                                              |                                   |                                                                                     |
| <b>Reasons for nominating the candidate for Director:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                        |                                   |                                                                                     |
| <p>Saimon Nogami is well versed in the Company's businesses with a broad range of experience spanning the industrial machinery business, overseas business (Europe), and corporate and financial planning. He also has a wealth of experience and achievements in corporate management. The Company has designated him as a director nominee with the expectation that, by having the Representative Senior Executive Vice President and Chief Financial Officer concurrently serve as a director, the Board of Directors will be able to better understand the business execution status of the Company, allowing the Board to exercise its oversight function more effectively.</p> |                                                                                                                                                                                                        |                                   |                                                                                     |


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| <b>No. 3</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                       | <b>Akitoshi Ichii</b>      |  |
| <b>Reappointment</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                       |                            |                                                                                     |
| Company Shares Owned: 60,261                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                                                       | Age: 57 (DoB: May 8, 1963) |                                                                                     |
| Attendance:<br>(FY19)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Board of Directors: 100% (10/10)<br>Compensation Committee 100% (4/4)                                                                                                 |                            |                                                                                     |
| <b>Career Summary, Position and Area of Responsibility in the Company<br/>and Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                                                                       |                            |                                                                                     |
| Apr. 1986                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Joined the Company                                                                                                                                                    |                            |                                                                                     |
| Dec. 2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Deputy Head of Automotive Bearings Division HQ (Automotive Business Division HQ)                                                                                      |                            |                                                                                     |
| Jun. 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Head of Operations in India                                                                                                                                           |                            |                                                                                     |
| Jun. 2015                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Vice President, Deputy Head of Corporate Planning Division HQ                                                                                                         |                            |                                                                                     |
| Jun. 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Head of Corporate Planning Division HQ (current), Responsible for Asia (current)                                                                                      |                            |                                                                                     |
| Apr. 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Senior Vice President                                                                                                                                                 |                            |                                                                                     |
| Jun. 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Director (current)                                                                                                                                                    |                            |                                                                                     |
| Apr. 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Representative (current), Executive Vice President (current), Responsible for Administrative Divisions (current), Responsible for Investor Relations Office (current) |                            |                                                                                     |
| Jun. 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Member of the Compensation Committee (current)                                                                                                                        |                            |                                                                                     |
| Apr. 2020                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Responsible for Europe and the Americas (current)                                                                                                                     |                            |                                                                                     |
| <b>Reasons for nominating the candidate for Director:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                                                       |                            |                                                                                     |
| <p>Akitoshi Ichii is well versed in the Company's businesses with a broad range of experience spanning the automotive business, overseas business (Europe and India), as well as corporate planning. He also has a wealth of experience and achievements in corporate management. The Company has designated him as a director nominee with the expectation that, by having the Representative Executive Vice President in charge of corporate planning divisions concurrently serve as a director, the Board of Directors will be able to better understand the business execution status of the Company, allowing the Board to exercise its oversight function more effectively.</p> |                                                                                                                                                                       |                            |                                                                                     |


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| No. 4                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                   | Toshihiko Enomoto              |  |
| Reappointment                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                   |                                |                                                                                     |
| Company Shares Owned: 22,916                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                   | Age: 61 (DoB: August 28, 1958) |                                                                                     |
| Attendance:<br>(FY19)                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Board of Directors: 100% (10/10)<br>Audit Committee: 100% (15/15) |                                |                                                                                     |
| <b>Career Summary, Position and Area of Responsibility in the Company<br/>and Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                    |                                                                   |                                |                                                                                     |
| Apr. 1985                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Joined the Company                                                |                                |                                                                                     |
| Jun. 2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Head of Consolidated Accounting Department (Finance Division HQ)  |                                |                                                                                     |
| Jun. 2013                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Vice President, Deputy Head of Finance Division HQ                |                                |                                                                                     |
| Jun. 2015                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Executive Advisor, Head of Internal Audit Department              |                                |                                                                                     |
| Jun. 2016                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Director (current), Member of the Audit Committee (current)       |                                |                                                                                     |
| <b>Reasons for nominating the candidate for Director:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                   |                                |                                                                                     |
| <p>Toshihiko Enomoto is well versed in the Company's businesses with a broad range of experience spanning finance and accounting, including experience in finance and internal auditing in Europe, and is highly knowledgeable regarding the Company's finance and internal control systems. Such experience and knowledge make him sufficiently qualified to supervise the execution of the Company's business operations. Accordingly, he is nominated for the position of Director.</p> |                                                                   |                                |                                                                                     |




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| <b>No. 5</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                      | <b>Hajime Bada</b>             |  |
| <b>Reappointment<br/>Outside Director<br/>Independent Director</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                      |                                |                                                                                     |
| Company Shares Owned: 3,800                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                      | Age: 71 (DoB: October 7, 1948) |                                                                                     |
| Attendance:<br>(FY19)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Board of Directors: 90% (9/10)<br>Nomination Committee: 100% (8/8)                   |                                |                                                                                     |
| Years since assuming office as Outside Director of the Company: 2 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                      |                                |                                                                                     |
| <b>Career Summary, Position and Area of Responsibility in the Company<br/>and Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                      |                                |                                                                                     |
| Apr. 1973                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Joined Kawasaki Steel Corporation (currently JFE Steel Corporation)                  |                                |                                                                                     |
| Jun. 2000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Director of Kawasaki Steel Corporation                                               |                                |                                                                                     |
| Apr. 2003                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Executive Officer of JFE Steel Corporation                                           |                                |                                                                                     |
| Apr. 2005                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | President and Chief Executive Officer of JFE Steel Corporation (retired Apr. 2010)   |                                |                                                                                     |
| Jun. 2005                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Director of JFE Holdings, Inc.                                                       |                                |                                                                                     |
| Apr. 2010                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Representative Director, President and Chief Executive Officer of JFE Holdings, Inc. |                                |                                                                                     |
| Apr. 2015                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Director of JFE Holdings, Inc.                                                       |                                |                                                                                     |
| Jun. 2015                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Advisor of JFE Holdings, Inc.                                                        |                                |                                                                                     |
| Jun. 2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Director (current), Member of the Nomination Committee                               |                                |                                                                                     |
| Jun. 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Chair of the Nomination Committee (current), Advisor of JFE Holdings, Inc. (current) |                                |                                                                                     |
| <b>Reasons for nominating the candidate for Outside Director:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                      |                                |                                                                                     |
| <p>Hajime Bada has actively expressed his opinions at meetings of the Board of Directors from a fair and independent standpoint, based on his considerable experience and deep insight as a corporate executive. As Chair of the Nomination Committee, he has provided appropriate guidance on proposals for the election of Directors, in successor planning, and committee nominations. The Company has designated him as an outside director nominee with the expectation that he will continue to contribute to the enhancement and reinforcement of the Company's corporate governance, as well as ensure its sustainable growth and increase its corporate value.</p> |                                                                                      |                                |                                                                                     |
| <b>Assessment of special interests and the independence of the candidate:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                      |                                |                                                                                     |
| <p>Hajime Bada has not engaged in business execution at JFE Holdings, Inc. since July 2015. Although there are mutual transactions between the Company and JFE Holdings, Inc., the value of such transactions was less than 0.5% of net sales of each company, constituting no special interest between the Company and Mr. Bada. Mr. Bada fulfills the Company's Criteria for Independence of Outside Directors (Page 15) and the criteria for independence laid out by the Tokyo Stock Exchange. The Company has filed Mr. Bada as an Independent Director with the Tokyo Stock Exchange, under the condition that he is elected at this meeting.</p>                     |                                                                                      |                                |                                                                                     |
| <b>Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                      |                                |                                                                                     |
| Advisor of JFE Holdings, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                      |                                |                                                                                     |
| Outside Director of Mitsui Chemicals, Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                      |                                |                                                                                     |
| External Auditor of Asagami Corporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                      |                                |                                                                                     |

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| <b>No. 6</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                            | <b>Akemi Mochizuki</b>       |  |
| Reappointment<br>Outside Director<br>Independent Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                            |                              |                                                                                     |
| Company Shares Owned: 3,800                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                            | Age: 65 (DoB: June 10, 1954) |                                                                                     |
| Attendance:<br>(FY19)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Board of Directors: 100% (10/10)<br>Audit Committee: 100% (15/15)          |                              |                                                                                     |
| Years since assuming office as Outside Director of the Company: 2 years                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                            |                              |                                                                                     |
| <b>Career Summary, Position and Area of Responsibility in the Company<br/>and Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                            |                              |                                                                                     |
| Oct. 1984                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Joined Aoyama Audit Corporation                                            |                              |                                                                                     |
| Mar. 1988                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Registered as a Certified Public Accountant                                |                              |                                                                                     |
| Aug. 1996                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Joined Tohmatsu Audit Corporation (currently Deloitte Touche Tohmatsu LLC) |                              |                                                                                     |
| Jun. 2001                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Partner of Tohmatsu Audit Corporation (retired in June 2018)               |                              |                                                                                     |
| Jul. 2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Director (current), Member of the Audit Committee                          |                              |                                                                                     |
| Jun. 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Chair of the Audit Committee (current)                                     |                              |                                                                                     |
| <b>Reasons for nominating the candidate for Outside Director:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                            |                              |                                                                                     |
| <p>Akemi Mochizuki has actively expressed her opinions at meetings of the Board of Directors from a fair and independent standpoint, based on her considerable experience and deep insight as a Certified Public Accountant. As Chair of the Audit Committee, she has provided appropriate guidance on the operation and enhancement of internal auditing systems. The Company has designated her as an outside director nominee with the expectation that she will continue to contribute to the enhancement and reinforcement of the Company's corporate governance, as well as ensure its sustainable growth and increase its corporate value.</p> |                                                                            |                              |                                                                                     |
| <b>Assessment of special interests and the independence of the candidate:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                            |                              |                                                                                     |
| <p>Akemi Mochizuki has not engaged in operations at Deloitte Touche Tohmatsu LLC since July 2018. There are no transactions between the Company and Deloitte Touche Tohmatsu LLC, constituting no special interest between the Company and Ms. Mochizuki. Ms. Mochizuki fulfills the Company's Criteria for Independence of Outside Directors (Page 15) and the criteria for independence laid out by the Tokyo Stock Exchange. The Company has filed Ms. Mochizuki as an Independent Director with the Tokyo Stock Exchange, under the condition that she is elected at this meeting.</p>                                                            |                                                                            |                              |                                                                                     |
| <b>Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                            |                              |                                                                                     |
| Employee of Akahoshi Audit Corporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                            |                              |                                                                                     |
| Outside Director of Tsumura & Co.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                            |                              |                                                                                     |

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| No. 7                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Toshio Iwamoto                                                                                                  |                                |  |
| Reappointment<br>Outside Director<br>Independent Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                 |                                |                                                                                     |
| Company Shares Owned: 800                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                 | Age: 67 (DoB: January 5, 1953) |                                                                                     |
| Attendance:<br>(FY19)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Board of Directors: 100% (7/7)<br>Audit Committee: 100% (4/4)                                                   |                                |                                                                                     |
| Years since assuming office as Outside Director of the Company: 1 year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                                 |                                |                                                                                     |
| <b>Career Summary, Position and Area of Responsibility in the Company<br/>and Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                 |                                |                                                                                     |
| Apr. 1976                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation) |                                |                                                                                     |
| Jun. 2004                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Director of NTT Data Corporation                                                                                |                                |                                                                                     |
| Jun. 2005                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Director, Vice President of NTT Data Corporation                                                                |                                |                                                                                     |
| Jun. 2007                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Director, Senior Vice President of NTT Data Corporation                                                         |                                |                                                                                     |
| Jun. 2009                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Representative Director and Senior Executive Vice President of NTT Data Corporation                             |                                |                                                                                     |
| Jun. 2012                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Representative Director, President and Chief Executive Officer of NTT Data Corporation                          |                                |                                                                                     |
| Jun. 2018                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Chief Corporate Adviser of NTT Data Corporation (current)                                                       |                                |                                                                                     |
| Jun. 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Director (current), Member of the Compensation Committee (current)                                              |                                |                                                                                     |
| <b>Reasons for nominating the candidate for Outside Director:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                 |                                |                                                                                     |
| <p>Toshio Iwamoto has actively expressed his opinions at meetings of the Board of Directors from a fair and independent standpoint, based on his considerable experience and deep insight as a corporate executive. As a member of the compensation committee, he has provided appropriate guidance on executive compensation policy and determining executive compensation.</p> <p>The Company has designated him as an outside director nominee with the expectation that he will continue to contribute to the enhancement and reinforcement of the Company's corporate governance, as well as ensure its sustainable growth and increase its corporate value.</p> |                                                                                                                 |                                |                                                                                     |
| <b>Assessment of special interests and the independence of the candidate:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                 |                                |                                                                                     |
| <p>Toshio Iwamoto has not engaged in business execution at NTT Data Corporation since July 2018. There are no transactions between the Company and NTT Data Corporation, constituting no special interest between the Company and Mr. Iwamoto. Mr. Iwamoto fulfills the Company's Criteria for Independence of Outside Directors (Page 15) and the criteria for independence laid out by the Tokyo Stock Exchange. The Company has filed Mr. Iwamoto as an Independent Director with the Tokyo Stock Exchange, under the condition that he is elected at this meeting.</p>                                                                                            |                                                                                                                 |                                |                                                                                     |
| <b>Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                                 |                                |                                                                                     |
| Chief Corporate Adviser of NTT Data Corporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                                 |                                |                                                                                     |
| External Auditor of IHI Corporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                 |                                |                                                                                     |
| Outside Director of Daiwa Securities Group Inc. (expected to be appointed on June 25, 2020)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                 |                                |                                                                                     |

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| <b>No. 8</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | <b>Yoshitaka Fujita</b>                                                                                                         |                                 |  |
| <b>Reappointment<br/>Outside Director<br/>Independent Director</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                 |                                 |                                                                                     |
| Company Shares Owned: 2,800                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                                                                 | Age: 68 (DoB: January 27, 1952) |                                                                                     |
| Attendance:<br>(FY19)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Board of Directors: 100% (7/7)<br>Nomination Committee: 100% (7/7)                                                              |                                 |                                                                                     |
| Years since assuming office as Outside Director of the Company: 1 year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                 |                                 |                                                                                     |
| <b>Career Summary, Position and Area of Responsibility in the Company<br/>and Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                 |                                 |                                                                                     |
| Apr. 1975                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Joined Murata Manufacturing Co., Ltd.                                                                                           |                                 |                                                                                     |
| Jun. 1998                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Director of Murata Manufacturing Co., Ltd.                                                                                      |                                 |                                                                                     |
| Jun. 2000                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Director, Vice President of Murata Manufacturing Co., Ltd.                                                                      |                                 |                                                                                     |
| Jun. 2003                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Director, Senior Vice President of Murata Manufacturing Co., Ltd.                                                               |                                 |                                                                                     |
| Jun. 2005                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Director, Executive Vice President of Murata Manufacturing Co., Ltd.                                                            |                                 |                                                                                     |
| Jun. 2008                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Representative Director, Senior Executive Vice President of Murata Manufacturing Co., Ltd.                                      |                                 |                                                                                     |
| Jun. 2017                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Vice Chairman of Murata Manufacturing Co., Ltd.                                                                                 |                                 |                                                                                     |
| Jun. 2019                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Director (current), Member of the Nomination Committee (current), Executive Advisor of Murata Manufacturing Co., Ltd. (current) |                                 |                                                                                     |
| <b>Reasons for nominating the candidate for Outside Director:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                                                 |                                 |                                                                                     |
| <p>Yoshitaka Fujita has actively expressed his opinions at meetings of the Board of Directors from a fair and independent standpoint, based considerable experience and deep insight as a corporate executive. As a member of the Nomination Committee, he has provided appropriate guidance on proposals for the election of Directors and in successor planning.</p> <p>The Company has designated him as an outside director nominee with the expectation that he will continue to contribute to the enhancement and reinforcement of the Company's corporate governance, as well as ensure its sustainable growth and increase its corporate value.</p>                                    |                                                                                                                                 |                                 |                                                                                     |
| <b>Assessment of special interests and the independence of the candidate:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                                                                                                                                 |                                 |                                                                                     |
| <p>Yoshitaka Fujita has not been engaged in business execution at Murata Manufacturing Co., Ltd. since July 2019. Although there are mutual transactions between the Company and Murata Manufacturing Co., Ltd., the value of such transactions was less than 0.1% of net sales of the Company, constituting no special interest between the Company and Mr. Fujita. Mr. Fujita fulfills the Company's Criteria for Independence of Outside Directors (Page 15) and the criteria for independence laid out by the Tokyo Stock Exchange. The Company has filed Mr. Fujita as an Independent Director with the Tokyo Stock Exchange, under the condition that he is elected at this meeting.</p> |                                                                                                                                 |                                 |                                                                                     |
| <b>Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                 |                                 |                                                                                     |
| Executive Advisor of Murata Manufacturing Co., Ltd.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                                                 |                                 |                                                                                     |

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| <b>No. 9</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | <b>Mitsuhiro Nagahama</b>                                                                                    |  |
| New Appointment<br>Outside Director<br>Independent Director                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                                                                              |                                                                                     |
| Company Shares Owned: 0                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Age: 66 (DoB: October 24, 1953)                                                                              |                                                                                     |
| Attendance:<br>(FY19)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | —                                                                                                            |                                                                                     |
| <b>Career Summary, Position and Area of Responsibility in the Company<br/>and Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                              |                                                                                     |
| Apr. 1976                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Joined Fuji Bank, Ltd.                                                                                       |                                                                                     |
| Apr. 2002                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Head of US Sales Department 2, Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.)                     |                                                                                     |
| Mar. 2003                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Vice President, Mizuho Corporate Bank, Ltd, Head of Otemachi Sales Departments 6 and 7                       |                                                                                     |
| Apr. 2005                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Senior Vice President, Mizuho Corporate Bank, Ltd., Responsible for Sales Divisions                          |                                                                                     |
| Mar. 2006                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Senior Vice President, Mizuho Corporate Bank, Ltd., Responsible for the Americas                             |                                                                                     |
| Apr. 2010                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Director, Vice Chairman, Mizuho Corporate Bank, Ltd., Responsible for the Americas (Stepped down April 2013) |                                                                                     |
| Apr. 2013                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Director, Chairman, Mizuho Securities, Co., Ltd.<br>Director, Chairman of Mizuho Securities USA, Co., Ltd.   |                                                                                     |
| Apr. 2015                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Executive Advisor, Mizuho Securities, Co., Ltd. (Stepped down March 2020)                                    |                                                                                     |
| <b>Reasons for nominating the candidate for Director:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                                                                                                              |                                                                                     |
| <p>Mitsuhiro Nagahama has considerable experience and deep insight as a corporate executive. Such experience and knowledge make him sufficiently qualified to supervise important decision-making matters and the execution of the Company's business operations. The Company has designated him as an outside director nominee with the expectation that he will contribute to the enhancement and reinforcement of the Company's corporate governance, as well as ensure its sustainable growth and increase its corporate value.</p>                                                                                                                                                |                                                                                                              |                                                                                     |
| <b>Assessment of special interests and the independence of the candidate:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                              |                                                                                     |
| <p>Mitsuhiro Nagahama has not been engaged in operations at Mizuho Securities, Co., Ltd. since April 2015. Although there are mutual transactions between the Company and Mizuho Securities, the value of such transactions was less than 0.1% of net sales of Mizuho Securities, constituting no special interest between the Company and Mr. Nagahama. Mr. Nagahama fulfills the Company's Criteria for Independence of Outside Directors (Page 15) and the criteria for independence laid out by the Tokyo Stock Exchange. The Company has filed Mr. Nagahama as an Independent Director with the Tokyo Stock Exchange, under the condition that he is elected at this meeting.</p> |                                                                                                              |                                                                                     |
| <b>Significant Concurrent Positions outside the Company:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                              |                                                                                     |
| External Auditor of Kuraray, Co., Ltd., Outside Director of Tokyo Tatemono, Co., Ltd., Outside Director of Azbil Corporation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                              |                                                                                     |

**Notes:**

1. Special interest between the Company and candidates for Director:

No special interest exists between the Company and each candidate for Director above.

2. Number of years of the candidates for Outside Director since assuming the position as Outside Director of the Company:

The number of years in office as Outside Director of the candidates for Outside Director is the cumulative number of years since each assumed the position as Outside Director of the Company until the conclusion of this Meeting.

3. Liability limitation agreement with candidates for Directors

Pursuant to Article 427, Paragraph 1 of the Companies Act and Article 27 of the Articles of Incorporation of the Company, the Company has executed agreements to limit liability for damage of Director under Article 423, Paragraph 1 of the Companies Act with Directors Toshihiko Enomoto, Hajime Bada, Akemi Mochizuki, Toshio Iwamoto, and Yoshitaka Fujita. If they are reelected as Directors at the meeting, the Company will continue said agreements to limit liability with each of them.

If Mitsuhiro Nagahama is elected a Director at the meeting, the Company will similarly execute an agreement to limit liability.

The limits of liability for damage under the agreement is equal to the minimum amount of liability as set forth in the relevant laws and regulations.

4. Composition of each Committee

If this proposal is approved at the Meeting, the following composition and Chair of each Committee is planned:

|                        | Chair              | Members                                                    |
|------------------------|--------------------|------------------------------------------------------------|
| Nomination Committee   | Hajime Bada        | Yoshitaka Fujita, Toshihiro Uchiyama                       |
| Audit Committee        | Akemi Mochizuki    | Yoshitaka Fujita, Mitsuhiro Nagahama,<br>Toshihiko Enomoto |
| Compensation Committee | Mitsuhiro Nagahama | Toshio Iwamoto, Akitoshi Ichii                             |

**<Reference>**

**Criteria for Independence of Outside Directors**

The following persons are ineligible to become independent director candidates of the Company.

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

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

\* This information is also available on the Company's website.

(<http://www.nsk.com/company/governance/index.html>)

## **Proposal 2: Continuation of the Response Measures to Large-scale Purchases of the Company Shares (Takeover Defenses)**

The Company had previously introduced the response measures to large-scale purchases of the Company shares at the annual general shareholders' meeting held on June 25, 2008, and subsequently, the Company renewed the former response measures to large-scale purchases of the Company shares by obtaining shareholder approval at the annual general shareholders' meetings held in 2011, 2014, and 2017, respectively (the response measures that were renewed by obtaining shareholder approval at the annual general shareholders' meeting held on June 23, 2017, are referred to as the "Former Plan"). As the term of the Former Plan will expire as of the close of the Meeting, the Company has been considering whether it should preserve the takeover defenses, taking into account such factors as social and economic changes and various discussions over takeover defenses.

As a result, the Company has decided at the board of directors' meeting held on June 2, 2020 that it will adopt the response measures to large-scale purchases of its shares as set forth below (the "Plan"), which has been partly changed from the Former Plan, subject to shareholder approval at the Annual Shareholders' Meeting pursuant to Article 35 of its Articles of Incorporation.

Major changes to the Plan from the Former Plan are as set out below.

- Based on the trend of takeover defenses after the introduction of the Former Plan and other elements, it was decided to appoint the Independent Committee members from independent outside directors. The candidates for Independent Committee membership at the time of introduction of the Plan are as set forth in Schedule 2.
- In order to prevent the promotion of a Large-scale Share Purchase (as defined in 2.(2) below) by a Large-scale Share Purchaser (as defined in 2.(2) below) in pursuit of delivery of money or other economic benefits, it was specified that if an allotment of share options without contribution is triggered as a countermeasure under the Plan, it is not assumed that any money or other economic benefits will be delivered in consideration for the acquisition of the Share Options (as defined in 2.(7) below) held by an Ineligible Person (as defined in 6 of Schedule 3).
- For further clarification, the expression of the substance of the countermeasures under the Plan was changed from "as a general rule, by way of an allotment of share options without contribution," and limited to "by way of an allotment of share options without contribution."
- In addition, in order to make the Plan easier to understand, the wording of certain portions was amended.

The approval of this proposal for the continuation of the Plan is requested to the shareholders of the Company.

In addition, in order to change to a board of directors composition with a majority being outside directors, the Company plans to submit the proposal 1 to appoint nine (9) directors, including five (5) outside directors, to the Meeting, and each of the candidates for outside director are registered with the Tokyo Stock Exchange as Independent Directors/Auditors, on the condition that they are appointed as such at the Meeting.

Currently, the board of directors has not received any proposal by any specific third party with respect to conducting a purchase that would be subject to the Plan.



## **1. Purpose and Necessity of Introducing the Plan**

Taking into consideration the recent capital market conditions in Japan, there is a possibility that a sudden and unsolicited large-scale purchase of shares could occur in listed companies.

However, in a case where the Company receives a proposal for a large-scale purchase of its shares, it would be extremely difficult for the shareholders to sufficiently understand in a short period of time (i) the corporate value of the Company, taking into account, for example, the mutual relationships between the Company group and its various stakeholders, the mission of the Company group (to fulfill its social responsibilities with respect to all the stakeholders, as well as to increase the Company group's corporate value), the Company's endeavors for mid- to long-term improvement of corporate value, and the Company's endeavors regarding corporate governance, and (ii) the specifics of the proposal for the large-scale purchase of shares taking into account the concrete terms, methods, etc., of such proposal, respectively. Therefore, it would be extremely difficult for the shareholders to appropriately judge whether to accept the proposal in such a relatively short period of time.

As such, in order for the shareholders to appropriately judge whether to accept a proposal for a large-scale purchase of shares, the Company believes that it is necessary for the shareholders to receive not only the information unilaterally provided by the person or entity who has made such proposal, but also sufficient information, including opinions of the board of directors (who are familiar with the Company business and other various endeavors by the Company). The Company also believes that it is essential to secure a reasonable period of time for its shareholders to consider the proposal. Moreover, a certain period of time should be given to the Company to negotiate the terms and method of purchase with the person or entity who has made the proposal, and to make an alternative proposal (when necessary).

Currently in Japan, although a tender offer system regulates abusive large-scale purchases to a certain extent, this system does not apply to purchases of shares in the market as a general rule, and, even if the tender offer system is applicable, there is no legal framework ensuring that such information would be disclosed or that an opportunity to consider such information would be granted before a tender offer is commenced. Therefore, the Company believes that necessary and sufficient information would not likely be disclosed, and an opportunity to consider the proposal would not likely be given to the shareholders.

Furthermore, as a result of consideration whether the terms, method, etc., of purchases (including the Company's management policy after the purchase) will ensure and improve the Company's corporate value and the shareholders' common interests, if such purchases are determined to materially damage the Company's corporate value and the shareholders' common interests, such as intending to abusively manage the Company by buying up shares of the Company and pursuing its own interests as a majority shareholder, the board of directors believes that it is necessary to trigger countermeasures against the purchase.

For the reasons stated above, the Company has decided to introduce the Plan for the purpose of obtaining necessary and sufficient information and sufficient time to consider proposals for large-scale purchases of shares in cases where such proposals are made, which will enable the Company shareholders, who will make the final decision, to sufficiently understand the specifics of the proposal and make an appropriate decision. By employing these measures, the Company aims to consequently ensure and enhance the Company's corporate value and the shareholders' common interests. As such, the Plan intends to prevent any purchase that will materially damage the Company's corporate value and the shareholders' common interests, as part of the Company's endeavors to prevent any inappropriate person or entity from controlling the Company's decisions with respect to the basic policy regarding persons controlling the Company's decision concerning financial and business policies.

## **2. Substance of the Plan**

### **(1) Summary of the Plan**

The Plan requires a Large-scale Share Purchaser (as defined in (2) below) to comply with the rules set forth in the Plan (the "Large-scale Share Purchase Rules"), when the Large-scale Share Purchaser conducts a Large-scale Share Purchase (as defined in (2) below; the same applies hereinafter). Under the Plan, a Large-scale Share Purchase that does not comply with the Large-scale Share Purchase Rules or, in certain

cases, a Large-scale Share Purchase that complies with the Large-scale Share Purchase Rules can trigger countermeasures to such Large-scale Share Purchase, which are by way of an allotment of share options without contribution, based on a resolution of the board of directors or the shareholders' meeting. With respect to the procedural flow of the Plan, please see Schedule 2. For the purpose of securing and enhancing the Company's corporate value and the shareholders' common interests, the Company has established the "Guidelines for Measures to Large-scale Share Purchase" that prescribes procedures and other rules which the board of directors must comply with in implementing the Plan (the "Guidelines"), in order to eliminate any arbitrariness of the board of directors' decision-making and to secure reasonableness in implementing the Plan. With respect to the summary of the Guidelines, please see Schedule 3 of "Continuation of the Response Measures to Large-scale Purchases of the Company Shares (Takeover Defenses)" published on June 2, 2020 in the Company's website (<https://www.nsk.com/investors/>).

## **(2) Large-scale Share Purchase subject to the Plan**

The Plan applies to (i) a purchase (including market transactions, tender offers and any other transaction; the same applies hereinafter) of share certificates, etc.,<sup>1</sup> of the Company whose purpose is to make the holding ratio of rights to vote<sup>2</sup> of the specific shareholders' group<sup>3</sup> twenty (20)% or greater, or (ii) a purchase of share certificates, etc., of the Company which, as a result, would make the holding ratio of the right to vote of the specific shareholders' group twenty (20)% or greater, provided however that the Plan does not apply to a purchase which is consented to by the board of directors in advance. A purchase to which the Plan applies is referred to as a "Large-scale Share Purchase," and a person who conducts or is about to conduct a Large-scale Share Purchase is referred to as the "Large-scale Share Purchaser."

## **(3) Establishment of the Large-scale Share Purchase Rules**

### **A. Submission of a Statement of Intention**

A Large-scale Share Purchaser will be required to submit a statement of intention (the "Statement of Intention") to the President and Chief Executive Officer of the Company, stating in Japanese certain matters, including a pledge by the Large-scale Share Purchaser to comply with the Large-scale Share

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<sup>1</sup> The term "share certificates, etc." refers to "share certificates, etc." as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act; the same applies hereinafter unless otherwise defined. If laws, cabinet orders, cabinet office ordinances or ministerial ordinances (collectively, the "Laws") referred to in the Plan are amended (including a change of the name of the Laws and establishment of new Laws which replace the old Laws), the provisions and terms of the Laws referred to in the Plan shall be deemed to be replaced with the provisions and terms of the Laws after the amendment which substantially succeed the provisions and terms of the Laws before the amendment, unless otherwise specified by the board of directors.

<sup>2</sup> The term "holding ratio of rights to vote" refers to (i) "holding ratio of share certificates, etc." as defined in Article 27-23, Paragraph 4 of the Financial Instruments and Exchange Act, if the specific shareholders' group comes under the meaning of (i) of footnote 3 (in this case, the "number of the share certificates" (as defined in the same Paragraph) of joint holders (as defined in footnote 3) of the holders will be considered for the purpose of this calculation.); the same applies hereinafter; or (ii) the total of the "share certificates, etc., holding rate" (as defined in Article 27-2, Paragraph 8 of said Act; the same applies hereinafter) of the Large-scale Share Purchaser and the persons in a special relationship (as defined in footnote 3), if the specific shareholders' group comes under the meaning of (ii) of footnote 3. The same applies hereinafter.

For the purpose of calculating holding ratio of share certificates, etc., and share certificates, etc., holding rate, the latest annual securities report, quarterly securities report and share buyback report may be referred to with respect to the "total number of voting rights" as defined in Article 27-2 of said Act, Paragraph 8 and the "total number of the issued shares" as defined in Article 27-23, Paragraph 4 of said Act.

<sup>3</sup> The term "specific shareholders' group" refers to (i) (a) a "holder" as defined in Article 27-23, Paragraph 1 of the Financial Instruments and Exchange Act (which includes a person who is included as a holder pursuant to Paragraph 3 of the same Article; the same applies hereinafter) and (b) a "joint holder" as defined in Article 27-23, Paragraph 5 of said Act (which includes a person who is deemed as a joint holder pursuant to Paragraph 6 of the same Article; the same applies hereinafter) of "share certificates, etc."; or (ii) a person who conducts a "purchase, etc." (as defined in Article 27-2, Paragraph 1 of said Act; the same applies hereinafter) of "share certificates, etc." (as defined in Article 27-2, Paragraph 1 of said Act) of the Company and its "persons in a special relationship" (as defined in Article 27-2, Paragraph 7 of said Act; the same applies hereinafter). The same applies hereinafter.

Purchase Rules, prior to initiating a Large-scale Share Purchase.

Upon submission of the Statement of Intention, a certified copy of the commercial registration, a copy of the articles of incorporation and other documents that prove the existence of the Large-scale Share Purchaser (including Japanese translations if the relevant documents are in a non-Japanese language) will be required to be attached to the Statement of Intention.

The Statement of Intention shall contain the following items:

- (a) Summary of the Large-scale Share Purchaser
  - (i) name and address or location
  - (ii) name of representative
  - (iii) corporate purpose and nature of the business
  - (iv) outline of major shareholders or capital contributors (the top ten by number of shares held or capital contribution ratio) of the Large-scale Share Purchaser
  - (v) contact address in Japan
  - (vi) governing law;
- (b) Number of share certificates, etc., of the Company currently held by the Large-scale Share Purchaser and the results of trading by the Large-scale Share Purchaser of the share certificates, etc., of the Company for the sixty (60) days prior to the submission of the Statement of Intention;
- (c) Outline of the Large-scale Share Purchase proposed by the Large-scale Share Purchaser (including type and number of share certificates, etc., of the Company, which the Large-scale Share Purchaser plans to obtain through the Large-scale Share Purchase, and an outline of the purpose of the Large-scale Share Purchase (for example, acquisition of control or participation in management, net investment or investment for policy considerations, transfer or other disposal of the share certificates, etc., of the Company to any third party after the Large-scale Share Purchase, or the making of important suggestions, etc.,<sup>4</sup> or if there is any other purpose, such fact and an outline thereof. In the case where there are two or more purposes, all of the purposes should be stated.)); and
- (d) A pledge to comply with the Large-scale Share Purchase Rules.

## **B. Provision of Necessary Information**

After submitting the Statement of Intention described in A above, the Large-scale Share Purchaser will be required to provide the President and Chief Executive Officer of the Company with information (the “Necessary Information”) concerning the Large-scale Share Purchase in Japanese, necessary and sufficient for shareholders to make a decision and for the board of directors to evaluate and consider, etc., in the following manner.

Within ten (10) business days<sup>5</sup> from (excluding the first day) the receipt of the Statement of Intention, the board of directors will send a list to the Large-scale Share Purchaser that specifies the Necessary Information which the Large-scale Share Purchaser is required to provide (the “List of Necessary Information”). Accordingly, the Large-scale Share Purchaser will be required to provide the President and Chief Executive Officer of the Company with sufficient information in accordance with the List of Necessary Information.

If the board of directors reasonably determines that the information initially provided by the Large-scale Share Purchaser is not sufficient after the board of directors considers the information provided

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<sup>4</sup> The term “the making of important suggestions, etc.” refers to “the making of important suggestions, etc.” as defined in Article 27-26, Paragraph 1 of the Financial Instruments and Exchange Act, Article 14-8-2, Paragraph 1 of the Enforcement Order of said Act and Article 16 of the Cabinet Office Ordinance concerning Disclosure of Large Holding of Share Certificates, etc.

<sup>5</sup> The term “business day(s)” means a day(s) other than the days enumerated in each item of Article 1, Paragraph 1 of the Act Concerning Holidays of Administrative Agencies. The same applies hereinafter.

by the Large-scale Share Purchaser and seeks advice, as necessary, from third parties, including financial advisers, certified public accountants, attorneys and other experts (the “External Experts”), independent from the board of directors, the board of directors can request that the Large-scale Share Purchaser provide additional information. This would apply to the additional information provided by the Large-scale Share Purchaser.

In order to ensure the prompt implementation of the Large-scale Share Purchase Rules, in the case where the information requested by the Company has not been provided after the elapse of sixty (60) days from (excluding the first day) the date on which the List of Necessary Information is delivered by the board of directors to the Large-scale Share Purchaser (the “Information Provision Request Period”), the board of directors shall, upon the lapse of the Information Provision Request Period, discontinue negotiating with the Large-scale Share Purchaser for provision of the Necessary Information, and commence evaluation and examination, etc., as set forth in C. below. However, if the Large-scale Share Purchaser requests an extension of the Information Provision Request Period based on a reasonable cause, or if the board of directors deems it reasonably necessary, taking into consideration the substance and manner, etc., of the relevant Large-scale Share Purchase and the status of provision of the Necessary Information, etc., the board of directors may extend the Information Provision Request Period by up to thirty (30) days (excluding the first day) (provided that the extension may be made only once). Meanwhile, if the board of directors reasonably deems that the information provided by the Large-scale Share Purchaser is sufficient as the Necessary Information and thus that the provision of the Necessary Information has been completed, it shall discontinue negotiating with the Large-scale Share Purchaser for the provision of the Necessary Information, and commence evaluation and examination, etc., as set forth in C. below, even before the expiration of the Information Provision Request Period. Each time the board of directors requests the provision of the Necessary Information from the Large-scale Share Purchaser, it may, as necessary, set the deadline for the provision of information by the Large-scale Share Purchaser.

The information described in each of the following items will, as a general rule, be included in the List of Necessary Information. Specifics of information included in the List of Necessary Information will be determined by the board of directors in a reasonable manner in light of the substance and manner, etc., of the relevant Large-scale Share Purchase upon the advice of the External Experts as necessary. If the Large-scale Share Purchaser is unable to provide any of the information on any item contained in the List of Necessary Information, the Company will request that the Large-scale Share Purchaser provide concrete reasons for the inability to provide such information. The board of directors will not immediately trigger countermeasures to the Large-scale Share Purchase solely on account of the inability of the Large-scale Share Purchaser to provide a part of the information. However, depending on the significance and reasons for the inability to provide such information, the board of directors may determine that it constitutes non-compliance with the Large-scale Share Purchase Rules (See (4) B below.) and trigger countermeasures.

- (i) Outline of the Large-scale Share Purchaser and its group companies (including joint holders and persons in a special relationship) which includes information with respect to the nature of the business, capital structure and experience of the same type of business as that of the Company and the Company group companies;
- (ii) The purpose and substance of the Large-scale Share Purchase (including the purchase price and type of consideration for the Large-scale Share Purchase, the timing of the Large-scale Share Purchase, the structure of related transaction(s), legality of the methods for Large-scale Share Purchase (including the possibility of obtaining legally-required approvals and permissions etc.) and the likelihood of successful completion of the Large-scale Share Purchase and related transaction(s));
- (iii) The basis for calculating the purchase price, and information showing the ability to pay the purchase price (including the name of the provider of the funding (including the substantial provider of the funding), the manner of procurement of funds and the substance of related transactions);
- (iv) If there is any lease agreement, security agreement, sell-back agreement, arrangement to complete reserved sale and purchase, or any other material agreements or arrangements

(the “Security Agreements, Etc.”) regarding the share certificates, etc., of the Company already held by the Large-scale Share Purchaser, the specifics of the Security Agreements, Etc., such as the type, the counterparty, and the number of the subject share certificates, etc.;

- (v) In the case of a Large-scale Share Purchase conducted for the purpose of net investment or investment for policy considerations, then (a) the policy for holding, (b) the policy for sale and purchase and other policies for recovering invested capital, (c) the policy for exercising voting rights, respectively, regarding the share certificates, etc., after completion of the Large-scale Share Purchase, and (d) the reasons for the applicable policies above. In the case of a Large-scale Share Purchase conducted for the purpose of investment for policy considerations aimed at a long-term capital alliance, its necessity;
- (vi) In the case of a Large-scale Share Purchase conducted in order to acquire control or participate in management, candidates for management of the Company and the Company group companies after the completion of the Large-scale Share Purchase (including information on experience in the same type of business as that of the Company and the Company group companies), management policy, business plan, financial plan, capital policy, dividend policy and asset utilization policy;
- (vii) In the case of a Large-scale Share Purchase conducted for the purpose of the making of important suggestions, etc., or in the case where there is a possibility of the making of important suggestions, etc., being conducted after the completion of the Large-scale Share Purchase, the purpose, substance, necessity, and timing of the making of important suggestions, etc., and information regarding the specifics of cases where the making of important suggestions, etc., is to be conducted;
- (viii) Any plan to, after the completion of the Large-scale Share Purchase, change the relationship between the Company and the Company group companies and their stakeholders, such as the customers, domestic or overseas manufacturing and distributing companies, local communities and employees, and, if there is any such plan, the contents of the plan; and
- (ix) The reason and the specifics of the plan, if any, to additionally obtain the share certificates, etc., of the Company after completion of the Large-scale Share Purchase.

The board of directors will publicly announce all or any part of (i) the fact that the proposal of the Large-scale Share Purchase has been made and (ii) the information provided to the board of directors (including any information required by the List of Necessary Information but not provided by the Large-scale Share Purchaser, and the reasons for the inability to provide such information; the same applies hereinafter), pursuant to the relevant Laws and the rules of the financial instrument exchange, at the timing that is deemed appropriate, if the board of directors determines that such public announcement is necessary for the shareholders to decide on the proposal.

### **C. The Board of Directors’ Evaluation Period, etc.**

After the completion of provision of the Necessary Information or the expiration of the Information Provision Request Period, and upon the advice of External Experts as necessary, the board of directors will designate the period (the “Board of Directors’ Evaluation Period”) of up to sixty (60) days (in the case of a purchase of all of the Company shares via a tender offer that limits the purchase price to cash (Japanese Yen)) or up to ninety (90) days (in the case of any other Large-scale Share Purchase) (in each case excluding the first day). During the Board of Directors’ Evaluation Period, the board of directors will evaluate and consider the proposal of Large-scale Share Purchase, negotiate with the Large-scale Share Purchaser, form its opinion on the Large-scale Share Purchase and/or elaborate alternative proposals. Notwithstanding the foregoing, if the board of directors is unable to reach an opinion within the initially-designated Board of Directors’ Evaluation Period due to unavoidable circumstances, the board of directors may, after consulting with the Independent Committee regarding whether to extend the Board of Directors’ Evaluation Period and by respecting the Independent Committee’s

recommendation to the greatest extent possible, extend the Board of Directors' Evaluation Period by up to an additional thirty (30) days (excluding the first day) by unanimous resolution at the board of directors meeting at which all of the directors (excluding directors who cannot attend the board of directors' meeting by law or due to unavoidable circumstances, such as serious illness, a traffic accident or force majeure, including a natural disaster; the same applies hereinafter) are present (provided that the extension may be made only once). If the board of directors resolves to extend the Board of Directors' Evaluation Period, it will promptly notify the Large-scale Share Purchaser of the reasons for the extension and the length of the additional period and will promptly publicly announce the same information.

The Board of Directors' Evaluation Period begins on the day immediately after (i) the day when the board of directors resolves, after examining the information provided from the Large-scale Share Purchaser and seeking, as necessary, advice from the External Experts, that the provision of the Necessary Information has been completed, or (ii) the expiration date of the Information Provision Request Period. Upon such resolution or upon expiration of the Information Provision Request Period, the board of directors will promptly publicly announce such fact and the expiration date of the Board of Directors' Evaluation Period.

The Large-scale Share Purchase shall be initiated only after the expiry of the Board of Directors' Evaluation Period.

During the Board of Directors' Evaluation Period, the board of directors will seek, as necessary, advice from the External Experts, will evaluate and consider sufficiently the information provided by the Large-scale Share Purchaser, and will reach its opinion from the perspective of securing and enhancing the Company's corporate value and the shareholders' common interests and thereupon will publicly announce such opinion. The board of directors will, as necessary, negotiate with the Large-scale Share Purchaser for the improvement of terms of the Large-scale Share Purchase, and/or present an alternative proposal to the shareholders.

#### **(4) Triggering Countermeasures**

##### **A. Cases where the Large-scale Share Purchaser commences a Large-scale Share Purchase in compliance with the Large-scale Share Purchase Rules**

In the case where the Large-scale Share Purchaser commences a Large-scale Share Purchase in compliance with the Large-scale Share Purchase Rules, even if the board of directors objects to such Large-scale Share Purchase, the board of directors will, as a general rule, not trigger countermeasures to such Large-scale Share Purchase. The board of directors, however, may express its objections, present an alternative plan, or give an explanation, etc., to shareholders. Individual shareholders will decide whether to accept the proposal for the Large-scale Share Purchase based on the information regarding such Large-scale Share Purchase provided by the Large-scale Share Purchaser and the board of directors' opinion or alternative proposal, etc., thereto.

Notwithstanding the foregoing, even in the case where the Large-scale Purchaser commences the Large-scale Share Purchase in compliance with the Large-scale Share Purchase Rules, if such Large-scale Share Purchase is reasonably deemed to be likely to materially damage the Company's corporate value and the shareholders' common interests, after the expiration of the Board of Directors' Evaluation Period, the board of directors may hold a shareholders' meeting and ask the shareholders to decide whether to trigger countermeasures to such Large-scale Share Purchase. Also, as an exception of the foregoing, if such Large-scale Share Purchase falls under any of the types of abusive acquisitions described below and such Large-scale Share Purchase is reasonably deemed to materially damage the Company's corporate value and the shareholders' common interests, the board of directors may trigger countermeasures:

- (i) The Large-scale Share Purchaser purchases the share certificates, etc., of the Company without any true intention of participating in the management of the Company, for the purpose of boosting the share price and thereafter having the Company or parties interested in the Company purchase the shares (cases of the so-called "green mailer").
- (ii) The Large-scale Share Purchaser purchases the share certificates, etc., of the Company for

the purpose of temporarily controlling the Company's management and thereby transferring the assets of the Company or the Company group companies (including intellectual property rights, know-how, confidential corporate information, key business partners, customers or similar assets necessary for the Company's and the Company group companies' business operations) to itself, its group companies, etc.

- (iii) The Large-scale Share Purchaser purchases the share certificates, etc., of the Company for the purpose of unreasonably diverting the assets of the Company or the Company group companies as collateral or repayment resources to meet the obligations of itself or its group companies, etc., after acquiring control over the Company.
- (iv) The Large-scale Share Purchaser's purpose in participating in the management of the Company is mainly to temporarily control the management of the Company, and thereby cause the Company or the Company group companies to sell or otherwise dispose of highly-valued assets, such as real property or securities, that are not currently related to the business of the Company or the Company group companies, and to distribute temporarily higher dividends with the gains from such sale or disposal, or to sell the share certificates, etc., at an inflated price caused by such temporarily higher dividends.
- (v) The manner of the Large-scale Share Purchase proposed by the Large-scale Share Purchaser is likely to structurally restrict the shareholders' opportunity or liberty to make decisions, and virtually force them to sell the share certificates, etc. in a coercive process, such as a "two-step purchase," which means a purchase of share certificates, etc., under which the purchaser sets unfavorable conditions, or does not set clear conditions for the second purchase of the remaining share certificates, etc., after the initial purchase, or which raises concern about the future liquidity of the share certificates, etc., by indicating the possibility of the delisting of the share certificates, etc., after the initial purchase.

#### **B. Cases where the Large-scale Share Purchaser commences a Large-scale Share Purchase without complying with the Large-scale Share Purchase Rules**

In the case where the Large-scale Share Purchaser commences a Large-scale Share Purchase without complying with the Large-scale Share Purchase Rules, the board of directors may, regardless of the specific manner of such Large-scale Share Purchase, trigger countermeasures to secure and enhance its corporate value and the shareholders' common interests.

Notwithstanding the foregoing, if the board of directors reasonably determines that it is practicable and, in light of the laws and their duty of care as directors and other circumstances, is appropriate to hold a shareholders' meeting in order to confirm its shareholders' opinion and to have them decide whether to trigger countermeasures, the board of directors shall, after the expiration of the Board of Directors' Evaluation Period, hold a shareholders' meeting, and leave the shareholders to decide whether to trigger countermeasures to the Large-scale Share Purchase. In making such determination, the board of directors will consider various factors, such as the substance of the Large-scale Share Purchase by such Large-scale Share Purchaser, the substance of the information provided by the Large-scale Share Purchaser, and the sufficiency of time to convene a shareholders' meeting.

#### **(5) Procedures to Confirm Shareholders' Opinion**

If it decides to hold a shareholders' meeting and to have them decide whether to trigger countermeasures (as described in (4) above), the board of directors shall, after the expiration of the Board of Directors' Evaluation Period, hold a shareholders' meeting in accordance with the laws and its Articles of Incorporation, and leave the shareholders to decide whether to trigger countermeasures to the Large-scale Share Purchase. The board of directors shall hold the shareholders' meeting within sixty (60) days after the expiration of the Board of Directors' Evaluation Period, and present a proposal to the shareholders' meeting regarding triggering the countermeasures to such Large-scale Share Purchase, provided however that in the case where the shareholders' meeting cannot be held within sixty (60) days due to procedural reasons, it shall be held on the earliest day procedurally possible. However, the board of directors can, in the case where a material change occurs with respect to any information necessary for the shareholders to make their decision at the shareholders' meeting, even after establishing a record date for the shareholders' meeting, change such record date and postpone or cancel the shareholders' meeting.

In the case where the shareholders' meeting is held, the Large-scale Share Purchaser shall not commence the Large-scale Share Purchase until the close of such shareholders' meeting. If the Large-scale Share Purchaser commences the Large-scale Share Purchase before the close of the shareholders' meeting, the board of directors can cancel the shareholders' meeting and trigger countermeasures by a resolution of the board of directors alone.

Notwithstanding the foregoing, the board of directors can decide not to hold a shareholders' meeting if it reasonably decides that it is proper to leave it to the individual shareholders to decide whether they accept the Large-scale Share Purchase, and it is not appropriate to trigger countermeasures. In this case, the board of directors shall not trigger countermeasures to the Large-scale Share Purchase.

**(6) Establishment of the Independent Committee and Procedures for Consultation, etc.**

**A. Establishment of the Independent Committee**

The board of directors shall finally decide whether to extend the Board of Directors' Evaluation Period, whether to trigger countermeasures, and whether to maintain the countermeasures having been triggered (however, if the board of directors holds a shareholders' meeting to decide whether to trigger countermeasures, the board of directors shall follow the resolution of the shareholders' meeting). In order to secure the reasonableness and fairness of the board of directors' decision, the Company shall, pursuant to the Independent Committee Rules separately specified by the board of directors, establish the Independent Committee as an organization that is independent from the board of directors. The Independent Committee shall consist of at least three (3) committee members, who shall be appointed by the board of directors from independent outside directors. With respect to the name and the brief personal history of each of the candidates for Independent Committee membership at the time of introduction of the Plan, please see Schedule 2 and page 9 to page 13 of this Notice. In addition, with respect to a summary of the Independent Committee Rules, please see Schedule 4 of "Continuation of the Response Measures to Large-scale Purchases of the Company Shares (Takeover Defenses)" published on June 2, 2020 in the Company's website (<https://www.nsk.com/investors/>).

**B. Procedures for triggering countermeasures**

When the board of directors decides on whether to trigger countermeasures, it shall take the following measures in order to secure the reasonableness and fairness of the board of directors' decision (unless the board of directors holds a shareholders' meeting to decide whether to trigger countermeasures).

Before triggering the countermeasures, the board of directors shall consult with the Independent Committee regarding whether to trigger countermeasures, whereupon the Independent Committee shall make a recommendation to the board of directors regarding whether to trigger countermeasures, after seeking advice, as necessary, from the External Experts. In deciding whether to trigger countermeasures, the board of directors shall respect the Independent Committee's recommendation to the greatest extent possible.

The board of directors shall unanimously resolve to trigger countermeasures at a board of directors' meeting at which all of the directors are present.

In deciding whether to trigger countermeasures, in addition to the consultation with the Independent Committee above, the board of directors shall take into account and consider the specifics of the Large-scale Share Purchaser and the Large-scale Share Purchase, how the Large-scale Share Purchase may affect the Company's corporate value and the shareholders' common interests, the suitability of the countermeasures and other factors based on the Necessary Information provided by the Large-scale Share Purchaser, after seeking advice, as necessary, from the External Experts.

**C. Voluntary consultation with the Independent Committee**

If it is doubtful that information that is necessary and sufficient as the Necessary Information has been provided by the Large-scale Share Purchaser or if the board of directors otherwise deems it necessary, the board of directors may also voluntarily consult with the Independent Committee regarding matters other than whether to extend the Board of Directors' Evaluation Period, whether to trigger



countermeasures, and whether to maintain the countermeasures. In this case, the Independent Committee shall make a recommendation to the board of directors regarding the matter submitted for consultation after examining the matter, and after seeking advice, as necessary, from the External Experts. The board of directors shall respect the Independent Committee's recommendation to the greatest extent possible.

#### **(7) Substance of Countermeasures**

Under the Plan, the Company will trigger an allotment of share options without contribution as a countermeasure. The outline of a share option (*shinkabu-yoyakuken*) (the "Share Options") of such allotment of share options without contribution is as set forth in Schedule 3.

#### **(8) Discontinuance or Withdrawal of Triggered Countermeasures**

Even in the case where the board of directors or the shareholders' meeting has resolved to trigger the countermeasures,

- (a) if the Large-scale Share Purchaser discontinues or withdraws the Large-scale Share Purchase; or
- (b) if the facts or other circumstances on which the board of directors' or the shareholders' meeting's decision to trigger the countermeasures was based change, and it is determined that it is objectively inappropriate to maintain such countermeasures from the viewpoint of securing and enhancing the Company's corporate value and the shareholders' common interests,

the board of directors shall again consult with the Independent Committee regarding whether to maintain such countermeasures, by explaining the specific circumstances that led to the case set forth in (a) or (b) above. Upon such consultation, the Independent Committee shall consider whether to maintain the countermeasures and make a recommendation to the board of directors regarding the matter, after seeking advice, as necessary, from the External Experts. In deciding whether to maintain the countermeasures, the board of directors shall respect the Independent Committee's recommendation to the greatest extent possible.

If the board of directors decides to discontinue or withdraw the countermeasures having been triggered, it will promptly announce such fact.

Notwithstanding the foregoing, until two (2) business days prior to the day of ex-rights of the Allotment Date (as defined in Schedule 3, Paragraph 1; the same applies hereinafter) when the Share Options are allotted without contribution (the "Ex-rights Day"), the allotment of the Share Options without contribution may be discontinued or withdrawn, provided however that on and after one (1) business day prior to Ex-rights Day, the allotment of the Share Options without contribution shall not be discontinued or withdrawn, in order to prevent the investors who have traded the shares before Ex-rights Day, in the expectation of dilution of the economic value per share of the Company as a result of such allotment of the Share Options without contribution, from suffering a loss due to a change in share price.

### **3. Effect upon Shareholders and Investors**

#### **(1) Effect of Plan Introduction on Shareholders and Investors**

At the time the Plan is introduced, no Share Options will be allotted without contribution. Accordingly, the rights and interests held by shareholders and investors will not be directly or specifically affected.

#### **(2) Effect upon Shareholders and Investors When the Share Options Are Allotted without Contribution**

If the board of directors or the shareholders' meeting resolves to allot the Share Options without contribution as triggering countermeasures, the Share Options will be allotted, without contribution, to all shareholders entered or recorded in the Company's latest shareholder registry as of the Allotment Date at a ratio of one (1) Share Option per one (1) Company share held. Although the economic value per Company share held by each shareholder will be diluted, the economic value of the entire Company shares held by each shareholder will not be diluted, and the voting rights per Company share will also not be diluted. Therefore, we do not expect such countermeasures to directly or specifically affect the legal rights or economic interests of the entire Company shares held by each shareholder.

As set forth in 2.(8) above, even in the case where the board of directors or the shareholders' meeting resolves to allot the Share Options without contribution, please note that the allotment of the Share Options without contribution may be discontinued or withdrawn until two (2) business days prior to the Ex-rights Day due to the withdrawal of the Large-scale Share Purchase by the Large-scale Share Purchaser or other reasons, provided however that on or after one (1) business day prior to Ex-rights Day, the allotment of the Share Options without contribution will not be discontinued or withdrawn.

**(3) Effect upon Shareholders and Investors When the Share Options are Exercised by the Shareholders or Acquired by the Company after the Share Options Are Allotted Without Contribution**

It is anticipated that the legal rights, etc., of the Large-scale Share Purchaser will be diluted upon exercise or acquisition of the Share Options, because the Share Options are planned to be provided with discriminatory conditions for their exercise by holders or when acquired by the Company. However, even in such case, we do not expect that the legal rights or economic interests of the Company shares held by shareholders and investors other than the Large-scale Share Purchaser will be directly or specifically affected.

However, if shareholders have not completed the procedure concerning the exercise of the Share Options, such as payment of a specified amount, within a specified period for the exercise of the Share Options, the legal rights, etc., of these shareholders will be diluted upon exercise of the Share Options by other shareholders (unless the Company acquires all Share Options in exchange for the Company shares in accordance with the acquisition clause of the Share Options, in case such clause is stipulated by the Company).

**4. Necessary Procedures for Shareholders in Connection with the Triggering of Countermeasures**

**(1) Procedures on the Effective Date**

No other procedure for the application of an allotment of the Share Options is required, because as of the effective date of the allotment of the Share Options without contribution, the shareholders entered or recorded in the latest shareholder registry as of the Allotment Date will automatically receive the Share Options.

**(2) Procedures of the Exercise of the Share Options**

The Company shall send the form of exercise notice (which contains the acknowledgement of the fact that the shareholder is not an Ineligible Person (as defined in Schedule 3, Paragraph 6; the same applies hereinafter) and other facts specified in the form) and other necessary documents for the exercise of the Share Options to shareholders entered or recorded in the latest shareholder registry as of the Allotment Date.

After allotment of the Share Options without contribution, through submission of these required documents and payment of a specified amount to the payment handling agent within a specified period for the exercise of the Share Options, the shareholders will receive the issued Company shares of the number specified by the board of directors or the shareholders' meeting per one (1) Share Option.

**(3) Procedures if the Company Acquires the Share Options in Accordance with the Acquisition Clause of the Share Options**

If the Company allotted the Share Options with an acquisition clause, and the Company acquires the Share Options in accordance with a specified procedure, the shareholders who hold the Share Options which are targets of the acquisition receive the Company shares in exchange for the acquired Share Options without payment of the specified amount. In this situation, the Company may require the shareholders to submit the documents formatted to contain the acknowledgment of the fact that the shareholder is not an Ineligible Person and other facts specified in the form.

**(4) Other Procedures**

In addition to the foregoing, the details of the allotment procedure, the exercise and the acquisition will be publicly announced or notified to shareholders by the board of directors after the resolution of the board of directors or the shareholders' meeting concerning allotment of the Share Options without contribution. Therefore, please check the public announcement or the notice of the Company.

## **5. Application Start Time and Effective Term of the Plan**

The effective term of the Plan will expire upon the close of the annual shareholders' meeting concerning the final fiscal year, which ends within three (3) years after the Meeting (or the close of the annual shareholders' meeting to be held in June 2023). The Company will resolve whether to continue (including continuing with any modification) the Plan at the annual shareholders' meeting every three (3) years.

Even during such effective term, (i) if the shareholders' meeting approves a proposal to abolish or modify the Plan or (ii) if the board of directors resolves to abolish the Plan, the Plan will be abolished or modified at the time of such approval or resolution.

If the institution, the modification or the abolishment of applicable laws causes a need to amend the substance, the clauses or the wording of the Plan, etc., the board of directors may resolve to properly amend the Plan, taking into consideration the purpose of such institution, modification or abolishment, unless such amendment does harm to the shareholders.

If the Plan is abolished or modified, the board of directors will publicly announce the fact of such abolishment or modification in a timely and proper manner, the substance of the abolishment or modification, or any other matter in accordance with applicable laws and the rules of the relevant financial instrument exchange.

## **6. Reasonableness of the Plan**

### **(1) The Plan Fully Satisfies the Principles of the Guidelines for Takeover Defense Measures**

The Plan fully satisfies the following three principles set forth under the "Guidelines Regarding Takeover Defenses for Securing and Enhancing Corporate Value and Shareholders' Common Interests" jointly released by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005: (i) the principle of the securing and enhancing the corporate value and the shareholders' common interests; (ii) the principle of the prior disclosure and respect for the shareholders' opinions; and (iii) the principle of the securing of necessity and suitability. The Plan takes into account the substance of the "Takeover Defense Measures in Light of Recent Environmental Changes" publicly announced by the Corporate Value Study Group on June 30, 2008, and "Principle 1.5 Anti-Takeover Measures" of "Japan's Corporate Governance Code" (as amended on June 1, 2018) applied by the Tokyo Stock Exchange since June 1, 2015, as well as other recent arguments and discussions related to takeover defense measures. The Plan also conforms to the purposes of the rules and regulations related to the introduction of takeover defense measures defined by the Tokyo Stock Exchange.

### **(2) Introduction of the Plan to Secure and Enhance Corporate Value and the Shareholders' Common Interests**

The Plan will be introduced for the purpose of securing and enhancing the Company's corporate value and the shareholders' common interests, and the Plan enables the shareholders to determine whether they accept the proposal of the Large-scale Share Purchase or approve triggering countermeasures, for a certain period of consideration based on sufficient information necessary for shareholders to make an informed decision.

### **(3) Respect for the Company's Shareholders' Opinions**

The Company resolves to submit to the Meeting proposal concerning the introduction of the Plan and to introduce the Plan on the condition that this proposal is approved.

If the board of directors determines that it is appropriate that the shareholders determine whether the Company triggers countermeasures to the Large-scale Share Purchase, the board of directors will hold the shareholders' meeting for that purpose. Thus, the Plan is designed to sufficiently reflect the shareholders' opinions with respect to triggering countermeasures.

In addition, if the shareholders' meeting or the board of directors resolves to abolish the Plan, the Plan will be abolished at the time of such resolution. Therefore, the Plan is designed to reflect the shareholders' opinions in this respect.

**(4) Structure for Ensuring that the Board of Directors will not Arbitrarily Decide to Trigger Countermeasures**

**A. Establishment of the Independent Committee**

In order to secure the reasonableness and fairness of the board of directors' decision, the Company shall establish the Independent Committee as an organization that is independent from the board of directors under the Plan. Therefore, the Plan assures a structure for ensuring that the board of directors will not arbitrarily implement the Plan and trigger countermeasures.

**B. Unanimous resolution at the board of directors meeting**

Regardless of whether the Large-scale Share Purchaser commences the Large-scale Share Purchase in compliance with the Large-scale Share Purchase Rules, the board of directors can trigger countermeasures only if the board of directors unanimously resolves to trigger countermeasures at the board of directors meeting at which all of the directors, including the outside directors, are present. Therefore, the Plan assures a structure for ensuring that the board of directors will not arbitrarily decide to trigger countermeasures.

**C. Establishment of the Guidelines**

In order to eliminate any arbitrariness of the board of directors' decision-making and to secure the reasonableness in implementing the Plan, the Company has established the Guideline that prescribes procedures and other rules which the board of directors must comply with in implementing the Plan. By establishing the Guideline, the board of directors will be able to make even more objective decisions concerning the application of the Large-scale Share Purchase Rules, whether to trigger countermeasures, and other decisions, and accordingly, the reasonableness of the implementation of the Plan will be sufficiently ensured.

**(5) Establishment of Reasonable and Objective Conditions for Triggering Countermeasures**

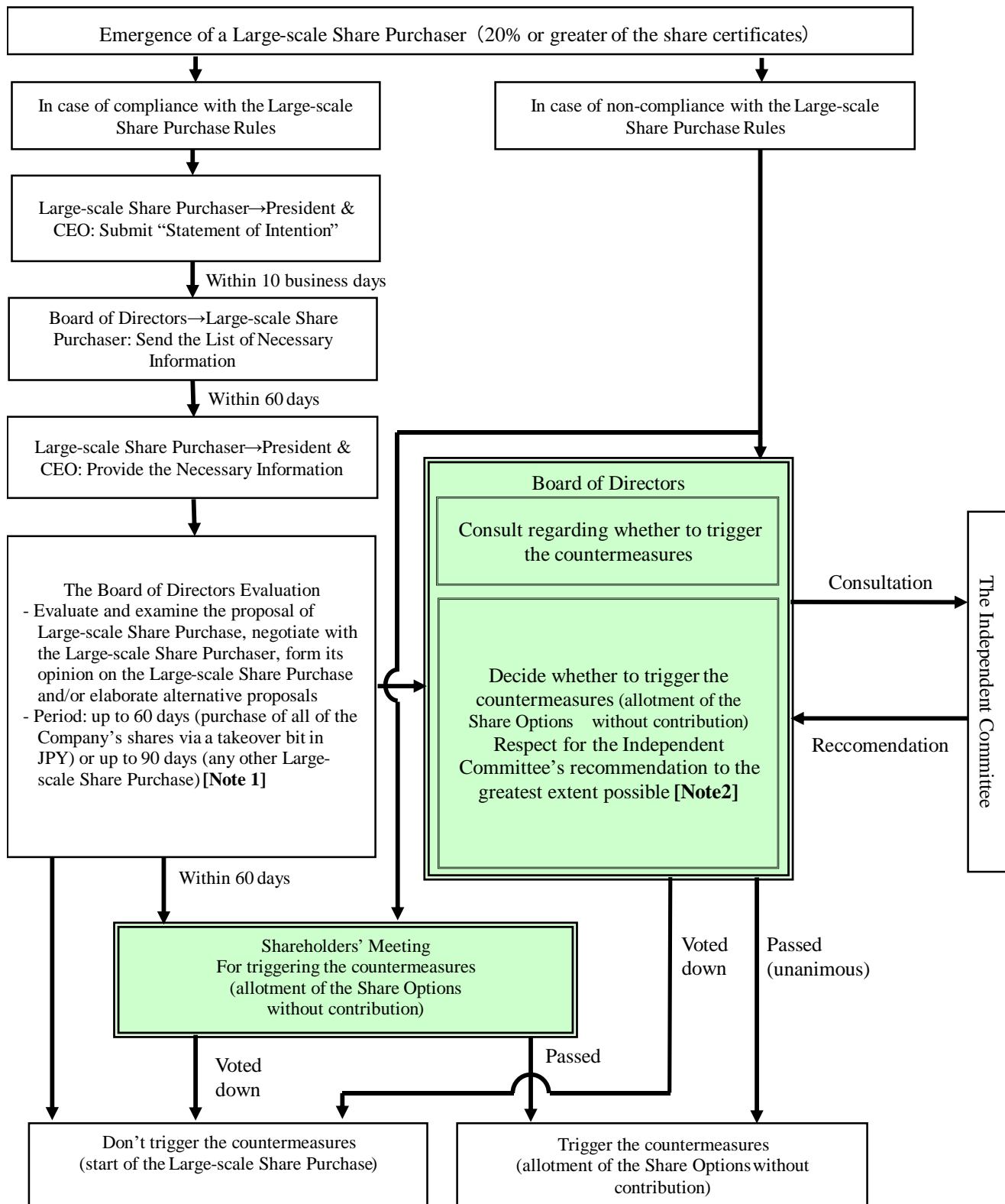
The Plan is established in such a way that countermeasures will not be triggered unless reasonable and objective conditions have been satisfied, and therefore, assures a structure for ensuring that the board of directors will not arbitrarily trigger any countermeasures. The board of directors may trigger countermeasures without holding a shareholders' meeting only when the Large-scale Share Purchaser does not comply with the Large-scale Share Purchase Rules, or when a Large-scale Share Purchase by the Large-scale Share Purchaser falls under category 2.(4)A. above, and is reasonably determined to materially damage the Company's corporate value and the shareholders' common interests.

**(6) No Dead-Hand or Slow Hand Takeover Defense Measures**

The Plan may be abolished at anytime by a resolution of the board of directors. Therefore, the Plan is not a "dead-hand" takeover defense measure (a takeover defense measure that cannot prevent triggering the countermeasures even after a majority of the members of the board of directors are replaced).

In addition, because the term of office of each Company director expires on the close of the annual shareholders' meeting concerning the final fiscal year which ends within one (1) year after such Company director was elected (see Article 21, Paragraph 1 of the Company's Articles of Incorporation), the Plan is not a "slow-hand" takeover defense measure (a takeover defense measure in which it takes more time to stop triggering countermeasures, due to the fact that the directors cannot be replaced all at once).

Flow Chart of the Procedures Related to the Plan



**[Note 1]** Provided, however, that the period may, after consulting with the Independent Committee and by respecting the Independent Committee's recommendation to the greatest extent possible, be extended up to an additional 30 days by unanimous resolution of the board of directors including the outside directors (provided that the extension may be made only once.).

**[Note 2]** The board of directors may trigger the countermeasures in the following cases, provided, however, that the determination to trigger the countermeasures shall be made by unanimous resolution of the board of directors including the outside directors, after consulting with the Independent Committee and by respecting the Independent Committee's recommendation to the greatest extent possible:

- (1) when the Large-scale Share Purchaser does not comply with the Large-scale Share Purchase Rules;
- (2) when the Large-scale Share Purchase falls under any of the categories set forth in III.2.(4)(A) and such Large-scale Share Purchase is reasonably considered to materially harm the Company's corporate value and the shareholders' common interests.

Except for the cases of **[Note 1]** and **[Note 2]**, the resolution of the board of directors shall be made by a majority of the directors who are present at the meeting.

With respect to the procedures, etc., related to the implementation of this Plan, the Guideline has been established separately.

This flow chart is prepared merely for reference to explain the outline of the Plan. For more details, please see the body of this Notice.

## Name and Career Summary of the Members of the Independent Committee

The candidates for Independent Committee membership are 5 persons as set forth below. Each of the candidates fulfills the criteria for the independence of Independent Directors/Auditors prescribed by the Tokyo Stock Exchange and are registered with the Tokyo Stock Exchange as Independent Directors/Auditors, on the condition that they are appointed as such at the Meeting.

【Name】 Hajime Bada

【Name】 Akemi Mochizuki

【Name】 Toshio Iwamoto

【Name】 Yoshitaka Fujita

【Name】 Mitsuhiro Nagahama

Please see page 9 to page 13 of this Notice for career of each candidates.

## Outline of the Share Options

**1. Shareholders Eligible for Allotment and the Conditions for Issuance of the Share Options**

The Share Options shall be allotted to shareholders entered or recorded in the Company's latest shareholder registry as of the date specified by the board of directors or the shareholders' meeting (the "Allotment Date") at a ratio of one (1) Share Option per one (1) Company share held (excluding shares of the Company currently held by itself at the time) without contribution.

**2. Class and Number of Shares Subject to the Share Options**

The class of shares subject to the Share Options is the Company's common stock. The upper limit of the total number of shares subject to the Share Options shall be the number of shares taking the total number of issued shares (excluding shares of the Company currently held by itself at the time) from the total number of issuable shares as of the Allotment Date. The number of shares subject to one (1) Share Option (the "Number of Subject Shares") shall be specified by the board of directors or the shareholders' meeting. Notwithstanding the foregoing, if the Company carries out a stock split or stock consolidation, the Number of Subject Shares shall be adjusted as necessary.

**3. Total Number of Allotted Share Options**

The total number of allotted Share Options shall be the number specified by the board of directors or the shareholders' meeting. The board of directors or the shareholders' meeting may allot the Share Options more than once.

**4. Value of Assets Contributed upon the Exercise of the Share Options (the amount of payment)**

The capital contribution to be made upon the exercise of a Share Option shall be cash, and the amount of the capital contribution (the amount of payment) shall be specified by the board of directors or the shareholders' meeting, which will be an amount of not less than one (1) yen.

**5. Restriction on the Transfer of the Share Options**

The transfer of the Share Options will be subject to the board of directors' approval.

**6. Conditions for the Exercise of the Share Options**

The following persons will not be able to exercise any Share Options (those mentioned in items (1) through (6) below are collectively referred to as the "Ineligible Persons"):

- (1) Specified large holder<sup>1</sup>;
- (2) Joint holder of the specified large holder;
- (3) Specified large-scale purchaser<sup>2</sup>;
- (4) Persons in a special relationship with a specified large-scale purchaser;
- (5) Person who acquires or succeeds to the Share Options from a person falling under any of items (1) through (4) above without the approval of the board of directors; or
- (6) An affiliate<sup>3</sup> of any person falling under any of items (1) through (5) above.

<sup>1</sup> The term "specified large holder" means a person who is a holder of share certificates, etc., of the Company and whose holding ratio of share certificates, etc., in respect of such share certificates, etc., is twenty (20)% or more, or a person who is determined to be such a person by the board of directors. Notwithstanding the foregoing, the specified large holder shall not include (x) any person whose acquisition and holding of the share certificates, etc., of the Company is determined by the board of directors not to be in conflict with the Company's corporate value and the shareholders' common interests; and (y) any other person as specified by the board of directors in the resolution of an allotment of share options without contribution.

<sup>2</sup> The term "specified large-scale purchaser" means (x) a person who makes a public announcement of a purchase of share certificates, etc., (as set forth in Article 27-2, Paragraph 1 of the Financial Instruments and Exchange Law; the same applies hereafter) of the Company through a tender offer and whose holding ratio of share certificates, etc., in respect of such share certificates, etc., after such purchase is twenty (20)% or more together with those of a persons in a special relationship with such person or (y) a person who is determined to be a specified large-scale purchaser by the board of directors. Notwithstanding the foregoing, the specified large-scale purchaser shall not include (a) any person whose acquisition and holding of the share certificates, etc., of the Company is determined by the board of directors not to be in conflict with the Company's corporate value and the shareholders' common interests and (b) any other person as specified by the board of directors in the resolution of an allotment of share options without contribution

<sup>3</sup> The term "affiliate" of any person means a person who substantially controls, is controlled by, or is under a common control with such person (including any person who is determined by the board of directors to be such person) or a person determined by the board of directors to act in concert with such person. The term "control" means to "control the determination of the financial and business policies" (as set forth in Article 3, Paragraph 3 of the Enforcement Regulations of the Companies Act) of another company or entity.



The details of the conditions for exercising the Share Options shall be specified by the board of directors or the shareholders' meeting

**7. The Condition of the Company's Acquisition of the Share Options**

As of the date to be specified by the board of directors, the Company can acquire the Share Options held by a person other than an Ineligible Person and deliver the Company's common shares equivalent to the Number of Subject Shares per one (1) Share Option to the person in exchange for the Share Options so acquired. It is not assumed that any money or other economic benefits will be delivered in consideration for the acquisition of the Share Options held by an Ineligible Person. The details of the conditions for the acquisition of the Share Options shall be specified by the board of directors or the shareholders' meeting.

**8. Exercise Period, etc., of the Share Options**

The exercise period and other necessary matters regarding the Share Options shall be determined by the board of directors or the shareholders' meeting.

(End of Proposal 2)

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# **Business Report**

**Fiscal 2019**  
**April 1, 2019 - March 31, 2020**

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**NSK Ltd.**

**Business Report**  
**(April 1, 2019 - March 31, 2020)**

**1. Review of Group Operations**

**(1) Business Developments and Corporate Results**

NSK launched the 6th Mid-Term Management Plan (FY2019 to FY2021) with the goal of strengthening our business base and resources for the next growth phase. With safety, quality, compliance, and the environment as our core values, we will maintain the two key policies set forth in the Fifth Mid-term Management Plan (2016 to 2018): *Operational Excellence* (ceaseless pursuit of competitiveness) and *Challenging Innovation* (generate new value), while working to address three main management tasks: new initiatives targeting growth, enhancing managerial resources, and contributing to the environment and society.

During this consolidated fiscal year, the global economy remained sluggish due to uncertainty about the future, including the effect of the trade friction between the US and China, concerns regarding the UK leaving the EU, and tensions in the Middle East.

Exports to China were sluggish in Japan, and business sentiment deteriorated in the US toward the second half of the year, especially in the manufacturing industry. In Europe, the economy slowed down due to the slump in the manufacturing industry centered on the automobile industry. In China, domestic and foreign demand decreased due to the US-China trade friction, and the slump in the automobile market continued. In addition, at the end of the year, the outlook for the economy became even more uncertain, as COVID-19 spread throughout the world, particularly in China, and had a major impact on the economic activities of affected countries.

In this economic environment, consolidated net sales for the year ended March 31, 2020 totaled ¥831 billion, a year-on-year decrease of 16.2%. Operating income totaled ¥23.6 billion, a year-on-year decrease of 70.2%. Income before taxes was ¥24 billion, a year-on-year decrease of 69.6%. Net income attributable to owners of the parent was ¥17.4 billion, a year-on-year decrease of 68.8%.

The market environment and results in the NSK Group's respective business segments are outlined below.

**1. Industrial Machinery**

In the industrial machinery business, the cautious stance on CAPEX spending continued globally against the backdrop of US-China trade friction, and the sluggish smartphone and automotive markets, as well as economic stagnation caused by the novel coronavirus disease (COVID-19) pandemic, resulted in a year-on-year decrease. Looking at the results by region, demand in the machine tool sector was down in Japan. In the Americas, aftermarket sales increased, however overall sales declined due to a decrease in sales of electrical equipment. In Europe, sales declined due to a decrease in sales of electrical machinery and general industrial machinery. In China, sales increased for wind power and railways, but declined due to weak demand for electrical machinery and machine tools. In other Asian countries, sales declined mainly in the aftermarket as well as machine tools in South Korea and Taiwan.

As a result, sales in the industrial machinery business totaled ¥232.5 billion, a year-on-year decrease of 13.9%. Operating income was ¥14.1 billion, a year-on-year decrease of 57.1%.

**2. Automotive**

The business environment presented problems for the automobile business, as the global automobile market centered on China and Europe and the number of automobile units produced decreased due to the worldwide spread of COVID-19. Overall sales in the business declined year on year due to lower sales of electric power steering (EPS) systems resulting from vehicle model changes.

By region, in Japan, sales of automatic transmission related products declined mainly due to the slowdown in the Chinese automobile market and a decrease in electric power steering. Although sales of automatic transmission-related products increased in the Americas due to sales expansion, sales decreased year-on-year due to a decrease in electric power steering. In Europe and China, the sluggish automobile market deteriorated further due to the impact COVID-19, resulting in lower sales. In particular, the number of automobiles sold in China continued to fall below the previous year's level, and the economy stagnated toward the end of the fiscal year, creating a difficult business environment. In other Asian countries, sales were down due to the sluggish market in India for example. As a result, sales in the automotive business totaled ¥573.8 billion, a year-on-year decrease of 16.8%. Operating

income totaled ¥9.8 billion, a year-on-year decrease of 78.2%

## (2) Investment in Fixed Assets

The NSK Group is working toward strategic investment to expand its business, strengthen competitiveness, and develop new technologies.

In the current consolidated fiscal year, amid the continuing sluggish global economy caused by trade friction between the US and China, focusing on our core values of investment in safety, quality, compliance, and the environment, we invested 54.9 billion yen (down 26.2 billion yen from the previous year) in needed productivity improvements and equipment enhancement projects, as well as ICT projects for work style reform.

By segment, the industrial machinery business has invested 18.6 billion yen (down 3.0 billion from the previous year) for productivity improvements and equipment updating.

Meanwhile, in addition to investment for productivity improvement and equipment renewal, the automotive business invested 33.2 billion yen (down 21.7 billion yen from the previous year) in new technology/new product development.

Unit: ¥100 million

| Segment                          | Capital Expenditure in Year Ended<br>March 31, 2020 |
|----------------------------------|-----------------------------------------------------|
| Industrial Machinery<br>Business | 186                                                 |
| Automotive Business              | 332                                                 |
| Other                            | 31                                                  |
| Total                            | 549                                                 |

## (3) Financing Activities

Capital expenditure and operating expenses during the consolidated fiscal year under review were funded by the Group's own capital and loans from financial institutions. In addition, the Group issued ¥30 billion in unsecured straight bonds in Japan in September 2019 in order to fund the repayment of debt.

The balance of outstanding loans and corporate bonds at the end of the period under review was ¥279.2 billion, a year-on-year increase of ¥4.4 billion.

## (4) Key Tasks

The business environment surrounding the NSK Group is exposed to constantly changing factors such as US-China trade friction, the UK's withdrawal from the EU, and tensions in the Middle East, as well unpredictable events such as frequent natural disasters and the spread of worldwide pandemics, all of which have had a major impact on the global economy. At the same time, technological innovation across industries is progressing rapidly, and the issues that companies must tackle, such as the development and practical application of AI and IoT, as well as the electrification and automation of the automobile industry, continue to expand. The business environment has changed rapidly due to the spread of a social responsibility that we must fulfill as a company, including dealing with climate change.

Even amidst these changes, the NSK Group aims to establish a corporate foundation capable of sustainable growth in the mid- to long-term, in order to continue providing value to society through our Motion & Control technology. Focused on this goal, NSK began its 6th Mid-Term Management Plan (FY2019 to FY2021).

The primary objective of the 6th Mid-term Management Plan is to build a business base and strengthen resources in preparation for the next growth phase. The business base is comprised of our four core values, "safety, quality, compliance, and environment." We will maintain the two key policies set forth in the 5th Mid-Term Plan (2016 to 2018) that act as pillars for our strategy house: Operational Excellence (constant pursuit of competitiveness) and Challenging Innovation (creation of new value), while working to address three main management tasks: new initiatives targeting growth, enhancing managerial resources, and contributing to the environment and society.

The three main management tasks and details of initiatives are shown below.

1. New initiatives targeting growth:

- Expand sales of NSK's core products in the growth segments of electrification, automation, environment, and IoT.
- Sales growth by marketing new products in growth segments.
- Restore growth in the Electric Power Steering (EPS) business by enhancing our product lineup.

2. Enhancement of managerial resources:

- Innovate personnel development by restructuring training and education institutions, promoting work style reform and health and productivity management, and promoting diversity and inclusion.
- Achieve innovation in manufacturing by utilizing IoT technology.
- Innovate product development through ceaseless refinement of NSK's core technology and further utilization of open innovation.

3. Contribution to the environment and society:

- Reduce CO2 emissions, both through our business activities and by developing environmentally friendly products, and effectively utilize resources.
- Create high-quality products which are safe and deliver peace of mind to the market and our customers, and develop a thorough safety-first internal culture.
- Be a company that is trusted by society and create a positive, inclusive work environment.
- Enhance Group governance and further dialogue with stakeholders.

The NSK Group will continue contributing to the resolution of societal issues and the sustainable development of society through its corporate activities and the evolution of its Motion & Control technology, while also aiming for ongoing growth through the initiatives above.

We would like to thank our shareholders for their continued understanding and cooperation.

## (5) Financial Highlights

(IFRS)

|                                                                        | Year ended March<br>31, 2017 | Year ended March<br>31, 2018 | Year ended March<br>31, 2019 | Year ended March 31<br>Fiscal 2020 |
|------------------------------------------------------------------------|------------------------------|------------------------------|------------------------------|------------------------------------|
| Net sales                                                              | ¥949,170 million             | ¥1,020,338 million           | ¥991,365 million             | ¥831,034 million                   |
| Operating profit                                                       | ¥65,341 million              | ¥97,875 million              | ¥79,279 million              | ¥23,604 million                    |
| Net income attributable to<br>owners of the Parent                     | ¥45,560 million              | ¥69,312 million              | ¥55,809 million              | ¥17,412 million                    |
| Total equity                                                           | ¥485,011 million             | ¥561,014 million             | ¥560,400 million             | ¥526,518 million                   |
| Total assets                                                           | ¥1,043,955 million           | ¥1,092,310 million           | ¥1,086,456 million           | ¥1,029,884 million                 |
| Equity per share attributable<br>to owners of the Parent               | ¥873.11                      | ¥1,016.30                    | ¥1048.18                     | ¥987.01                            |
| Basic net income per share                                             | ¥86.08                       | ¥131.16                      | ¥107.46                      | ¥34.00                             |
| Equity attributable to owners<br>of the parent<br>Return on equity (%) | 9.9%                         | 13.9%                        | 10.4%                        | 3.3%                               |

- Notes: 1. Figures listed above are rounded down to the nearest one million yen.  
2. Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") pursuant to Article 120, Paragraph 1 of the Rules of Corporate Accounting.  
3. Net income per share attributable to owners of the Parent is calculated using the number of shares outstanding at the end of the period, while return on equity is calculated using the average number of shares outstanding during the period.

**(6) Major Subsidiaries (as of March 31, 2020)**

| Company Name                             | Capital           | Holding Ratio                 | Business                                                            |
|------------------------------------------|-------------------|-------------------------------|---------------------------------------------------------------------|
| NSK Steering Systems Co., Ltd.           | JPY 7,500 million | 100.0%                        | Manufacture of automotive components                                |
| Amatsuji Steel Ball Mfg. Co., Ltd.       | JPY 2,101 million | 100.0%                        | Manufacture and sale of steel balls                                 |
| NSK Americas, Inc.                       | USD 195.7 million | 100.0%                        | Management of affiliated companies in the Americas                  |
| NSK Brasil Ltda.                         | BRL 1.8 million   | 100.0%                        | Manufacture and sale of industrial machinery bearings, etc.         |
| NSK Europe Ltd.                          | EUR 90.4 million  | 100.0%                        | Management of affiliated companies in Europe                        |
| NSK (China) Investment Co., Ltd.         | CNY 987.0 million | 100.0%                        | Management of affiliated companies in China, sale of bearings, etc. |
| Kunshan NSK Co., Ltd.                    | RMB 701.6 million | 63.3%<br>(85.0%) <sup>3</sup> | Manufacture of automotive bearings, etc.                            |
| Pt. NSK Bearings Manufacturing Indonesia | USD 45 million    | 100.0%                        | Manufacture of automotive bearings, etc.                            |
| NSK Korea Co., Ltd.                      | KRW 53.9 billion  | 100.0%                        | Manufacture and sale of automotive bearings, etc.                   |

- Notes: 1. Figures for equity are rounded down to the nearest unit value.  
2. The above nine companies were selected based on their capital, total assets, net sales, and the Company's capital contribution ratio.  
3. Figures in brackets include capital contribution ratio in Chinese affiliate NSK (China) Investment Co., Ltd. (100% owned by the Company).

**(7) Overview of Main Businesses (as of March 31, 2020)**

The NSK Group operates two main businesses: the industrial machinery business and the automotive business. NSK's industrial machinery business manufactures and supplies a range of products including bearings for general industry, and precision machinery and parts. Meanwhile, in its automotive business the Company manufactures and supplies products such as bearings, automatic transmission components, and steering products to automakers and automotive component manufacturers.

| Business             | Main Products                                                                                                                                                                                  |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Industrial Machinery | Ball bearings, tapered roller bearings, cylindrical roller bearings, self-aligning roller bearings, precision bearings, ball screws, linear guides, XY tables, megatorque motors               |
| Automotive           | Hub unit bearings, needle bearings, tapered roller bearings, cylindrical roller bearings, ball bearings, automatic transmission components, steering products, electric power steering systems |
| Other                | Steel balls, machinery, etc.                                                                                                                                                                   |



**(8) Main Sites (as of March 31, 2020)****Main Sales Sites**

| Region | Company Name |                                           | Location                                         |
|--------|--------------|-------------------------------------------|--------------------------------------------------|
| Japan  | NSK Ltd.     | Tohoku Branch                             | Sendai, Miyagi                                   |
|        |              | Kita-Kanto Branch                         | Takasaki, Gunma                                  |
|        |              | Tokyo Branch                              | Shinagawa, Tokyo                                 |
|        |              | Nishi-Kanto Branch                        | Atsugi, Kanagawa                                 |
|        |              | Nagano Branch                             | Suwa, Nagano                                     |
|        |              | Shizuoka Branch                           | Shizuoka City, Shizuoka                          |
|        |              | Nagoya Branch                             | Nagoya, Aichi                                    |
|        |              | Hokuriku Branch                           | Kanazawa, Ishikawa                               |
|        |              | Kansai Branch                             | Osaka City, Osaka                                |
|        |              | Hyogo Branch                              | Himeji, Hyogo                                    |
|        |              | Chugoku Branch                            | Hiroshima City, Hiroshima                        |
|        |              | Kyushu Branch                             | Fukuoka City, Fukuoka                            |
|        |              | Eastern Japan Automotive Department 1     | Atsugi, Kanagawa                                 |
|        |              | Eastern Japan Automotive Department 2     | Shinagawa, Tokyo                                 |
|        |              | Eastern Japan Automotive Department 3     | Utsunomiya, Tochigi                              |
|        |              | Eastern Japan Automotive Department 4     | Takasaki, Gunma                                  |
|        |              | Mid-Japan Automotive Department           | Toyota, Aichi                                    |
|        |              | Mid-Japan Hamamatsu Automotive Department | Hamamatsu, Shizuoka                              |
|        |              | Western Japan Automotive Department       | Osaka City, Osaka, and Hiroshima City, Hiroshima |

| Region       | Company Name                                    | Location                  |
|--------------|-------------------------------------------------|---------------------------|
| The Americas | NSK Corporation                                 | Michigan, USA             |
|              | NSK Precision America, Inc.                     | Indiana, USA              |
|              | NSK Steering Systems America, Inc.              | Vermont, USA              |
|              | NSK Rodamientos Mexicana, S.A. de C.V           | Silao, Guanajuato, Mexico |
|              | NSK Brasil Ltda.                                | Suzano, Brazil            |
| Europe       | NSK UK Ltd.                                     | Nottinghamshire, UK       |
|              | NSK Deutschland GmbH                            | Ratingen, Germany         |
|              | NSK France S.A.S.                               | Guyancourt, France        |
|              | NSK Italia S.P.A.                               | Milano, Italy             |
|              | NSK Polska Sp. z o.o.                           | Kielce, Poland            |
| Asia         | NSK (China) Investment Co., Ltd.                | Kunshan, China            |
|              | NSK Bearings Manufacturing (Thailand) Co., Ltd. | Chonburi, Thailand        |
|              | Siam NSK Steering Systems Co., Ltd.             | Chachoengsao, Thailand    |
|              | Rane NSK Steering Systems Ltd.                  | Tamil Nadu, India         |
|              | NSK Korea Co., Ltd.                             | Seoul, South Korea        |

## Main Manufacturing Sites

| Region                  | Company Name                                    |                             | Location                 |
|-------------------------|-------------------------------------------------|-----------------------------|--------------------------|
| Japan                   | NSK Ltd.                                        | Fujisawa Plant              | Fujisawa, Kanagawa       |
|                         |                                                 | Fukushima Plant             | Shirakawa, Fukushima     |
|                         |                                                 | Ohtsu Plant                 | Ohtsu, Shiga             |
|                         |                                                 | Ishibe Plant                | Konan, Shiga             |
|                         |                                                 | Saitama Plant               | Hanyu, Saitama           |
|                         |                                                 | Takasaki Plant/Haruna Plant | Takasaki, Gunma          |
|                         | NSK Kyushu Co., Ltd.                            |                             | Ukiha, Fukuoka           |
|                         | Inoue Jikuu Kogyo Co., Ltd.                     |                             | Tondabayashi, Osaka      |
|                         | NSK Steering Systems Co., Ltd.                  |                             | Maebashi, Gunma          |
|                         | NSK Micro Precision Co., Ltd.                   |                             | Fujisawa, Kanagawa       |
|                         | NSK-Warner K. K.                                |                             | Fukuroi, Shizuoka        |
|                         | Amatsuji Steel Ball Mfg. Co., Ltd.              |                             | Kadoma, Osaka            |
| NSK Machinery Co., Ltd. |                                                 | Kuki, Saitama               |                          |
| The Americas            | NSK Corporation                                 |                             | Indiana, USA             |
|                         | NSK Precision America, Inc.                     |                             | Indiana, USA             |
|                         | NSK Steering Systems America, Inc.              |                             | Tennessee, USA           |
|                         | NSK Bearings Manufacturing, Mexico, S.A. de C.V |                             | Silao Guanajuato, Mexico |
|                         | NSK Brasil Ltda.                                |                             | Suzano, Brazil           |
| Europe                  | NSK Bearings Europe Ltd.                        |                             | Durham, UK               |
|                         | NSK Bearings Polska S.A.                        |                             | Kielce, Poland           |
|                         | NSK Steering Systems Europe (Polska) Sp z o.o.  |                             | Walbrzych, Poland        |

| Region | Company Name                                    | Location               |
|--------|-------------------------------------------------|------------------------|
| Asia   | Kunshan NSK Co., Ltd.                           | Kunshan, China         |
|        | NSK Steering Systems Hangzhou Co., Ltd.         | Hangzhou, China        |
|        | Pt. NSK Bearings Manufacturing Indonesia        | Bekasi, Indonesia      |
|        | NSK Bearings Manufacturing (Thailand) Co., Ltd. | Chonburi, Thailand     |
|        | Siam NSK Steering Systems Co., Ltd.             | Chachoengsao, Thailand |
|        | Rane NSK Steering Systems Ltd.                  | Haryana, India         |
|        | NSK Korea Co., Ltd.                             | Changwon, Korea        |

**(9) Employees (as of March 31, 2020)**

| Business                       | Number of Employees | Year-on-Year Change |
|--------------------------------|---------------------|---------------------|
| Industrial Machinery           | 6,677<br>(537)      | -201<br>(-59)       |
| Automotive                     | 20,868<br>(2,605)   | -613<br>(-965)      |
| Intersegmental (Common), Other | 3,202<br>(400)      | +77<br>(+9)         |
| Total                          | 30,747<br>(3,542)   | -737<br>(-1,015)    |

- Notes: 1. Number of employees does not include officers of the Company or its subsidiaries.  
2: Numbers in brackets denote the average number of temporary employees directly employed by the Company and its subsidiaries during the fiscal year.

**(10) Major Lenders (as of March 31, 2020)**

| Lender                               | Outstanding Loan Amount |
|--------------------------------------|-------------------------|
| Mizuho Bank, Ltd.                    | ¥46,163 million         |
| MUFG Bank, Ltd.                      | ¥27,816 million         |
| The Bank of Yokohama, Ltd.           | ¥15,190 million         |
| Meiji Yasuda Life Insurance Company  | ¥13,500 million         |
| Nippon Life Insurance Company        | ¥13,000 million         |
| Fukoku Mutual Life Insurance Company | ¥8,500 million          |

Notes: 1. *Outstanding loan amount includes loans from overseas subsidiaries of the lenders.*  
2. *Outstanding loan amounts are rounded down to the nearest one million yen.*

## 2. Stock Information (as of March 31, 2020)

- |                                       |                                                                       |
|---------------------------------------|-----------------------------------------------------------------------|
| (1) Total number of authorized shares | 1,700,000,000 shares                                                  |
| (2) Number of issued shares           | 518,357,142 shares<br>(excluding 32,910,962 shares of Treasury stock) |
| (3) Number of shareholders            | 47,268                                                                |
| (4) Top Ten Shareholders              |                                                                       |

| Shareholders                                                            | Number of shares owned in thousands | Holding ratio |
|-------------------------------------------------------------------------|-------------------------------------|---------------|
| The Master Trust Bank of Japan, Ltd. (Trust Account)                    | 48,828                              | 9.42%         |
| Japan Trustee Services Bank, Ltd. (Trust Account)                       | 31,155                              | 6.01%         |
| Meiji Yasuda Life Insurance Company                                     | 27,626                              | 5.33%         |
| Nippon Life Insurance Company                                           | 27,543                              | 5.31%         |
| Fukoku Mutual Life Insurance Company                                    | 22,400                              | 4.32%         |
| Mizuho Bank, Ltd.                                                       | 18,211                              | 3.51%         |
| The Master Trust Bank of Japan, Ltd. (Toyota Motor Corporation Account) | 10,709                              | 2.07%         |
| Toyota Motor Corporation                                                | 10,000                              | 1.93%         |
| NSK Customer Shareholding Association                                   | 8,712                               | 1.68%         |
| JPMorgan Chase Bank<br>385151                                           | 7,838                               | 1.51%         |

- Notes:
- 1. Numbers of shares are rounded down to the nearest thousand.*
  - 2. In calculation of the shareholding ratio, the treasury shares of the Company (32,910,962 shares) are excluded from the total number of shares issued.*
  - 3. The treasury shares do not include 5,733,708 shares of the Company held by the trust account related to the share delivery trust.*

### 3. Stock Acquisition Rights

Outline of Stock Acquisition Rights held by Officers of the Company as of the end of the Fiscal Year

|                                              |                                         |                                  |       |
|----------------------------------------------|-----------------------------------------|----------------------------------|-------|
| Exercise period for Stock Acquisition Rights |                                         | August 21, 2015 to July 29, 2025 |       |
| Officers issued Stock Acquisition Rights     | Directors (excluding outside directors) | 7                                | 1,350 |
|                                              | Outside Directors                       | 1                                | 80    |
|                                              | Executive Officers                      | 20                               | 1,640 |
| Type of shares to be issued upon exercise    |                                         | Common stock                     |       |
| Number of shares to be issued upon exercise  |                                         | 307,000 shares                   |       |
| Issue price of Stock Acquisition Rights      |                                         | Gratis                           |       |
| Issue price per share                        |                                         | ¥1,806                           |       |

Notes: 1. Resolved by the Board of Directors based on the provisions of Articles 236, 238 and 240 of the Companies Act.

2. The number of target shares for each Stock Acquisition Right is 100 shares.

For directors who also serve as executive officers, Stock Acquisition Rights provided are listed in the Directors column.

## 4. Officers of the Company

### (1) Directors of the Company (as of March 31, 2020)

#### I. Concurrent Responsibilities, etc. of Directors

| Name               | Main Assignments and Responsibilities                                                                                                             |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| Toshihiro Uchiyama | Member of the Nomination Committee                                                                                                                |
| Saimon Nogami      |                                                                                                                                                   |
| Shigeyuki Suzuki   |                                                                                                                                                   |
| Yasuhiro Kamio     |                                                                                                                                                   |
| Akitoshi Ichii     | Member of the Compensation Committee                                                                                                              |
| Nobuo Goto         |                                                                                                                                                   |
| Toshihiko Enomoto  | Member of the Audit Committee                                                                                                                     |
| Teruhiko Ikeda     | Chair of the Compensation Committee, Advisor of Mizuho Trust & Banking Co., Ltd.                                                                  |
| Hajime Bada        | Chair of the Nomination Committee, Advisor of JFE Holdings, Inc., Director of Mitsui Chemicals, Inc., Independent Auditor of Asagami Corporation. |
| Akemi Mochizuki    | Chair of the Audit Committee, Employee of Akahoshi Audit Corporation, Outside Director of Tsumura & Co.                                           |
| Toshio Iwamoto     | Member of the Compensation Committee, Chief Corporate Adviser of NTT Data Corporation, External Auditor of IHI Corporation                        |
| Yoshitaka Fujita   | Member of the of the Nomination Committee, Executive Advisor of Murata Manufacturing Co., Ltd.                                                    |

- Notes:
- 1 Teruhiko Ikeda, Hajime Bada, Akemi Mochizuki, Toshio Iwamoto, and Yoshitaka Fujita are Outside Directors as defined in Article 2, Paragraph 15 of the Companies Act of Japan.*
  - 2. Teruhiko Ikeda, Hajime Bada, Akemi Mochizuki, Toshio Iwamoto, and Yoshitaka Fujita have been reported as Independent Directors to the Tokyo Stock Exchange.*
  - NSK has also established its own criteria for the independence of outside directors. These criteria are listed on page 15 of the Notice of the 159th Ordinary General Meeting of Shareholders.*
  - 3. Akemi Mochizuki, Chair of the Audit Committee, is a Certified Public Accountant and possesses considerable experience and insight in the fields of finance and accounting.*
  - 4. The Company has assigned non-independent director Toshihiko Enomoto as a full-time member of the Audit Committee in order to improve the effectiveness and efficiency of the Committee. Full-time members of the Audit Committee perform audit duties, attend key meetings, gather information from the operating organizations, monitor and direct the Internal Audit Department, and share this information with all Audit Committee members.*
  - 5. Directors Kazuaki Kama and Yasunobu Furukawa retired from their positions as of June 25, 2019*

#### II. Liability Limitation Agreement

Pursuant to Article 427, Paragraph 1 of the Companies Act and Article 27 of the Articles of Incorporation of the Company, the Company has executed agreements to limit liability for damage of Directors under Article 423, Paragraph 1 of the Companies Act with all Directors (excluding executive directors). The limits of liability for damage under the agreement are equal to the minimum amount of liability as set forth in the relevant laws and regulations.



**(2) Executive Officers of the Company (as of March 31, 2020)**

| Title                                                 | Name               | Main Assignments and Responsibilities                                                                                                       |
|-------------------------------------------------------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Representative,<br>President and CEO                  | Toshihiro Uchiyama | CEO                                                                                                                                         |
| Representative,<br>Senior Executive<br>Vice President | Saimon Nogami      | CFO                                                                                                                                         |
| Representative,<br>Executive Vice<br>President        | Shigeyuki Suzuki   | Head of Automotive Business Division HQ                                                                                                     |
| Representative,<br>Executive Vice<br>President        | Yasuhiro Kamio     | Head of Industrial Machinery Business Division HQ                                                                                           |
| Representative,<br>Executive Vice<br>President        | Akitoshi Ichii     | Responsible for Administrative Divisions, Head of Corporate Planning Division HQ, Responsible for Asia, Responsible for IR Office           |
| Executive Vice<br>President                           | Masatada Fumoto    | Head of Automotive Steering & Actuator Division Headquarters                                                                                |
| Executive Vice<br>President                           | Nobuo Goto         | Responsible for Technology Divisions, Responsible for Quality Assurance Divisions, Head of Technology Development Division HQ               |
| Senior Vice<br>President                              | Koji Inoue         | Head of Human Resources Management Division HQ, President of NSK Human Resource Services Ltd., President of NSK Friendly Services Co., Ltd. |
| Senior Vice<br>President                              | Hiroya Miyazaki    | Head of Automotive Technology Development Center                                                                                            |
| Senior Vice<br>President                              | Adrian Browne      | Head of Finance Division HQ, Responsible for Europe and the Americas                                                                        |
| Senior Vice<br>President                              | Katsumi Kobayashi  | Deputy Head of Automotive Steering & Actuator Division HQ<br>President of NSK Steering Systems Co., Ltd.                                    |
| Senior Vice<br>President                              | Masami Shinomoto   | Responsible for Manufacturing, Head of Manufacturing Strategy Division HQ, Head of Procurement Division HQ                                  |
| Senior Vice<br>President                              | Hiromasa Orito     | Head of all Chinese operations, CEO of NSK (China) Investment Co., Ltd.                                                                     |
| Senior Vice<br>President                              | Kenichi Yamana     | Head of all ASEAN & Oceania Operations                                                                                                      |
| Senior Vice<br>President                              | Tomoyuki Yoshikiyo | Head of Automotive Powertrain Division HQ                                                                                                   |
| Senior Vice<br>President                              | Nobuaki Mitamura   | Head of Core Technology R&D Center                                                                                                          |
| Senior Vice<br>President                              | Tatsuya Atarashi   | Head of Sales & Marketing Division HQ                                                                                                       |
| Senior Vice<br>President                              | Hideki Ochiai      | Head of Automotive Sales and Marketing Division HQ, Head of Mid-Japan Automotive Department                                                 |

|                       |                      |                                                                                                                 |
|-----------------------|----------------------|-----------------------------------------------------------------------------------------------------------------|
| Senior Vice President | Kunihiko Akashi      | Head of Quality Assurance Division HQ                                                                           |
| Vice President        | Masaru Takayama      | Plant Manager, Ishibe Plant                                                                                     |
| Vice President        | Seiji Ijuin          | Head of Industrial Machinery Technology Center                                                                  |
| Vice President        | Takashi Yamanouchi   | Deputy Head of Manufacturing Strategy Division HQ                                                               |
| Vice President        | Susumu Ishikawa      | Deputy Head of Industrial Machinery Business Division HQ                                                        |
| Vice President        | Guoping Yu           | Deputy Head of all Chinese operations                                                                           |
| Vice President        | Hiroya Achiha        | Head of CMS Development Center, Technology Development Headquarters                                             |
| Vice President        | Keita Suzuki         | Deputy Head of Finance Division Headquarters, Deputy Head of Corporate Planning Division Headquarters           |
| Vice President        | Hayato Omi           | Deputy Head of Automotive Technology Development Center                                                         |
| Vice President        | Tamami Murata        | Head of CSR Division HQ                                                                                         |
| Vice President        | Hiroyuki Tsugimoto   | Head of ICT Division HQ                                                                                         |
| Vice President        | Larry Hagood         | Head of all Americas operations, CEO of NSK Americas, Inc.                                                      |
| Vice President        | Jean-Charles Sanchez | Deputy Head of Automotive Steering & Actuator Division HQ                                                       |
| Vice President        | Hisakazu Tadokoro    | Plant Manager, Fujisawa Plant                                                                                   |
| Vice President        | Narihito Otake       | Deputy Head of Steering & Actuator Technology Center, Deputy Head of Automotive Steering & Actuator Division HQ |
| Vice President        | Hikomichi Takemura   | Head of Needle Bearing Operation Division, Automotive Powertrain Division Headquarters                          |
| Vice President        | Tatsufumi Soda       | Deputy Head of Industrial Machinery Business Division HQ                                                        |
| Vice President        | Ulrich Nass          | Head of European operations                                                                                     |

*Note : Toshihiko Uchiyama, Saimon Nogami, Shigeyuki Suzuki, Yasuhiro Kamio, Akitoshi Ichii, and Nobuo Goto concurrently serve as directors of the Company.*

### **(3) Directors and Executive Officers' Compensation (as of March 31, 2020)**

#### **I. Policy for Determining Executive Compensation, etc.**

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

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

##### **a) Executive Officer's Compensation**

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

##### **i. Basic compensation**

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

##### **ii. Performance-based compensation**

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

##### **(1) Short-term performance-based compensation**

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

##### **(2) Mid- to long-term performance-based stock compensation**

In order to further incentivize contributions to a sustainable improvement of corporate value, to ensure they share the interests of shareholders, and to further reinforce the link between executive officer compensation and mid- to long-term stock price, the Company has introduced a performance-based stock compensation program using a Board Benefit Trust system.

Through the system, points are fixed every three years based on a relative evaluation of the Company's total shareholder return (TSR) through a comparison with the TOPIX growth rate, the equivalent for which company shares are then distributed upon retirement. However, for a certain portion of the above, NSK will compensate executive officers with the equivalent amount acquired by converting shares into cash.

## b) Directors' Compensation

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

### i. Basic compensation

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

### ii. Stock compensation

In order to further incentivize contributions to a sustainable improvement of corporate value and to ensure they share the interests of shareholders, the Company has introduced a stock compensation program using a Board Benefit Trust system. The system distributes company shares upon retirement based on points allocated each fiscal year, of which separate amounts are given for independent and internal directors. However, for a certain portion of the above, the Company will compensate directors with the equivalent amount acquired by converting shares into cash.

For directors who also serve as executive officers, stock-based compensation will not be provided for the director position.

### iii. Other Matters

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.

## II. Directors/Executive Officers' Compensation

The amount of compensation for directors and executive officers for the year ended March 31, 2020 was as follows:

|                      | Total compensation | Fixed compensation |                    | Performance-based compensation |                    | Stock compensation |                    |
|----------------------|--------------------|--------------------|--------------------|--------------------------------|--------------------|--------------------|--------------------|
|                      |                    | No. of officers    | Amount (¥ million) | No. of officers                | Amount (¥ million) | No. of officers    | Amount (¥ million) |
| Directors (internal) | ¥72 million        | 7                  | ¥65 million        | —                              | —                  | 1                  | ¥7 million         |
| Directors (outside)  | ¥77 million        | 7                  | ¥61 million        | —                              | —                  | 7                  | ¥15 million        |
| Executive officers   | ¥1,447 million     | 33                 | ¥1,058 million     | 31                             | ¥110 million       | 36                 | ¥279 million       |

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

#### (4) Outside Directors

##### I. Special interest between the Company and Directors

Concurrent posts held by the Company's independent directors are listed on page 48 of this Notice. Each of the persons listed below fulfill the Company's Criteria for Independence of Outside Directors listed on page 15 of this Notice.

Furthermore, no special interest exists between the Company and each Director below.

##### II. Main Roles and Responsibilities of Outside Directors

| Name            | Attendance at Board of Directors and Committee Meetings                                                                                                                | Main Roles and Responsibilities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Teruhiko Ikeda  | Board of Directors: 100% (10 of the 10 meetings held)<br>Compensation Committee: 100% (5 of the 5 meetings held)<br>Audit Committee: 100% (15 of the 15 meetings held) | Mr. Ikeda utilizes his considerable experience and insight as a corporate executive to provide appropriate guidance to the Board of the Directors, particularly in the fields of compliance and corporate governance, thereby contributing to further enhancement of the Company's corporate value.<br>In addition to leading the Compensation Committee as Chairperson and reporting to the Board of Directors as required, he has also fulfilled his role as a member of the Audit Committee, actively contributing his insight and expertise. |
| Hajime Bada     | Board of Directors: 90% (9 of the 10 meetings held)<br>Nomination Committee: 100% (8 of the 8 meetings held)                                                           | Mr. Bada utilizes his considerable experience and insight as a corporate executive to provide appropriate guidance to the Board of the Directors, particularly in the fields of compliance and corporate governance, thereby contributing to further enhancement of the Company's corporate value.<br>She also leads the Nomination Committee as Chair, reporting to the Board of Directors as required.                                                                                                                                         |
| Akemi Mochizuki | Board of Directors: 100% (10 of the 10 meetings held)<br>Audit Committee: 100% (15 of the 15 meetings held)                                                            | Ms. Mochizuki utilizes her considerable experience and insight as a Certified Public Accountant to provide appropriate guidance to the Board of Directors, particularly in the fields of compliance and corporate governance, thereby contributing to further enhancement of the Company's corporate value.<br>She also leads the Audit Committee as Chair, reporting to the Board of Directors as required.                                                                                                                                     |
| Toshio Iwamoto  | Board of Directors: 100% (7 of the 7 meetings held)<br>Compensation Committee: 100% (4 of the 4 meetings held)                                                         | Mr. Iwamoto utilizes his considerable experience and insight as a corporate executive to provide appropriate guidance to the Board of the Directors, particularly in the fields of compliance and corporate governance, thereby contributing to further enhancement of the Company's corporate value.<br>He has also fulfilled his role as a member of the Compensation Committee, actively contributing his insight and expertise.                                                                                                              |

|                  |                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                               |
|------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Yoshitaka Fujita | Board of Directors: 100% (7 of the 7 meetings held)<br>Nomination Committee: 100% (7 of the 7 meetings held) | Mr. Fujita utilizes his considerable experience and insight as a corporate executive to provide appropriate guidance to the Board of the Directors, particularly in the fields of compliance and corporate governance, thereby contributing to further enhancement of the Company's corporate value. He has also fulfilled his role as a member of the Nomination Committee, actively contributing his insight and expertise. |
|------------------|--------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

*Notes: The data show each candidate's attendance at the meetings of the Board of Directors and Committees held during fiscal 2019 (April 1, 2019, through March 31, 2020). While Toshio Iwamoto was appointed as a director and member of the Compensation Committee (upon completion of the 158th Ordinary General Meeting of Shareholders), Yoshitaka Fujita was appointed as a director and member of the Nomination Committee. Accordingly, the number of meetings they attended differs from other directors.*

## 5. Status of Accounting Auditor

### (1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

### (2) Amount of remuneration, etc., of Accounting Auditor for the fiscal year under review

|     |                                                                                                                                      |              |
|-----|--------------------------------------------------------------------------------------------------------------------------------------|--------------|
| [1] | Amount of remuneration payable for the audit service as stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act | ¥192 million |
| [2] | Total amount of monetary or other property benefits to be paid by the Company and its subsidiaries                                   | ¥213 million |

*Notes: 1. Amounts are rounded down to the nearest million yen.*

*2. In the audit agreement between the Company and the Accounting Auditor, there is no demarcation of the remuneration for audits based on the Companies Act and the remuneration for audits based on the Financial Instruments and Exchange Act, and therefore, the amount in [1] above represents the combined sum of the two.*

*3. The Company commissions and pays compensation to the Accounting Auditor for work outside the scope of services stipulated under Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit work).*

*4. Of the Company's principal subsidiaries, NSK Korea Co. Ltd., is subject to audits (limited to those under the provisions of the Companies Act or the Financial Instruments and Exchange Act, or foreign laws and regulations equivalent to such laws) of financial statements of a certified public accountant or an auditing corporation other than the Company's Accounting Auditor (including those with equivalent foreign qualifications).*

*5. Taking into consideration the "Practical Guidelines for Cooperation with Accounting Auditor" announced by the Japan Audit & Supervisory Board Members Association, the Audit Committee has given consent to the remuneration, etc., to be paid to the Accounting Auditor as stipulated in Article 399, Paragraph 1 of the Companies Act, as a result of confirming and examining the details of the auditing plan of the Accounting Auditor, status of execution of duties, basis for calculation of estimates of remuneration for previous fiscal years, and other matters through reports and interviews as well as necessary materials obtained from Executive Officers, relevant departments of the Company and the Accounting Auditor.*

### **(3) Policy on Accounting Auditor dismissal or non-reappointment decision**

If judged to be necessary by the Audit Committee, for example in the event of there being obstacles to the performance of the duties of an Accounting Auditor, the Company shall propose the dismissal or non-reappointment of the Accounting Auditor to the General Meeting of Shareholders.

In the event that it is deemed that any of the reasons for dismissal prescribed in Article 340, Paragraph 1 of the Companies Act apply to the Accounting Auditor, the Audit Committee shall dismiss the Accounting Auditor, and shall report the dismissal and the reasons therefor to the first General Meeting of Shareholders convened after the dismissal.

## **6. Corporate Governance and Related Policies**

### **(1) Systems for Ensuring Compliance with Laws and Regulations and the Company's Articles of Incorporation in the Execution of Duties by Executive Officers, and Other Systems for Securing Appropriateness of Duties**

The following section outlines NSK's systems for ensuring compliance with laws and regulations and the Company's Articles of Incorporation during the execution of duties by executive officers, in addition to other systems for securing the appropriateness of operations, as resolved by the Board of Directors (Basic Policy), as well as the operational status of the aforementioned systems.

#### **I. Structure to ensure appropriateness of operations in the NSK Group**

##### **Basic Policy**

NSK shall strive to improve internal control over the NSK Group as a whole, improve the soundness and transparency of management, and manage its business smoothly according to "NSK Group Management Rules." Based on this policy, NSK aims to establish a structure that ensures the appropriateness of operations throughout the NSK Group.

In addition, NSK shall receive, on either a periodic or continuous basis, reports from the NSK Group's respective divisions regarding relevant duties, and reports from directors of subsidiary companies or equivalent persons regarding the performance of their duties, in accordance with NSK Group rules governing management and business procedures.

The Audit Committee or specific Audit Committee members appointed by the Audit Committee shall receive reports from subsidiaries on a regular basis. If necessary, they may visit the subsidiaries themselves or cooperate with the auditor of each subsidiary to inspect the status of operations and assets.

In addition, when the Audit Committee finds it necessary, it may instruct the Internal Audit Department to perform this task under the direction of the Audit Committee members.

##### **Operational Status**

NSK's business is operated consistently across the entire Group in accordance with the basic framework for group governance stipulated in NSK Group Management Rules. Each of the NSK Group's divisions report on key matters, including the status of business execution, in accordance with NSK Group rules governing management and business procedures. In addition, the Company works to expand and enhance its internal regulations in light of heightening societal interest in corporate governance, revision of related laws and regulations, and the NSK Group's management needs.

Based on its audit plan, the Audit Committee conducted site audits and observations of operating divisions both in and outside Japan in conjunction with the Internal Audit Department in order to investigate the progress status of key management tasks and related measures.

## **II. Structure to ensure executive officers and employees of NSK and directors and employees of its subsidiaries conform to laws and regulations and the Articles of Incorporation during performance of duties**

### **Basic Policy**

“NSK Code of Corporate Ethics,” “Corporate Governance Rules” and “Compliance Rules,” which are based on the NSK Corporate Philosophy, prescribe the fundamental principles that executive officers and employees of NSK and directors and other officers/employees of subsidiaries shall comply with, the structure for promoting compliance, and basic matters for operation (organization, structure for training, internal whistleblowing system, etc.)

By fostering awareness of compliance among all officers and employees and strengthening/improving internal controls, NSK aims to prevent violation of laws, regulations, and the Articles of Incorporation. In particular, NSK will prevent violation of competition laws in Japan and abroad by ensuring adherence to “Rules for Compliance with Competition Law.”

In order to strengthen the compliance structure of the NSK Group, NSK will maintain a Compliance Committee and install dedicated organizations to implement concrete measures based on the policies set by the aforementioned committee. The organizations shall work on an ongoing basis to raise awareness of and strengthen compliance through educational initiatives to encourage all NSK Group employees to recognize their responsibility to act as good corporate citizens and to oversee the implementation status of designated measures.

Furthermore, the Group’s Finance Division Headquarters shall ensure the establishment and operation of internal controls over financial reporting by the NSK Group as a whole, based on the “Rules for Internal Control over Financial Reporting,” while the Internal Audit Department (IAD) shall evaluate their implementation. This system secures a structure from which reasonable assurance of financial reporting reliability can be obtained.

As its basic policy, NSK takes a resolute stance against all antisocial forces that threaten the order and safety of civil society, and shall decline relationships, including business relationships, with such parties. In addition, NSK shall not accede to any unreasonable or illegal demands from such parties.

### **Operational Status**

NSK has established the compliance framework stipulated in internal regulations such as the “Corporate Governance Rules” and “Compliance Rules”(organization, training and education systems, whistleblowing system, etc.,) established the necessary subordinate rules to effectively prevent illegal acts, and is working to promote compliance awareness and deploy related measures across the Group, both in and outside Japan.

In addition to repeatedly emphasizing the importance of a compliance-first culture, open, transparent workplace communication, and ceaseless improvement and innovation, the NSK Group’s CEO has established an annual NSK Corporate Philosophy Day (July 26th)—an occasion on which all officers and employees reaffirm their commitment to compliance. Among other activities, the heads of each organization speak directly to employees regarding compliance issues and workplace culture. In addition, we also conduct a periodic awareness survey of all officers and employees in order to gage the level of compliance awareness within the organization as well as identify any problems occurring in the workplace or areas requiring improvement.

With regards to the reliability of our financial reporting, Finance Division HQ is responsible for developing and operating internal processes, while the Internal Audit Department assesses and validates their soundness.

## **III. Structure for ensuring efficient performance of duties by executive officers of NSK and directors and other officers of subsidiaries**

### **Basic Policy**

NSK Group Management Rules provide the framework to ensure efficient performance of duties by executive officers of NSK and directors and other officers/employees of subsidiaries regarding principles governing group management, decision-making mechanisms, continuous monitoring of business risks, and each NSK group company’s performance targets and management.



## **Operational Status**

Based on the management framework stipulated in NSK Group Management Rules, roles and responsibilities, including those of the Company's executive officers and the directors of its subsidiaries, are clearly defined and operations conducted in an efficient manner with no unnecessary duplication. Decision-making bodies have been designated according to level of importance of the matter at hand in order to achieve efficient business operation.

The Company's management policies and objectives are outlined in its Mid-Term Management Plan. The year under review represents the first year of this plan. We summarized the achievements, shortcoming and challenges during this period.

## **IV. Rules and other frameworks in the NSK Group for management of risk of loss**

### **Basic Policy**

The NSK Group's Risk Management Rules stipulate the responsible persons and roles of organizations in the execution system, govern the Group's risks exhaustively and comprehensively, and clarify the risk management system.

The Internal Audit Department audits risk the management status of each division and reports results to the Audit Committee. The Committee reports this information to the Board of Directors on a regular basis.

### **Operational Status**

NSK has established a risk management framework as stipulated in the Company's Risk Management Rules and adopted a range of measures in order to avoid or reduce risks. Risks including changes in technology, natural disasters and infectious diseases, and changes in local conditions are comprehensively identified and reported on either a periodic or immediate basis. The Internal Audit Department coordinates with the internal auditing divisions of each site or region to classify and evaluate critical risks. The Department monitors the Group's risk management status based on the risk reports submitted by each site as well as site audits, and reports its findings to the Audit Committee.

## **V. Framework for saving and retention of information related to performance of duties by executive officers of NSK and directors and other officers/employees of subsidiaries**

### **Basic Policy**

The framework for saving and retention of information regarding performance of duties by executive officers of NSK and directors and other officers of subsidiaries shall follow the provisions of NSK Group Management Rules, NSK Group Rules on Saving and Retention of Documents and NSK Group Information Security Standards.

Executive officers of NSK and directors and other officers/employees of subsidiaries shall make information regarding the above easily available upon request of the Audit Committee or Audit Committee member(s) appointed by the Committee.

### **Operational Status**

NSK has established a Group-wide regulatory framework for storing information/information security, and stores and manages information in line with these internal rules during the course of its business operations.

Regarding security related to the protection of personal information and the protection of confidential information, a dedicated organization continuously enhances its measures through the establishment of an operational system that complies with laws and public standards, and educational activities.

## **VI. Matters required for the execution of Audit Committee duties**

### **Basic Policy**

#### **a) Matters concerning members of the board and employees who should support the duties of the Audit Committee**

NSK's Internal Audit Department is designated as the organization tasked with supporting the duties of the Audit Committee. Selected employees of the Internal Audit Department shall support the duties of the Audit Committee either full-time or part-time.

#### **b) Matters concerning independence from the executive officer in charge of the Internal Audit Department and effectiveness of directions issued to the Internal Audit Department**

The Internal Audit Department shall be an organization reporting directly to the CEO, independent from audit subject divisions.

In order to conduct organizational audits, the Audit Committee may give direct instructions/directions to the head of the Internal Audit Department or employees belonging to the Internal Audit Department. Official notification of appointment or disciplinary disposition of the head of the Internal Audit Department and Internal Audit Department staff requires the prior consent of the Audit Committee.

In addition, the Audit Committee may state opinions about the performance evaluation of the head of the Internal Audit Department and Internal Audit Department staff.

#### **c) NSK Group framework for reporting to the Audit Committee**

The NSK Group shall establish a framework under which the responsible persons in business divisions and Group Companies are required to report on items deemed necessary by the Audit Committee. Any events with the potential to cause substantial detriment to the NSK Group must be reported to the Audit Committee on a regular basis. When it is judged that an event likely to cause substantial detriment to the Group has occurred, details must be reported to the Audit Committee immediately.

As a means to complement reports, Audit Committee members appointed by the Audit Committee may attend important meetings on the NSK Group which the Audit Committee finds necessary, with consent of the host of the meeting. In addition, executive officers shall establish an internal whistleblowing system in the NSK Group and report the operation and status of whistleblowing to the Audit Committee or Audit Committee member(s) appointed by the Committee without delay.

In addition to the content or methods of the reports stipulated above, directors, executive officers, employees, and auditors of the NSK Group, or persons receiving reports from the aforementioned parties, may report to the Audit Committee.

The NSK Group shall prohibit unfavorable treatment of any person reporting to the Audit Committee as a result of the aforementioned or other reports, regardless of the reporting format, and ensure that this policy is understood throughout the NSK Group.

#### **d) Other structures for ensuring effective auditing by the Audit Committee**

The Audit Committee shall exchange opinions with the CEO and accounting auditor on a regular basis, and, in order to ensure the effectiveness of internal audits performed by the Internal Audit Department, may recommend to executive officers changes to audit plans, performance of additional audits, or improvements in light of the annual internal audit plan, its implementation status, and results. In addition, if necessary during the course of their audit duties the Audit Committee may hire their own consulting lawyer, or receive advice from specialist lawyers or accountants.

NSK shall process expenses incurred during the performance of Audit Committee members' duties in a prompt and appropriate manner, in accordance with the designated methods.

## **Operational Status**

The Audit Committee creates an audit policy as well as an annual audit plan. In addition to conducting day-to-day auditing duties, the Committee also coordinates with the Internal Audit Department, which serves as its support organization, in order to audit the Group.

In addition to holding regular discussions with the Company's CEO, CFO, and accounting auditor, the Committee reviews the plans, implementation status, and results of internal audits performed by the Internal Audit Department (including appraisal of internal control over financial reporting), and directs changes or improvements where necessary.

## **(2) Basic Guidance Regarding Control of the Company**

### **I. Outline of the Basic Policy regarding Persons Controlling the Company's Decisions concerning Financial and Business Policies**

The Company is a stock company whose shares are traded on capital markets, and therefore, 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, there is a possibility that a sudden and unsolicited large-scale purchase of shares could occur without necessary and sufficient information being disclosed and an opportunity to consider the proposal being given to the shareholders, and without the NSK's Board of Directors being provided with the information and time to express its opinion and make an alternative proposal. Such large-scale purchases of shares could damage the Company's corporate value and the common interests of its shareholders if, for instance, the purchaser does not intend to manage the Company reasonably or in good faith.

We believe that any party that makes a large-scale purchase of the Company shares that damages NSK's corporate value and the common interests of its shareholders is not an appropriate party to control decisions concerning financial and business policies.

### **II. Special Endeavors which Contribute to the Realization of the Basic Guidance**

#### **a) Endeavors to Enhance Corporate Value under the Mid-Term Management Plan**

The NSK Group aims to establish a corporate foundation capable of sustainable growth in the mid- to long-term, in order to continue providing value to society through our Motion & Control technology.

Focused on this goal, NSK began its 6th Mid-Term Management Plan (FY2019 to FY2021).

The primary objective of the 6th Mid-term Management Plan is to build a business base and strengthen resources in preparation for the next growth phase. The business base is comprised of our four core values, "safety, quality, compliance, and environment." We will maintain the two key policies set forth in the 5th Mid-Term Plan (2016 to 2018) that act as pillars for our strategy house: Operational Excellence (constant pursuit of competitiveness) and Challenging Innovation (creation of new value), while working to address three main management tasks: new initiatives targeting growth, enhancing managerial resources, and contributing to the environment and society.

The three main management tasks and details of initiatives are shown below.

#### 1. New initiatives targeting growth:

- Expand sales of NSK's core products in the growth segments of electrification, automation, environment, and IoT.
- Sales growth by marketing new products in growth segments.
- Restore growth in the Electric Power Steering (EPS) business by enhancing our product lineup.

#### 2. Enhancement of managerial resources:

- Innovate personnel development by restructuring training and education institutions, promoting work style reform and health and productivity management, and promoting diversity and inclusion.
- Achieve innovation in manufacturing by utilizing IoT technology.
- Innovate product development through ceaseless refinement of NSK's core technology and further

utilization of open innovation.

3. Contribution to the environment and society:

- Reduce CO2 emissions, both through our business activities and by developing environmentally friendly products, and effectively utilize resources.
- Create high-quality products which are safe and deliver peace of mind to the market and our customers, and develop a thorough safety-first internal culture.
- Be a company that is trusted by society and create a positive, inclusive work environment.
- Enhance Group governance and further dialogue with stakeholders.

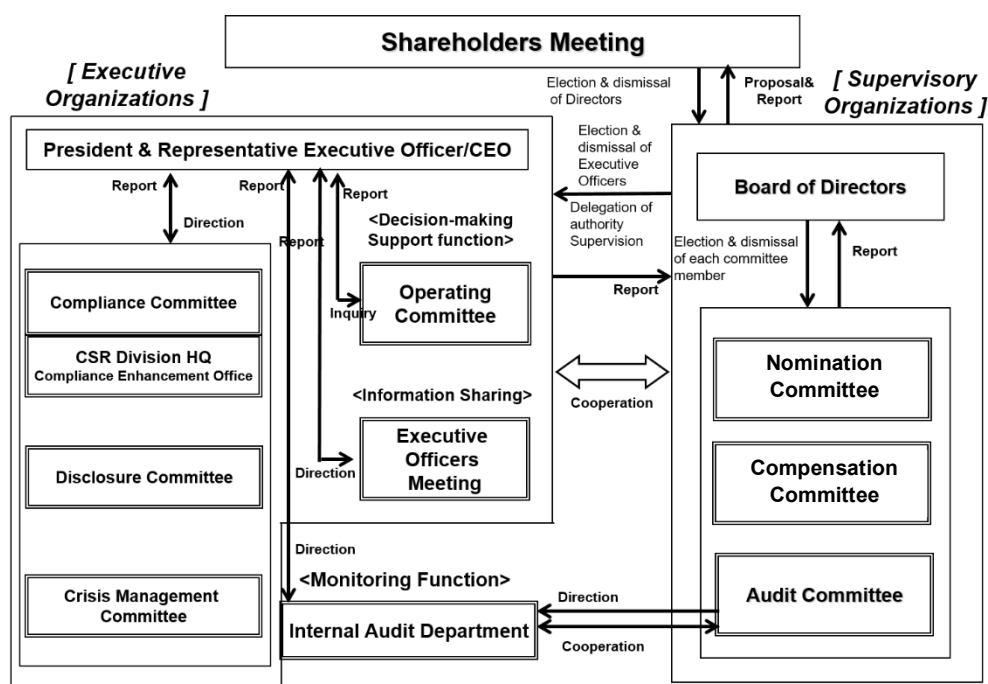
The NSK Group will continue contributing to the resolution of societal issues and the sustainable development of society through its corporate activities and the evolution of its Motion & Control technology, while also aiming for ongoing growth through the initiatives above.

**b) Endeavors to Enhance Corporate Governance**

The Company has been actively working to improve the transparency and soundness of its management-related decision-making in order to fulfill its social responsibilities as well enhance its corporate value and, by extension, the common interests of its shareholders. Even before shifting to a Company with Committees, etc. governance system in 2004, the Company worked to enhance its governance by introducing an executive officer system, inviting outside directors onto its board, and voluntarily establishing a compensation committee and audit committee. The Company is currently endeavoring to further improve its management transparency and soundness under a Company with Three Committees (Nomination, Audit and Compensation) structure, with each the three committees (nominating committee, audit committee, and compensation committee) comprised of an internal director and a majority of outside directors.

Each of the Company’s outside directors have been registered to the Tokyo Stock Exchange as independent directors.

The Company’s governance and internal control systems are outlined below:



### **III. Endeavors to Prevent Decisions concerning the Company's Financial and Business Policies from Being Controlled by Inappropriate Persons in Light of the Basic Policy**

Based on the resolution of the Annual Shareholders' Meeting held on June 23, 2017, the Company continues to take countermeasures (the "Plan") regarding the large-scale purchase of the Company's shares. The Plan is effective through to the conclusion of the Annual General Meeting of Shareholders scheduled to be held in June 2020.

The Plan applies to (1) a purchase of share certificates, etc. of the Company whose purpose is to make the holding ratio of rights to vote of the specific shareholders' group twenty (20)% or greater, or (2) a purchase of share certificates, etc. of the Company which, as a result, would make the holding ratio of the right to vote of the specific shareholders' group twenty (20)% or greater, provided, however that the Plan does not apply to a purchase which is consented to by the board of directors in advance. A purchase to which the Plan applies is referred to as a "Large-scale Share Purchase," and a person who conducts or is about to conduct a Large-scale Share Purchase is referred to as the "Large-scale Share Purchaser." Large-scale Share Purchase Rules state that the Large-scale Share Purchaser can only commence the Large-scale Share Purchase after providing information necessary and sufficient for shareholders to make a decision and for the Board of Directors to evaluate etc., and, after providing this information, completion of a specified period during which the Board of Directors will evaluate and examine the proposal of the Large-scale Share Purchase, negotiate with the Large-scale Share Purchaser, form its opinion on the Large-scale Share Purchase and/or elaborate alternative proposals (the "Board of Directors' Evaluation Period").

In the case where the Large-scale Share Purchaser commences a Large-scale Share Purchase in compliance with the Large-scale Share Purchase Rules, the board of directors will, as a general rule, not trigger countermeasures to such Large-scale Share Purchase. The board of directors, however, may express its objections, etc., to shareholders. Notwithstanding the foregoing, if such Large-scale Share Purchase is reasonably deemed to be likely to materially damage the Company's corporate value and shareholders' common interests, after the expiration of the Board of Directors' Evaluation Period, the board of directors may hold a shareholders' meeting and ask the shareholders to decide whether to trigger countermeasures. In addition, as an exception to the foregoing, if such Large-scale Share Purchase falls under any of the types of abusive acquisitions described below and such Large-scale Share Purchase is reasonably deemed to materially damage the Company's corporate value and shareholders' common interests, the board of directors may trigger countermeasures.

On the other hand, in the case where the Large-scale Share Purchaser commences a Large-scale Share Purchase without complying with the Large-scale Share Purchase Rules, the board of directors may trigger countermeasures to secure and enhance its corporate value and its shareholders' common interests. Notwithstanding the foregoing, if the board of directors reasonably determines that it is practicable and is appropriate to hold a shareholders' meeting in order to confirm its shareholders' opinion and to have them decide whether to trigger countermeasures, the board of directors shall, after the expiration of the Board of Directors' Evaluation Period, hold a shareholders' meeting, and leave the shareholders to decide whether to trigger countermeasures.

When the board of directors decides on whether to trigger countermeasures, it shall take the following measures in order to secure the reasonableness and fairness of the board of directors' decision. Before triggering the countermeasures, the board of directors shall consult with the Independent Committee regarding whether to trigger countermeasures, whereupon the Independent Committee shall make a recommendation and the board of directors shall this recommendation to the greatest extent possible. The board of directors shall unanimously resolve to trigger countermeasures at a board of directors' meeting at which all directors are present. Under the Plan, the Company will, as a general rule, trigger an allotment of share options without contribution as a countermeasure.

Procedures related to the Plan are outlined on the following page. With respect to the details of the Plan, please see the "Continuation of the Response Measures to Large-scale Purchases of the Company Shares (Takeover Defenses)" as of date May 23, 2017, which is published on the Company's website at the address below.

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

#### **IV. Judgments of the Board of Directors and reasons therefor regarding the endeavors described above**

The endeavors described in [II] above are part of the Company's basic endeavors for the mid- to long-term improvement of the Company's corporate value, and have been undertaken for the purpose of enhancing the Company's corporate value and the common interests of its shareholders.

The endeavors described in [III] above have been introduced to require the Large-scale Share Purchaser to provide necessary information on the Large-scale Share Purchase, and secure the necessary period to evaluate etc. the substance of the Large-scale Share Purchase in order to secure and enhance the Company's corporate value and the common interests of its shareholders. In the endeavors described in [III] above, by preventing large-scale share purchases that fall under a certain type outlined in the plan, we will refer to the basic policy of [I] above to prevent the decisions of our financial and business policies from being controlled by inappropriate persons. Furthermore, as described in [III] above, there is a general rule to triggering countermeasures that requires the Board of Directors to hold a shareholders' meeting. If the Board of Directors resolves to trigger the countermeasures, the Board of Directors shall respect the recommendation of the Independent Committee to the greatest extent possible, before coming to a unanimous resolution on triggering countermeasures at a Board of Directors' meeting at which all of the directors are present. As a result, a range of systems and procedures have been put in place to eliminate any arbitrariness in the Board of Directors' decision-making and to secure the reasonableness and fairness of the endeavors.

Therefore, the Board of Directors believes that the endeavors described in [II] and [III] above are consistent with the basic policy described in [I] above, do not damage the common interests of the Company's shareholders, and are not for the purpose of allowing the Company's directors to maintain their position.

(For Reference)

NSK is pleased to announce the decision made at the board of directors' meeting held on June 2, 2020 that it will adopt the response measures to large-scale purchases of its shares as described below (the "Plan") with partial changes to the Former Plan, subject to shareholder approval at the FY2019 Shareholders' Meeting held on June 30, 2020 pursuant to Article 35 of its Articles of Incorporation.

For details, please refer to the Reference Documents for the General Meeting of Shareholders page 16 to page 33.

#### **(3) Policy on the Distribution of Cash Dividends**

NSK places great importance on shareholder returns. As part of the 6th Mid-Term Management Plan, spanning the three years beginning April 2019, we have aimed to provide stable dividends to our shareholders on an ongoing basis, and set the target of dividend payout ratio ranging from 30% to 50% as well as a per-share annual dividend of 40 yen or more on a consolidated basis. Also we regard treasury shares as an option to execute agile capital policy, and set a target of a total return ratio of 50% during the three-year period. We take into account the financial situation and so forth to make proper decisions for the execution.

Based on the policy stated above, we comprehensively took into account our business performance in this fiscal year and future business environment. As a result, unfortunately the year-end dividends for the fiscal year ended March 31, 2020 will be changed to ¥10.00 per share from ¥20.00 per share, which we released as a forecast in the beginning of this fiscal year and on January 30, 2020. The dividends for the first half of the year, paid on December 2, 2020, was ¥20.00 per share. Accordingly, the full year dividends for the fiscal year ended March 31, 2020 will be ¥30.00 per share, a ¥10 decrease from the fiscal year ended March 31, 2019.



### Consolidated Profit and Loss (Millions of yen)

|                                              | Fiscal 2019<br>From April 1, 2019 to March 31, 2020 | Fiscal 2018 (For Reference)<br>From April 1, 2018 to March 31, 2019 |
|----------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------------|
|                                              | Amount                                              | Amount                                                              |
| Net Sales                                    | 831,034                                             | 991,365                                                             |
| Cost of sales                                | 677,511                                             | 771,783                                                             |
| Gross profit                                 | 153,522                                             | 219,581                                                             |
| Selling, general and administrative expenses | 130,238                                             | 141,808                                                             |
| Investment gain on equity                    | 2,282                                               | 5,493                                                               |
| Other operating expenses                     | 1,961                                               | 3,987                                                               |
| Operating profit                             | 23,604                                              | 79,279                                                              |
| Financial income                             | 3,409                                               | 2,661                                                               |
| Financial expenses                           | 2,948                                               | 2,710                                                               |
| Profit before tax                            | 24,065                                              | 79,229                                                              |
| Corporate income tax expense                 | 5,956                                               | 20,491                                                              |
| Net income                                   | 18,108                                              | 58,738                                                              |
| Net income attributable to:                  |                                                     |                                                                     |
| Owners of the parent                         | 17,412                                              | 55,809                                                              |
| Non-controlling interests                    | 696                                                 | 2,928                                                               |

Note: Figures listed above are rounded down to the nearest one million yen.

### Consolidated Cash flow (Reference)

(Millions of yen)

|                                                     | Fiscal 2019<br>From April 1, 2019 to March 31, 2020 | Fiscal 2018 (For Reference)<br>From April 1, 2018 to March 31, 2019 |
|-----------------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------------|
| Cash flow from operating activities                 | 72,387                                              | 92,617                                                              |
| Cash flow from investing activities                 | (39,784)                                            | (72,673)                                                            |
| Cash flow from financing activities                 | (21,333)                                            | (20,477)                                                            |
| Conversion difference for cash and cash equivalents | (3,934)                                             | (784)                                                               |
| Increase/decrease in cash and cash equivalents      | 7,333                                               | (1,318)                                                             |
| Opening balance of cash and cash equivalents        | 129,965                                             | 131,283                                                             |
| Ending balance of cash and cash equivalents         | 137,298                                             | 129,965                                                             |

Note: Figures listed above are rounded down to the nearest one million yen.



**Balance Sheet****(Millions of yen)**

|                                      | Fiscal 2019<br>From April 1, 2019 to March 31, 2020 | Fiscal 2018 (For Reference)<br>From April 1, 2018 to March 31, 2019 |
|--------------------------------------|-----------------------------------------------------|---------------------------------------------------------------------|
| <b>Assets</b>                        |                                                     |                                                                     |
| <b>Current assets</b>                | <b>255,615</b>                                      | <b>271,121</b>                                                      |
| Cash and deposit                     | 84,650                                              | 25,682                                                              |
| Bills receivable                     | 3,909                                               | 6,979                                                               |
| Electronically recorded receivables  | 16,359                                              | 20,468                                                              |
| Accounts receivable                  | 65,197                                              | 77,181                                                              |
| Securities                           | —                                                   | 48,000                                                              |
| Products                             | 24,294                                              | 24,715                                                              |
| WIP                                  | 16,800                                              | 18,571                                                              |
| Raw materials and supplies           | 4,046                                               | 3,481                                                               |
| Accounts receivable                  | 33,104                                              | 39,171                                                              |
| Other current assets                 | 7,392                                               | 6,868                                                               |
| Allowance for doubtful accounts      | (139)                                               | —                                                                   |
| <b>Fixed assets</b>                  | <b>410,753</b>                                      | <b>420,011</b>                                                      |
| <b>Property, plant and equipment</b> | <b>138,256</b>                                      | <b>134,940</b>                                                      |
| Building                             | 42,754                                              | 41,689                                                              |
| Structures                           | 2,724                                               | 2,502                                                               |
| Machinery and equipment              | 57,039                                              | 54,277                                                              |
| Vehicle carrier                      | 355                                                 | 232                                                                 |
| Tools, instruments and equipment     | 5,732                                               | 5,572                                                               |
| Land                                 | 18,352                                              | 18,897                                                              |
| Lease assets                         | 1,747                                               | 1,408                                                               |
| Construction in progress             | 9,550                                               | 10,360                                                              |
| <b>Intangible fixed assets</b>       | <b>11,855</b>                                       | <b>12,007</b>                                                       |
| Lease-hold                           | 934                                                 | 934                                                                 |
| Other intangible fixed assets        | 10,920                                              | 11,072                                                              |
| <b>Investment and other assets</b>   | <b>260,640</b>                                      | <b>273,063</b>                                                      |
| Investment securities                | 40,682                                              | 57,915                                                              |
| Stock of subsidiaries                | 125,447                                             | 125,635                                                             |
| Investment in affiliated companies   | 45,129                                              | 45,129                                                              |
| Long-term loan                       | 3,200                                               | 500                                                                 |
| Long-term prepaid expenses           | 366                                                 | 375                                                                 |
| Prepaid pension cost                 | 42,585                                              | 40,107                                                              |
| Other                                | 3,397                                               | 3,568                                                               |
| Allowance for doubtful accounts      | (168)                                               | (168)                                                               |
| <b>Total assets</b>                  | <b>666,368</b>                                      | <b>691,132</b>                                                      |

Note: Figures listed above are rounded down to the nearest one million yen.

(Debts listed on the following page)

|                                                        | Fiscal 2019<br>From April 1, 2019 to March 31, 2020 | Fiscal 2018 (For Reference)<br>From April 1, 2018 to March 31, 2019 |
|--------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------------------------|
| Debts                                                  |                                                     |                                                                     |
| Current liabilities                                    | 190,364                                             | 239,838                                                             |
| Bill of payment                                        | 2,138                                               | 3,530                                                               |
| Electronically recorded debt                           | 9,867                                               | 13,358                                                              |
| Accounts payable                                       | 61,842                                              | 79,887                                                              |
| Short-term debts                                       | 86,126                                              | 91,418                                                              |
| Corporate bonds                                        | —                                                   | 20,000                                                              |
| Lease liabilities                                      | 377                                                 | 325                                                                 |
| Accounts payable                                       | 10,963                                              | 12,075                                                              |
| Accrued expenses                                       | 14,416                                              | 17,267                                                              |
| Income taxes payable                                   | 3,755                                               | 856                                                                 |
| Deposit                                                | 864                                                 | 1,085                                                               |
| Other current liabilities                              | 12                                                  | 33                                                                  |
| Fixed debt                                             | 223,917                                             | 189,072                                                             |
| Corporate bonds                                        | 130,000                                             | 100,000                                                             |
| Long-term debts                                        | 78,500                                              | 70,500                                                              |
| Lease liabilities                                      | 1,458                                               | 1,158                                                               |
| Deferred tax liabilities                               | 5,622                                               | 8,707                                                               |
| Provision for employee stock benefits                  | 146                                                 | 111                                                                 |
| Provision for officer stock benefits                   | 1,547                                               | 1,464                                                               |
| Reserves for environmental measures                    | 1,056                                               | 1,193                                                               |
| Asset retirement obligation                            | 127                                                 | —                                                                   |
| Other fixed liabilities                                | 5,456                                               | 5,935                                                               |
| Total liabilities                                      | 414,281                                             | 428,911                                                             |
| Net assets                                             |                                                     |                                                                     |
| Equity attributable to owners of the parent            | 233,521                                             | 232,744                                                             |
| Capital                                                | 67,176                                              | 67,176                                                              |
| Capital surplus                                        | 78,956                                              | 79,064                                                              |
| Legal capital surplus                                  | 77,923                                              | 77,923                                                              |
| Other retained surplus                                 | 1,032                                               | 1,140                                                               |
| Retained earnings                                      | 124,749                                             | 124,139                                                             |
| Benefit reserve                                        | 10,292                                              | 10,292                                                              |
| Other retained earnings                                | 114,456                                             | 113,846                                                             |
| Reserve for advanced depreciation of noncurrent assets | 3,949                                               | 3,834                                                               |
| General reserve                                        | 87,766                                              | 79,766                                                              |
| Retained earnings brought forward                      | 22,741                                              | 30,246                                                              |
| Treasury shares                                        | (37,360)                                            | (37,635)                                                            |
| Valuation and translation adjustments                  | 18,142                                              | 28,795                                                              |
| Valuation difference on available-for-sale securities  | 18,142                                              | 28,795                                                              |
| Stock acquisition rights                               | 422                                                 | 681                                                                 |
| Total net assets                                       | 252,086                                             | 262,221                                                             |
| Total liabilities and net assets                       | 666,368                                             | 691,132                                                             |

Note: Figures listed above are rounded down to the nearest one million yen.

**Profit and Loss**
**(Millions of yen)**

|                                                        | Fiscal 2019<br>From April 1, 2019 to March 31, 2020 |                     | Fiscal 2018 (For Reference)<br>From April 1, 2018 to March 31, 2019 |                     |
|--------------------------------------------------------|-----------------------------------------------------|---------------------|---------------------------------------------------------------------|---------------------|
|                                                        | Amount                                              | Ratio to sales<br>% | Amount                                                              | Ratio to sales<br>% |
| Net Sales                                              | 427,006                                             | 100.0               | 493,524                                                             | 100.0               |
| Cost of sales                                          | 364,510                                             | 85.4                | 414,887                                                             | 84.1                |
| Gross profit                                           | 62,495                                              | 14.6                | 78,637                                                              | 15.9                |
| Selling, general and administrative expenses           | 68,868                                              | 16.1                | 74,738                                                              | 15.1                |
| Operating profit and operating loss                    | (6,372)                                             | (1.5)               | 3,899                                                               | 0.8                 |
| Non-operating income                                   | 29,844                                              | 7.0                 | 29,338                                                              | 5.9                 |
| Interest income and dividends                          | 28,330                                              |                     | 27,957                                                              |                     |
| Miscellaneous profit                                   | 1,513                                               |                     | 1,380                                                               |                     |
| Non-operating expenses                                 | 3,764                                               | 0.9                 | 4,511                                                               | 0.9                 |
| Interest expense                                       | 1,653                                               |                     | 1,915                                                               |                     |
| Miscellaneous losses                                   | 2,111                                               |                     | 2,596                                                               |                     |
| Ordinary income                                        | 19,706                                              | 4.6                 | 28,726                                                              | 5.8                 |
| Special profit                                         | 6,606                                               | 1.5                 | 1,680                                                               | 0.3                 |
| Gain on sale of investment securities                  | 6,089                                               |                     | 1,680                                                               |                     |
| Gain on sales of property, plant and equipment         | 517                                                 |                     | —                                                                   |                     |
| Extraordinary loss                                     | 204                                                 | 0.0                 | 825                                                                 | 0.2                 |
| Valuation loss on stock of subsidiaries and affiliates | 188                                                 |                     | —                                                                   |                     |
| Provision for environmental measures                   | 16                                                  |                     | 87                                                                  |                     |
| Impairment loss                                        | —                                                   |                     | 738                                                                 |                     |
| Income before income taxes                             | 26,109                                              | 6.1                 | 29,581                                                              | 6.0                 |
| Corporate tax, resident tax and business tax           | 320                                                 | 0.1                 | 1,377                                                               | 0.3                 |
| Corporate tax, etc.                                    | 2,999                                               | 0.7                 | —                                                                   | —                   |
| Income tax adjustment                                  | 1,521                                               | 0.4                 | (80)                                                                | (0.0)               |
| Total corporate taxes                                  | 4,841                                               | 1.1                 | 1,296                                                               | 0.3                 |
| Net income                                             | 21,267                                              | 5.0                 | 28,284                                                              | 5.7                 |

Note: Figures listed above are rounded down to the nearest one million yen.

# **Independent Auditor's Report**

## **(Consolidated Financial Statements)**

May 29, 2020

The Board of Directors, NSK Ltd.

Ernst and Young ShinNihon LLC

**Koki Ito**

Designated and Engagement Partner

Certified Public Accountant

**Makoto Matsumura**

Designated and Engagement Partner

Certified Public Accountant

**Yutaka Okubo**

Designated and Engagement Partner

Certified Public Accountant

### **Opinion**

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated statements of financial position, the consolidated statement of income, the statement of changes in net assets, and the notes to the consolidated financial statements of NSK Ltd. (the Company) applicable to the fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the consolidated financial statements, which were prepared in accordance with designated International Financial Reporting Standards with some omissions of disclosure items pursuant to the latter part of Article 120, Paragraph 1 of the Rules of Corporate Accounting, present fairly, in all material respects, the consolidated financial position of NSK Ltd. and its subsidiaries as of March 31, 2020, and their financial performance for the year then ended.

### **Rationale for Auditor's Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. The Auditor's Responsibility is detailed under "The Audit Committee's and Management's Responsibility for the Consolidated Financial Statements." We are independent of the Company and its subsidiaries and fulfill our other ethical responsibilities as an auditor in accordance with the provisions of professional ethics in Japan.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **The Audit Committee's and Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing consolidated financial statements, etc., management evaluates whether it is appropriate to prepare financial statements based on the premise of a going concern, and based on Article 120, Paragraph 1 of the Rules of Corporate Accounting, which permits companies to prepare consolidated financial statements with the omission of part of the disclosures required under International Financial Reporting Standards. If it is necessary to disclose matters relating to a going concern, management is also responsible for disclosing such matters.

The responsibility of the Audit Committee is to oversee the responsibilities of executive officers and the performance of duties by executive officers in developing and operating the financial reporting process.

### **Auditor's Responsibility for the Consolidated Financial Statements**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements arising from error or fraud. A material misstatement, which may arise from error or fraud, is determined to be material if it may affect the decision making of users of the consolidated financial statements. We conducted our audit in accordance with auditing standards generally accepted in Japan, drawing on our specialist professional knowledge in our decision making, and maintaining a healthy level of professional skepticism. We identify and assess material misstatement risks due to fraud or error, and propose and execute audit procedures accordingly. Audit procedures are selected and applied at our discretion. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The purpose of an audit of the

consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant in order to design audit procedures that are appropriate in the circumstances. Our audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates and related notes made by management.

In preparing consolidated financial statements, etc., management evaluates whether it is appropriate to prepare consolidated financial statements based on the premise of a going concern, and based on obtained audit evidence, concludes whether a going concern could lead to significant doubt or uncertainty regarding the premise of the going concern. If there is significant uncertainty regarding the premise of a going concern, management is responsible to provide explanation in the Notes to the Consolidated Financial Statements in the audit report in cases in which it is not appropriate to provide explanation, management is responsible to provide a comment explaining why explanation should be exempted.

Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events and conditions may cause the Company to cease to continue as a going concern. We evaluated whether the Consolidated Financial Statements and Notes thereto comply with Article 120, Paragraph 1 of the Rules of Corporate Accounting, which permits companies to prepare consolidated financial statements with the omission of part of the disclosures required under International Financial Reporting Standards. We also evaluated the presentation, composition and contents of the Consolidated Financial Statements and Notes thereto, and whether the Consolidated Financial Statements properly represent the underlying transactions and accounting events. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. We are responsible for directing, supervising and implementing the audit of the consolidated financial statements.

The auditor is solely responsible for the audit opinion. The auditor shall inform the Audit Committee of the scope and timing of planned audits, important audit findings including important deficiencies in internal controls identified during the audit process, and audit report on other matters required by the standard. We are responsible to report measures taken to eliminate, safeguard against, or reduce the potential impact of factors that could violate the provision of professional ethics in Japan or be reasonably considered to affect the independence of auditors.

#### **Conflicts of Interest**

We have no interest in the Company and its subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act.

# **Independent Auditor's Report**

## **(Non-Consolidated Financial Statements)**

May 29, 2020

The Board of Directors, NSK Ltd.

Ernst and Young ShinNihon LLC  
**Koki Ito**  
Designated and Engagement Partner  
Certified Public Accountant  
**Makoto Matsumura**  
Designated and Engagement Partner  
Certified Public Accountant  
**Yutaka Okubo**  
Designated and Engagement Partner  
Certified Public Accountant

### **Opinion**

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying non-consolidated financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the non-consolidated financial statement and the related supplementary schedules of NSK Ltd. (the Company) applicable to the 159th fiscal year from April 1, 2019 through March 31, 2020.

In our opinion, the non-consolidated financial statements etc. referred to above present fairly, in material aspects, the financial position and results of operations of NSK Ltd. applicable to the 159th fiscal year ended March 31, 2020 in conformity with accounting principles generally accepted in Japan.

### **Rationale for Auditor's Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. The Auditor's Responsibility is detailed under "The Audit Committee's and Management's Responsibility for the Non-consolidated Financial Statements etc." We are independent of the company and fulfill our other ethical responsibilities as an auditor in accordance with the provisions of professional ethics in Japan.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **The Audit Committee's and Management's Responsibility for the Non-consolidated Financial Statements etc.**

Management's responsibility is to prepare the non-consolidated financial statements etc. in accordance with corporate accounting standards generally accepted in Japan and disclose them appropriately. This includes the maintenance and operation of internal controls that the management deems necessary in order to prepare and properly display the non-consolidated financial statements etc. without material misstatement due to fraud or error.

In preparing the non-consolidated financial statements etc., management evaluates whether it is appropriate to prepare the non-consolidated financial statements etc. based on the premise of a going concern, and based on corporate accounting standards generally accepted in Japan. If it is necessary to disclose matters relating to a going concern, management is also responsible for disclosing such matters.

The responsibility of the Audit Committee is to oversee the responsibilities of executive officers and the performance of duties by executive officers in developing and operating the financial reporting process.

### **Auditor's Responsibility for the Non-consolidated Financial Statements etc.**

Our responsibility is to express an opinion on the non-consolidated financial statements etc. based on our audit. We conducted our audit to obtain reasonable assurance about whether the non-consolidated financial statements etc. are free from material misstatements arising from error or fraud. A material misstatement, which may arise from error or fraud, is determined to be material if it may affect the decision making of users of the non-consolidated financial statements etc. We conducted our audit in accordance with auditing standards generally accepted in Japan, drawing on our specialist professional knowledge in our decision making, and maintaining a healthy level of professional skepticism. We identify and assess material misstatement risks due to fraud or error, and propose and execute audit procedures accordingly. Audit procedures are selected and applied at our discretion.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit

opinion. The purpose of an audit of the non-consolidated financial statements etc. is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant in order to design audit procedures that are appropriate in the circumstances.

Our audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of accounting estimates and related notes made by management. In preparing non-consolidated financial statements etc., management evaluates whether it is appropriate to prepare non-consolidated financial statements etc. based on the premise of a going concern, and based on obtained audit evidence, concludes whether a going concern could lead to significant doubt or uncertainty regarding the premise of the going concern. If there is significant uncertainty regarding the premise of a going concern, management is responsible to provide explanation in the Notes to the Non-consolidated Financial Statements in the audit report in cases in which it is not appropriate to provide explanation, management is responsible to provide a comment explaining why explanation should be exempted.

Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events and conditions may cause the Company to cease to continue as a going concern. We evaluated whether the non-consolidated financial statements etc. and notes thereto conform with accounting principles generally accepted in Japan. We also evaluated the presentation, composition and contents of the non-consolidated financial statements etc. and notes thereto, and whether the financial statements etc. properly represent the underlying transactions and accounting events. The auditor shall inform the Audit Committee of the scope and timing of planned audits, important audit findings including important deficiencies in internal controls identified during the audit process, and audit report on other matters required by the standard. We are responsible to report measures taken to eliminate, safeguard against, or reduce the potential impact of factors that could violate the provision of professional ethics in Japan or be reasonably considered to affect the independence of auditors.

### **Conflicts of Interest**

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

## **Audit Report by the Audit Committee**

### **Audit Report**

The Audit Committee, having audited the execution of duties by the Directors and Executive Officers during the 159th fiscal term from April 1, 2019 to March 31, 2020, reports on the audit method and results as follows.

#### **1. Auditing Method Applied and Details Thereof**

The Audit Committee audited the contents of the resolutions of the Board of Directors regarding matters stipulated in Article 416, Paragraph 1, Item 1(b) and 1(e) of the Companies Act and the system (internal control system) established in accordance with those resolutions, by receiving regular reports on the status of development and operation of the system from the Directors, Executive Officers and employees, etc., requesting explanations as necessary, and expressing opinions, as well as by the following methods.

- i. In accordance with the auditing policies, allocation of duties, the auditing plan of the fiscal year under review, etc. established by the Audit Committee, and cooperating with the internal auditing division of the Company, the Audit Committee attended important meetings, received reports regarding execution of duties from the Directors and Executive Officers, etc., requested explanations when necessary, inspected the contents of important approval documents, etc., and examined the status of business and assets at the Company's headquarters and other principal offices. Furthermore, with regard to the Company's subsidiaries, the Audit Committee communicated and exchanged information with and, when necessary, received reports on the status of the business and other matters from the subsidiaries' Directors and Corporate Auditors, etc.
- ii. The Audit Committee reviewed the basic policies stipulated in Article 118, Item 3(a) of the Ordinance for Enforcement of the Companies Act and the activities stipulated in (b) in the same Item, which are described in the business report, based on the deliberations at the meetings of the Board of Directors and other meetings.
- iii. The Audit Committee also monitored and verified whether the Accounting Auditor was maintaining its independence and conducting the audits appropriately, and also received reports of the status of the execution of duties from the Accounting Auditor, requesting explanations as necessary. Further, the Audit Committee received notification from the Accounting Auditor that it had established a "system for ensuring the proper execution of its duties" (matters stipulated in the items of Article 131 of the Rules of Corporate Accounting) in compliance with the "Standards for the Quality Control of Audits" (Business Accounting Council, October 28, 2005).

Based on the methods above, the Audit Committee has examined the business report and its supplementary schedules, the non-consolidated financial statements (the balance sheet, statement of income, statement of changes in net assets and notes to the non-consolidated financial statement) and their supplementary schedules, as well as the consolidated financial statements (the consolidated statement of financial position, consolidated statement of income, consolidated statement of changes in equity and notes to the consolidated financial statement).



## 2. Results of Audit

### (1) Results of audit of business report, etc.

- i. The business report and its supplementary schedules present fairly the condition of the Company in conformity with related laws, regulations, and the Articles of Incorporation.
- ii. Regarding the execution of duties by Directors and Executive Officers, there were no instances of misconduct or material matters in violation of laws, regulations or the Articles of Incorporation.
- iii. The content of the resolution by the Board of Directors regarding the internal control system was appropriate. Furthermore, there are no matters to be pointed out regarding the description in the business report and the execution of duties by Directors and Executive Officers concerning such internal control system.
- iv. The basic policy, described in the business report, regarding those who control the Company's financial and business policies, is appropriate. The activities stipulated in Article 118, Item 3(b) of the Ordinance for Enforcement of the Companies Act, described in the business report, are in line with such basic policies, do not adversely affect the common interests of the Company's shareholders, and are not for the purpose of maintaining the status held by the management of the Company.

### (2) Results of audit of non-consolidated financial statements and their supplementary schedules

The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

### (3) Results of audit of consolidated financial statements

The auditing methods and results of the Accounting Auditor, Ernst & Young ShinNihon LLC, are appropriate.

June 1, 2020

**Akemi Mochizuki**

Audit Committee Member

**Teruhiko Ikeda**

Audit Committee Member

**Toshihiko Enomoto**

Standing Audit Committee Member

Note: Ms. Akemi Mochizuki and Mr. Teruhiko Ikeda are Outside Directors as provided for in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.