At a Glance

Foundation

Number of Employees

1916

30,378

(As of March 31, 2021)

Number of Global Sites

32 countries and regions worldwide

(146 locations overseas)

Headquarters

6

Sales offices, etc.

112

Production sites

66

R&D centers

21

(As of March 31, 2021)

Market Share

Share in Japan

No. 1

No. 3

Bearing sales

Major Competitive Advantages of NSK’s Business

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

Sales Breakdown by Business Segment/by Region

NSK is involved in two business segments: the Industrial Machinery Business, consisting of industrial machinery bearings and precision machinery and parts, and the Automotive Business, consisting of automotive bearings and automotive components.

Industrial Machinery Business

-

Automotive Components

29%

Automotive Bearings

31%

Other

3%

Bearing Sales

-

Other Asia

14%

Europe

13%

The Americas

14%

Japan

37%

Precision Machinery and Parts

6%

Sales

¥747.6 billion

(Year ended March 31, 2021)

NSK Report 2021 Editorial Policy

The NSK Report 2021 is designed to provide readers with a deeper understanding of how the Company works with stakeholders to create collaborative value that meets the expectations of the world over the long term based on its Motion & Control™ concept, and of the processes that will achieve both social contribution and corporate development. This Report provides a concise summary of all information deemed important in the Group’s efforts to create collaborative value. (For more details)

NSK Corporate Philosophy and NSK Vision 2026

Creating Collaborative Value with Stakeholders

- Aiming for Sustainable Growth

NSK’s Collaborative Value Creation Process

- Together with NSK Corporate Philosophy - Our History

- NSK Supporting Society

- To Our Stakeholders

- NSK’s Business Model for Collaborative Value Creation

- NSK’s Business Activities and Corporate Collaborative Value Creation - Deepening of the Value Chain

Creating Collaborative Value with Stakeholders

Strategies and Performance

Progress on Strategies for 2026

- 10th Mid-Term Management Plan Targets and Progress

- Industrial Machinery Business/Automotive Business

- New Initiatives Targeting Growth

- Enhance Managerial Resources

- 9.7% Contribution to the Environment and Society

Financial Strategy/Policy on Shareholder Returns

- Financial and Non-Financial Highlights

Data Section

- NSK’s Collaborative Value Creation Process

Foundation Supporting Sustainability

Core Technologies and Taking Up

- The Challenge of Creating New Collaborative Value

- Global Business Foundation

- Climate Change-related Risks and Opportunities: Addressing the TCFD Recommendations

- Human Rights and Labor Initiatives

- Compliance

- Risk Management

- Disaster Risk Management

- Information Security Management

- Corporate Governance

- Interview with NSK’s Outside Directors

- Dialogue with Shareholders and Investors

- Management

- Data Section

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

- Consolidated Financial Statements

- Basic Knowledge ofBearings

- Glossary

- NSK Group

- Information for Investors/Company Data

- Third-Party Assurances

Special Feature:

- Collaborative Value Creation and Beyond: Contributing to Technological Innovation – Aiming for Sustainable Growth

- Special Feature 1: NSK’s Environmental Contributions

- Special Feature 2: Contributing to Technological Innovation

Disclaimer

Information included in this report is based on historical facts. Changes in financial conditions, market trends, and other factors could lead to differences between the goals and the actual results. The information in this document is intended to provide general guidance and should not be considered as advice or a recommendation for specific actions. In case of any discrepancy between the Japanese and English versions, the Japanese original text shall prevail. This document is not intended and should not be relied upon. If there is any event that has occurred, or has been found to have occurred, on or after September 30, 2021, NSK makes no representation and warranty that this document is a complete or accurate translation of the original Japanese text, and it is provided in the absence of warranty, whether express or implied, that it is complete or accurate. This document is an English translation of NSK Report 2021 dated September 30, 2021, and, as such, may contain errors or omissions. The Company is not responsible for any errors or omissions or any discrepancies between the Japanese and English versions. The information herein is provided for the reader's reference only, and should not be construed as advice or a recommendation for specific actions. In case of any discrepancy between the Japanese and English versions, the Japanese original text shall prevail. This document is not intended and should not be relied upon.
Toshihiro Uchiyama
Chairman and Director

The business environment in which NSK operates is undergoing rapid change. Against this backdrop, the Company has initiated steps to enter its next growth phase under a new leadership structure following the appointment of Akitoshi Ichii as President and Chief Executive Officer and Toshihiro Uchiyama as Chairman and Director in April 2021.

NSK has never wavered from its corporate philosophy, which is to contribute to a safer, smoother society and help protect the global environment through its innovative technology integrating Motion & Control™ while working across national boundaries to improve relationships between people throughout the world.

Guided by our corporate philosophy, we will continue to collaborate with stakeholders to create value with the aim of contributing to the resolution of social issues while achieving sustainable growth as a company.

Akitoshi Ichii
President and Chief Executive Officer

NSK’s Collaborative Value Creation Process

The NSK Corporate Philosophy comprises four parts—the Mission Statement, Management Principles, Corporate Message, and Action Guidelines. It is based on creating the collaborative value on which all NSK Group employees rely. Moreover, NSK Vision 2026, formulated to mark the 100th anniversary of the Company’s founding, expresses the vision that we aspire to achieve over the mid- to long-term, with 2026 as the target year. The NSK Group is committed to achieving further growth based on the NSK Corporate Philosophy and NSK Vision 2026.

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

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

Corporate Message
Responsive and Creative Motion & Control™

We bring motion to life, to enrich lifestyles, and to build a brighter future. Dedicated to uncovering society’s needs, we set ideas in motion, to deliver solutions beyond imagination. We’re NSK.

And, we’re setting the future in motion.
In 1916, NSK was established as Japan’s first manufacturer of bearings in Osaki-cho, Ebara-gun, Tokyo (the site of its current headquarters: Osaki, Shinagawa-ku, Tokyo). With a history that spans more than 100 years, the Company has developed an array of innovative technologies and contributed to the reduction of energy loss through all of its products including bearings.

In 1991, on the occasion of the 75th anniversary of its founding, NSK formulated its Corporate Philosophy, which defines the “spirit,” “direction,” and “ideal image” of NSK in the 21st century.

NSK’s Collaborative Value Creation Process

Together with NSK Corporate Philosophy – Our History –

The NSK Corporate Philosophy comprises four parts—the Mission Statement, Management Principles, Corporate Message, and Action Guidelines. It is based on creating the collaborative value on which all NSK Group employees rely. Taking the view that NSK works diligently to support a variety of industries and to expand its business overseas, while further developing as a company that contributes to society through its technologies and the quality of our products, the Mission Statement sets the guidelines for what is needed and how to communicate so that NSK become a company that is needed by society, and as policy sets forth the following four concepts.

1. Motion & Control™

Each of these terms represents our business fields. Specifically, “Motion” symbolizes our complex hardware, machinery, and systems, whereas “Control” refers to our sophisticated software and electronics systems. NSK will foster this Motion & Control™ as its key value and asset, and strive to be a company that constantly works to fulfill society’s needs.

2. Contribute to a Safer, Smoother Society

The social role played by NSK is to ensure that moving objects such as automobiles, industrial machinery, and precision machinery operate properly and can accomplish whatever tasks they are designed for. In turn, supports a range of industries and makes society as a whole run smoother and safer.

3. Help Protect the Global Environment

NSK believes itself as contributing to the protection of the global environment. To this end, NSK strives to develop products that contribute to the environment by enabling a longer service life span, that are more compact, and that reduce friction. We seek to maximize our environmental contribution by conserving energy and resources at the customer usage stage by promoting products. In addition, we promote energy and resource conservation, as well as the reduction of environmentally harmful substances in our own company, and strive to minimize the environmental burden.

4. Work Across National Boundaries to Improve Relationships between People throughout the World

NSK’s spirit and “direction” espoused in our Corporate Philosophy continues to be the starting point of NSK’s efforts at sustainability. Prior to the era of the terms “CSR” and “ESG,” NSK clearly stated its engagement with society and efforts to protect the environment within its Corporate Philosophy as it carried out its corporate activities.

So that each NSK Group employee will reflect on our Corporate Philosophy and make it his/her own code of conduct. July 26 of every year has been designated as “NSK Corporate Philosophy Day” (see P. 55). NSK aims to balance its contribution to the resolution of social issues with sustainable growth as a company that is needed and trusted in the world based on its corporate philosophy.

NSK’s Collaborative Value Creation Process

Through NSK Corporate Philosophy

NSK’s Collaborative Value Creation Process
NSK’s Collaborative Value Creation Process

NSK Supporting Society

NSK is creating collaborative value to support society everywhere in the world. A vast array of NSK products continue to excel in every industry, ranging from home appliances, medical equipment, automobiles, railways, and other items that support people’s daily lives to machine tools, robotics, wind turbines, steelmaking facilities, drones, and telecommunication base stations.

NSK products will continue to support a society that is safe, secure, comfortable, and environmentally friendly.
As communicated by our vision of “Change & Go Beyond to Set the Future in Motion,” NSK is committed to continuously creating new value proposals.

At the time of my appointment as president and CEO in April of this year, I set “Change & Go Beyond to Set the Future in Motion” as my vision as president and as a new Companywide initiative. I envision NSK as a company that keeps society in motion 100 or even 1,000 years into the future, a company that is needed, trusted, and relied upon by society, and a company that is vibrant, energetic, and engaging as it works toward high future-oriented goals while continuing to take on new challenges and moving forward. Through a process of ongoing evolution, I would like to firmly pass the baton that has been entrusted to me to the next generation.

Facing the Challenges of “Change & Go Beyond”

The world is constantly moving to the tune of such key themes as decarbonization, electrification, digital transformation, remote work, and AI, as well as falling birthrates and aging populations. A passive response to these changes and advancements will result in our falling behind the times and a loss of competitiveness in the marketplace. Maintaining a sense of crisis is both healthy and important. While the experience and knowledge we have cultivated over our 100-year history is irreplaceable, our traditional growth strategies, way of dealing with customers, and services will gradually become obsolete or impractical. Instead of considering things as an extension of conventional thought, there is a need to imagine the world 10 or 20 years down the line and to carefully consider what we need to do now to adapt accordingly. As we move forward, we must continue to set high goals for the future, take on new challenges, and go beyond what we have built in the past. I would like us to continue proposing new value to society by means of the concept of “Change & Go Beyond” and build the competitiveness necessary to survive in this era of change.

It is important to have a concrete image of the form and vision of what we hope to achieve by “Change & Go Beyond.” If we communicate this vision in a clear and expressive language, it can be shared by the entire working team. Amid ongoing discussions on what form NSK should take in the next 10 to 20 years, how we should go about achieving our goals, and given our new mid-term management plan, it is important for each division and department to have a more concrete vision of their aspirations. To realize our vision, as a company we will create a form that can be shared together with a system that enables quick and flexible decision-making and the use of cross-sectional, agile resources without being tied up by precedent.

In fiscal 2020, the year ended March 31, 2021, the Company posted net sales of ¥747.6 billion, operating income of ¥6.4 billion, and an operating income margin of 0.9%. This represented a decrease in sales and profits for a third consecutive year. Amid the ongoing business environment deterioration brought about by U.S.-China trade friction and the COVID-19 pandemic, it will remain difficult to achieve the sales and profit targets set under the 6th Mid-Term Management Plan. In the fiscal year ending March 31, 2022, the final year of the Plan, we assume that the demand environment will recover from the previous year. However, we also recognize that uncertainties surrounding such issues as the supply chains, the spread of new COVID-19 variants, and soaring material costs will remain. The important thing is to continue improving even against the backdrop of this anticipated uncertainty. We will always operate while keeping an eye on the next year, the year after that, and beyond.

Even though the business environment surrounding NSK is changing, I believe that three areas—the environment, electrification, and digital transformation—will be key for the Company to continuously collaborate with its stakeholders to create value and grow.

Environmentally Friendly Technologies

Conservation of the global environment is part of our corporate philosophy and one of the reasons for our existence. We also position the environment as a core value that has the highest priority in management decision-making and activities, alongside safety, quality, and compliance. The key performance required of our products is low torque, that is, reduced friction for the smooth motion of machines and vehicles. The smooth motion of machines and vehicles in such industries as automobiles, home appliances, medical equipment, machine tools and robotics, wind power generation, communications base stations, and data centers will help increase efficiency and save energy. One of our core technologies is tribology, understanding and controlling
friction. Improving the performance of each bearing and reducing torque leads to a reduction of energy loss in customers’ products and machines. Moreover, when transmitting power not only with a single bearing but also in a complex manner with multiple shafts and gears, we aim to improve our proposal capabilities and how to combine and rotate bearings to achieve the optimum design for the entire power transmission system. Even in reducing CO2 emissions at factories, we would like to be a company that can work with its customers to create solutions that enable energy savings by means of its products, which support the motion of machine tool manufacturers’ equipment and machines. With tribology at the core of our business, we have been working on improving and evolving this branch of engineering for some time. However, the concept of product design up to now has focused on quality, weight, and cost. In addition to these, awareness of the need to reduce CO2 emissions is now on the rise. I would like all the Company’s employees to feel proud that we are earnestly addressing environmental issues and that all our daily activities are making a difference for the betterment of the environment. For this reason, we have begun to introduce and share NSK’s collaborative value efforts through training, e-learning, and the use of digital signage.

NSK has announced details of two environment-related milestone targets. The first is to substantially offset CO2 emissions (Scope 1, 2, and 3) from its business activities by 2030. The second is to reduce CO2 emissions in business activities by 60% compared with fiscal 2017 by 2050. With global environmental trends moving ahead of schedule, it is imperative that we accelerate our efforts. Therefore, in June 2021, the Carbon Neutrality Department was established as an organization under my direct supervision. From a Companywide as well as mid- to long-term perspective, we will promote energy-saving activities to reduce CO2 emissions; the reform of materials, parts, and construction methods; and the procurement of renewable energy. In addition, to further deepen employee awareness, our mission is to reduce CO2 emissions and to produce indicators that visualize the amount of contribution. I believe that in the near future NSK’s products will be produced in factories with zero environmental impact and that NSK’s products and services will contribute significantly to reducing CO2 emissions, which will enhance our competitiveness in the market. We will continue to promote further advancements in environmentally friendly technologies through our efforts toward carbon neutrality as an additional NSK strength.

Aiming for Optimal Proposals by Utilizing Digital Twin Technology

Another of the key themes is digital transformation. NSK has been digitizing its business systems since the 1970s. We have created and utilized our own systems while improving them and making them compatible with external systems. First, by mitigating the platforms of those systems to open software, we will proceed with system reconstruction and the inspection and standardization of business processes.

NSK is currently focusing on digital twin technology in its application of digital technology. Until now, it could be said that know-how accumulated through empirical engineering was for the most part responsible for the advances in the field of development and design. By further deepening the process of digitization, I believe that it will be possible to analyze the phenomenon caused by friction more theoretically, shorten development lead times, and make more appropriate proposals. For example, we have been optimizing grease composition for use in rotating components mainly through real-world experiments. With the evolution of digital visualization technology, however, grease behavior can be theoretically, regulated, and verified in a simulation. The torque of a single bearing varies depending on its size and specifications, and the efficiency of energy transmission and rotational provision vary depending on the combination of the two. Therefore, digital twin technology enables us to make proposals on how to best match bearings with specifications for an application or an overall system. We are aiming to create new value that leads to safer, more secure proposals that are better for the global environment.

It is also important to be able to properly explain the basis for NSK product designs. The fact that these can be explained makes it easy to propose that changing something in the design would be better even in cases where the customer’s parts and usage conditions change. I believe that digital twins will also make it possible to further refine this strength.
To Our Stakeholders

NSK’s Collaborative Value Creation Process

Being a “Fulfilling Company to Be a Part Of”

One of my missions as president is to ensure that NSK is a “fulfilling company to be a part of.” It is important for NSK to be a company where employees find value in the work they do and the people they meet, a company where the experience of working at NSK becomes a learning experience, and a company where employees find it interesting to work. This applies not only to employees but also to customers, distributors, and suppliers. It is vital that all stakeholders are happy to work with NSK and that the Company is respected by local communities.

To that end, I will work to create a culture where we can accept diversity while mutually respecting and being considerate of each other. I consider it my duty to nurture a culture in which people can freely discuss various ideas and thoughts with peace of mind, and to create an environment where we can take on challenges. In addition, the fact that the experience of working at NSK is valuable to a person means that his or her career will be recognized by society. Whether a salesperson or an engineer, working at NSK is credible and worthwhile. There are opportunities to build a lot of experience and to receive education in the Company. This education is not just a case of completing a program, as the skills gained can also be applied to the outside world. For example, this can take the form of a qualification and an asset that is considered to have value. In terms of experience, it is important for the Company to firmly establish and implement systems, such as job rotations. There are also those who study at NSK and seek opportunities to play active roles elsewhere. I am delighted to hear what they are doing outside NSK. On the other hand, if working at NSK increases people’s value, good people will gather at NSK. Increasing the value of human resources is essential for NSK to continuously create value, and I will continue to focus on this aspect in the years to come.

In terms of human resources, we have been selected as a White 500 company, which is in recognition of our outstanding body have been highly evaluated. NSK has been certified as a White 500 company, which is in recognition of our outstanding health and productivity management organization, for the fourth consecutive year.

As president, I think the most important thing I can do when interacting with employees is engage in direct communication. Considering the COVID-19 pandemic, business trips in Japan and overseas have unfortunately been beyond our control, with communications with overseas employees in particular limited to video messages. In the months ahead, as restrictions on travel are eased, I would like to take as much time as possible and put more effort into dialogue with employees. I also believe it is important to take seriously the questions and problems raised through communications and how we respond to them.

NSK’s Collaborative Value Creation Process

Incorporated into our customers’ products, such as bearings, automotive components, and linear motion products, our tribology technology supports their functions and improves energy efficiency to save energy but is not limited to our customers’ products alone. For example, our technology is utilized on the production lines of products such as automobiles and in the machines for making the equipment used on production lines. NSK’s products are involved in the entire value chain of industrial systems and have contributed to the reduction of energy loss throughout industry. As the movement toward a carbon neutral society accelerates, NSK believes that it can make further contributions, and I personally would like to lead in the collaborative creation of new social value with our stakeholders.

To be a company that keeps society in motion 100 or even 1,000 years into the future, a company that is needed, trusted, and relied upon by society, and a company that is vibrant, energetic, and engaging that works toward high-future-oriented goals while continuing to take on new challenges and moving forward, we will endeavor to “Change & Go Beyond.” As we work toward achieving our goals, we ask for your continued support and cooperation.

New Social Value

For a company to be needed and trusted by society, it is vital to exhibit financial sustainability together with non-financial strength.
NSK’s Collaborative Value Creation Process

NSK’s Business Model for Collaborative Value Creation

Under its Corporate Philosophy, NSK presented “NSK Vision 2020” and “Vision for 2026,” and is currently implementing the 6th Mid-Term Management Plan (6th MTP), which is positioned to cover the first three years for realizing these visions.

The business environment encompassing NSK is continuously changing. The company therefore aims to balance its contributions to resolving social issues with its sustainable growth as a company by continuing to create collaborative value with stakeholders throughout the value chain. This effort will rely on effectively and efficiently utilizing a diverse range of capital while capturing global megatrends and the direction of progress.

<table>
<thead>
<tr>
<th>Global Megatrends</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decarbonization, Electrification, Automation, Renewable Energy, IoT, AI, Digitalization, Remote, Distributed, Non-contact, Falling Birthrates, Aging Populations</td>
</tr>
</tbody>
</table>

Product lines and areas of endeavor:

- 61% of all products have been reviewed in terms of their environmental, social, and ethical impacts.

Vision for 2026

Contribution to Resolve Social Issues

Sustainable Growth of NSK

Data Section

Special Feature

Manufacturing Capital

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

Intellectual Capital

- 100 years of accumulated know-how
- Fast-Cycle Technologies plus One
- Knowledge/expertise in specialist fields
- R&D centers

Human Capital

- Highly qualified engineers, skilled workforce, sales personnel, globally minded talent
- Corporate governance structure (Three Committees, system, global compliance framework)

Financial Capital

- Capital, interest-bearing debt, cash reserves

Social/Relationship Capital

- Relationships of trust with external parties (customers, distributors, sales outlets, users, suppliers, local communities)
- R&D divisions with external parties
- Globally recognized and trusted NSK brand

Natural Capital

- Minerals (e.g., iron ore, coal), water, energy

### The 6th Mid-Term Management Plan

**Vision and for 2026 beyond**

- Business Growth and Profitability
- Utilization of Robust Managerial Resources
- Mass Production Design/Preparation
- Procurement
- Sales/Aftermarket
- R&D

**Feedback**

**Core**

- Safety
- Values
- Environment

**Foundation Support**

- Technological Foundation
- Global Business Foundation
- Risk Management
- Corporate Governance

**Output and Outcomes**

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

- Other Outcomes
  - Output as a burden on the environment
  - Greenhouse gases (GHGs), industrial waste, water discharge

### Outputs

- Share of bearings market
  - Ranked third in the world
- Number of EPIs (treated on vehicles) (cumulative total)
  - Approx. 100 million
- Number of patents held
  - 8,172 patents
- (1.022 million in the previous fiscal year)
- Net cash annually operating activities
  - ¥33.8 billion
- Dividends/Payout ratio
  - 61.4 billion/2.685%
- Lost-worktime injury frequency rate (global)
  - 0.43 in the previous fiscal year
- Diversity (global)
  - Ratio of female employees 18.0%
  - (19.8% in the previous fiscal year)
- Number of employees who took childcare leave
  - 775 Women

Japan Management College

- Total number of graduates over 10 years: 327
- (including graduates of the former Management School)

Global Management College

- Total number of graduates over all nine years: 113
- Graduates from 27 countries
- Number of employees who have attained a TOEIC score of 730 or higher
  - 603 (63.1% in the previous fiscal year)
- Amount of CO2 emissions avoided during use of NSK products
  - 2.51 million t-CO2
- Development of environmentally friendly products
  - 238 products (cumulative total)
  - GHG emissions
  - 31.0% decrease (compared with FY2017)

*EPI: Electric power saving
†F2017: Fiscal year ended March 31, 2017

**NSK’s Seven Key SDGs**

- Contribution to an advanced technological society
- Realization of a more prosperous society
- Growth of a wide range of industries
- Advancement of a mobility society
- Improvement of shareholder value
Each activity in the value chain shown in the collaborative value creation model strengthens NSK's business activities by effectively and efficiently utilizing various forms of capital, and leveraging NSK’s unique strengths. In this section, we showcase the key capital inputs into each activity, NSK's strengths, and the tasks that are being addressed with the aim of further deepening the value chain.

**R&D**
- **Key Capital:** Financial capital
- **Utilization of Capital/Creation of NSK's Strengths:** 1. Development and promotion of products that R&D team has for rapid technological change, e.g., electrification, automation, IoT, environment
- **Tasks Being Addressed to Deepen the Value Chain:**
  1. Training and retention of engineers to hand down and evolve the R&D function
  2. Establishment and promotion of the R&D function for rapid technological change, e.g., electrification, automation, IoT, environment
  3. Improvement of development and evaluation efficiency by utilization of digital bias technology

**Four Core Technologies (also Core, R&D centers)**
- **Key Capital:** Human capital, Social/Intellectual capital
- **Utilization of Capital/Creation of NSK's Strengths:** 1. System to quickly obtain product and technology needs and work on development based on close relationships with customers
  2. Reflection of feedback in product development through collaboration and joint development with customers, suppliers, external research institutions, and others (e.g., steel material, gears, motors, and electronic control units (ECUs))
- **Tasks Being Addressed to Deepen the Value Chain:**
  1. Further utilization of open innovation

**R&D centers with external relations**
- **Key Capital:** Intellectual capital
- **Utilization of Capital/Creation of NSK's Strengths:** 1. System to quickly obtain product and technology needs and work on development based on close relationships with customers
  2. Reflection of feedback in product development through collaboration and joint development with customers, suppliers, external research institutions, and others (e.g., steel material, gears, motors, and electronic control units (ECUs))
- **Tasks Being Addressed to Deepen the Value Chain:**
  1. Further utilization of open innovation

**Manufacturing**
- **Key Capital:** Human capital
- **Utilization of Capital/Creation of NSK's Strengths:** 1. NSK's innovative monozukuri that combines on-demand production and mass production in order to hand down and evolve monozukuri, creation of global production sites
  2. Development of manufacturing facilities and technologies that enhance energy and resources
- **Tasks Being Addressed to Deepen the Value Chain:**
  1. Shift to production facilitation and production processes that help protect the global environment and contribute to help reduce CO₂ emissions

**Sales/Aftermarket/Feedback**
- **Key Capital:** Intellectual capital
- **Utilization of Capital/Creation of NSK's Strengths:** 1. NSK aims to maintain appropriate levels of inventory and underlying strict inventory controls with advanced SPI management
  2. Feedback is used to improve products and propose solutions with new technologies
- **Tasks Being Addressed to Deepen the Value Chain:**
  1. Further service improvement through A4 activity to effectively utilize information from how, and global expansion

**Procurement**
- **Key Capital:** Financial capital
- **Utilization of Capital/Creation of NSK's Strengths:** 1. Strong relationships and trust with customers
  2. NSK brand recognition
- **Tasks Being Addressed to Deepen the Value Chain:**
  1. Improvement of development and evaluation efficiency by utilization of AI and simulation

**NSK’s Collaborative Value Creation Process**

**NSK’s Business Activities and Corporate Collaborative Valuation**

Based on the specified criteria determined by the development and design departments, activities to procure the raw materials/components used in the production equipment are conducted. NSK’s procurement from fair, impartial, transparent, and socially and environmentally friendly transactions with its suppliers, is essential for achieving the realization of a sustainable society.
NSK’s Collaborative Value Creation Process

Creating Collaborative Value with Stakeholders

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

In line with our Mission Statement, NSK upholds the SDGs in working to realize a sustainable society and has selected seven goals that are particularly interlinked with our business. NSK must work together with each of our stakeholders in targeting these key goals.

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

**Collaborative Value with Stakeholders**

- **Environmental contribution** (greenhouse gas reduction, energy efficiency)
- **Advancement of a mobility society** (mobility solutions, advanced technology)
- **Improvement of shareholder value** (returns, share price)

**Contribution to Resolve Social Issues**

- **NSK’s Seven Key SDGs**

**Sustainable Growth of NSK**

**Relationships with Stakeholders**

**Stakeholder Expectations, Interests, and Values (outcomes) Examples**

- **Q:** Quality—Offer high-quality products and high-quality services
- **C:** Cost—Use appropriate pricing
- **D:** Delivery—Ensure delivery on time, supply chain management, and strict adherence to laws and regulations
- **V:** Vision—Leverage technology innovations, find solutions to issues, develop partners, and develop products and technologies that contribute to the environment
- **S:** Service—Support customers at all global sites in each region with reliability, security, and troubleshooting
- **M:** Management—Provide management capabilities that support these above

**Outcomes**

- Third-greatest share of the global bearings market, environmentally friendly products, amount of CO₂ emissions avoided during use of NSK products, etc.

**Examples of Themes for More Meaningful Collaborative Value Creation between Stakeholders and NSK**

- **Examples of Themes for More Meaningful Collaborative Value Creation between Stakeholders and NSK**

**Strategic Investment**

- **Investment in global assets** (plant expansion, facility modernization)

**Incentive**

- **Incentive-based compensation systems**

**Stakeholder Engagement**

- **Engagement with stakeholders** (customers, employees, local communities, shareholders, suppliers)

**Outcomes**

- Higher customer satisfaction, increased employee engagement, improved local community relations, enhanced shareholder value, strengthened supplier relationships, etc.
Collaborative Value Creation and Beyond – Contributing to the Resolution of Social Issues While Realizing NSK’s Sustainable Growth–

Contributing to the environment is one reason why NSK exists. Formulating “help protect the global environment” in its Mission Statement, NSK’s environmental policy states that its commitment to environmental management forms the basis of our existence and our pursuits. In addition, in 2017, we positioned the “environment” as one of NSK’s core values, along with “safety,” “quality,” and “compliance” (common value standards given the highest priority in management decision-making and actions).

NSK will contribute to the development of environmentally friendly industries and the reduction of the environmental impact of society as a whole by using its environmentally friendly technologies to grasp the essence of the issues at hand, as well as by providing and widely disseminating solutions that can meet every requirement for function, energy conservation, and cost. We will also leverage these environmentally friendly technologies as our strength to create products and services that will be increasingly selected, and to increase our competitiveness in the market.

As a specific environmental goal, NSK targets a 40% reduction in CO₂ emissions from its business operations in 2020 (compared with fiscal 2017, Scope 1 + 2). At present, we are vigorously pursuing these initiatives and looking into ways to further accelerate them.

As one milestone toward carbon neutrality, NSK has set the goal of effectively offsetting the CO₂ emissions from all its business operations (Scope 1 + 2 + 3) by fiscal 2026 by helping to reduce CO₂ emissions through its products. To this end, NSK is promoting the following two measures:

1. To help customers reduce CO₂ emissions by using NSK products that help reduce CO₂ emissions and 2. To help avoid CO₂ emissions from NSK’s business operations.

NSK’s Business Model for Collaborative Value Creation

Global Megatrends

Contribution to Resolve Social Issues

Sustainable Growth of NSK

Inputs

Outputs

Value with Stakeholders

NSK’s Environmental Contributions

Related SDGs

Indicators for NSK Environmentally Friendly Products

R&D

Procurement

Non-Production Design, Production

Utilization of Robust Managerial Resources

Vision for 2026 and beyond

The 6th Mid-Term Management Plan

SDGs Declaration

Declaration of NSK’s Initiatives

NSK’s Seven Key SDGs

EV

In line with our Mission Statement, NSK will work to resolve societal issues by conducting sincere and responsible business operations and achieving innovation in our products and services, in order to help realize a sustainable society. We will uphold the spirit of all 17 SDGs, and have selected seven goals that are particularly interlinked with our business. In addition, we have formulated the Declaration of NSK’s Initiatives as more concrete strategic measures. NSK is committing to continue collaborative value with our stakeholders through business activities to achieve sustainable growth while making a contribution to solving social issues and achieving the goals of the SDGs.

Collaborative Value with Stakeholders

- Environment
- Manufacturing Capital
- Intellectual Capital
- Human Capital
- Social Capital
- Natural Capital

- Feedback
- Large
- Not
- Stress
- Safe/Alternative

- Contribution to a sustainable society
- Environmental contribution
- Contribution to advanced technological society
- Realization of a more prosperous society
- Growth of a wide range of industries
- Achievement of a mobility society
- Improvement of shareholder value

Neco score of 1.2 or higher

Emissions avoided during use of products that help reduce CO₂ emissions

Emissions avoided during use of products that help reduce CO₂ emissions

* Neco and Neco 1.2 or higher for newly developed products

① Neco (NSK Eco-efficiency Indicators)

NSK’s original indicators quantify the degree of environmental contribution of a product compared to conventional products based on factors such as all life, noise, torque, power consumption, and weight reduction. The higher the number, the higher the degree of contribution, and our goal is to achieve Neco 1.2 or higher for newly developed products.

Please see our website for information on the NSK Environmental Policy and Environmental Code of Conduct.

https://www.nsk.com/sustainability/environment/action01/index.html

② CO₂ Emissions Avoided

We define “products that help reduce CO₂ emissions” as those that achieve at the customer-use stage in such areas as weight, friction, and power consumption reduction, as well as the amounts of these reductions are expressed as CO₂ emissions avoided.

* Neco and Neco 1.2 or higher for newly developed products

https://www.nsk.com/sustainability/environment/action02/index.html

Calculation of Environmental Contribution

NSK products indirectly contribute to the reduction of CO₂ emissions

- Rotating equipment
- Electric wire
- Wind turbine
- Electric injection molding machines
- Ball screw, etc.

Notes

- Target Neco 1.2 or higher for newly developed products

- Environmental Friendly Products

- Number of products developed in fiscal 2020: 6

- Environmental Friendly Indicators

- Neco 1.2 or higher for newly developed products

- Total number of products developed 218

- Please see our website for information on products developed in fiscal 2021.

Indirect Contributions

Direct Contributions

- NSK product applications indirectly contribute to the reduction of CO₂ emissions

Offsetting CO₂ Emissions from Business Operations by Reducing Product Environmental Impact

Emissions avoided during use of products that help reduce CO₂ emissions

Emissions avoided during use of products that help reduce CO₂ emissions

Total CO₂ emissions from business operations

CO₂ emission factor for electricity:

Fixed, location-based standard for fiscal 2015 2016

NSK REPORT 2021

NSK REPORT 2021
Special Feature
NSK’s Environmental Contributions

Collaborative Value Creation and Beyond

Contribute to reducing CO₂ emissions through NSK products

- Direct contributions
- Indirect contributions

Direct contributions to CO₂ emissions reduction through individual NSK product performance

Contribution calculation formula: CO₂ emissions avoided by a single NSK product × sales volume × years of operation

Example: Low-friction hub unit bearings

<table>
<thead>
<tr>
<th>Friction Ratio</th>
<th>CO₂ Emissions Avoided (×10,000 t-CO₂)</th>
</tr>
</thead>
<tbody>
<tr>
<td>75</td>
<td>100</td>
</tr>
<tr>
<td>25% reduction</td>
<td></td>
</tr>
</tbody>
</table>

Conventional products → Developed products

Indirect contributions through CO₂ emissions avoided by installing NSK products into customer equipment and facilities

Contribution calculation formula: CO₂ emissions avoided per unit × rate of contribution of NSK products × sales volume × years of operation

Example: Wind turbine bearings

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂ Emissions Avoided (×10,000 t-CO₂)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>6.7</td>
</tr>
<tr>
<td>2017</td>
<td>15</td>
</tr>
<tr>
<td>2018</td>
<td>24</td>
</tr>
<tr>
<td>2019</td>
<td>28</td>
</tr>
<tr>
<td>2020</td>
<td>35</td>
</tr>
</tbody>
</table>

Wind turbines are used in harsh environments, operating for about 20 years at 100 meters above the ground, so high reliability is required.

In June 2021, NSK established the Carbon Neutrality Department directly under the president to reduce CO₂ emissions from its business operations in the following three categories:

- Technological innovation
- Energy conservation/Fuel conversion
- Renewable energy

In fiscal 2020, we introduced a system at NSK’s Saitama Plant that enables us to visualize CO₂ emissions at each bearing production process and the operational status of production lines. Using this system, we can detect unnecessary CO₂ emissions and pursue efficient improvement activities. Currently, we are working to improve the efficiency of heat treatment furnaces and reduce compressed air consumption in production facilities. We will expand these activities to other plants while continuing to make improvements at the Saitama Plant.

Visualization of CO₂ emissions at production plants

Reduction of CO₂ Emissions from Bearing Production Grinding Machines

NSK plants consume a large amount of electricity in power facilities during production, and we are working to reduce CO₂ emissions under the following two themes: “improving productivity” and “reducing facility power consumption.” “Improving productivity” is an initiative to reduce the energy required to produce a single product by increasing processing capacity and operating rates. In the second theme, “reducing facility power consumption,” we are focusing on the power consumed at the facilities themselves by using power control innovations and new technologies. In an example of this, introducing inverter technology to reduce power consumption without lowering the rotation speed of grinding wheel motors for bearing production grinding machines. While grinding repeatedly, we have been able to reduce the amount of power wasted during the short time it takes to replace the workpiece by instantly reducing the power consumption of grinding wheel motors. As a result, we can continue such activities to reduce CO₂ emissions and pursue efficient improvement activities, especially in the field of technological innovation.

Energy conservation/Fuel conversion

Expand use of green electricity

To date, we have switched to green electricity by our factory in Japan, Germany, Poland, and China, currently using about 125 GWh of green electricity per year and reducing CO₂ emissions by about 15,000 tons per year. In Germany and the Netherlands, we have switched power supply for all factories. Going forward, we will plan and implement more conversions in Europe, and we are taking steps toward achieving net zero CO₂ emissions in 2050. Please see our website for more information.

https://www.nsk.com/sustainability/environment/action03/index.html

Development of the World’s First Biomass Plastic Heat-Resistant Resin Cage

NSK has long been working on developing environmentally friendly materials and products, including the development of biodegradable plastics in 2008 and food-derived grease in 2015. In 2021, NSK created the world’s first biomass plastic heat-resistant resin cage for rolling bearings made mainly from plant-based biomass materials. We will continue to accelerate R&D focused on practical applications for biomass plastics by making full use of NSK’s material, analysis, molding, and evaluation technologies.

Energy conservation/Fuel conversion

Bearing reuse

Renewable energy

Accelerate Introduction of Renewable Energy

NSK is actively promoting the introduction of solar and wind power generation equipment and switching to electricity derived from renewable energy sources. In fiscal 2020, 96% of all electricity consumption was provided by renewable energy sources. This corresponds to an increase of about three times compared with the previous year.

Install solar and wind power generation equipment at business sites

The installed capacity of solar power generation at NSK’s facilities in Japan, Germany, Poland, China, India, and Indonesia in fiscal 2020 was 3,100 kW. The total amount of electricity produced by this equipment is approximately 1,000,000 kWh per year. In fiscal 2021, we plan to install solar power generation equipment at 23 business sites in Japan, Germany, Poland, China, India, and Indonesia, and the total amount of electricity produced is expected to increase to approximately 1,500,000 kWh per year.

Expand use of green electricity

To date, we have switched to green electricity by our factory in Japan, Germany, Poland, and China, currently using about 125 GWh of green electricity per year and reducing CO₂ emissions by about 15,000 tons per year. In Germany and the Netherlands, we have switched power supply for all factories. Going forward, we will plan and implement more conversions in Europe, and we are taking steps toward achieving net zero CO₂ emissions in 2050. Please see our website for more information.

https://www.nsk.com/sustainability/environment/action03/index.html

Download an PDF

22 NSK REPORT 2021

Download an PDF

NSK REPORT 2021 23
Collaborative Value Creation and Beyond

Contributing to Technological Innovation – Aiming for Sustainable Growth –

In the business environment surrounding NSK, technological innovation is rapidly advancing in all industries, including the spread of AI, IoT, and 5G, as well as automotive electrification and automation. In particular, the issues that NSK is working to address are ever expanding. These include efforts in the renewable energy field and the accelerated shift to eco-friendly electric vehicles, given the increased importance of addressing climate change and environmental issues, as well as rapidly increasing remote and non-contact needs due to the COVID-19 outbreak. NSK aims for sustainable growth by contributing to technological innovation in these areas.

Technological innovations such as AI, IoT, and 5G are transforming the world into a safer and more comfortable place. With awareness of climate change and environmental issues increasing globally, NSK believes that "electrification," "automation, labor-saving," and the "environment" will be the keywords for further growth. To realize a decarbonized society and safe, comfortable, and convenient lifestyles, the "electrification" of automobiles and various other items is progressing, and this is expected to lead to an explosive increase in demand for motors. In addition, "automation and labor-saving" at facilities is accelerating to meet increased efficiency needs and enable non-contact needs due to the COVID-19 outbreak. NSK will integrate production, sales, technology, and management departments to keep up with its rapidly changing supply system. NSK will contribute to electrification by improving product appeal, cost competitiveness, and quality.

The need for automation and labor-saving at production sites is increasing with working populations shrinking mainly in developed countries and COVID-19 increasing the need for remote and non-contact services. Improving machine tool and robot performance is essential to achieve "automation and labor-saving." Particularly for machine tools, there has been a progressive shift from 3-axis to multi-axis (e.g., 5-axis) and combined machine tools to consolidate processes and improve machining accuracy. Further growth looks likely as this is an area of demand where NSK can provide value by leveraging its strengths in precision technology (precision machinery products centered on precision bearings and precision ball screws). In addition, the adoption rate of NC (numerical control) for machine tools is expected to increase in China, the largest producer and seller of machine tools. Ball screw accuracy will become more important as NC takes hold, so we expect demand for NSK products to grow further in the Chinese market.

NSK’s precision bearings and precision ball screws will become important as elemental technologies for high-performance machine tools. NSK will continue contributing to advanced manufacturing by making proposals to customers that utilize its precision technology.


Electrification

The "electrification" of various applications is progressing with the automotive industry shifting from conventional gasoline and diesel vehicles to hybrid and electric vehicles. For example, just as power steering has switched from hydraulic to electric power, electrification is expected to progress in brakes and other areas. Elsewhere, higher demand for on-board motors looks promising as functions increase in such areas as headlights that change lighting direction while driving and electric sliding doors. In the field of industrial machinery, automation and electrification are advancing based on overall connectivity through the spread of 5G and IoT. As a result, cooling fan demand is expected to rise as data centers and communication base stations increase.

Against the backdrop of this demand growth, NSK expects demand for small ball bearings to increase. NSK established the E&E DHQ to expand its core ball bearings business. In so doing, NSK will integrate production, sales, technology, and management departments to keep up with its rapidly changing customers. Along with strengthening its supply system, NSK will contribute to electrification by improving product appeal, cost competitiveness, and quality.

Automation, Labor-saving

The "environment" will be the keyword for further growth. In the environment, we see a greater need for renewable energy such as wind power and mass-transport railways that contribute to decarbonization. Together with stakeholders, NSK will achieve further growth through the collaborative creation of value that contributes to the environment, advanced technological society, and growth in a wide range of industries.

Environment

CO2-free and highly efficient wind power generation has been growing steadily in Europe—where environmental awareness is high—and in China—where demand for electricity is brisk—while in Japan growth looks promising as one green growth strategy. Along with expectations over such market growth, the level of technical difficulty for bearings is also increasing. For example, wind power generation is being used on a larger scale and more offshore to improve power efficiency, but the conditions under which bearings are used have become more severe, thus requiring high durability and high reliability. To address these difficult technical challenges, NSK will apply the "digital twin" concept for proposing optimal designs not only for bearings but also for peripheral components, with the aim of realizing a decarbonized society.

Railways are also expected to grow as a market that contributes to decarbonization. Railways have established a foothold as a means of transportation with lower CO2 emissions than airplanes and automobiles in Europe. Railways are also expanding in China and Southeast Asian countries amid economic development there. Leveraging its expertise accumulated over many years, NSK will continue to develop products and technologies that contribute to rolling stock safety, comfort, reliability, and environmental impact reduction.
**Developments in Auto Electrification**

In addition to the mega-trend known as CASE (C: Connected, A: Automated Driving, S: Sharing, E: Electrification), the automotive industry has seen environmental issues gather momentum. In August 2021, the European Union announced a policy to end sales of new gasoline and diesel vehicles (ICE, including hybrid electric vehicles (HEV)), by 2035 to achieve carbon neutrality by 2050, and the United States has issued an executive order that more than half of new vehicle sales by 2030 be electric and fuel cell vehicles, including BEVs and plug-in hybrids. Japan and China have also announced policies to shift their new car sales to electric vehicles such as HEVs by 2035. Against this backdrop, the global auto electrification rate is expected to rise rapidly. In 2019, the electrification rate was around 10%, but this will surpass 50% by around 2030, when regulations in various countries start to take effect, and could approach 100% by around 2050. Until 2030 or so, however, the electrification rate will likely increase due to significant growth in both HEVs and BEVs, though with some regional differences.

**Auto Electrification Rate (NSK Forecast)**

<table>
<thead>
<tr>
<th>Year</th>
<th>HEV and BEV growth</th>
<th>Accelerated BEV shift</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>80%</td>
<td>80%</td>
</tr>
<tr>
<td>2025</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Trends in Individual Countries (as of August 2021)**

- **Japan**: Shift mainly new vehicles sales to electric vehicles by 2035
- **United States**: Executive order targeting more than half of new vehicle sales to be electric vehicles and fuel cell vehicles by 2030
- **EU**: Sales of new gasoline and diesel vehicles (including HEV) will stop by 2035
- **China**: New energy vehicles will account for more than 50% of auto sales volume by 2025

**Bearing Swings with ICE as 100 (NSK forecasts)**

<table>
<thead>
<tr>
<th>Motors</th>
<th>Engines/transmissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>BEV</td>
<td>UP</td>
</tr>
<tr>
<td>HEV</td>
<td>UP</td>
</tr>
<tr>
<td>ICE</td>
<td>STAY</td>
</tr>
</tbody>
</table>

**The Impact of Electrification on NSK**

With the shift from ICE to BEV, the number of bearings installed in a vehicle decreases. The major reasons for this are the engine used in gasoline vehicles being replaced by a motor in BEVs, and the transmission changing from a complex multistage gearbox to a simple reduction gear. However, there are zones where the number of bearings will increase, as electrification results in the use of more on-board motors. In summary, bearings are expected to decrease by about 20% in BEV compared to ICE. While depending on the mechanism, in HEVs, however, bearings will rise by roughly 10% due to the increase in motors.

With electrification accelerating, NSK expects sales to grow steadily until around 2030 as both HEVs and BEVs increase. However, we are pursuing the development and release of new products for electric vehicles as we see potential for bearings sales to subsequently decrease as BEVs become mainstream.

**New Products for Growth in the Electrification Era**

As electric vehicles are equipped with many batteries, electrical issues, and add novelties such as “downsizing powertrain,” “improving driving power and maximum speed,” and “increasing cruising range.” NSK aims to achieve sustainable growth in the age of electrification by proposing new technologies and products to our customers that meet these needs. As the mobility society evolves, we will continue to proactively create value and, in turn, expand our automotive business.

**Traction Reducer**

- Compact, lightweight, ultra-high-speed rotation EV drive units with optimized deceleration mechanism
- Quiet operation with traction drive mechanism

Instead of using gears, the Traction Reducer uses a special oil that hardens only at the moment of compression, enabling efficient power transmission through “rolling” for superior quietness. Combining a traction drive speed reducer with a high-speed motor enables smaller and lighter weight automatic electric drive systems, helping to reduce electric vehicle power consumption through the smooth transfer of power.

**Non-Contact Torque Sensor**

- Sensor used to measure torque without making contact while helping to deliver shock-free gear shifting
- Improves power consumption and fuel economy of automobiles and provides a smooth and comfortable ride

Automobiles transmit engine and motor power to the lines through the drive shaft. It is essential to measure the torque of the drive shaft and efficiently achieve optimal power transmission to improve environmental performance, comfort, and safety (e.g., detect malfunctions). NSK torque sensors absorb the shock of shifting gears in two-speed transmission electric vehicles to improve power consumption by 7% and softens fluctuations in torque when changing gears to achieve a comfortable ride.

**Power Flow Switching Device**

- Multifunctional shift actuator module
- Reduces size of 2-speed transmissions; enables design 2-speed transmission systems capable of meeting diverse customer requirements

The Power Flow Switching Device is a multifunctional shift actuator that enables three-shifting modes: Low, High, and Park. In addition to the low- and high-speed shifting functions for improving cruising range and driving performance, the park function replaces parking mechanisms installed in conventional reduction gears, contributing to the development of smaller 2-speed transmission units. This device also enables the design of 2-speed transmissions to meet diverse customer requirements.

**Application of Digital Technology**

Bearing design and development based on the “digital twin,” a concept that emphasizes the real

As performance requirements accelerate, “digital twin” is being promoted as a concept that emphasizes realism to ensure efficient and high-quality development. One such initiative is the third generation ultra high speed ball bearing for EV motors developed in March 2021. The product’s cage utilizes “topology optimization” technology. Conventional cages are thick to prevent deformation and breakage due to centrifugal force. Using topology optimization, however, we have succeeded in decreasing weight while increasing strength and rigidity, potentially enabling high-speed rotation of more than 200% compared to conventional products. In addition, we are able to quickly solve problems and develop the product in a short period by conducting evaluation tests using high-speed cameras to observe the behavior of the cage during high-speed rotation.

**What is topology optimization?**

Topological optimization aims to find a given product’s optimal geometric shape under specific usage conditions. For example, in an airplane, unnecessary parts that do not impact rigidity can be cut down to more aerodynamic shapes that are both strong and lightweight.

**Conventional cages are significantly deformed by the centrifugal force of rotation and worn out by coming into contact with the outer ring**

The new cage is lighter, stronger, and avoid contact with the outer ring.
Strategies and Performance

Progress on Strategies for 2026

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

In the 6th MTP, the Company plans to strengthen the business foundation and sales of ¥1 trillion.

1. The new business foundation and sales of ¥1 trillion

- To establish a corporate foundation for sustainable growth, including a sharp appreciation of the yen and fluctuations

2. Strengthening of the management system

- To strengthen the management system through the establishment of a corporate foundation for sustainable growth.

3. Countermeasures

- To counteract declines in profitability levels due to the extremely high value of the yen.

4. Reorganization of production sites

- To reorganize production sites and expand environmental, infrastructure, and resource businesses.

5. Autonomous management by integrated business

- To improve corporate governance and compliance.

6. Safety, quality, and compliance

- To enhance safety, quality, and compliance.

7. Initiative in new areas

- To develop new products and development capabilities.

8. Enhancement of customer and sector strategies

- To enhance customer and sector strategies.

9. Creation of new value

- To achieve new initiatives.

10. Creation of new value

- To achieve new initiatives.

11. Contribution to the environment and society

- To contribute to the environment and society.

12. Enhance managerial resources

- To enhance managerial resources.

13. Address environmental and societal issues

- To address environmental and societal issues.

NSK Core Values

Safety, Quality, Compliance, Environment

Three Initiatives

1. New initiatives targeting growth

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

2. Enhance managerial resources

- Utilize robust managerial resources.

And Beyond

Vision for 2026

Establish a corporate foundation for sustainable growth

Create value through the evolution of Motion & Control

NSK Vision 2026

NSK Core Values

Safety, Quality, Compliance, Environment

Three key management tasks

Business growth and profitability

Utilization of robust managerial resources

ESG management

Collaborative Value with Stakeholders

Environmental contribution (low CO2, high efficiency, improvement of transmission efficiency)

Contribution to an advanced technological society

Realization of a more prosperous society

Growth of a wide range of industries

Advancement of a mobility society

Improvement of shareholder value

NSK’s Seven Key SDGs

Employee’s

Customer’s

Supplier’s

Shareholder’s

Community’s

Strives to

Contribute to the

Environment and Society

and

Business Growth

and

Profitability

NSK’s Collaborative Value Creation Process

Strategies and Performance

Business Trends

GRO–GAP2 up's and including 4th MTP/FFS from the 5th MTP onward

Period of 3rd MTP

Period of 4th MTP

Period of 5th MTP

Period of 6th MTP

Sales

(¥ Billions)

Target

Actual

Target

Actual

Target

Actual

Target

Actual

Target

Actual

Target

100
80
60
40
20
0
1999.10
2000.10
2001.10
2002.10
2003.10
2004.10
2005.10
2006.10
2007.10
2008.10
2009.10
2010.10
2011.10
2012.10
2013.10
2014.10
2015.10
2016.10
2017.10
2018.10
2019.10
2020.10
2021.10
2022.10

100
80
60
40
20
0
1999.10
2000.10
2001.10
2002.10
2003.10
2004.10
2005.10
2006.10
2007.10
2008.10
2009.10
2010.10
2011.10
2012.10
2013.10
2014.10
2015.10
2016.10
2017.10
2018.10
2019.10
2020.10
2021.10
2022.10

Operating Income Margin (%)  Operating Income (%)  Net D/E Ratio (%)
Progress on Strategies for 2026

6th Mid-Term Management Plan Targets and Progress

1 Financial

<table>
<thead>
<tr>
<th>6th Mid-Term Management Plan Targets</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales/revenue 4% or more</td>
<td>4% growth</td>
</tr>
<tr>
<td>Operating income margin 10%</td>
<td>10.2% margin</td>
</tr>
<tr>
<td>Profitability</td>
<td>Operating income margin 8% or more</td>
</tr>
<tr>
<td>Efficiency</td>
<td>ROE 10% or more</td>
</tr>
<tr>
<td>Financial Stability</td>
<td>Net D/E ratio 0.5 times or lower</td>
</tr>
<tr>
<td>Shareholders' returns</td>
<td>Share buyback ratio 50%–70%</td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td>Capital expenditures 3% or lower</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>R&amp;D expenses versus Sales 3%–4%</td>
</tr>
</tbody>
</table>

2 Evolve Personnel Development

Policy | 6th Mid-Term Management Plan Targets | FY2020 Results | FY2020 Targets |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>Promote more diversity and inclusion (D&amp;I)</td>
<td>Raise awareness of D&amp;I</td>
<td>President’s Diversity Message 2020 published</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve the paternal leave adoption rate</td>
<td>Improved 23.5 points against previous fiscal year (Achieved: 50.3%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Continue to run career planning seminars</td>
<td>Employees taking courses increased by 3.6 times (Hold training courses for human resource consultation drill)</td>
</tr>
<tr>
<td>Policy</td>
<td>Leverage a diverse workforce</td>
<td>Create a work environment that empowers all nationals (Japan)</td>
<td>Develop &amp; implement a global policy to support the employment of new caregivers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Create a workplace culture that empowers all nationals (Japan)</td>
<td>Supported the employment of new caregivers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Continue to run career planning</td>
<td>Employees taking courses increased by 3.6 times</td>
</tr>
<tr>
<td>Policy</td>
<td>Promote the advancement of women</td>
<td>Raise awareness of women in all career-track positions</td>
<td>Conducted third round of training for women in all career-track positions</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Promote a higher ratio of women among managers and personnel managers</td>
<td>Administrative and sales staff: 40%; Engineers: 10%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Promote anti-style reforms</td>
<td>Expand remote work</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Build more engaging workplaces</td>
<td>Promote health and wellness</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide opportunities for growth</td>
<td>Support the career development of every employee</td>
</tr>
</tbody>
</table>

3 Environmental Management

Policy | 6th Mid-Term Management Plan Targets | FY2020 Results | FY2020 Targets |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>Contribute to the establishment of a low-carbon society</td>
<td>Reduce CO2 emissions in manufacturing, offices, and technology centered on FY2017 levels</td>
<td>Reduce CO2 emissions in manufacturing, offices, and technology centered on FY2017 levels</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Secure orders to restart growth in the Automotive components</td>
<td>Secure orders to restart growth in the Automotive components</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Achieve sales growth that surpasses the FY2017 level</td>
<td>Achieve sales growth that surpasses the FY2017 level</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve the serious accident risk reduction system</td>
<td>Improve the serious accident risk reduction system</td>
</tr>
</tbody>
</table>

4 Safety Management

Policy | 6th Mid-Term Management Plan Targets | FY2020 Results | FY2020 Targets |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>Prevent fatal and serious accidents</td>
<td>Improve the level of risk education and inspection at each site and support self-driven risk-reduction activities</td>
<td>Improve the level of risk education and inspection at each site and support self-driven risk-reduction activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase safety awareness</td>
<td>Implement safety culture, workplace awareness training, and employee counseling</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Increase safety awareness</td>
<td>Plan and launch a safety culture workshop at sites in Japan to increase safety awareness among employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Ensure the supply of both</td>
<td>Improve safety culture workplace awareness</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Increase safety culture workplace awareness</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Increase safety culture workplace awareness</td>
</tr>
</tbody>
</table>

5 Supply Chain Management

Policy | 6th Mid-Term Management Plan Targets | FY2020 Results | FY2020 Targets |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>Ensure stable and supply support provider</td>
<td>Stable procurement</td>
<td>BCP audits of 10 major companies (Completed: total of 100 companies since FY2018)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Implemented self-assessments based on the NSK Supplier CSR Guidelines (every other year)</td>
</tr>
</tbody>
</table>

6 Quality Management

Policy | 6th Mid-Term Management Plan Targets | FY2020 Results | FY2020 Targets |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>NSK Product Development System (NPS)</td>
<td>Improve procurement quality</td>
<td>Conduct a global system addressing design consistency (quality problems experienced in the past)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve supplier quality</td>
<td>Establish supplier audit teams and commenced activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve quality assurance</td>
<td>Construct a feedback system and achieve design consistency (quality problems experienced in the past)</td>
</tr>
<tr>
<td>Policy</td>
<td>NSK Quality No. 1 (NQ1) Program</td>
<td>NSK is promoting initiatives to realize stable production and ensure zero defects.</td>
<td>Establish supplier audit teams and commenced activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve procurement quality</td>
<td>Improve supplier quality (ongoing activity for zero defects)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve supplier quality</td>
<td>Strengthen cooperation with regional quality assurance departments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve quality assurance</td>
<td>Improve the reoccurrence prevention method</td>
</tr>
</tbody>
</table>

7 Resource Development

Policy | 6th Mid-Term Management Plan Targets | FY2020 Results | FY2020 Targets |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>NSK Quality No. 1 (NQ1) Program</td>
<td>NSK is promoting initiatives to realize stable production and ensure zero defects.</td>
<td>Establish supplier audit teams and commenced activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve procurement quality</td>
<td>Improve supplier quality (ongoing activity for zero defects)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve supplier quality</td>
<td>Strengthen cooperation with regional quality assurance departments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve quality assurance</td>
<td>Improve the reoccurrence prevention method</td>
</tr>
</tbody>
</table>

8 Human Resource Development

Policy | 6th Mid-Term Management Plan Targets | FY2020 Results | FY2020 Targets |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy</td>
<td>NSK Product Development System (NPS)</td>
<td>Improve procurement quality</td>
<td>Conduct a global system addressing design consistency (quality problems experienced in the past)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve supplier quality</td>
<td>Construct a feedback system and achieve design consistency (quality problems experienced in the past)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve quality assurance</td>
<td>Establish supplier audit teams and commenced activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve procurement quality</td>
<td>Improve supplier quality (ongoing activity for zero defects)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve quality assurance</td>
<td>Strengthen cooperation with regional quality assurance departments</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Improve the reoccurrence prevention method</td>
<td>Establish supplier audit teams and commenced activities</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Improve supplier quality (ongoing activity for zero defects)</td>
</tr>
</tbody>
</table>

NSK REPORT 2021
The Industrial Machinery Business is involved in operations related to two product categories: industrial machinery bearings and precision machinery and parts. The industrial machinery bearings business comprises three subsegments: general machinery, which manufactures bearings for applications in a wide range of industries such as machine tools, steel plant facilities, train cars, construction machinery, chemical plants, industrial pumps, and wind turbines; electrical and IT equipment, comprising three subsegments: general machinery, which manufactures components, the Automotive Business delivers various products that support the evolution of automobiles.

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

Leveraging the synergistic effect of bearings and precision machinery, NSK is developing new proposals that will contribute to the greater performance of industrial equipment, as well as sophisticated solutions based on the condition monitoring system for greater machinery and equipment reliability and preventive maintenance.

Automotive Business

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

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

Meanwhile, in the automotive component field, NSK delivers a wide range of core functional components, including electric power steering (EPS) and automatic transmission (AT) products, as well as ball screws for electric brake boosters. In addition to the primary column-type EPS, the Company has developed pinion-type and rack-type EPS in a diverse product lineup. AT products are seeing greater demand against the backdrop of improved automobile fuel efficiency and comfort, whereas ball screws are seeing greater demand against the backdrop of improved safety.

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

NSK’s Collaborative Value Creation Process

● Developmental capabilities and technical expertise
● Diverse business relationships/customer base with automobile manufacturers and first-tier automotive components manufacturers
● Technological capabilities based on our Four Core Technologies plus One
● Accumulated expertise in customer needs and technology for a wide range of industries and applications
● Manufacturing, supply, and technical support capabilities based on a global network framework

Characteristics Unique to the Industrial Machinery Business

<table>
<thead>
<tr>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machine manufacturers around the world, distributors, and sales outlets</td>
</tr>
<tr>
<td>Numerous customers, a wide range of products</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Features of Customers and NSK Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products for use in general machinery are characterized by a large volume of product types in large volumes, whereas products for electrical and IT equipment are primarily mass-produced (mass production of standardized products).</td>
</tr>
<tr>
<td>Products for general machinery and the aftermarket both include large-scale items with relatively lengthy lead times.</td>
</tr>
<tr>
<td>The aftermarket mainly consists of demand from end users of general machinery for maintenance and repair of facilities and equipment. It also includes sales of standardized products through distributors. In partnership with distributors, it is important to avoid lost opportunities by maintaining appropriate inventory levels to ensure immediate delivery.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NSK’s Competitive Advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extensive product lineup as a comprehensive bearing manufacturer</td>
</tr>
<tr>
<td>Technological capabilities based on our Four Core Technologies plus One</td>
</tr>
</tbody>
</table>

Characteristics Unique to the Automotive Business

<table>
<thead>
<tr>
<th>Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Automobile manufacturers around the world</td>
</tr>
<tr>
<td>Automotive components manufacturers around the world</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Features of Customers and NSK Businesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities to win orders are basically when automobile manufacturers introduce new models or undertake a full model change. In accordance with their new model project schedule, we receive a designation as a development supplier and collaborate on development. Development suppliers are generally also responsible for supplying mass-produced products and prepare for mass production in line with the new model launch schedule.</td>
</tr>
<tr>
<td>A single project quantity will increase due to large-scale increases in the planned number of units as a result of standardization with car platforms.</td>
</tr>
<tr>
<td>NSK’s sales fluctuate in line with the sales volume of car models in the market; just-in-time delivery is standard, and this also elevates the risk of inventory. However, customers often require that production is close to where demand is located, therefore the ratio of local production is relatively high.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>NSK’s Competitive Advantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diverse business relationships/customer base with automobile manufacturers and first-tier automotive components manufacturers</td>
</tr>
<tr>
<td>Global supply capabilities</td>
</tr>
<tr>
<td>Developmental capabilities and technical expertise to address advanced automobile functionality</td>
</tr>
<tr>
<td>Global management system that takes the lead when responding to overseas demand and expanding overseas sales</td>
</tr>
</tbody>
</table>
In the Industrial Machinery Business, the cautious approach in capital expenditure across the world was seen in the first quarter against the backdrop of the contraction of economic activities due to the global spread of COVID-19. Thereafter, production activities in China returned toward normal before other regions, and demand in regions other than China also started to recover toward the end of the fiscal year. However, the full-year sales in the Industrial Machinery Business decreased year-on-year due to sluggish demand in the first half. Looking at the Company’s results by geographic breakdown, overall sales in Japan decreased due to a decrease in latent demand in every sector although the machinery tools sector started to show recovery toward the end of the fiscal year. In the Americas, overall sales declined due to a sales decrease in the aftermarket sector as well as the impact of the foreign exchange factor, while sales in the semiconductor sector increased. In Europe, overall sales declined due to a sales decrease in the electrical and machinery accessory sectors. On the other hand, sales in China increased thanks to robust demand in the wind power, machinery tools as well as electrical and machinery accessory sectors.

As a result, sales in the Industrial Machinery Business totaled ¥755,226 million (year-on-year decrease of 3.2%). Operating income was ¥7,697 million (year-on-year decrease of 47.8%) as sales fell in each region except for China. The Company will continue to flexibly address changes in demand trends. As needs grow in society for both IoT and 5G robotics, and renewable energy, the Company is working to expand its mid-to-long-term presence in the market and expand businesses that add to sales by building a new business foundation that addresses these growth areas.

### Operating Income/Operating Income Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income (¥ Billion)</th>
<th>Operating Income Margin (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>18/3</td>
<td>28.3</td>
<td>12.2</td>
</tr>
<tr>
<td>19/3</td>
<td>28.3</td>
<td>12.2</td>
</tr>
<tr>
<td>20/3</td>
<td>29.3</td>
<td>13.0</td>
</tr>
<tr>
<td>21/3</td>
<td>28.9</td>
<td>11.7</td>
</tr>
<tr>
<td>22/3 (Forecast)</td>
<td>27.0</td>
<td>12.0</td>
</tr>
</tbody>
</table>

---

**Strategies and Performance**

### Progress on Strategies for 2026

- **Industrial Machinery Business**
  - **Business Environment**
    - **Quietness**
    - **Steering & Actuator Business**
      - Higher power single pinion electric power steering
    - **Other Customers**

**Figure 4:** Higher power single pinion electric power steering

**Figure 5:** Product Features

**Figure 6:** Securing a balance between each of the diverse compact and high output perspectives

**Figure 7:** Quietness

---

On December 10, 2020, NSK signed an agreement to acquire the CMS business brand Bilzel & Kjær Vibro (BKV) and completed the deal on March 1, 2021. BKV is a worldwide leader in facility maintenance and condition monitoring solutions for rotating machinery such as pumps, turbines, compressors, and generators.

In recent years, there have been expectations that the analysis of data, gained through condition monitoring of facilities and manufacturing lines, followed by diagnostics, would contribute to enhanced maintenance, productivity, and quality, and this has been garnering attention as a means to achieving production innovation. NSK products are important components that have a direct impact on the functionality and performance of machinery. The synergies that arise with NSK’s wealth of data and associated technology, matched together with BKV’s exceptional customer base, technology, brand, human resources, and access to big data will accelerate CMS business development and will address societal needs such as for automation, labor-saving, smart technology, and environmental measures.

As trends toward a higher ratio of renewable energy, including wind power, gain momentum on a global basis, the technologies held by NSK and BKV will underpin the stable operation of wind power, hydropower, the manufacturing industry, and other essential infrastructure that supports people’s daily lifestyles.

---

*Figures in the Industrial Machinery Business were transferred to the Industrial Machinery Business. Accordingly, figures for the year ended March 2022 have been readjusted to match current segments.
Examples of Fiscal 2020 Initiatives

Diversity as a Driving Force of the Organization
In fiscal 2020, NSK was selected as a “Nadeshiko Brand,” an honor that is jointly determined by Japan’s Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange. NSK has made women’s career advancement a priority, considering them as human talent that will become responsible for managing the Company. NSK has made women’s career advancement a priority, considering them as human talent that will become responsible for managing the Company. NSK has made women’s career advancement a priority, considering them as human talent that will become responsible for managing the Company. NSK has made women’s career advancement a priority, considering them as human talent that will become responsible for managing the Company. NSK has made women’s career advancement a priority, considering them as human talent that will become responsible for managing the Company. NSK has made women’s career advancement a priority, considering them as human talent that will become responsible for managing the Company. NSK has made women’s career advancement a priority, considering them as human talent that will become responsible for managing the Company. NSK has made women’s career advancement a priority, considering them as human talent that will become responsible for managing the Company. NSK has made women’s career advancement a priority, considering them as human talent that will become responsible for managing the Company.

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

Transforming Learning: Expand Educational Opportunities, Location, and Scheduling Options
Work styles are experiencing a tectonic change, as seen with trends toward working from home and remote meetings. Educational activities are also becoming more diverse, shifting from face-to-face to online training, video streaming, and other formats.

There are also advantages to revisiting the approach we take to education, namely, the changing of programs, formerly implemented in conventional face-to-face training formats, in accordance with objective or attribute. Take, for example, video streaming where a course is available without needing to lock in a time, or online training, where employees who had found it difficult to attend in person because they needed to take care of their children, or other circumstances, have become able to participate. These are formats that enhance convenience and expand opportunities for participants. As one such educational tool is a video program initiative called “Act Active Agent.” Under this program, employees make and present their own video of themes relevant to business efficiency, the honing of skills, or raising motivation from among the initiatives they worked on at the internal training. Employees will share within the Company what they have learned, moreover, diversifying how they learn it promotes the transformation of work styles throughout the Company.

Initiatives to Promote Wellness in Both Body and Mind
NSK’s outstanding efforts in health management have been widely recognized. In 2021, the Company was certified as an Outstanding Health and Productivity Management Organization in Japan for the fourth consecutive year. NSK also was named to the “White 500” list of the top-performing 500 companies with this certification. NSK recognizes that the health of each of its employees and their families is an invaluable asset to the Company and promotes initiatives with the aim of improving their physical and mental health.

Based on the results of stress checks conducted on an annual basis, the Company holds organizational analysis feedback briefings for managers at each workplace, and improvement goals for each respective organization are formulated and put in place. In terms of physical health, by September 2020, NSK had eliminated smoking spaces within all NSK business sites, with the goal of preventing exposure to secondhand smoke. Moreover, by using a system to centrally manage the results of health checkups, we will be offering data-backed health support measures.

Opportunities for Growth through Diverse Experiences (Rotations)
Based on our conviction at the NSK Group that people grow through experience, young employees up to age 30 are considered to be in a training phase. We carry out job rotation for these young employees in career-track positions to broaden their outlook through a variety of experiences and to change their perspective. They are interviewed every three years to check their career plans. Transfers are performed to promote career development, as well as to acquire the ability to adapt to changing environments, build relationships, and hone communication skills. This reflects our efforts to offer opportunities to be active as future NSK people and to nurture growth as the human talent that will become responsible for managing the Company.

Examples of Fiscal 2020 Initiatives

Reducing Grinding Waste Liquid and Reusing Water
The process of grinding metal parts with a whetstone entails the use of grinding fluids made by adding a solvent to water. After repeated use, the grinding fluids become degraded and are disposed of as waste. Such waste liquid accounts for about 40% of the NSK Group’s waste emissions, and we have therefore promoted countermeasures with the aim of reducing such waste.

At Amatsuji Steel Ball Mfg. Co., Ltd.’s plant in Shiga Prefecture, in February 2021 we deployed a waste liquid distillation concentrator to enable the performance of an on-site process in which by distilling waste liquid we could separate “water” and “concentrated waste liquid.” This equipment is capable of distilling 250 tons of water per year, and this amount is equivalent to roughly 30% of the waste liquid volume emitted in the grinding process that takes place at the Shiga plant. The distilled water is reused to cool the facilities with the aim of effectively utilizing resources, and furthermore, the concentrated waste liquid is recycled outside the Company as fuel or another resource.

Reducing Waste Materials in Distribution
Reduce, reuse, and recycle constitutes an initiative that the distribution division undertakes on a global scale as the Company endeavors to reduce waste materials.

In the Americas, after unpacking imported items, the packaging materials had previously been treated as waste, which became landfill. From fiscal 2020, this waste has been sold to a vendor, and through incineration it is reused as energy (thermal recycling).

In Europe, the wooden pallets used in shipping from Japan, being of a different size than standard European pallets (“1200 pallet”), had been used to be reused and were disposed of as waste. From fiscal 2020, however, the Company commenced returning these wooden pallets to the Japan, Asia, or Oceania regions, and subsequently they are being reused for inter-regional shipping. In this way, our operations in Europe were able to cut wasted pallets by around 70% from the previous fiscal year.

Examples of Fiscal 2020 Initiatives

Reducing Waste Materials in Distribution
Reduce, reuse, and recycle constitutes an initiative that the distribution division undertakes on a global scale as the Company endeavors to reduce waste materials.

In the Americas, after unpacking imported items, the packaging materials had previously been treated as waste, which became landfill. From fiscal 2020, this waste has been sold to a vendor, and through incineration it is reused as energy (thermal recycling).

In Europe, the wooden pallets used in shipping from Japan, being of a different size than standard European pallets (“1200 pallet”), had been used to be reused and were disposed of as waste. From fiscal 2020, however, the Company commenced returning these wooden pallets to the Japan, Asia, or Oceania regions, and subsequently they are being reused for inter-regional shipping. In this way, our operations in Europe were able to cut wasted pallets by around 70% from the previous fiscal year.

Examples of Fiscal 2020 Initiatives

Reducing Waste Materials in Distribution
Reduce, reuse, and recycle constitutes an initiative that the distribution division undertakes on a global scale as the Company endeavors to reduce waste materials.

In the Americas, after unpacking imported items, the packaging materials had previously been treated as waste, which became landfill. From fiscal 2020, this waste has been sold to a vendor, and through incineration it is reused as energy (thermal recycling).

In Europe, the wooden pallets used in shipping from Japan, being of a different size than standard European pallets (“1200 pallet”), had been used to be reused and were disposed of as waste. From fiscal 2020, however, the Company commenced returning these wooden pallets to the Japan, Asia, or Oceania regions, and subsequently they are being reused for inter-regional shipping. In this way, our operations in Europe were able to cut wasted pallets by around 70% from the previous fiscal year.

Examples of Fiscal 2020 Initiatives

Reducing Waste Materials in Distribution
Reduce, reuse, and recycle constitutes an initiative that the distribution division undertakes on a global scale as the Company endeavors to reduce waste materials.

In the Americas, after unpacking imported items, the packaging materials had previously been treated as waste, which became landfill. From fiscal 2020, this waste has been sold to a vendor, and through incineration it is reused as energy (thermal recycling).

In Europe, the wooden pallets used in shipping from Japan, being of a different size than standard European pallets (“1200 pallet”), had been used to be reused and were disposed of as waste. From fiscal 2020, however, the Company commenced returning these wooden pallets to the Japan, Asia, or Oceania regions, and subsequently they are being reused for inter-regional shipping. In this way, our operations in Europe were able to cut wasted pallets by around 70% from the previous fiscal year.

Examples of Fiscal 2020 Initiatives

Reducing Waste Materials in Distribution
Reduce, reuse, and recycle constitutes an initiative that the distribution division undertakes on a global scale as the Company endeavors to reduce waste materials.

In the Americas, after unpacking imported items, the packaging materials had previously been treated as waste, which became landfill. From fiscal 2020, this waste has been sold to a vendor, and through incineration it is reused as energy (thermal recycling).

In Europe, the wooden pallets used in shipping from Japan, being of a different size than standard European pallets (“1200 pallet”), had been used to be reused and were disposed of as waste. From fiscal 2020, however, the Company commenced returning these wooden pallets to the Japan, Asia, or Oceania regions, and subsequently they are being reused for inter-regional shipping. In this way, our operations in Europe were able to cut wasted pallets by around 70% from the previous fiscal year.

Examples of Fiscal 2020 Initiatives

Reducing Waste Materials in Distribution
Reduce, reuse, and recycle constitutes an initiative that the distribution division undertakes on a global scale as the Company endeavors to reduce waste materials.

In the Americas, after unpacking imported items, the packaging materials had previously been treated as waste, which became landfill. From fiscal 2020, this waste has been sold to a vendor, and through incineration it is reused as energy (thermal recycling).

In Europe, the wooden pallets used in shipping from Japan, being of a different size than standard European pallets (“1200 pallet”), had been used to be reused and were disposed of as waste. From fiscal 2020, however, the Company commenced returning these wooden pallets to the Japan, Asia, or Oceania regions, and subsequently they are being reused for inter-regional shipping. In this way, our operations in Europe were able to cut wasted pallets by around 70% from the previous fiscal year.
Safety Management

**NSK’s Approach**

NSK has positioned safety as one of its core values. While continuously striving to further increase employee awareness, employees rely on safety as the basic judgment for all their actions. To protect the safety and health of every employee, and to guarantee the safe conduct of all employees, NSK is implementing various measures based on its Safety Philosophy. It is noted that the Safety Policy is constantly updated to further raise the level of safety.

### Examples of Fiscal 2020 Initiatives

#### Raising the Safety Management Level for Construction by Outside Contractors

By using a web system to manage the work performed by outside contractors, NSK was able to lighten the workload of people in charge and substantially improve operational speed. In addition, it enabled the smooth confirmation of various preparatory tasks, and this system was used to expand and develop safety management for internal construction as well.

#### Activities to Foster an Interdependent (Mutually-Enlightening) Safety Culture

As activities to foster a culture of safety at production bases, NSK began conducting safety culture workshops. These workshops seek to facilitate an understanding of current levels of safety culture at production bases, and department managers discuss and set tasks geared toward raising that level, which leads to a cascading knowledge according to rank.

In addition, an opportunity to learn about “self-leadership” (leadership that enables workers to understand and “feel” their own safety) from fiscal 2020 onwards commenced the holding of a core value workshop for middle management and the rollout of this is ongoing.

The Fiscal 2020 Executive Management Core Value Workshop and the learning materials against COVID-19 acquired in fiscal 2021 provided in an easy-to-understand manner that participants were able to take to heart. Based on an understanding of the importance of FMEA, there was an explanation of the strict scoring on degree of importance (degree of impact, seriousness, and severity), degree of occurrence (frequency), and detectability (difficulty in detection). The course helped participants understand the effectiveness of assessments.

### Quality Management

**NSK’s Approach**

With quality as one of its four core values, NSK aims to become “No. 1 in Total Quality.” In other words, we are working to achieve the industry’s best quality in everything we deliver—not only products and services but also information. We believe that this commitment to quality ensures that our products will satisfy customers all over the world.

To achieve its Quality Assurance Vision 2024, 100% quality products that put the customer first, we engage in activities based on the Three Pillars of NSK Quality Assurance.

#### Introduction of the “Dantotsu” Global Award System

In fiscal 2020, we implemented Dantotsu (improvement activities) efforts for zero defects at 42 plants around the world in a total of 61 categories, more than doubling from the previous fiscal year. The number of items where we achieved our goals, and took this activity from Japan to points across the globe. Covering all locations worldwide, we newly instituted the “Dantotsu Global Award,” which honors activities covering a wide range of categories in addition to the achievement of the conventional consecutive zero-defect goals. Through the awards and the sharing of positive case studies, employee motivation is heightened and activities are energized.

#### Implementation of FMEA Education with First Internal e-Learning Regarding Quality Training

In the risk analysis that takes place while establishing new development projects, amendments to processes, and other points to change, NSK looks at FMEA as an item for assessment. The goal is to understand the objective of FMEA and to utilize it effectively. This is not just for the development, design, or manufacturing departments; we have conducted this as basic e-learning, covering approximately 9,000 employees in all major departments in Japan.

The focus was placed on typical daily themes, and commentary in line with the flow of FMEA, from customer orders to completed product, was provided in an easy-to-understand manner that participants were able to take to heart. Based on an understanding of the importance of FMEA, there was an explanation of the strict scoring on degree of importance (degree of impact, seriousness, and severity), degree of occurrence (frequency), and detectability (difficulty in detection). The course helped participants understand the effectiveness of assessments.

#### NPDS Design Review (DR) Quality Improvement Activities

NSK’s DR process for “NSK Product Development System” has in place a mechanism to implement a series of operations to create quality, from the start of a project to launch of mass production, and to ensure the implementation of the “Total Quality.” In other words, we are working to achieve the industry’s best quality. As an effective tool in upcoming quality training sessions, we aim to further promote use of e-learning.

#### Outline of NPD

**Process**

- **Product planning**
- **Development and design**
- **Prototype fabrication**
- **Mass production**
- **Test run production**
- **Mass production**

**Confimation items**

- Determination for transition to the next process
- Can the product be designed to satisfy customer needs?
- Can it be processed and assembled according to the design?
- Can it be processed and assembled using the intended methods in mass production?
- Can it be stably mass-produced?

### Supply Chain Management

**NSK’s Approach**

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

#### Supplier CSR Self-Assessment

The NSK Group distributed the “NSK Supplier CSR Guidelines” to its suppliers and asks them to ensure compliance with competition laws and anti-bribery laws, to respect the basic human rights of workers by prohibiting child labor and forced labor, and maintaining occupational safety and health, to make efforts to preserve the environment through activities such as managing environmentally harmful substances, and to assess and mitigate risks that could impact business activities at their own company.

Based on these guidelines, the NSK Group asks its suppliers to perform CSR self-assessments and monitors the condition of their operations (every two years). In fiscal 2018, we implemented audits conducted by a third-party organization in five areas—labor, ethics, safety and health, the environment, and management systems—in accordance with Responsible Business Alliance Standards. Based on the results, for fiscal 2020 assessments covering approximately 930 companies in Japan and China, we strengthened initiatives to reduce risk, noting context by adding new items to the assessment form on a exhibitor侧重 system that concerned human rights and labor, the status on workplace accidents that require time off work, and the record of labor time management.

At NSK Group companies in the United States and Europe, China, and around the world, Supplier CSR guidelines are posted to websites in efforts to effectively reach all our suppliers.

We will continue to take in CSR issues that society needs to strengthen, such as the transition to a carbon neutral society.

**Examples of Fiscal 2020 Initiatives**

#### NSK’s Collaborative Value Creation Process

Group photo of NSK, Toyota Co., Ltd., recipients of the Dantotsu Global Award

- Please see our website for more information. [https://www.nsk.com/sustainability/csr/index.html](https://www.nsk.com/sustainability/csr/index.html)
Looking Back on the Financial Results of the Year Ended March 31, 2021

The year ended March 31, 2021, saw lower sales and profits, as well as a commensurate decline in ROE, due to the curtailing of economic activity and the decline in demand that coincided with the manifestation of the COVID-19 pandemic starting in the second half of the previous fiscal year. As a result of efforts focused on securing liquidity on hand and maintaining the stability of the financial base during the COVID-19 pandemic, however, NSK has ensured its financial health in terms of its ratio of net worth to total capital, net D/E, and other key credit ratings. Despite a reduction in dividends owing to lower profits, NSK maintained a stable total return ratio.

Strategies and Performance

Financial Strategy/Policy on Shareholder Returns

Maintaining an A bond rating while continuing to keep its net D/E ratio around 0.3 times and its ratio of net worth to total capital at roughly 50% will enable the Company to ensure financial stability. Despite a reduction in dividends owing to lower profits, NSK maintained a stable total return ratio.

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

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

1. Maintenance in Stabilization of Financial Base
   “Maintenance in Stabilization of Financial Base” is a prerequisite for supporting NSK’s sustainable growth and withstanding economic fluctuation impacts. NSK has been able to steadily improve its ability to generate cash flows compared with the past and has stabilized its financial base. In addition, the Company has received high evaluations from two rating agencies despite the COVID-19 pandemic, namely a bond rating of A from Rating and Investment Information, Inc. (R&I), and a bond rating of A+ from Japan Credit Rating Agency, Ltd. (JCR). NSK recognizes that maintaining an A+ bond rating while aiming to keep its net D/E ratio around 0.3 times and its ratio of net worth to total capital at roughly 50% will enable the Company to ensure financial stability.

2. Growth with Profitability
   Sustainably achieving “Growth with Profitability” is essential for generating cash flows and making capital expenditures and R&D investments that lead to future growth, as well as for paying share dividends to shareholders. We believe achieving a rate of return that exceeds the cost of capital will be critical to ensuring the Company’s performance, such as market trends, the state of the economy and the impact of the COVID-19 pandemic during the current fiscal year, steering-related sales. Although this has unfortunately led NSK’s TSR to underperform TOPIX and TOPIX Machinery, looking at the most recent year, NSK TSR exceeds the cost of capital (roughly 8%–9%) as estimated based on past three to four years and a depressed stock price due to lower share sales.

3. Stabilization of Shareholder Returns
   One of NSK’s core management policies is “Stabilization of Shareholder Returns.” As part of the 6th Mid-Term Management Plan, NSK is working to further enhance shareholder returns, and has thus established a dividend payout ratio of 30%–50% and raised the target to ¥40 or higher for the per share dividend. In addition to returning profits through dividends, NSK recognizes that agile capital policy execution based on share buybacks is another option. NSK intends to appropriately and flexibly execute share buybacks considering cash position and stock market trends. During the three-year period covered by the 6th Mid-Term Management Plan, NSK is targeting a total return ratio of 50%.

Total Shareholders’ Return (TSR)

Along with achieving an ROE that exceeds the cost of capital over the mid-term, increasing TSR acquired through dividends and a rising stock price is also important. Although this has not been affected by demand adjustments over the past three to four years and a depressed stock price due to lower share sales, it is also important to support NSK’s TSR to underperform TOPIX and TOPIX Machinery, looking at the most recent year. NSK TSR has performed competitively compared to other companies owing to a recovery in the stock price. The stock price is based on various factors beyond just the Company’s performance, such as market trends, the state of the economy and the impact of the COVID-19 pandemic during the current fiscal year, however, and NSK will therefore continue to strive to deliver stable dividends to its shareholders and improve its corporate value.

Investment Period 1 Year 3 Years 5 Years 10 Years
NSK 66.4% -14.1% -4.9% 26.5% 4.8% 95.8% 6.9%
TOPIX 42.1% 22.1% 7.9% 62.3% 10.2% 179.4% 10.8%
TOPIX Machinery 59.9% 23.3% 89.6% 13.6% 178.4% 10.8%

*TSR (Total Shareholder’s Return): Total return on investment including capital gains and dividends.
*Each index includes dividends.
*Annual rate based on the geometric mean.
*Created by the Company, based on Bloomberg data.

NSK’s Collaborative Value Creation Process

Policy on Cross-Shareholding

NSK aims to reduce the crossholding of shares deemed to have little benefit in increasing mid- to long-term corporate value. Conversely, if the Company believes that there is a valid rationale for holding such shares, it will continue to do so. Regarding the appropriateness of cross-shareholdings, NSK conducts quantitative and qualitative evaluations on an annual basis to determine whether such individual shareholdings are delivering acceptable benefits to each individual shareholder. We will make the sale of any cross-shareholdings for which possession cannot be justified, considering stock prices and market trends. The number of cross-shareholdings (disclosed in the Annual Securities Report) totaled 136 stocks as of the end of March 2010. However, this number had been reduced to 67 stocks as of the end of March 2021 (a reduction of few stocks in the year ended March 2021 and 10 stocks over the 11 years from the year ended March 2010).
## Financial Highlights

### NSK Ltd. and Consolidated Subsidiaries

### Financial Data (¥ Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Industrial Machinery Business</th>
<th>Automotive Business</th>
<th>Other/Adjustments</th>
<th>Total</th>
<th>(By region)</th>
<th>Japan</th>
<th>Other Asia (excluding Japan)</th>
<th>The Americas</th>
<th>China</th>
<th>Asia</th>
<th>Other</th>
<th>Total Equity Attributable to Owners of the Parent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>710,431</td>
<td>259,095</td>
<td>424,157</td>
<td>27,178</td>
<td>354,542</td>
<td>85,466</td>
<td>102,176</td>
<td>168,246</td>
<td>82,587</td>
<td>85,658</td>
<td>183,652</td>
<td>88,143</td>
<td>475.45</td>
</tr>
<tr>
<td>2012</td>
<td>731,192</td>
<td>255,835</td>
<td>444,585</td>
<td>32,772</td>
<td>363,754</td>
<td>86,267</td>
<td>107,958</td>
<td>175,213</td>
<td>193,473</td>
<td>91,442</td>
<td>203,030</td>
<td>89,143</td>
<td>518.56</td>
</tr>
<tr>
<td>2013</td>
<td>732,842</td>
<td>216,142</td>
<td>490,545</td>
<td>26,154</td>
<td>333,248</td>
<td>103,352</td>
<td>120,667</td>
<td>183,932</td>
<td>91,442</td>
<td>94,422</td>
<td>216,293</td>
<td>106,133</td>
<td>591.36</td>
</tr>
<tr>
<td>2014</td>
<td>871,742</td>
<td>242,969</td>
<td>590,545</td>
<td>32,826</td>
<td>329,136</td>
<td>134,843</td>
<td>124,590</td>
<td>238,532</td>
<td>167,239</td>
<td>116,293</td>
<td>257,322</td>
<td>116,293</td>
<td>664.70</td>
</tr>
</tbody>
</table>

### Rate Data

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate Data</th>
<th>US$1</th>
<th>€1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>28.0</td>
<td>85.65</td>
<td>112.92</td>
</tr>
<tr>
<td>2012</td>
<td>44.1</td>
<td>79.02</td>
<td>109.40</td>
</tr>
<tr>
<td>2013</td>
<td>37.2</td>
<td>83.10</td>
<td>107.14</td>
</tr>
<tr>
<td>2014</td>
<td>42.6</td>
<td>100.24</td>
<td>134.37</td>
</tr>
</tbody>
</table>

### Financial Indices

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Income margin (%)</th>
<th>Return on average shareholders’ equity (ROE) (%)</th>
<th>Return on average assets (ROA) (%)</th>
<th>Ratio of equity attributable to owners of the parent to total assets (%)</th>
<th>Net D/E Ratio (Times)</th>
<th>Dividend payout ratio (%)</th>
<th>Total return ratio (%)</th>
<th>Period-end share price (Yen)</th>
<th>Price earnings ratio (PER) (Times)</th>
<th>Price book-value ratio (PBR) (Times)</th>
<th>Dividend yield (%)</th>
<th>Exchange Rate Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>6.1</td>
<td>6.1</td>
<td>3.5</td>
<td>32.6</td>
<td>0.60</td>
<td>22.8</td>
<td>22.8</td>
<td>717</td>
<td>14.8</td>
<td>1.5</td>
<td>1.5</td>
<td>USD1 85.65</td>
</tr>
<tr>
<td>2012</td>
<td>6.1</td>
<td>6.1</td>
<td>3.5</td>
<td>32.6</td>
<td>0.60</td>
<td>22.8</td>
<td>22.8</td>
<td>717</td>
<td>14.8</td>
<td>1.5</td>
<td>1.5</td>
<td>€1 112.92</td>
</tr>
<tr>
<td>2013</td>
<td>6.1</td>
<td>6.1</td>
<td>3.5</td>
<td>32.6</td>
<td>0.60</td>
<td>22.8</td>
<td>22.8</td>
<td>717</td>
<td>14.8</td>
<td>1.5</td>
<td>1.5</td>
<td>USD1 85.65</td>
</tr>
<tr>
<td>2014</td>
<td>6.1</td>
<td>6.1</td>
<td>3.5</td>
<td>32.6</td>
<td>0.60</td>
<td>22.8</td>
<td>22.8</td>
<td>717</td>
<td>14.8</td>
<td>1.5</td>
<td>1.5</td>
<td>€1 112.92</td>
</tr>
</tbody>
</table>

### Financial and Non-Financial Highlights

#### Strategies and Performance

- **Sales**
  - 2011: 710,431
  - 2012: 731,192
  - 2013: 732,842
  - 2014: 871,742

#### Non-Financial Highlights

- **Operating Income**
  - 2011: 332,440
  - 2012: 332,440
  - 2013: 332,440
  - 2014: 332,440

- **Total Equity Attributable to Owners of the Parent**
  - 2011: 475.45
  - 2012: 518.56
  - 2013: 591.36
  - 2014: 664.70

#### Other Information

- **Dividend Payout Ratio (%)**
  - 2011: 22.8
  - 2012: 22.7
  - 2013: 37.7
  - 2014: 27.7

- **Net Income Attributable to Owners of the Parent**
  - 2011: No data
  - 2012: No data
  - 2013: No data
  - 2014: No data

#### Additional Notes

- **Total return ratio (%)** = (Dividends paid + Acquisition of treasury shares) ÷ Net income attributable to owners of the parent.
### Financial and Non-Financial Highlights

#### Non-Financial Highlights

<table>
<thead>
<tr>
<th>Years ended March 31</th>
<th>Scope</th>
<th>Unit</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environment (E)</strong></td>
<td><strong>Number of products developed (cumulative)</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>Products</strong></td>
<td>219</td>
<td>224</td>
<td>226</td>
<td>232</td>
</tr>
<tr>
<td><strong>Products that help reduce CO2 emissions</strong></td>
<td><strong>CO2 emissions avoided (total)</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>+10^4 CO2e</strong></td>
<td>1,309</td>
<td>1,324</td>
<td>1,446</td>
<td>1,572</td>
</tr>
<tr>
<td><strong>Energy</strong></td>
<td><strong>Total energy usage</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>TJ</strong></td>
<td>7,503</td>
<td>7,864</td>
<td>7,965</td>
<td>7,330</td>
</tr>
<tr>
<td><strong>Fuel and gas</strong></td>
<td><strong>Total energy usage</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>TJ</strong></td>
<td>2,330</td>
<td>2,426</td>
<td>2,435</td>
<td>2,295</td>
</tr>
<tr>
<td><strong>Electricity and heat</strong></td>
<td><strong>Reference Electricity and heat primary energy equivalent usage</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>TJ</strong></td>
<td>13,986</td>
<td>14,747</td>
<td>14,815</td>
<td>13,577</td>
</tr>
<tr>
<td><strong>Greenhouse gases</strong></td>
<td><strong>CO2 emissions</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>+10^4 CO2e</strong></td>
<td>991</td>
<td>1,019</td>
<td>998</td>
<td>839</td>
</tr>
<tr>
<td><strong>Scope 2</strong></td>
<td><strong>Total energy usage</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>TJ</strong></td>
<td>854</td>
<td>876</td>
<td>856</td>
<td>708</td>
</tr>
<tr>
<td><strong>Reference Scope 3</strong></td>
<td><strong>CO2 emissions</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>+10^4 CO2e</strong></td>
<td>2,056</td>
<td>2,039</td>
<td>2,075</td>
<td>2,194</td>
</tr>
<tr>
<td><strong>Steel</strong></td>
<td><strong>Steel consumption</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>x 10^6 t</strong></td>
<td>705</td>
<td>765</td>
<td>758</td>
<td>618</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td><strong>Total water withdrawal</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>x 10^8 m^3</strong></td>
<td>4,716</td>
<td>4,713</td>
<td>4,700</td>
<td>4,308</td>
</tr>
<tr>
<td><strong>Groundwater</strong></td>
<td><strong>Total water withdrawal</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>x 10^8 m^3</strong></td>
<td>1,840</td>
<td>1,869</td>
<td>2,011</td>
<td>1,789</td>
</tr>
<tr>
<td><strong>General water</strong></td>
<td><strong>Total water withdrawal</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>x 10^8 m^3</strong></td>
<td>2,274</td>
<td>2,325</td>
<td>2,194</td>
<td>2,028</td>
</tr>
<tr>
<td><strong>Industrial water</strong></td>
<td><strong>Total water withdrawal</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>x 10^8 m^3</strong></td>
<td>601</td>
<td>519</td>
<td>495</td>
<td>490</td>
</tr>
<tr>
<td><strong>Waste and valuables</strong></td>
<td><strong>Total waste and valuables</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>x 10^3 t</strong></td>
<td>212.3</td>
<td>223.5</td>
<td>227.8</td>
<td>200.2</td>
</tr>
<tr>
<td><strong>Landfill disposal volume</strong></td>
<td><strong>Recycling rate for waste</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>%</strong></td>
<td>3.7</td>
<td>3.0</td>
<td>3.4</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Recycling rate for waste</strong></td>
<td><strong>Rate of change in industrial waste per unit of sales (baseline: FY18/3)</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>%</strong></td>
<td>98.2</td>
<td>98.6</td>
<td>98.4</td>
<td>98.6</td>
</tr>
<tr>
<td><strong>Air</strong></td>
<td><strong>Emissions of NOx</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>t</strong></td>
<td>128</td>
<td>132</td>
<td>128</td>
<td>119</td>
</tr>
<tr>
<td><strong>Emissions of SOx</strong></td>
<td><strong>Rate of change in water withdrawal per unit of sales (baseline: FY18/3)</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>%</strong></td>
<td>9.5</td>
<td>0</td>
<td>2.0</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Water quality</strong></td>
<td><strong>Total discharged water</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>x 10^8 m^3</strong></td>
<td>2,863</td>
<td>3,040</td>
<td>3,159</td>
<td>2,847</td>
</tr>
<tr>
<td><strong>River</strong></td>
<td><strong>Discharge of PRTR-designated substances (materials and parts)</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>t</strong></td>
<td>488</td>
<td>490</td>
<td>464</td>
<td>395</td>
</tr>
<tr>
<td><strong>Sewage system</strong></td>
<td><strong>Discharge/transfer of PRTR-designated substances</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>t</strong></td>
<td>96</td>
<td>105</td>
<td>72</td>
<td>78</td>
</tr>
<tr>
<td><strong>BOD (Biochemical oxygen demand)</strong></td>
<td><strong>Emissions of VOCs</strong></td>
<td><strong>NK Group</strong></td>
<td><strong>t</strong></td>
<td>162</td>
<td>154</td>
<td>151</td>
<td>145^3</td>
</tr>
<tr>
<td><strong>Eco-friendly products</strong></td>
<td><strong>Bioavailability conservation initiatives (social contribution initiatives)</strong></td>
<td><strong>Group in Japan</strong></td>
<td><strong>initiatives</strong></td>
<td>4</td>
<td>3</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td><strong>Strategies and Performance</strong></td>
<td><strong>Number of initiatives implemented</strong></td>
<td><strong>Group in Japan</strong></td>
<td><strong>initiatives</strong></td>
<td>4</td>
<td>3</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

1. Newly developed products until the year ended March 31, 2008, that are consistent with the "Basic Policy for the Development of Environmentally Friendly Products," and from the year ended March 31, 2009, newly developed products with an NSK Eco-efficiency Indicator (Neco) score of 1.2 or higher.
2. Third-party verification is performed.
3. Adjusted for the purpose of greater accuracy.

---

**Strategies and Performance**

**Strategies & Performance**

**Financial and Non-Financial Highlights**

**Environmental highlights**

- **Products** and from the year ended March 31, 2009, newly developed products with an NSK Eco-efficiency Indicators (Neco) score of 1.2 or higher.
- **Steel consumption** for steel products.
- **Water quality** and total discharged water.
- **Energy usage** and total energy usage.
- **Waste and valuables** and total waste and valuables.
- **Air emissions** of NOx and SOx.
- **Water quality** and total discharged water.
- **Biodiversity** and bioavailability conservation initiatives.

**Environmentally harmful substances**

- **Handling of PRTR-designated substances** and discharge/transfer of PRTR-designated substances.
- **Emissions of VOCs**.

**Governance (G)**

**Composition of the Board of Directors**

- **Number of directors** and **ratio of independent outside directors**.
- **Ratio of males** and **ratio of females**.
- **Attendance at Board of Directors meetings**.

**Social (S)**

**Number of employees (consolidated)**

- **Total** and **ratio of women employees**.
- **Average years of employment (average age)**.
- **Number of employees who took childcare leave**.

**Ratio of women employees**

- **Men** and **women**.

**Average years of employment**

- **Men** and **women**.

**Number of employees who took childcare leave**

- **Men** and **women**.

**Employment rate of people with disabilities**

- **Scope** and **unit**.

**Occupational safety**

- **Lost time injury frequency rate**.

**Health and wellness**

- **Percentage of employees participating in the Specific Health Guidance program**.
- **Percentage of employees receiving stress checks**.
- **Percentage of employees who smoke**.

**Human resource development**

- **Number of participants in NSK Global Management College**.
- **Number of participants in NSK Japan Management College**.
- **Number of participants in NSK Institute of Technology**.
- **Number of employees who have taken TOEIC tests (780 or higher) (cumulative)**.

**Ratio of labor union participation**

- **Non-management employees**.
- **All employees including managers**.

**Lab management consultations**

- **Number of lab management consultations**.

**Employee engagement survey**

- **Number of participants (officers and employees)**.

**Research and development**

- **Number of patents held**.

**Directors meetings**

- **Attendance at Board of Directors Number of directors**.
- **Composition of the Board**.

**Human resource development**

- **Total employees including managers**.

**NSK Institute of Technology**

- **Total** and **number of participants (officers and employees)**.

**Special Feature**

- **Foundation Supporting Sustainability**.

---

*1 NSK Ltd. and main group companies in Japan  
*2 The Company receives third-party assurances.  
*3 Cancelled due to the spread of COVID-19  
*4 Number of times Central Labor-Management Conference meetings held  
*5 Conducted as a compliance awareness survey until the fiscal year ended March 2018  
*6 NSK's Collaborative Value Creation Process
Trends in Major Indices

In FY21/3, sales totaled ¥747.6 billion, a decrease of 10.0% from the previous fiscal year due to the significant impact of lower demand amid the COVID-19 pandemic in the first half of the fiscal year.

Despite efforts aimed at reducing costs centered on personnel expenses, the operating income margin declined to 0.9% (down 1.9 percentage points year on year). This was largely due to the downturn in sales.

NSK set its cash dividend per share at ¥20 for FY21/3, down ¥10 from the previous fiscal year due to the significant impact of lower demand amid the COVID-19 pandemic in the first half of the fiscal year.

Interest-bearing debt increased in FY21/3 due to borrowing in preparation for liquidity risks from COVID-19 and other unforeseen events. However, it is not at a level that affects NSK’s financial base, and the Company is continuously undertaking shareholder returns, however, the dividend payout ratio came in at 2885.8%, well above the 6th MTP target of 50%–60%.

Interest-bearing debt and ratio of equity attributable to owners of the parent to total assets (left) and cash dividends per share and dividend payout ratio (right) are shown in the graph.

Against the backdrop of a weak global economy, NSK undertook investments in projects related to safety, quality, and the environment: essential projects aimed at improving productivity and the replacement of equipment. In FY21/3, capital expenditures totaled ¥37.3 billion, down ¥17.6 billion from the previous fiscal year.

While production volume declined due to COVID-19, NSK made progress in adjusting its workforce to its optimal level that best suits its business activities. As a result, the number of employees worldwide at the end of FY21/3 was 10,317, a decrease of 1,089 from the end of the previous fiscal year.

Six new products were developed, bringing the total number of environmentally friendly products developed to 238.

NSK is focusing on R&D aimed at sustainable growth. The number of patents held in FY21/3 reached 8,172, an increase of 120 patents from the previous fiscal year.

Six new products were developed, bringing the total number of environmentally friendly products developed to 238.

NSK is focusing on R&D aimed at sustainable growth. The number of patents held in FY21/3 reached 8,172, an increase of 120 patents from the previous fiscal year.

NSK is focusing on R&D aimed at sustainable growth. The number of patents held in FY21/3 reached 8,172, an increase of 120 patents from the previous fiscal year.
NSK has relentlessly pursued innovative technologies and focused on improving quality in order to contribute to a safer, smoother society and to protect the global environment, in line with its corporate philosophy. NSK leads the world in the product fields of bearings, automotive components, and precision machinery and parts. The foundation that underpins those technologies consists of tribology, materials, numerical simulations, and mechatronics, which are NSK’s Four Core Technologies.

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

"NSK’s Four Core Technologies, and Giving Them Shape Is Manufacturing Engineering"

**Triology**

**Materials**

Unintending Pursuit of Performance Durability and Reliability

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

**Numerical Simulation**

**Mechatronics**

Mechatronics supports people for a, convergence, safety, and comfort future

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

**Four Core Technologies + 1**

**Manufacturing Engineering**

Giving Shape to Four Core Technologies

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

**NSK’s Collaborative Value Creation Process**

Collaboratively Creating Sustainable Value through Open Innovation

Building a Sustainable Mobility Society with Dynamic Wireless Charging

Growing the Value of EVs

Dynamic Wireless Charging

Wireless charging uses a magnetic field to transmit electricity with no hardwired connection. One common use for it today is charging smartphones. In collaboration with the University of Tokyo, NSK continues to conduct research to apply this technology. In 2015, we developed the first-generation system for wirelessly charging in wheel motors. In 2017, the second generation successfully charged motors in motion, and in 2019 the third generation provided greatly improved performance. If future EVs can be charged on the road with dynamic wireless charging, drivers could get where they need to go without worrying about the battery dying. This would dramatically increase convenience.

Growing the Value of EVs

Renewable energy, namely solar and wind power, is becoming increasingly important as a means of generating power, but the challenge is that the power generated fluctuates greatly depending on the weather. Technologies for balancing power supply and demand by utilizing the batteries in EVs are therefore in the spotlight. Realizing dynamic wireless charging would offer the capability of utilizing not only EVs connected to charging equipment but also utilization as batteries of EVs while being driven, making it possible to cope with larger fluctuations in power generation. In this way, EVs will be more than simply another means of transportation and will come to offer society a new way to provide value.

Open Innovation

NSK participates in joint research projects primarily with the University of Tokyo, and in tandem with that, has together with Bridgestone Corporation, Denso Corporation, and ROHM Co., Ltd., established a social cooperation program titled “Open Innovation of Mobility Technologies to Achieve the SDGs,” which commenced in December 2020. Under this program, the companies will carry out R&D on technologies for the electrification of mobility, chiefly dynamic wireless charging, and will endeavor to find a way to accelerate the practical use of research results by making part of such results publicly available to support open innovation.

R&D Expenses

Along with R&D expenses based on institutional accounting, NSK recognizes that all expenses involved in the technology divisions are R&D expenses in a broader sense. As part of the 6th Mid-Term Management Plan, NSK intends to make R&D expenses equivalent to 3%–4% of sales ($10.0 billion–$40.0 billion annually). This level of R&D investment, even which rivals that of Japanese and overseas bearing competitors, will enable us to quickly supply sophisticated products with new features to the market. Moreover, we will contribute to the realization of a more abundant, sustainable society by engaging in activities to save energy, reduce CO2 emissions, and conserve the global environment.
Global Business Foundation

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

Global Management

Organizations That Support Global Management

Underpinned by the two internal Machinery and Automotive business axes, NSK employs a “matrix”-type organizational structure supported by regional headquarters that execute operations in each region and functional headquarters that execute business in a cross-sectional manner from a functional standpoint. From the business execution standpoint, a regional headquarters is positioned to oversee a region under each business headquarters, and each business site is positioned beneath each regional headquarters. Orders and directions on business planning and strategy implementation flow from the business headquarters to regional headquarters and then to individual sites. On the other hand, each functional headquarters located at headquarters in Japan supervises and supports Group-wide functions such as human resources, legal affairs, and accounting at sites worldwide from the perspective of the corporate strategy and standardization.

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

Global Sites

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

Global Business Foundation

Global Sites

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Foundation

Global Business Founda
Climate Change–related Risks and Opportunity

Endorsing and Addressing the TCFD Recommendations

In January 2020, NSK endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In accordance with the recommendations of the TCFD, NSK identifies business risks and opportunities, adapts management plans, and enhances information disclosure with the aim of contributing to both the sustainable development of society and the sustainable growth of NSK, while endeavoring to take its environmental activities to the next level.

Climate-related Governance

As a Company with Three Committees, NSK proactively delegates to executive officers decision-making authority with regard to the execution of operations and strives to improve the efficiency and quality of Management. The Board of Directors oversees the proper and fair execution of duties by the executive officers. A. Corporate Governance

Based on its core values of safety, quality, compliance, and the environment, NSK has set forth the two policies of "operational excellence," representing the consistent pursuit of competitiveness, and "challenging innovation," for the creation of new value. Moreover, we are facilitators of social change, namely new initiatives targeting growth, enhancing managerial resources, and contributing to the environment and society. The Board of Directors determines the Mid-Term Management Plan, and executive organizations report on the plan's progress to the Board of Directors. The Global Environment Protection Committee, chaired by the President & CEO, holds executive officers serving as committee members, deliberates on activities related to climate change, including setting up priorities and actions to contribute to the environment, as well as stakeholder needs and expectations, NSK evaluates the risks and opportunities that arise along with climate change, reflects countermeasures to management strategy and business plans, and strengthens the actions it takes.

Climate-related Risk Management

NSK works to build a risk management system based on clearly stipulated fundamental principles aimed at effectively analyzing global Group management and internal controls. Every part of the company continuously seeks to address and reduce the impact of any environmental change, bringing relevant risks in line with changes in the social environment, the frequency of risk occurrence, the size of impact, and other factors to identify risk that should be addressed. The Corporate Planning Division Headquarters and the Finance Division Headquarters collaborate with businesses and functional headquarters regarding risks at each division and business unit.

Strategy

With the goal of considering the ultimate future climate change will have on NSK's value chain, as well as the effectiveness of climate change countermeasures, NSK looked at the period up to the year 2050, and performed two scenario analyses, one under the assumption of 1.5℃ to 2℃ and another under 4℃ scenario. The results achieved, NSK determined that its basic strategy would be to contribute to the reduction of the 1.5℃ to 2℃ scenario, so as to have a hand in building a sustainable society, and to address transition risks associated with CO2 emissions; indeed, NSK will utilize the opportunities

Scenario Analysis

Analysis targets and prerequisites

Scope

Main Scenarios Adopted

Climate-related Risks and Opportunity

Metrics and Targets

NSK takes a dual approach to CO2 reduction, both with expanding on the volume of CO2 emissions avoided at the product usage stage owing to products that help reduce CO2 emissions, and CO2 emissions arising during our business activities. We set long-term goals while advancing various initiatives to mitigate the impact of climate change. Moreover, considering current conditions where there is increasing urgency to address the dangers of climate change, we are considering bringing our goals forward.

In addition, in terms of CO2 emissions reduction goals, as one goal that is consistent with raising corporate value, we are using them as a metric for short-term performance-based compensation for executive officers.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Identified Risks/OppORTUNITIES</th>
<th>TCFD Countermeasures</th>
<th>Impact of Risk on Business Activities</th>
</tr>
</thead>
</table>
| Physical
| Exposure to climate-related changes, including natural disasters caused by climate change* | Implementing strategies to reduce energy consumption | ◎
| Products and services
| Risks related to transitioning to a low-carbon society | Exploring opportunities for developing products for industries that contribute to decarbonization (e.g., EV-related products) | ◎
| Products and services
| Risks related to transitioning to a low-carbon society | Exploring opportunities for developing products for industries that contribute to decarbonization (e.g., EV-related products) | ◎

Notes:

- ◎: Significant
- ○: Moderate
- X: Minor

*Including risks due to climate-related natural disasters.
Compliance

NSK's Approach

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

Policy

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

1. NSK Corporate Philosophy Day

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

2. Employee Engagement Surveys (Compliance Awareness Surveys)

An employee engagement survey is conducted with the Human Resources Department. The objective is to assess the level of compliance awareness and the condition of work environments, in terms of motivation and opportunities for growth for each employee. In fiscal 2020, the sixth time the survey was conducted in Japan, 14,963 officers and employees responded. Overseas, we continued to work on issues identified in the fiscal 2019 engagement surveys, such as further improving the reliability of the compliance hotline ( whistleblower system).

NSK Group Compliance System (As of August 2021)

Examples of Fiscal 2020 Initiatives

1. Conducted employee engagement survey for the NSK Group (compliance awareness survey)

2. Started a regular Compliance Newsletter

3. Conducted internal audits of sales divisions relating to Antimonopoly Act compliance

4. Conducted compliance training at sales divisions, plants, engineering sections, and Group companies

5. Conducted compliance training at sales divisions, plants, engineering sections, and Group companies

6. Established Legal and Compliance meeting (once or twice a year)
**Risk Management**

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

In addition, the internal audit division coordinates with the Audit Committee to monitor the tasks carried out by executive divisions, build an internal control system and audit operational status. At NSK’s business activities spread to more areas, the range of anticipated risks also widens. However, the Company has identified 10 types of representative risks deemed of high importance according to what they entail and likelihood of occurring, their degree of impact, and mitigation measures. Among the risks so far present, the three types outlined in 1, 5, 6, and 7 could lead to business opportunities for NSK, and we include details concerning these as well.

### Risk Management System

1. **CEO/COO**
   - Risk reporting
   - Risk response instructions

2. **Internal audits**
   - CEO
     - Reporting
     - Instruction

3. **Corporate Planning Division Headquarters**
   - Risk reporting (region, temporarily accepted)

4. **Finance Division Headquarters**
   - Avoid, mitigation measures

5. **Business, regional, and functional division headquarters**
   - Internal audit control evaluation as related to financial reporting

### Risk Heat Map

**Short-Term Risk: 1-2 years**

1. **Risk associated with changes to technology innovation, and the market or competitive landscape**
   - Risk of delayed product or service implementation in response to market changes and customer technology demands brought about by technological innovation such as 5G and IoT.
   - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.

2. **Risk associated with safety, prevention of fire and disaster, and pandemics**
   - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.
   - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.

3. **Risk associated with quality**
   - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.
   - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.

4. **Risk associated with risks that underpin business operations**
   - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.
   - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.

### Risk Management Flow

- **Setting, classifying**
- **Risk classification**
- **Risk analysis**
- **Risk evaluation**
- **Analysis of likelihood of occurrence, severity, and impact**
- **Risk response**
- **Avoid, mitigate, divert, acceptance measures**

**Representative Risks and Mitigation Measures**

#### Risk Types

- **Risk**
  - **Details of Representative Risks**
  - **Mitigation Measures**

- **Risk associated with changes to technology innovation, and the market or competitive landscape**
  - Risk of delayed product or service implementation in response to market changes and customer technology demands brought about by technological innovation such as 5G and IoT.
  - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.

- **Risk related to internal situations and dependence on specific region**
  - Risk of a change in the economic environment of a specific region due to in which the Company conducts business, and of the impact of falling into political instability.
  - Risk associated with hall in preparation on account of deteriorating public opinion of local citizens.
  - Risk of business losses and declined earnings due to changes in the trade risks of individual countries.

- **Risk associated with safety, prevention of fire and disaster, and pandemics**
  - Risk of major industrial accident occurring.
  - Risk of loss due to increased ICT measures to address fire or natural disasters.
  - Risk of being unable to secure a comfortable and safe working environment in neighboring regions, or for employees.
  - Risk of increased ability to accept accidents due to suspended construction work or other temporary stops caused by the outbreak of new infectious diseases.

- **Risk associated with quality**
  - Risk of rejection of customer’s demands due to significant quality defects.
  - Risk associated with insufficient response due to improper quality assurance system or quality control management.
  - Risk of failure of needed product quality.
  - Risk of being unable to respond to increasing quality requirements from customers.

- **Risk associated with compliance**
  - Risk of violating laws and regulations due to employees’ carelessness or misunderstanding.
  - Risk of further losing the trust of society due to bearing responsibility for personal, civil, and administrative acts associated with the above.

- **Risk associated with risks that underpin business operations**
  - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.
  - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.

- **Risk associated with information and communication technology (ICT)**
  - Risk of failure of the Company’s basic policy in terms of the ICT system.
  - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.

- **Risk associated with financial and operational risks**
  - Risk of failure of the Company’s basic policy in terms of the ICT system.
  - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.

- **Risk associated with external risks**
  - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.
  - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.

- **Risk associated with change due to social environmental changes**
  - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.
  - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.

- **Risk associated with foundation supporting sustainability**
  - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.
  - Risk of being unable to respond to an increasingly competitive market by new competitors and new market entrants.
Disaster Risk Management

Crisis Management and BCP (Business Continuity Plan) responses to natural disasters, pandemics, serious accidents/incidents, etc.

NSK’s Approach

NSK’s basic policy is to protect lives as a top priority, and to resume business activities as soon as possible in the event of a crisis. On that basis, we are working to formulate and improve a Business Continuity Plan (BCP) to prevent crises from occurring as well as to minimize damage and shorten the recovery period if a crisis materializes.

NSK Group Crisis Management System

Disaster Risk Management System

By establishing and improving crisis management systems to prepare for relevant risks, such as natural disasters, pandemics, and serious accidents/incidents, etc., the Crisis Management Committee helps to minimize the damage in the event of an actual emergency, while playing a role in addressing such situations swiftly and effectively.

Organizations have also been established in each region outside Japan to supervise crisis management in their respective locations. When a relevant emergency occurs, the Crisis Management Committee in Japan works with the organizations concerned to deal with the crisis.

Crisis Management Structure

Normal Times

Emergencies

Examples of Fiscal 2020 Initiatives

■ 6th Mid-Term Management Plan Targets (FY2019–2021) and the FY2020 Targets and Performance

Examples of Fiscal 2020 Initiatives

Development of group crisis management systems

Strngthen function linkage with regional headquarters outside Japan

Optimize crisis management system

BCP creation and effectiveness enhancement

Japan: BCP effectiveness assuring earthquake, wind, and flood damage

Developments of group crisis management systems

Review the management system reflecting from the crisis response results

Enhance capabilities to continue product supply

Establish a BCP against serious risks

In contrast to conventional information security management activities that focus on preventing information leaks, we are working to build and enhance a management system to respond to the sophistication of cyberattacks and the expansion of attack targets. Not only computer systems but also factory production equipment control devices and the controllers fitted to products are the targets of attacks, so management systems are required in each field. Specifically, we are putting in place an organizational structure as measures for computers (C-SIRT), factory production equipment control devices (F-SIRT), and product security (P-SIRT). In addition to preventing security incidents, these organizations are working on early detection and early recovery with the support of tools and external vendors.

The positioning of in-house training and the raising of awareness as important security activities have not changed, and we are continuing to carry out e-learning for employees and activities to raise awareness through our in-house intranet and digital signage. In fiscal 2020, e-learning was conducted by preparing training content geared toward directors and executive officers, security administrators, and employees. Including domestic Group companies, 96.7% of the target participants completed the course.

In our external certification acquisition activities, we acquired ISO 27001 in the Information System Department. In Europe, we gained registration in a security assessment mechanism called TISAX, which has been widely adopted in the German automobile industry, in our German subsidiary. We will continue our efforts to expand the number of departments that have acquired these official certifications.

For diverse work styles

Promotion of web-based remote work, meetings, training, etc.

The COVID-19 pandemic has significantly changed employee work styles. Even before the COVID-19 outbreak, NSK had in place remote connections and a virtual PC usage system for remote work, and the rules and mechanisms had been established. Due to COVID-19, a much larger number of employees have moved to work from home, and we have, for example, expanded our network in response to the rapid increase in use. We are now arranging for environments in which they can carry out their duties without any major difficulties.

As employee work styles continue to diversify, we are aiming to maximize the power of ICT to realize more efficient and convenient work styles. Therefore, we are organizing issues from the perspectives of urgency and impact, drawing up a response roadmap, and proceeding with initiatives. In addition, diverse work styles can be achieved not only by introducing new ICT technology but also by having that very technology mastered by employees. We will promote the necessary training and activities to raise awareness for employees and respond quickly to changes in the environment surrounding ICT.
NSK's Collaborative Value Creation Process

Policy on Development of Corporate Governance Systems

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

Corporate Governance Systems

Current Systems and Operating Status

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

NSK’s Corporate Governance Structure

Roles and Structure of Supervisory Organizations (As of August 2021)

- President & Representative Executive Officer/CEO
- Report on the Decision-Making Support Function (Operating Committee)
- Report on the Internal Audit Department
- Report on the Ethics, Legal Department, Corporate Compliance Office
- Report on the Directors’ (outside directors) Meeting and the Executive Officers’ Meeting
- Report on the Nomination Committee
- Report on the Compensation Committee
- Report on the Audit Committee

Changes to NSK’s Corporate Governance Systems

Initiatives to Further Enhance the Effectiveness of the Board of Directors

Office Training

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

Active Board Deliberations

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

Assessment of Effectiveness of the Board of Directors

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

Assessment Process

Conduct a questionnaire for each director
Conduct a one-hour interview for each director
Note: The interviews were done in person or on a remote basis in fiscal 2020.

Main Content of the Questionnaire

The main content of the questionnaire conducted in fiscal 2020 is outlined below.

- Management strategies and risk control
- Composition, roles, and processes of the Board of Directors
- Stakeholder engagement
- CEO succession planning
- Operation of advisory committees (Nomination/Audit/Compensation Committees)

Assessment Results

An assessment conducted in 2020 by external experts concluded that the Board of Directors maintained a high level of effectiveness with the purpose of sustainable growth and mid- to long-term corporate value.

All the directors including outside directors who have extensive knowledge keep contributing to active discussions, backed by a close relationship of mutual trust.

The structure of the Board of Directors was changed to consist of a majority of outside directors.

Furthermore, the Board of Directors delegated more authority to the executive organization, which enabled the Board to focus on monitoring and discussing mid- to long-term strategies.

We will continue to improve the effectiveness of our Board of Directors, consisting of a majority of outside directors, to further enhance corporate value by strengthening our corporate governance system, focusing on improved monitoring function, and placing more emphasis on discussions regarding the direction of long-term management.
**Foundation Supporting Sustainability**

**Corporate Governance**

**Composition of the Board of Directors**

The Company believes that the Company’s Board of Directors should be well versed in the Company's business and the capable of supervising important managerial judgments related to business execution, with the aim of enhancing the sustainable growth and mid- to long-term corporate value of the NSK Group. Consideration in the Board of Directors is made so that the Board maintains a well-balanced composition. In light of the Company’s mid- to long-term business strategy or managerial issues, and the size of the Board is also considered to enhance the effectiveness of deliberations.

In appointing individual directors, in addition to selecting based on experience in business and management in general or experience in their area of expertise, high ethical standards in management and their insight into corporate governance is also in the selection criteria.

**Outside Director Attendance and the Three Committees System**

<table>
<thead>
<tr>
<th>Name</th>
<th>Date Appointed as Director</th>
<th>Attendance at Board of Directors’ Meetings and Committee Meetings in FY2020</th>
<th>Composition of Each Committee from June 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hajime Bada</td>
<td>June 2018</td>
<td>100% (9/10)</td>
<td>100% (3/5)</td>
</tr>
<tr>
<td>Akemi Michibchi</td>
<td>July 2018</td>
<td>100% (10/10)</td>
<td>100% (16/16)</td>
</tr>
<tr>
<td>Toshihide Iinuma</td>
<td>June 2019</td>
<td>100% (10/10)</td>
<td>100% (4/4)</td>
</tr>
<tr>
<td>Yoshitaka Fujita</td>
<td>June 2019</td>
<td>100% (10/10)</td>
<td></td>
</tr>
<tr>
<td>Mitsuhiro Nakanaga</td>
<td>June 2020</td>
<td>100% (8/8)</td>
<td>100% (3/3)</td>
</tr>
<tr>
<td>Koichi Obara</td>
<td>June 2021</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

**Supporting System for Outside Directors**

In response to the revised Corporate Governance Code of June 2021, NSK plans to submit a Corporate Governance Report to the Tokyo Stock Exchange by the end of December 2021.

**Internal Control**

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

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

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

**Response to Japan’s Corporate Governance Code (as of August 2021)**

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

In response to the revised Corporate Governance Code of June 2021, NSK plans to submit a Corporate Governance Report to the Tokyo Stock Exchange by the end of December 2021.

**Group Governance**

NSK has established the NSK Group Companies Governance Standards, which among other things set out the basic operating policies of Group companies. In accordance with these standards, we strive for smooth business management by thoroughly implementing internal control at Group companies while enhancing management transparency and fairness. In addition, the Business Division Headquarters, Functional Division Headquarters, and regional headquarters provide management support to each Group company from multiple perspectives, and the corporate auditors of each Group company carry out regular monitoring and inspection in cooperation with the Internal Audit Department.

**Directors/Officers’ Compensation**

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

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

**Executive Officers’ Compensation**

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

**Executive Officer Compensation Package**

<table>
<thead>
<tr>
<th>Basic compensation</th>
<th>Performance-based compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>a. Short-term performance-based compensation</td>
</tr>
<tr>
<td></td>
<td>① Basic compensation</td>
</tr>
<tr>
<td></td>
<td>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 representative rights.</td>
</tr>
<tr>
<td></td>
<td>② Performance-based compensation</td>
</tr>
<tr>
<td></td>
<td>The short-term performance-based compensation will be determined based on metrics consistent with management goals to maximize profitability, value efficiency of decision making, and improve corporate value metrics related to the operating income margin, ROI, and cash flow, as well as an achievement target for ESG goals for carbon emissions reduction and safety and quality improvement. The individual level of achievement in their designated job duties is also evaluated when determining the amount of compensation paid to each executive officer.</td>
</tr>
</tbody>
</table>

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

The amount of compensation for directors and executive officers between April 1, 2020, and March 31, 2021, was as follows.

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

The amount of compensation for directors and executive officers between April 1, 2020, and March 31, 2021, was as follows.

<table>
<thead>
<tr>
<th>Name</th>
<th>Consolidated Compensation (¥ Millions)</th>
<th>Title</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toshihiro Uchiyama</td>
<td>157</td>
<td>Director</td>
<td>NSK</td>
</tr>
<tr>
<td>Jean-Charles Sanchez</td>
<td>140</td>
<td>Executive Officer</td>
<td>NSK</td>
</tr>
<tr>
<td>Ulrich Nais</td>
<td>111</td>
<td>CEO</td>
<td>Consolidated subsidiary NSK Europe Ltd.</td>
</tr>
<tr>
<td>Brian Parsons</td>
<td>204</td>
<td>CEO</td>
<td>Consolidated subsidiary NSK Americas, Inc.</td>
</tr>
</tbody>
</table>
NSK has adopted a “Company with Three Committees” system as its organizational design and is engaged in efforts to enhance its corporate governance system to increase sustainable growth and mid- to long-term corporate value. In fiscal 2020, the Company restructured its Board of Directors to include a majority of outside directors. We asked outside directors Hajime Bada, Akemi Mochizuki, and Mitsuhiro Nagahama for their thoughts on corporate governance at NSK.

Q1 Mr. Bada and Ms. Mochizuki, you have both served as outside directors of NSK for three years now. Can you tell us how NSK has changed over this period and what challenges you see that still need to be addressed?

Mr. Bada
NSK is a “Company with Three Committees” and has adopted a governance system that separates execution from supervision. Looking at two major changes, the Board of Directors meetings. As a result, discussions on future direction, large-scale capital investment, and future research and development have been rejuvenated in the makeup of officers, including the appointment of a new president. Furthermore, with this change in the Board of Directors’ role, steps have been taken to review the time allocated for discussions and make decisions accordingly. From the previous fiscal year, the Board of Directors has begun to hold strategic discussions on the Company’s long-term policy goals and R&D themes. As a matter of course, NSK’s mid-term management policy is resolved by the Board of Directors. Accordingly, outside directors must address this important decision responsibly. As such, outside directors must take all necessary steps to study and improve their knowledge of the industry in which NSK operates and the directions taken by competitors to ensure fruitful deliberations. Of the Company’s five outside directors, one or two are replaced each year. As a result, it is difficult for newly appointed outside directors to grasp the whole picture in the first year. When discussing strategy, we need to have a system in place so that outside directors, especially in their first or second year, can catch up. Without such a system, it will be difficult for every member of the Board to fully participate in deliberations.

Ms. Mochizuki
Excluding myself, all the outside directors on NSK’s Board have served as top executives at major companies. They have a wealth of experience and the ability to look ahead to see how matters should be managed and what problems might arise in certain cases. From a variety of perspectives, the Board continues to function extremely well. In addition to creating a forum that is conducive to the lively exchange of opinions, the Board has put in place an environment where these opinions can be well received and discussed and make decisions accordingly. I believe that the information provided to management in board meetings is both accurate and precise. I would assert that this is essential for a board of directors that consists mainly of outside directors and that NSK has cleared this prerequisite.

One other key element is how to connect the Board of Directors with the executive function. With the power to veto a project or transaction, a board with a majority of outside directors bears a heavy responsibility. It is vital that outside directors are aware of this responsibility and engage in discussions and make decisions accordingly. Meanwhile, there are other issues that need to be considered and addressed. From the previous fiscal year, the Board of Directors has begun to hold strategic discussions on the Company’s long-term policy goals and R&D themes. As a matter of course, NSK’s mid-term management policy is resolved by the Board of Directors. Accordingly, outside directors must address this important decision responsibly. As such, outside directors must take all necessary steps to study and improve their knowledge of the industry in which NSK operates and the directions taken by competitors to ensure fruitful deliberations. Of the Company’s five outside directors, one or two are replaced each year. As a result, it is difficult for newly appointed outside directors to grasp the whole picture in the first year. When discussing strategy, we need to have a system in place so that outside directors, especially in their first or second year, can catch up. Without such a system, it will be difficult for every member of the Board to fully participate in deliberations.

Mr. Nagahama
Following a recent amendment to Japan’s Corporate Governance Code, greater emphasis has been placed on the appointment of outside directors who possess experience in corporate management. On this point, the corporate management expertise of NSK’s outside directors is a major characteristic of the Board’s composition. Except for Ms. Mochizuki, who is a specialist in accounting and taxation, all the Company’s outside directors have experience in corporate management. As the only person with a financial sector background, I believe that my role is to contribute from the perspective of finance and capital markets as opposed to general management.

Discussions at Board of Directors’ meetings are free and open. A lot of time is spent on future strategies with in-depth discussions. Considering its monitoring function, the Board oversees the duties of executive officers. As an outside director, I am working to acquire more information and knowledge in related fields to add value to the Board’s discussions.

Q2 Mr. Nagahama, it is now one year since you first took office. What do you think is expected of you as an NSK outside director?

Mr. Nagahama
I think the expectations of the five outside directors is a major characteristic of the Board’s governance and the effectiveness of the Board of Directors? Also, what specialized expertise, if any, is needed in the future?

Mr. Bada
This is the first time for me to serve on a Board where outside directors are in the majority, and I am finding it an interesting experience. I think it is important to see how information on the execution of business is brought to a Board that is mainly composed of outside directors. This is an issue that cannot be determined by rules alone. Information must be sorted in accordance with the culture of the company and past performance. In my three years of experience here at NSK, I can say that the Company has done a good job in this regard. For example, the Board is immediately advised when an employee is infected with COVID-19. While this is not necessarily information that needs to be conveyed to outside directors, I believe there is considerable merit in staying on top of trends regarding the pandemic. It is unfortunate that COVID-19 has restricted people’s movement and prevented us from visiting plants and the Group’s overseas bases. It is important for us to maintain a direct link to local information, which cannot be achieved through remote meetings. With this notable exception, I believe that the information provided to management is both accurate and precise. I would assert that this is essential for a board of directors that consists mainly of outside directors and that NSK has cleared this prerequisite.

One other key element is how to connect the Board of Directors with the executive function. With the power to veto a project or transaction, a board with a majority of outside directors bears a heavy responsibility. It is vital that outside directors are aware of this responsibility and engage in discussions and make decisions accordingly. Meanwhile, there are other issues that need to be considered and addressed. From the previous fiscal year, the Board of Directors has begun to hold strategic discussions on the Company’s long-term policy goals and R&D themes. As a matter of course, NSK’s mid-term management policy is resolved by the Board of Directors. Accordingly, outside directors must address this important decision responsibly. As such, outside directors must take all necessary steps to study and improve their knowledge of the industry in which NSK operates and the directions taken by competitors to ensure fruitful deliberations. Of the Company’s five outside directors, one or two are replaced each year. As a result, it is difficult for newly appointed outside directors to grasp the whole picture in the first year. When discussing strategy, we need to have a system in place so that outside directors, especially in their first or second year, can catch up. Without such a system, it will be difficult for every member of the Board to fully participate in deliberations.

Ms. Mochizuki
Excluding myself, all the outside directors on NSK’s Board have served as top executives at major companies. They have a wealth of experience and the ability to look ahead to see how matters should be managed and what problems might arise in certain cases. From a variety of perspectives, the Board continues to function extremely well. In addition to creating a forum that is conducive to the lively exchange of opinions, the Board has put in place an environment where these opinions can be well received and discussed and make decisions accordingly. I believe that the information provided to management in board meetings is both accurate and precise. I would assert that this is essential for a board of directors that consists mainly of outside directors and that NSK has cleared this prerequisite.

One other key element is how to connect the Board of Directors with the executive function. With the power to veto a project or transaction, a board with a majority of outside directors bears a heavy responsibility. It is vital that outside directors are aware of this responsibility and engage in discussions and make decisions accordingly. Meanwhile, there are other issues that need to be considered and addressed. From the previous fiscal year, the Board of Directors has begun to hold strategic discussions on the Company’s long-term policy goals and R&D themes. As a matter of course, NSK’s mid-term management policy is resolved by the Board of Directors. Accordingly, outside directors must address this important decision responsibly. As such, outside directors must take all necessary steps to study and improve their knowledge of the industry in which NSK operates and the directions taken by competitors to ensure fruitful deliberations. Of the Company’s five outside directors, one or two are replaced each year. As a result, it is difficult for newly appointed outside directors to grasp the whole picture in the first year. When discussing strategy, we need to have a system in place so that outside directors, especially in their first or second year, can catch up. Without such a system, it will be difficult for every member of the Board to fully participate in deliberations.

Mr. Bada
This is the first time for me to serve on a Board where outside directors are in the majority, and I am finding it an interesting experience. I think it is important to see how information on the execution of business is brought to a Board that is mainly composed of outside directors. This is an issue that cannot be determined by rules alone. Information must be sorted in accordance with the culture of the company and past performance. In my three years of experience here at NSK, I can say that the Company has done a good job in this regard. For example, the Board is immediately advised when an employee is infected with COVID-19. While this is not necessarily information that needs to be conveyed to outside directors, I believe there is considerable merit in staying on top of trends regarding the pandemic. It is unfortunate that COVID-19 has restricted people’s movement and prevented us from visiting plants and the Group’s overseas bases. It is important for us to maintain a direct link to local information, which cannot be achieved through remote meetings. With this notable exception,
organize the many items that were previously placed on the Board’s agenda. Meetings are shorter than when I first took office, and we can now delve more deeply into the essence of each issue and discuss them in a concise manner. In this regard, I believe that NSK maintains a highly sophisticated Board of Directors.

Mr. Bada

The first major task for the Nomination Committee is to determine the Board’s composition. Defining the function of the Board of Directors is critical in securing a majority of outside directors. As such, discussions were held with executive officers over the previous two fiscal years, which resulted in the current structure.

As far as the appointment of each president is concerned, deliberations on the Company’s succession plan commenced in 2017 and have continued ever since I became a member of the current Nomination Committee. I am confident that the selection process will result in an appropriate and extremely effective choice.

Mr. Nagahama

The Compensation Committee follows certain rules of the game so to speak, and as such does not change from year to year. In principle, the system remains the same for at least the period of each mid-term management plan.

NSK’s current compensation system is well structured. One feature of the Company’s system is its high fluctuating compensation ratio. The fact that compensation is so closely linked to business performance allows the fixed compensation portion to essentially remain unchanged even in the event of a deterioration in performance. I believe this feature of the compensation system should be highly evaluated. Second, ESG targets are incorporated into the performance evaluation indicators of short-term performance-based compensation. Taking the lead over its peers, NSK was quick to adopt this progressive approach. While we have recently witnessed an increasing number of investors and asset management companies calling for ESG targets to be incorporated into performance evaluation indicators, NSK has already taken this initiative. Third, the system is based on a relative evaluation of the Company’s total shareholder return (TSR). In this manner, steps are taken to evaluate and set mid- to long-term performance-based stock compensation. NSK does not just look at fluctuations in its stock price. The Company conducts a relative evaluation compared to overall market trends.

Mr. Bada

NSK is a company with a long history. We have many manufacturing sites and are well known in the local communities of each site. I believe there are families among our employees who are proud to have worked at these sites for two to three generations. We would hope that our employees around the world take great pride in working for a company that contributes to society through bearings. However, one cannot live on pride alone. It is vital that we continue to challenge ourselves if we are to take the next step. M&A is in the condition monitoring system (CMS) business as well. I trust that we can become a company that takes pride in itself and takes on a variety of challenges.

Mr. Methinks

I sometimes hear that bearings are indispensable for ensuring the smooth movement of equipment and machinery. But I wonder if a breakthrough item will emerge that can serve as a replacement. Naturally, there is nothing to support this conjecture. The achievements NSK has accumulated over its long history are important, but I would like to see the Company use this as a base to take a further leap forward. As far as the Company and its employees are concerned, I would hope that NSK will consistently pursue avenues through which it can contribute to the world at large. While we might not always be in a position to bring our aspirations to fruition, it is vital that we never lose the energy to devise new technologies and product ideas, or the desire and passion to create something new. I believe it is important that we never lose sight of the fact that a forward-looking vision provides the wellbeing for sudden innovation.

Mr. Nagahama

I feel confident that the demand for bearings, which are an essential product across all industries, will not disappear anytime soon. However, it is important that we avoid resting on our laurels and think about how we can expand the scope of our current work and business. Two factors are critical here. The first is “development.” With a track record that spans more than 100 years, NSK has earned the trust of customers from the automotive and many other industries. I base this assessment on my observations of corporate activities in Japan over a long period of time from my vantage in the financial field. Building on this relationship of trust with its customers, I would hope that NSK will proceed with confidence in the development and internal incorporation of advanced technologies as it responds in a forward-looking manner to customer needs. In this regard, I have heard that the Company’s technological development capabilities are outstanding. I would ask that NSK further refine its skills and take on the challenge of innovation that Mr. Bada mentioned. The second key factor is to strengthen human resources, NSK’s greatest asset. This entails further increasing employee engagement and cultivating the ability to respond to change. Both factors are important foundation elements for the next 100 years. I hope that the Company will make further efforts in development and human resources and move forward with strength.

Mr. Bada

The point made by Mr. Bada is an extremely important one. Given the S4 composition of NSK’s current Board, the majority held by outside directors is extremely thin. Arguably, the burden that falls on this single director difference is extremely heavy. Considering the Board’s primary monitoring function, it is vital that we obtain accurate information in a timely manner to make important decisions appropriately. Of course, we receive reports on important matters from executives throughout the Company in a timely and appropriate manner. I dare say, however, the potential still exists for information to fall between the cracks. Based solely on a healthy suspicion and a modicum of doubt, this is a difficult point to fully address as an outside director. Although it might sound like a bit of a cliché, I believe that the proper and timely receipt of accurate information is underpinned by NSK’s unique corporate culture and climate nurtured over a long period. NSK’s corporate culture of “dependability, honesty, and integrity” that runs throughout all levels of the organization, including executive officers, employees, and affiliated company staff, is an extremely valuable asset. I am grateful to be able to fulfill my mission as an outside director based on an unwavering trust in this culture.

Looking at the expertise required of outside directors, NSK’s current complement includes former executives from a wide range of industries. This enables the Board to point out and deliberate on issues from a variety of angles. Nevertheless, I think there is still some expertise that would benefit the Company. But I recognize that covering every base is unrealistic. I believe it is important to maintain a framework in which a limited number of outside directors can map out a path for NSK’s future, while maintaining a balance in their composition, and provide appropriate advice on how to best navigate the external environment.

In that light, I feel the current composition is ideal.

What did the Nomination Committee focus on in the lead-up to the change in president this fiscal year? Also, what are the Compensation Committee’s thoughts on the current compensation system?
NSK's Approach

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

General Meeting of Shareholders

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

Dialogue with Investors

Dialogue with Institutional Investors

We hold financial conferences to discuss our financial results and the Mid-Term Management Plan where top management directly communicates a variety of topics. Moreover, we hold some 20 events every year to engage in constructive dialogue regarding our management strategy and ESG. Not only did we discuss matters concerning our business strategy and finances but also held dialogues that covered our efforts for NSK’s ESG management, as outlined in the 6th Mid-Term Management Plan. Institutional investors provided positive feedback regarding our initiatives concerning corporate governance and items regarding ESG as a mid- to long-term management issue, and we received their requests for ongoing dialogue and ample information disclosure.

Number of Dialogue Opportunities in Fiscal 2020

<table>
<thead>
<tr>
<th>Total of 365 companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial conferences (large meetings)</td>
</tr>
<tr>
<td>Individual IR interviews</td>
</tr>
<tr>
<td>Institutional investor engagement visits</td>
</tr>
<tr>
<td>President's small meetings</td>
</tr>
<tr>
<td>Financial conferences (outside Japan)</td>
</tr>
<tr>
<td>Conference participation for investors (outside Japan)</td>
</tr>
</tbody>
</table>

Dialogue with Individual Shareholders

We hold briefings for individual investors multiple times a year, and in addition, we have been holding dialogue with NSK individual shareholders, since 2018 we have been conducting plant tours. Unfortunately, we were unable to hold any such events in fiscal 2020 due to COVID-19, but we plan to hold events online and in other formats with an eye to the post-corona era. We have also created a website for individual investors to give them a better understanding of the Company, among other efforts, and proactively disclose information and respond to queries.

Dialogue with Institutional Investors

We hold financial conferences to discuss our financial results and the Mid-Term Management Plan where top management directly communicates a variety of topics. Moreover, we hold some 20 events every year to engage in constructive dialogue regarding our management strategy and ESG. Not only did we discuss matters concerning our business strategy and finances but also held dialogues that covered our efforts for NSK’s ESG management, as outlined in the 6th Mid-Term Management Plan. Institutional investors provided positive feedback regarding our initiatives concerning corporate governance and items regarding ESG as a mid- to long-term management issue, and we received their requests for ongoing dialogue and ample information disclosure.

Dialogue with Individual Shareholders/Individual Shareholders

We hold briefings for individual investors multiple times a year, and in addition, we have been holding dialogue with NSK individual shareholders, since 2018 we have been conducting plant tours. Unfortunately, we were unable to hold any such events in fiscal 2020 due to COVID-19, but we plan to hold events online and in other formats with an eye to the post-corona era. We have also created a website for individual investors to give them a better understanding of the Company, among other efforts, and proactively disclose information and respond to queries.

The 160th Ordinary General Meeting of Shareholders for the year ended March 31, 2021 (held June 25, 2021)

- Number of shareholders: 17,287 (the number of participants was smaller than typical years in similar fashion to the 25 participants of the previous year to prevent the spread of COVID-19)
- Ratio of shareholder voting rights exercised: 84.2%

NSK continues to properly convey management direction, business strategy, and other information, and strives for dialogue and ample information disclosure.

Management

Toshihiro Uchiyama
Director, Chairman
(Number of Shares Owned: 101,900)

Akitoshi Ichii
Director, Representative, President and Chief Executive Officer
(Number of Shares Owned: 65,161)

Saimon Nogami
Outside Director, Independent Director, Partner of Aoki & Associates Audit Corporation
Outside Director of Yushin Co., Ltd., Outside Corporate Auditor of Sapporo Telecommunications Co., Ltd.
(Number of Shares Owned: 58,400)

Kenichi Yamana
Director
(Number of Shares Owned: 19,378)

Hajime Bad
Outside Director, Independent Director, Honorary Advisor of IF Holdings, Inc., Outside Director of Mitsui Chemicals, Inc., Independent Corporate Auditor of Asahi Glass Corporation
(Number of Shares Owned: 9,000)

Akemi Mochizuki
Outside Director, Independent Director, Partner of Aoki & Associates Audit Corporation
Outside Director of Trumura & Co., Ltd., Outside Corporate Auditor of Waseda University
(Number of Shares Owned: 67,000)

Yositaka Fujita
Outside Director, Independent Director, Corporate Advisor of Murata Manufacturing Co., Ltd.
(Number of Shares Owned: 4,200)

Mitsuhito Nagahama
Outside Director, Independent Director, Outside Audit & Supervisory Board Member of Kurayi Co., Ltd., Outside Director of Akiha Corporation
(Number of Shares Owned: -)

Koichi Obara
Outside Director, Independent Director, Standing Advisor of Maeda Corporation
(Number of Shares Owned: -)

Executive Officers and Group Officers

Saimon Nogami
Senior Vice President, Senior Vice President
(Number of Shares Owned: -)

Tomojuki Yoshikyo
Executive Vice President, Outside Corporate Auditor of Asahi Kasei Corporation
(Number of Shares Owned: -)

Hidenori Oka
Senior Officer, Senior Officer
(Number of Shares Owned: -)

Jean-Charles Sanchez
Senior Executive Vice President, Senior Executive Vice President
(Number of Shares Owned: -)

Hiroyuki Tsugimoto
Executive Vice President, Outside Director of Azbil Corporation
(Number of Shares Owned: -)

Natsuki Sensui
Executive Vice President, Executive Vice President
(Number of Shares Owned: -)

Brian Parsons
Executive Vice President, Executive Vice President
(Number of Shares Owned: -)

Group Officers

Mitsuo Suzuki
Group Officer, Group Officer
(Number of Shares Owned: -)

Shintaro Ozawa
Group Officer, Group Officer
(Number of Shares Owned: -)

Notes: 1. For the career summary of each director, the independence of the independent directors and the reasons behind their appointments, please see the Notice of the fiscal 2020 (the 160th) Ordinary General Meeting of Shareholders of NSK and Independent Directors/Auditors Notifications published on the following websites of the Tokyo Stock Exchange.

Notice of the Ordinary General Meeting of Shareholders (Japanese only)
https://www2.tse.or.jp/disc/64710/140120210524426791.pdf

Independent Directors/Auditors Notifications (Japanese only)
https://www2.tse.or.jp/disc/64710/140120210524427193.pdf

2. Number of the Company’s shares owned as of March 31, 2021

For further information on "Key Questions and Answers from Recent Meetings,” please see the following website.

https://www.nsk.com/investors/faq.html
Data Section

Management’s Discussion and Analysis of Financial Results

1. Business Overview and the Results for the Year Ended March 31, 2021

Looking at the global economy during the year ended March 31, 2021, the economic situation in each country deteriorated rapidly due to the global spread of COVID-19 in the first quarter. From the second quarter onward, the resumption of economic activities has progressed in stages. Although economic activities appeared to be at a standstill in some regions due to even stricter restrictions of activities because of the new surge of COVID-19 cases, the economy continued moving toward a recovery.

In Japan, although exports increased against the backdrop of a global recovery in vehicle production, consumer spending weakened slightly due to the second declaration of a state of emergency in response to COVID-19, and the economy remained in a severe condition. In the United States, the economy continued to pick up as additional economic measures began to take effect and economic activities resumed further with the rollout of COVID-19 vaccines. In Europe, although there were some signs of bottoming in capital expenditures and picking up in manufacturing activities after the easing of restrictions, the pace of recovery slowed due to the resurgence of cases. In China, manufacturing activities quickly resumed, and the economy continued to show signs of picking up. This included a recovery in new vehicle sales thanks to the government’s vehicle subsidies.

In this economic environment, consolidated sales for the year ended March 31, 2021, came to ¥747,559 million, a year-on-year decrease of 10.0%, and operating income totalled ¥46,364 million, a year-on-year decrease of 73.5%. Income before income taxes was ¥8,899 million, a year-on-year decrease of 75.5%. Net income attributable to owners of the parent was ¥355 million, a year-on-year decrease of 98.0%.

2. Analysis of Financial Position

In the fiscal year ended March 31, 2021, other financial liabilities (current) increased by ¥58,798 million compared with other financial liabilities (current) as of March 31, 2020, due to the borrowing in preparation for liquidity risk posed by contingencies including the global spread of COVID-19. Meanwhile, outflow associated with the acquisition of the condition monitoring system (CMS) business was ¥20,118 million. Accordingly, cash and cash equivalents increased by ¥93,340 million.

Trade receivables and other receivables increased by ¥171,002 million and trade payables and other payables increased by ¥141,616 million as the business environment has recovered with the resumption of economic activities. Moreover, other financial assets (non-current) increased by ¥23,704 million due to the rise in stock prices.

As a result, total assets as of March 31, 2021, stood at ¥1,167,498 million, an increase of ¥137,614 million compared with total assets as of March 31, 2020. Total liabilities were ¥984,070 million, an increase of ¥90,704 million compared with total liabilities as of March 31, 2020. Total equity totaled ¥183,428 million, an increase of ¥46,909 million compared with total equity as of March 31, 2020, mainly due to the increase in net income attributable to owners of the parent and other components of equity, which offset the decrease in cash dividends.

3. Cash Flows

Total cash and cash equivalents as of the end of the period were ¥176,638 million, an increase of ¥3,940 million compared with total cash and cash equivalents as of March 31, 2020. Despite the decreases in profits and cash due to the outflow associated with the acquisition of the CMS Business, free cash flow remained positive (¥2,745 million) owing to successful efforts to manage capital investment.

4. Summary of Capital Investment

NSK’s basic policy is to sustain growth, enhance the competitiveness of its business, and strategically invest in the development of new technologies. In the year ended March 31, 2021, amid the continuing sluggish global economy caused by the COVID-19 pandemic, focusing on our core values of safety, quality, compliance, and the environment, NSK invested ¥17,300 million, a decrease of ¥17,623 million compared with the previous year, in needed productivity improvement and equipment upgrades.

In the Industrial Machinery Business, NSK invested ¥15,189 million, a decrease of ¥13,175 million compared with the previous year; for productivity improvements, equipment upgrades, production transfer, and so on. In the Automotive Business, the Company invested ¥20,643 million, a decrease of ¥7,746 million compared with the previous year, in new technology/product development in addition to productivity improvement and equipment renewal.

NSK Group Tax Policy

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

Please see our website for more information: https://www.nsk.com/investors/management/taxpolicy.html
### Consolidated Statements of Financial Position (IFRS)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>137,298</td>
<td>176,638</td>
</tr>
<tr>
<td>Trade receivables and other receivables</td>
<td>154,226</td>
<td>185,228</td>
</tr>
<tr>
<td>Inventories</td>
<td>152,971</td>
<td>150,046</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>3,338</td>
<td>1,569</td>
</tr>
<tr>
<td>Income tax receivables</td>
<td>3,513</td>
<td>4,670</td>
</tr>
<tr>
<td>Other current assets</td>
<td>15,304</td>
<td>15,850</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>466,452</td>
<td>534,004</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>383,978</td>
<td>378,677</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>19,768</td>
<td>39,435</td>
</tr>
<tr>
<td>Investments accounted for using equity method</td>
<td>26,785</td>
<td>29,773</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>55,498</td>
<td>79,203</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>9,698</td>
<td>10,962</td>
</tr>
<tr>
<td>Net defined benefit assets</td>
<td>61,508</td>
<td>88,809</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>6,193</td>
<td>6,632</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td>563,431</td>
<td>633,493</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,029,884</td>
<td>1,167,498</td>
</tr>
</tbody>
</table>

| **Liabilities and equity** |              |              |
| **Liabilities**           |              |              |
| Trade payables and other payables | 97,193       | 111,609      |
| Other financial liabilities | 71,806       | 130,205      |
| Provisions                | 159          | 318          |
| Income tax payables       | 3,474        | 3,203        |
| Other current liabilities | 45,305       | 54,888       |
| **Total current liabilities** | 217,939      | 300,224      |
| **Non-current liabilities** |              |              |
| Financial liabilities    | 228,707      | 223,211      |
| Provisions                | 8,160        | 2,919        |
| Deferred tax liabilities | 24,764       | 42,225       |
| Net defined benefit liabilities | 18,345       | 17,349       |
| Other non-current liabilities | 5,447        | 8,139        |
| **Total non-current liabilities** | 285,426      | 293,845      |
| **Total liabilities**     | 503,365      | 594,070      |

| **Equity**               |              |              |
| Issued capital           | 67,176       | 67,176       |
| Capital surplus          | 80,456       | 80,338       |
| Retained earnings        | 405,842      | 397,807      |
| Treasury shares          | (37,662)     | (37,303)     |
| Other components of equity | (10,308)    | 46,325       |
| **Total equity attributable to owners of the parent** | 505,505      | 554,375      |
| Non-controlling interests | 21,013       | 19,052       |
| **Total equity**         | 526,518      | 573,428      |
| **Total liabilities and equity** | 1,029,884    | 1,167,498    |

### Consolidated Statements of Income (IFRS)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of sales</td>
<td>677,511</td>
<td>621,318</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>153,522</td>
<td>126,240</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>130,238</td>
<td>125,425</td>
</tr>
<tr>
<td>Share of profits of investments accounted for using the equity method</td>
<td>2,282</td>
<td>4,076</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>1,961</td>
<td>(1,472)</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>23,604</td>
<td>6,364</td>
</tr>
<tr>
<td>Financial income</td>
<td>3,409</td>
<td>2,137</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>2,948</td>
<td>2,612</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>24,065</td>
<td>5,889</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>5,956</td>
<td>6,637</td>
</tr>
<tr>
<td><strong>Net income (loss)</strong></td>
<td>18,108</td>
<td>(748)</td>
</tr>
</tbody>
</table>

**Net income attributable to:**

- Owners of the parent | 17,412 | 355 |
- Non-controlling interests | 696 | (1,103) |

(Earnings per share attributable to owners of the parent)

- Basic earnings per share (yen) | 34.00 | 0.69 |
- Diluted earnings per share (yen) | 33.91 | 0.69 |

### Consolidated Statements of Comprehensive Income (IFRS)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income (loss)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(before tax effect)</td>
<td>18,108</td>
<td>(748)</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that will not be reclassified to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remeasurements of net defined benefit liability (asset)</td>
<td>2,939</td>
<td>(1,194)</td>
</tr>
<tr>
<td>Net changes in financial assets measured at fair value through other comprehensive income</td>
<td>(11,941)</td>
<td>3,607</td>
</tr>
<tr>
<td>Share of other comprehensive income of investments accounted for using equity method</td>
<td>(63)</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total items that will not be reclassified to profit or loss</strong></td>
<td>(9,064)</td>
<td>(6,633)</td>
</tr>
<tr>
<td><strong>Items that may be reclassified to profit or loss</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exchange differences on translating foreign operations</td>
<td>(22,150)</td>
<td>(22,150)</td>
</tr>
<tr>
<td>Cash flow hedges</td>
<td>(459)</td>
<td>(459)</td>
</tr>
<tr>
<td>Share of other comprehensive income of investments accounted for using equity method</td>
<td>(5,459)</td>
<td>281</td>
</tr>
<tr>
<td><strong>Total items that may be reclassified to profit or loss</strong></td>
<td>(22,609)</td>
<td>(22,609)</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td>23,604</td>
<td>6,364</td>
</tr>
</tbody>
</table>

**Total comprehensive income for the period attributable to:**

- Owners of the parent | (11,075) | 59,149 |
- Non-controlling interests | (58) | (441) |

**Total comprehensive income for the period** | 58,708 |
## Consolidated Statements of Changes in Equity (IFRS)

### From April 1, 2020, to March 31, 2021

#### Equity attributable to owners of the parent

<table>
<thead>
<tr>
<th>Component of equity</th>
<th>Equity attributable to owners of the parent</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued capital</td>
<td>67,176</td>
<td>80,456</td>
<td>405,842</td>
</tr>
<tr>
<td>Capital surplus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>397,837</td>
<td>405,842</td>
<td>1,763</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(37,303)</td>
<td>(22,748)</td>
<td>526,518</td>
</tr>
</tbody>
</table>

#### Opening balance

<table>
<thead>
<tr>
<th>Component of equity</th>
<th>Total (¥ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued capital</td>
<td>67,176</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>80,426</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>400,720</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(37,779)</td>
</tr>
</tbody>
</table>

#### Net income

<table>
<thead>
<tr>
<th>Component of equity</th>
<th>Total (¥ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>23,705</td>
</tr>
<tr>
<td>Net income</td>
<td>281</td>
</tr>
<tr>
<td>Total</td>
<td>29,992</td>
</tr>
</tbody>
</table>

#### Other comprehensive income

<table>
<thead>
<tr>
<th>Component of equity</th>
<th>Total (¥ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other comprehensive income</td>
<td>(10,757)</td>
</tr>
</tbody>
</table>

#### Share-based payment transactions

<table>
<thead>
<tr>
<th>Component of equity</th>
<th>Total (¥ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share-based payment transactions</td>
<td>(4,076)</td>
</tr>
</tbody>
</table>

### Closing balance

<table>
<thead>
<tr>
<th>Component of equity</th>
<th>Total (¥ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>67,176</td>
</tr>
<tr>
<td>Issued capital</td>
<td>80,456</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>405,842</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,763</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>526,518</td>
</tr>
</tbody>
</table>

#### Equity attributable to owners of the parent

<table>
<thead>
<tr>
<th>Component of equity</th>
<th>Equity attributable to owners of the parent</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued capital</td>
<td>67,176</td>
<td>80,456</td>
<td>405,842</td>
</tr>
<tr>
<td>Capital surplus</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>397,837</td>
<td>405,842</td>
<td>1,763</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(37,303)</td>
<td>(22,748)</td>
<td>526,518</td>
</tr>
</tbody>
</table>

#### Opening balance

<table>
<thead>
<tr>
<th>Component of equity</th>
<th>Total (¥ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued capital</td>
<td>67,176</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>80,426</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>400,720</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(37,779)</td>
</tr>
</tbody>
</table>

#### Net income

<table>
<thead>
<tr>
<th>Component of equity</th>
<th>Total (¥ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>23,705</td>
</tr>
<tr>
<td>Net income</td>
<td>281</td>
</tr>
<tr>
<td>Total</td>
<td>29,992</td>
</tr>
</tbody>
</table>

#### Other comprehensive income

<table>
<thead>
<tr>
<th>Component of equity</th>
<th>Total (¥ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other comprehensive income</td>
<td>(10,757)</td>
</tr>
</tbody>
</table>

#### Share-based payment transactions

<table>
<thead>
<tr>
<th>Component of equity</th>
<th>Total (¥ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share-based payment transactions</td>
<td>(4,076)</td>
</tr>
</tbody>
</table>

### Closing balance

<table>
<thead>
<tr>
<th>Component of equity</th>
<th>Total (¥ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening balance</td>
<td>67,176</td>
</tr>
<tr>
<td>Issued capital</td>
<td>80,456</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>405,842</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>1,763</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>526,518</td>
</tr>
</tbody>
</table>

## Consolidated Statements of Cash Flows (IFRS)

### Year ended March 31, 2021

#### Operating activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before income taxes</td>
<td>24,065</td>
<td>5,889</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>53,926</td>
<td>54,527</td>
</tr>
<tr>
<td>Increase (decrease) in net defined benefit liability and net defined benefit asset</td>
<td>(80)</td>
<td>(2,658)</td>
</tr>
<tr>
<td>Interest and dividend income</td>
<td>(2,145)</td>
<td>(1,763)</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>2,523</td>
<td>2,739</td>
</tr>
<tr>
<td>Share of profits of investments accounted for using the equity method</td>
<td>(2,282)</td>
<td>(4,076)</td>
</tr>
<tr>
<td>Decrease (increase) in trade receivables</td>
<td>34,335</td>
<td>(20,822)</td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>5,79</td>
<td>9,155</td>
</tr>
<tr>
<td>Increase (decrease) in trade payables</td>
<td>(26,888)</td>
<td>13,800</td>
</tr>
<tr>
<td>Other</td>
<td>(1,127)</td>
<td>5,432</td>
</tr>
</tbody>
</table>

#### Subtotal

<table>
<thead>
<tr>
<th>Activity</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividend received</td>
<td>4,693</td>
<td>3,895</td>
</tr>
<tr>
<td>Interest expenses paid</td>
<td>(2,581)</td>
<td>(2,398)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(12,629)</td>
<td>(9,880)</td>
</tr>
</tbody>
</table>

#### Net cash provided by operating activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by operating activities</td>
<td>72,387</td>
<td>53,842</td>
</tr>
</tbody>
</table>

#### Investing activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(47,876)</td>
<td>(33,797)</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td>1,638</td>
<td>878</td>
</tr>
<tr>
<td>Purchases of other financial assets</td>
<td>(22)</td>
<td>(130)</td>
</tr>
<tr>
<td>Proceeds from sale of other financial assets</td>
<td>13,606</td>
<td>3,804</td>
</tr>
<tr>
<td>Acquisition of shares of subsidiary controlling interests</td>
<td>(7,131)</td>
<td>(1,732)</td>
</tr>
</tbody>
</table>

#### Net cash used in investing activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash used in investing activities</td>
<td>(39,784)</td>
<td>(51,096)</td>
</tr>
</tbody>
</table>

#### Financial activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase (decrease) in short-term loans</td>
<td>62</td>
<td>39,194</td>
</tr>
<tr>
<td>Proceeds from long-term loans</td>
<td>17,688</td>
<td>16,727</td>
</tr>
<tr>
<td>Repayments of long-term loans</td>
<td>(21,788)</td>
<td>(10,142)</td>
</tr>
<tr>
<td>Proceeds from issuance of corporate bonds</td>
<td>30,000</td>
<td>32,670</td>
</tr>
<tr>
<td>Payments for redemption of corporate bonds</td>
<td>(20,000)</td>
<td>(10,142)</td>
</tr>
<tr>
<td>Repayments of lease liabilities</td>
<td>(4,157)</td>
<td>(4,409)</td>
</tr>
<tr>
<td>Acquisition of treasury shares</td>
<td>(2)</td>
<td>(2)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(20,483)</td>
<td>(10,233)</td>
</tr>
<tr>
<td>Dividends paid non-controlling interests</td>
<td>(2,652)</td>
<td>(1,519)</td>
</tr>
<tr>
<td>Other</td>
<td>61</td>
<td>398</td>
</tr>
</tbody>
</table>

#### Net cash used in financial activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash used in financial activities</td>
<td>(21,333)</td>
<td>29,992</td>
</tr>
</tbody>
</table>

#### Effect of exchange rate changes on cash and cash equivalents

<table>
<thead>
<tr>
<th>Activity</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect of exchange rate changes on cash and cash equivalents</td>
<td>(3,934)</td>
<td>6,602</td>
</tr>
</tbody>
</table>

#### Net increase (decrease) in cash and cash equivalents

<table>
<thead>
<tr>
<th>Activity</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase (decrease) in cash and cash equivalents</td>
<td>7,333</td>
<td>39,340</td>
</tr>
</tbody>
</table>

#### Cash and cash equivalents at the beginning of the period

<table>
<thead>
<tr>
<th>Activity</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at the beginning of the period</td>
<td>129,965</td>
<td>176,638</td>
</tr>
</tbody>
</table>

#### Cash and cash equivalents at the end of the period

<table>
<thead>
<tr>
<th>Activity</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at the end of the period</td>
<td>137,298</td>
<td>176,638</td>
</tr>
</tbody>
</table>
Basic Knowledge of Bearings

What are bearings?

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

![Diagram of a bearing showing an outer ring, inner ring, and cage with rolling elements.]

In what way are bearings environmentally friendly?

While bearings support our lifestyles, a bearing is also a component that just on its own merit is said to be “eco-friendly.” In this section, we will introduce how bearings are environmentally friendly, together with their functions.

Functions of Bearings

The basic function of a bearing is principally to reduce mechanical friction in rotating machinery. Friction is defined as the force that attempts to resist relative motion. Let us consider the example of a motor’s housing (the motor’s exterior cylindrical covering). Say that the shaft that runs through a hole in the housing begins to rotate. As the shaft steadily rotates, it rubs up against the edge of the hole, on account of the diameter of the hole in which the shaft runs through being barely larger than that of the shaft. This causes friction where the shaft comes up against the hole’s surface, and as the shaft rotates while incurring such resistance there is an enormous amount of effort expended.

The role of bearings is to suppress such friction. The installation of bearings keeps in check the friction between the housing and the axle, enabling smooth and continuous motion from the start of rotation.

The mitigation of the friction and wear that occurs between materials in relevant motion by controlling lubrication and material surface characteristics is known as “tribology.” This term was coined by Professor H. Peter Jost in a report submitted in 1946 in response to a request by the British government. In his report, Professor Jost calculated that by researching tribology and actually applying it to industry, $500 million a year (equivalent to 1.3% of Britain’s GDP at the time) could be saved throughout the country as a result of the energy that would be conserved. Tribology consequently came to be considered an important aspect for industrial development. As a truly foundational technology for bearings, tribology is now one of NSK’s “Four Core Technologies plus One.”

![Diagram of a bearing showing an outer ring, inner ring, and cage with rolling elements.]

Reasons why bearings are environmentally friendly

Bearing make three contributions by reducing friction.

The illustration to the right shows the three major contributions made by bearings. This content is described in simple terms, although for machinery, this is the reason that the contributions are so central and fundamental.

As we have introduced in the “Functions of Bearings,” bearings reduce mechanical friction and enable smooth operations. This leads to efficiently conveying power. If friction can be suppressed through bearings, together with reductions to mechanical waste, it can give rise to results directly related to energy conservation.

This is why bearings are environmentally friendly.

Drawing fully on its concept of Motion & Control™, NSK contributes to preserving the global environment and presenting a diverse range of products the world over, chiefly products that reduce friction and that are leaders in terms of rolling bearing products. Please see the “NSK Supporting Society” on PP. 6–7 and the “Special Feature” on P. 22 for information about our representative products.

In the distant past of ancient Mesopotamia, circa 4th Century BC, the principles of bearings were utilized to transport gigantic stones. To do this, the ancient Mesopotamians realized that it would be a good idea to place something beneath a heavy object so it could be rolled along, thus reducing the effort required to carry such a heavy object. As reproduced in the relief, logs are being used under a giant statue. It is thought that such ancient wisdom gave rise to bearings.
BCP stands for An acronym that is a general term for sexual minorities:

5G stands for

NIT stands for

NPDS stands for

NSK’s Collaborative Value Creation Process

QCDDSM stands for

Glossary

Friction Friction refers to friction resistance. Friction becomes an important factor when applying different types of movement to mechanisms and devices. In terms of bearings, friction affects the smoothness of movement when the inner ring and outer ring turn, so reducing and controlling friction is essential.

GAM/KAM

The Global Account Manager (GAM) refers to NSK's manager in charge of performing cross-regional coordination for global activities and systems. GAMs at NSK assume the Account Manager at NSK. KAMs coordinate with key customers in each region and build close relationships with customers in the contact point in individual regions. By taking advantage of such close relationships with customers, KAMs have a role in regional sales activities and response in technological matters.

Hub Unit Bearings

A hub unit bearing is a type of bearing that integrates the part attached to the vehicle body and the part called a hub, to which the wheel is attached. It supports the vehicle body while simultaneously rotating the wheels.

InT

IT stands for the Internet of Things. In IoT, it is a concept to generate new value by collecting data via the internet from sensors embedded on various things such as automobiles, home appliances, industrial machines, and public infrastructure, and analyzing such data. IoT leads to such technological innovation as efficiency increases in machine control in plants, advertising according to individual tastes, detailed adjustment of power supply, and monitoring sensor cities to ensure safety through home application resistance.

LGBTQ+

An acronym that is a general term for sexual minorities; Lesbian, Gay, Bisexual, Transgender, Queer/questioning people who do not belong to a certain category and are uncertain about their own sexuality, etc. By adding to this, the term represents the diversity of sexuality.

Linear Guide

A linear guide is a machinery part that is used for the section to support the linear motion of machines. Linear guides are one of the linear motion products and are used for machine tools, transfer machines, and platform blown down at stations, etc.

Modern Slavery Act

The Modern Slavery Act has been established in the United Kingdom and Australia. The Act was established to present crimes such as human trafficking, forced labor, and sexual exploitation.

Mother Plant

We position plants with outstanding capacity such as excellent technical ability and significant production capacity as mother plants. In NSK, mother plants have the role of transferring technology, etc. to child plants located overseas.

Nadeshiko Brand

Since fiscal 2012, the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange (TSE) have been jointly selecting listed enterprises for their outstanding efforts in encouraging women’s success, with the aim of promoting investment in these enterprises and accelerating their initiatives by introducing them as attractive stocks for investors on corporate value growth over the mid- to long-term.

NIB

NIB stands for National Institute of Technology, which is an intermediate educational institute for our engineers to master more advanced technology.

NPDs

NPDs stands for New Product Development System. NPDs, NSK’s proprietary quality management system, is geared toward promptly and steadily responding to new projects and to the mass production of products that satisfy customers. Being rooted out globally, at each stage of the process, from product planning to development and design, prototype manufacturing, and mass production, dedicated staff perform stringent checks to confirm that any concerns are resolved and to build quality. Even after a product has entered mass production, we conduct thorough management to stably maintain high quality.

Open Innovation

Open innovation consists of initiatives used to create innovation in new markets (products, services, or business models). These innovations are based on a wide range of knowledge and technology integrated during the development of new technologies and products. Specifically, a company performing open innovation combines the technologies, ideas, and know-how from other industries and fields such as other companies, universities, municipalities, and social entrepreneurs, in addition to its own.

Per Production Unit

Per production unit refers to the standard amount of raw materials, workforce, power, etc., that is necessary to produce a certain amount of industrial products. “CO2 emission per production unit” means CO2 (carbon dioxide) emissions discharged in the process of producing a certain amount of product.

Pirson-type EPS

This is a type of electric power steering that links the power with the assist force of an electric motor to reduce steering wheel opening force.

Planetary Gear

Planetary gears are an epicyclic gear mechanism consisting of three elements—sun gear, planetary gears, and ring gear.

Powertrain

Powertrain describes the main components that generate power and deliver to the drive wheel in automobiles.

PRTR Act

The PRTR Act stands for the Polutant Release and Transfer Register Act and refers to the Act on Confirmation, etc., of Release Amounts of Specific Chemical Substances in the Control System and Prevention of Improvements to the Management Themselves. This is a Japanese law intended to encourage the improvement of chemical substance management by requiring that the amount of chemical substances released to the environment is reported to the relevant authorities.

QCCDSM

QCCDSM stands for Quality, Cost, Delivery, Service, and Management. The QCCDSM-elements are generally focused on by the manufacturing industry including NSK.

Rack-Type EPS

Rack-type EPS (electric power steering) is a type of lowerassist EPS. It is an EPS that does the direction movement with a rack shaft in the steering gear section.

Smart Factory

Smart Factory in this report refers to NSK’s new concept factory. The status of equipment and processing in each process during manufacturing that can be undertaken with data in real time, which is utilized for quality control, equipment maintenance, and product traceability. The understanding and management of big data are realized by linking advanced information technology (IT) and the informatization of things such as ICT is the technology behind the Smart Factory.

SPI Management

SPI is an acronym for Supplier, Production, and Inventory, and refers to the appropriate management and operation of sales, production, and inventory.

VDC

VDCs for Voicai Orders Components, VDCs are considered to be one of cause of photochemical smog.

XY Table

The XYtable refers to the positioning devices that move in the X-axis (left and right) and Y-axis (forward and backward). By utilizing such mechanisms (slides) that can move in each direction, these devices can be positioned to the desired location. These devices are used for precise positioning of machine tools and semiconductor production equipment.
### NSK Group

**As of March 31, 2021**

#### Data Section

**NSK’s Collaborative Value Creation Process**

#### Region: Japan

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Consolidated Equity</th>
<th>Outline of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSK STEERING SYSTEMS CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of automotive components</td>
</tr>
<tr>
<td>NSK MICRO PRECISION CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture and sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td>NSK PRECISION CO., LTD. (NAGANO)</td>
<td>100.0%</td>
<td>Manufacture of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td>AMATSUJI STEEL BALL MFG. CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of steel balls</td>
</tr>
<tr>
<td>NK REI JAPAN CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of precision machinery &amp; parts</td>
</tr>
<tr>
<td>ASAHI SEIKI CO., LTD.</td>
<td>73.8%</td>
<td>Manufacture of industrial machinery bearing parts, etc.</td>
</tr>
<tr>
<td>SHINWA SEIKI CO., LTD.</td>
<td>82.4%</td>
<td>Manufacture of automotive bearings, etc.</td>
</tr>
<tr>
<td>NK TOYAMA CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of industrial machinery bearing parts</td>
</tr>
<tr>
<td>NSK MACHINERY CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of machine tools, etc.</td>
</tr>
<tr>
<td>KURIYAFUSHI SEIKASUSHO CO., LTD.</td>
<td>73.5%</td>
<td>Manufacture and sales of automotive bearing parts</td>
</tr>
<tr>
<td>NS VIDEO ENTERPRISE CO., LTD.</td>
<td>100.0%</td>
<td>Real estate management and rental, etc.</td>
</tr>
<tr>
<td>NISEI BLOG MANAGEMENT LTD.</td>
<td>70.0%</td>
<td>Management of Nisei Building</td>
</tr>
<tr>
<td>NSK HUMAN RESOURCE SERVICES LTD.</td>
<td>100.0%</td>
<td>Consigned services for salary and welfare</td>
</tr>
<tr>
<td>NSK LOGISTICS CO., LTD.</td>
<td>100.0%</td>
<td>Distribution service</td>
</tr>
<tr>
<td>NSK NETWORK AND SYSTEMS CO., LTD.</td>
<td>100.0%</td>
<td>Design and development for computer systems, etc.</td>
</tr>
<tr>
<td>NSK CHUGAI, LTD.</td>
<td>65.0%</td>
<td>Sales of electrical components and insurance agent, etc.</td>
</tr>
<tr>
<td>ADTECH CORPORATION</td>
<td>100.0%</td>
<td>Research and development of automotive components</td>
</tr>
<tr>
<td>NSK-WARNER I.K.</td>
<td>50.0%</td>
<td>Manufacture and sales of automotive-related products</td>
</tr>
<tr>
<td>CHITOSE SANGYO CO., LTD.</td>
<td>50.0%</td>
<td>Manufacture of automotive-related products</td>
</tr>
<tr>
<td>NIKKEI JUKYOU KOYO CO., LTD.</td>
<td>40.0%</td>
<td>Manufacture and sales of industrial machinery bearings</td>
</tr>
</tbody>
</table>

**THE AMERICAS**

<table>
<thead>
<tr>
<th>Region</th>
<th>Company Name</th>
<th>Consolidated Equity</th>
<th>Outline of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>NSK AMERICAS, INC.</td>
<td>100.0%</td>
<td>Control of American subsidiaries and affiliates</td>
</tr>
<tr>
<td></td>
<td>NSK CORPORATION</td>
<td>100.0%</td>
<td>Manufacture and sales of automotive bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>NSK CORPORATION, INC.</td>
<td>100.0%</td>
<td>Manufacture and sales of precision machinery &amp; parts</td>
</tr>
<tr>
<td></td>
<td>NSK LATIN AMERICA, INC.</td>
<td>100.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>NSK STEERING SYSTEMS AMERICA, INC.</td>
<td>100.0%</td>
<td>Manufacture and sales of automotive components</td>
</tr>
<tr>
<td></td>
<td>NSK-AKX PRECISION BALL COMPANY</td>
<td>100.0%</td>
<td>Manufacture and sales of steel balls</td>
</tr>
<tr>
<td></td>
<td>NVI VIBRO AMERICA INC.</td>
<td>100.0%</td>
<td>Manufacture of condition monitoring equipment and sale and provision of condition monitoring services</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>Company Name</th>
<th>Consolidated Equity</th>
<th>Outline of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Canada</td>
<td>NSK CANADA INC.</td>
<td>100.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td>Mexico</td>
<td>NSK RODAMIENTOS MEXICANA, S.A. DE C.V.</td>
<td>100.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>NSK BEARINGS MANUFACTURING, MEXICO, S.A. DE C.V.</td>
<td>100.0%</td>
<td>Manufacture of automotive bearings, etc.</td>
</tr>
<tr>
<td>Brazil</td>
<td>NSK BRASIL LTDA.</td>
<td>100.0%</td>
<td>Manufacture and sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td>Argentina</td>
<td>NSK ARGENTINA S.R.L.</td>
<td>100.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td>Peru</td>
<td>NSK PERU S.A.C.</td>
<td>100.0%</td>
<td>Sales support of industrial machinery bearings, etc.</td>
</tr>
</tbody>
</table>

**EUROPE**

<table>
<thead>
<tr>
<th>Region</th>
<th>Company Name</th>
<th>Consolidated Equity</th>
<th>Outline of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.K.</td>
<td>NSK EUROPE LTD.</td>
<td>100.0%</td>
<td>Control of European subsidiaries and affiliates</td>
</tr>
<tr>
<td></td>
<td>NSK BEARINGS EUROPE LTD.</td>
<td>100.0%</td>
<td>Manufacture of automotive bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>NSK PRECISION UK LTD.</td>
<td>100.0%</td>
<td>Manufacture of precision machinery &amp; parts</td>
</tr>
<tr>
<td></td>
<td>NSK UK LTD.</td>
<td>100.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>NSK STEERING SYSTEMS EUROPE LTD.</td>
<td>100.0%</td>
<td>Manufacture of automotive components</td>
</tr>
<tr>
<td></td>
<td>AIXS PRECISION BALL EUROPE LTD.</td>
<td>100.0%</td>
<td>Manufacture and sales of steel balls</td>
</tr>
<tr>
<td>Germany</td>
<td>NSK EUROPA HOLDING GMBH</td>
<td>100.0%</td>
<td>Holding company of subsidiaries in Germany</td>
</tr>
<tr>
<td></td>
<td>NSK DEUTSCHLAND GMBH</td>
<td>100.0%</td>
<td>Manufacture of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>MEIWES-FERTIGGUT GMBH</td>
<td>100.0%</td>
<td>Manufacture of industrial machinery bearings</td>
</tr>
<tr>
<td></td>
<td>BRULS &amp; KJER VIBRO GMBH</td>
<td>100.0%</td>
<td>Manufacture of condition monitoring equipment and sale and provision of condition monitoring services</td>
</tr>
<tr>
<td>France</td>
<td>NSK FRANCE S.A.</td>
<td>100.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td>Italy</td>
<td>NSK ITALIA S.P.A.</td>
<td>100.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
</tbody>
</table>

**ASIA**

<table>
<thead>
<tr>
<th>Region</th>
<th>Company Name</th>
<th>Consolidated Equity</th>
<th>Outline of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>NSK (CHINA) INVESTMENT CO., LTD.</td>
<td>100.0%</td>
<td>Control of Chinese subsidiaries and affiliates, sales of bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>KUNITAN NSK CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of automotive bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>NSK STEERING SYSTEMS CHINA CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of automotive components</td>
</tr>
<tr>
<td></td>
<td>ZHANGJIAOU NSK PRECISION MACHINERY CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of automotive bearings</td>
</tr>
<tr>
<td></td>
<td>CHANGSHU NSK NEEDLE BEARING CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of sales of steel balls</td>
</tr>
<tr>
<td></td>
<td>SUZHOU NSK BEARINGS CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of automotive bearings</td>
</tr>
<tr>
<td></td>
<td>NSK (CHINA) RESEARCH AND DEVELOPMENT CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of automotive components</td>
</tr>
<tr>
<td></td>
<td>NSK HANGZHOU AUTOMOTIVE COMPONENTS CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of automotive components</td>
</tr>
<tr>
<td></td>
<td>NSK HANGZHOU AUTOMOBILE ELECTRONIC TECHNOLOGY CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of precision machinery &amp; parts</td>
</tr>
<tr>
<td></td>
<td>SHENYANG NSK PRECISION CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of automotive components</td>
</tr>
<tr>
<td></td>
<td>HEPHIS NSK CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of industrial machinery bearings</td>
</tr>
<tr>
<td></td>
<td>TSUSHIN-NSK ROLLERS (SUZUHO) CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture of automotive bearing parts</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>NSK HONG KONG LTD.</td>
<td>70.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td>Taiwan</td>
<td>TAIWAN NSK PRECISION CO., LTD.</td>
<td>70.0%</td>
<td>Sales of precision machinery &amp; parts</td>
</tr>
<tr>
<td>Singapore</td>
<td>NSK ASEAN AND OCEANIA PTE. LTD.</td>
<td>100.0%</td>
<td>Control of ASEAN and OCEANIA subsidiaries and affiliates</td>
</tr>
<tr>
<td></td>
<td>NSK INTERNATIONAL (SINGAPORE) PTE LTD.</td>
<td>100.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>NSK (SINGAPORE) PRIVATE LTD.</td>
<td>100.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>PT. NSK BEARINGS MANUFACTURING INDONESIA</td>
<td>100.0%</td>
<td>Manufacture of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>PT. NSK INDONESIA</td>
<td>100.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>PT. AIXS PRECISION BALI INDONESIA</td>
<td>100.0%</td>
<td>Manufacture and sales of steel balls</td>
</tr>
<tr>
<td>Thailand</td>
<td>NSK BEARINGS MANUFACTURING (THAILAND) CO., LTD.</td>
<td>74.9%</td>
<td>Manufacture and sales of automotive bearings</td>
</tr>
<tr>
<td></td>
<td>SIMAM NSK STEERING SYSTEMS CO., LTD.</td>
<td>74.9%</td>
<td>Manufacture and sales of automotive components</td>
</tr>
<tr>
<td></td>
<td>NSK ASIA PACIFIC TECHNOLOGY CENTRE (THAILAND) CO., LTD.</td>
<td>100.0%</td>
<td>Development of products, etc.</td>
</tr>
<tr>
<td></td>
<td>NSK BEARINGS (THAILAND) CO., LTD.</td>
<td>49.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td>Malaysia</td>
<td>NSK BEARINGS (MALAYSIA) SDN. BHD.</td>
<td>51.0%</td>
<td>Manufacture of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>NSK MICRO PRECISION (MK) SDN. BHD.</td>
<td>100.0%</td>
<td>Manufacture of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td>Vietnam</td>
<td>NSK VIETNAM CO., LTD.</td>
<td>40.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td></td>
<td>PVCAM-NSK ROLLERS (SUZUHO) CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture and sales of automotive bearings, etc.</td>
</tr>
<tr>
<td>Australia</td>
<td>NSK AUSTRALIA P.T.Y. LTD.</td>
<td>100.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td>New Zealand</td>
<td>NSK NEW ZEALAND LIMITED</td>
<td>100.0%</td>
<td>Sales of industrial machinery bearings, etc.</td>
</tr>
<tr>
<td>India</td>
<td>NSK BEARINGS INDIA PRIVATE LIMITED</td>
<td>100.0%</td>
<td>Manufacture and sales of automotive components</td>
</tr>
<tr>
<td></td>
<td>RANE NSK STEERING SYSTEMS PRIVATE LIMITED</td>
<td>100.0%</td>
<td>Manufacture and sales of automotive components</td>
</tr>
<tr>
<td>South Korea</td>
<td>NSK KOREA CO., LTD.</td>
<td>100.0%</td>
<td>Manufacture and sales of automotive bearings, etc.</td>
</tr>
</tbody>
</table>
Information for Investors/Company Data

As of March 31, 2021

Corporate Address
NSK Ltd.
Nissho Bldg., 1-6-1 Ohashi, Shinagawa-ku, Tokyo 141-8560, Japan
TEL 81-3-3779-7111

Contact Information
IR Office, NSK Ltd.
Nissho Bldg., 1-6-1 Ohashi, Shinagawa-ku, Tokyo 141-8560, Japan
TEL 81-3-5487-2564
FAX 81-3-5487-2565
info@nsk.com

NSK’s Website
https://www.nsk.com/

Common Stock
1,700,000,000 shares
(excluding 32,913,214 shares of treasury stock)

Number of Shareholders
48,910

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

Listing
Tokyo

Security Code
6471

Breakdown of Shareholders (%)
(by shareholder type)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Institutions</td>
<td>5.7</td>
<td>5.6</td>
<td>6.7</td>
<td>6.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Foreign Investors</td>
<td>20.3</td>
<td>21.1</td>
<td>19.0</td>
<td>18.1</td>
<td>19.7</td>
</tr>
<tr>
<td>Individual/Others</td>
<td>73.0</td>
<td>71.7</td>
<td>73.3</td>
<td>75.8</td>
<td>73.3</td>
</tr>
<tr>
<td>Other Japanese Corporations</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Treasury Stock</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
</tbody>
</table>

(Ass of March 31)

Other Information Concerning the Company

IR-Related Information
Please refer to the Company’s IR website for other IR information including the latest news and detailed financial data.
https://www.nsk.com/investors/

Sustainability Information
Please refer to the Company’s Sustainability website for information on sustainability.
https://www.nsk.com/sustainability/

Highly Evaluated by Outside Agencies (SRI/ESG)
Over and above their financial aspects, companies that merit high evaluations for their environmental and social contributions are being recognized for their promise of long-term sustainable growth. These companies are also attracting interest from socially responsible investment (SRI) perspective while forging an increasingly important presence among a wide range of institutional investors. Acknowledged for its integrity, NSK has been included in the following internationally recognized SRI/ESG indices as of July 2021.

1) FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that NSK has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social, and Governance (ESG) practices. The FTSE4Good Indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

2) FTSE Russell (FTSE International Limited) and Frank Russell Company (the trading name of FTSE International Limited and Frank Russell Company) confirm that NSK has been independently assessed according to the FTSE Russell criteria, and has satisfied the requirements to become a constituent of the FTSE Russell Indices. FTSE Russell is a market leader in providing innovative products and services to the global investment community. The FTSE Russell Global Indexes are created by FTSE Russell with input from a diverse community of market participants, including end-users and independent third parties, subject to the oversight of the FTSE Russell Global Index Oversight Board. Please see ftserussell.com for detailed information.

Third-Party Assurances

To ensure the reliability and accuracy of NSK Report 2021 as an integrated report, NSK obtained assurances from an external third party for the following data information described in this report.

Items Subject to Assurance

- Energy usage
- Greenhouse gas emissions (Scope 1, Scope 2, Scope 3)
- Water withdrawal
- Waste and valuables
- Emissions of VOCs
- Lost time injury frequency rate

At the Time of Publishing the NSK Report 2021

Thank you very much for your understanding and support of NSK’s daily business activities.

The importance of ESG, sustainability, and corporate social responsibility to achieve the SDGs has been increasing in recent years. However, 30 years ago in 1991, NSK formulated its Corporate Philosophy, which clearly states that “NSK contributes to a safer, smoother society” and “helps protect the global environment” and is “working across national boundaries to improve relationships between people throughout the world.” Based on these objectives, we have been conducting corporate activities to meet the expectations of society.

This year’s “NSK Report” reaffirms the importance of ESG, sustainability, and corporate social responsibility to achieve the SDGs. The report, in addition, promotes transparency and understanding and support of NSK’s daily business activities.

Philosophy, as well as showcases NSK’s continuing collaboration with its stakeholders to create the value that society needs through its business activities and NSK’s aim to contribute to both solving social issues and achieving sustainable growth, under the new organization that began in April 2021. In addition, the “Sustainability Report” has been integrated into the “NSK Report,” making it easier to understand in a single publication such NSK activities as “NSK’s Collaborative Value Creation Process,” “Strategies and Performance,” and “Foundation Supporting Sustainability.” This report was produced primarily by the IR Office, which worked in cooperation with a broad range of departments involved. As the executive officer responsible for IR and thus the creation of this report, I expressly stated that the production process be valid and the information contained herein be accurate. We are making concerted efforts to further enrich the content of this report, so by all means read through this report. I would be delighted to hear your frank views and any requests for future content.

Vice President,
Head of Corporate Planning Division HQ,
Responsible for Investor Relations Office
Gen Murayama