

Financial Strategy / Policy on Shareholder Returns

Financial Position

NSK's financial position for the fiscal year ended March 31, 2018, as well as an evaluation and comments on the position compared with the previous year, are as follows.

Due to increased profit, ROE was 13.9%, reaching a double-digit figure for the first time in two fiscal years; the ratio of net worth to total capital was 49.2%; and the net D/E ratio was 0.22 times, results that enhanced an already sound financial position.

	2017/3	2018/3	Year-on-year comparison	Evaluation and comments
Total assets	1,044.0 billion	1,092.3 billion	+48.4 billion	Expanding business scale
Shareholders' equity (Equity attributable to owners of the parent)	461.4 billion	537.2 billion	+75.8 billion	Expansion due to retention of part of net income as internal reserves and other factors
Cash and cash equivalents	139.6 billion	131.3 billion	-8.3 billion	Decrease due to increases in working capital and capital expenditures, decrease in interest-bearing debt
Interest-bearing debt	267.4 billion	250.9 billion	-16.5 billion	Continued reduction of interest-bearing debt
Ratio of net worth to total capital	44.2%	49.2%	+5.0 percentage points	Due to increase in shareholders' equity
Net D/E ratio	0.28 times	0.22 times	-0.06	Less than the MTP target of 0.3 times
ROE	9.9%	13.9%	+4.0 percentage points	Increase in accordance with increased profit exceeded the MTP target (10% or more)

A Stable Financial Base

NSK plans to conduct growth investment (¥212.4 billion [revised FCST] over the three-year period of the Fifth Mid-Term Management Plan) to achieve medium- to long-term increases in corporate value and regards the stabilization of its financial base as paramount in the payment of ongoing dividends to shareholders. NSK recognizes that maintaining an A-level credit rating and a net

D/E ratio of around 0.3 times are the minimum base requirements needed to ensure NSK's financial stability.

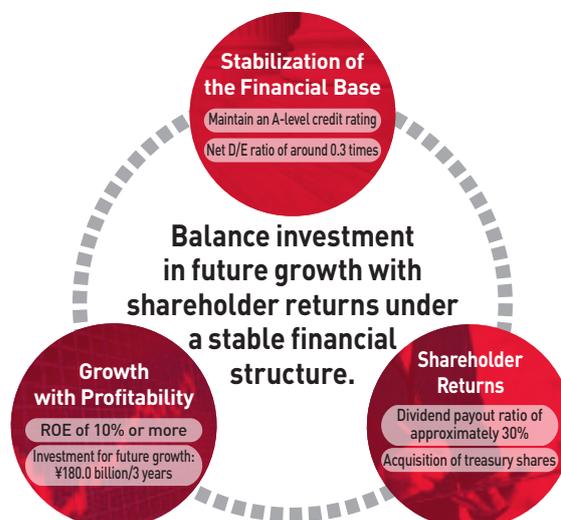
NSK has been able to steadily improve its ability to generate cash flow over the past several years, resulting in a sharp improvement in NSK's financial structure. (Please see the 11-year summary on P. 22.) NSK has received high evaluations from rating agencies, including an upgrade to an A rating from Rating and Investment Information, Inc. (R&I), in August 2014 after being rated at A-, and maintaining an A+ rating from Japan Credit Rating Agency, Ltd. (JCR), since September 2006.

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

Growth with Profitability

Generating cash and continued growth by constantly and actively investing profits and increasing ROE in excess of the investment return (the cost of capital) expected by shareholders can be considered the "mission" of a publicly listed company. We believe achieving a mid-term ROE that exceeds the Company's cost of capital—estimated from past share trends, business characteristics and the current state of the stock market—is a yardstick for capital efficiency, and our Fifth Mid-Term Management Plan targets ROE of at least 10%.

For the fiscal year ended March 2018, the effects of increased volume on the back of strong demand, measures designed to improve earnings, including improvements in productivity, and reductions in other operating expenses resulted in net income increasing 52% compared with the previous fiscal year to ¥69.3 billion. In accordance with the increase in net income, ROE improved to 13.9%, reaching a double-digit figure for the first time in two fiscal years and exceeding the Fifth Mid-Term Management Plan target of 10%. We believe maintaining this target over the medium term could contribute to further improvement in shareholder value.



Shareholder Returns

Alongside growth investment, the Fifth Mid-Term Management Plan focuses on enhancing returns provided to shareholders, and the current plan is the first to set a numerical dividend payout ratio target—of approximately 30%.

For the fiscal year ended March 2018, NSK was able to bring about an increase in net income. As a result of having taken into consideration its current financial position and such factors as the continuity of dividends, NSK decided to pay a cash dividend of ¥40 per share, an increase of ¥2 on the dividend paid for the previous fiscal year, and the payout ratio came to 30.5%.

In addition to returning profits through dividends, NSK recognizes share buybacks as one of the choices available in its financial and capital policy. In the duration of the Fifth Mid-Term Management Plan, NSK implemented a share buyback amounting to ¥15 billion in May 2016 and newly announced a share buyback of ¥20 billion (upper limit) in August 2018.

Considering its financial position and stock market trends, NSK would like to proceed with an appropriate and flexible financial strategy in the years to come.

Total Shareholders' Return (TSR)

In addition to ROE exceeding the cost of capital, NSK believes it is important that TSR, including capital gains and dividends, exceeds the cost of capital.

Having reached 17.2% over the past five years and 8.1% over the past 10 years, NSK recognizes that its TSR is commensurate with the cost of capital.

Over the short one- and three-year periods, NSK's stock price performance is relatively lower due to stock price adjustments made from February 2018 onward. When looking at the longer five- and 10-year periods, however, NSK's performance exceeds that of the TOPIX and of the TOPIX machinery sector.

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

TSR

Investment period	1-Year		3-Year		5-Year		10-Year	
	Cumulative/annual rate	Cumulative	Annual rate	Cumulative	Annual rate	Cumulative	Annual rate	
NSK	-7.9%	-12.5%	-4.4%	121.3%	17.2%	117.0%	8.1%	
TOPIX	15.9%	18.5%	5.8%	83.6%	12.9%	73.9%	5.7%	
TOPIX Machinery	18.3%	25.4%	7.8%	95.3%	14.3%	115.2%	8.0%	

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

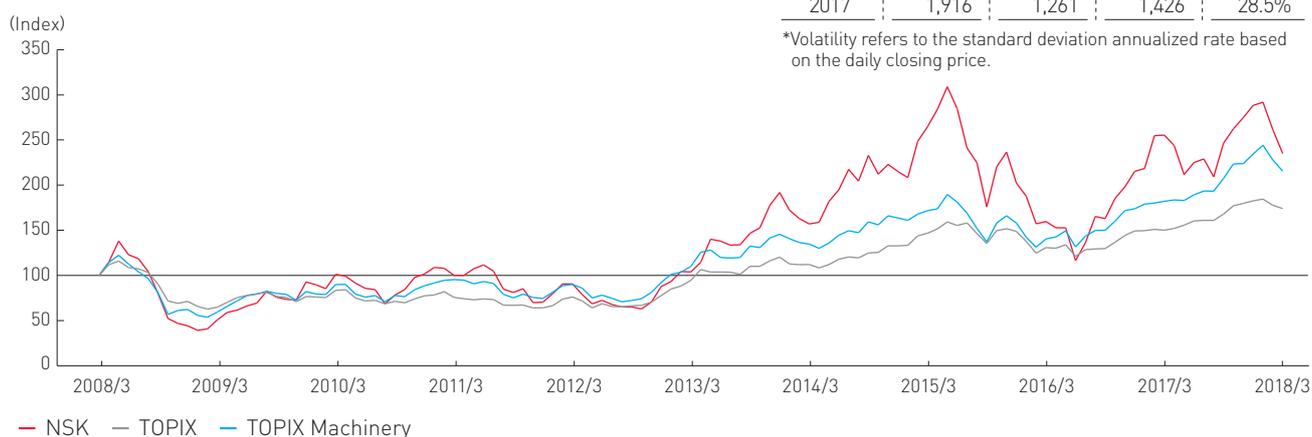
*Annual rate based on the geometric mean

*Created by the Company, based on Bloomberg data

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

Fiscal Year	High (Yen)	Low (Yen)	Fiscal Year-end (Yen)	Volatility
2008	1,077	282	377	74.3%
2009	750	366	738	47.6%
2010	836	495	717	37.4%
2011	815	458	637	36.7%
2012	758	414	715	36.5%
2013	1,360	646	1,062	45.7%
2014	1,815	1,023	1,758	32.6%
2015	2,120	910	1,030	39.0%
2016	1,739	691	1,592	44.3%
2017	1,916	1,261	1,426	28.5%

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



*Share price index trends including dividends (March 31, 2008 = 100)

NSK Group Tax Policy

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

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