

# Financial Strategy/Policy on Shareholder Returns

## 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 curtailment 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 ratio, and A-level credit rating. Despite a reduction in dividends owing to lower profits, NSK maintained a stable total return ratio.

	March 2020	March 2021	Comparison	Evaluation and Comments
Total assets	¥1,029.9 billion	¥1,167.5 billion	+¥137.6 billion	Maintained a stable financial base and saw a recovery in the business environment
Total equity attributable to owners of the parent (Shareholders' equity)	¥505.5 billion	¥554.4 billion	+¥48.9 billion	Posted higher net income and saw an increase in other components of equity (foreign currency translation adjustments, etc.)
Cash and cash equivalents	¥137.3 billion	¥176.6 billion	+¥39.3 billion	Secured an appropriate level of liquidity on hand as a COVID-19 measure
Interest-bearing debt	¥279.2 billion	¥332.4 billion	+¥53.3 billion	Increased to secure liquidity on hand
Ratio of net worth to total capital	49.1%	47.5%	-1.6% points	Maintained near the MTP target of 50% despite the COVID-19 pandemic
Net D/E ratio	0.28 times	0.28 times	0.00 points	Maintained at less than the MTP target of 0.3 times
Total return ratio	88.2%	2,885.8%	+2,797.6 percentage points	Despite a reduction in dividends owing to lower profits, provided stable shareholder returns
ROE	3.3%	0.1%	-3.2 percentage points	Declined due to lower profits

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

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

### 1 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.

▶ P. 42 Financial Highlights

NSK has been able to steadily improve its ability to generate cash flow 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 continuing to keep its net D/E ratio around 0.3 times and its ratio of net worth to total capital at roughly 50% will enable the Company to ensure financial stability.

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

### 2 Growth with Profitability

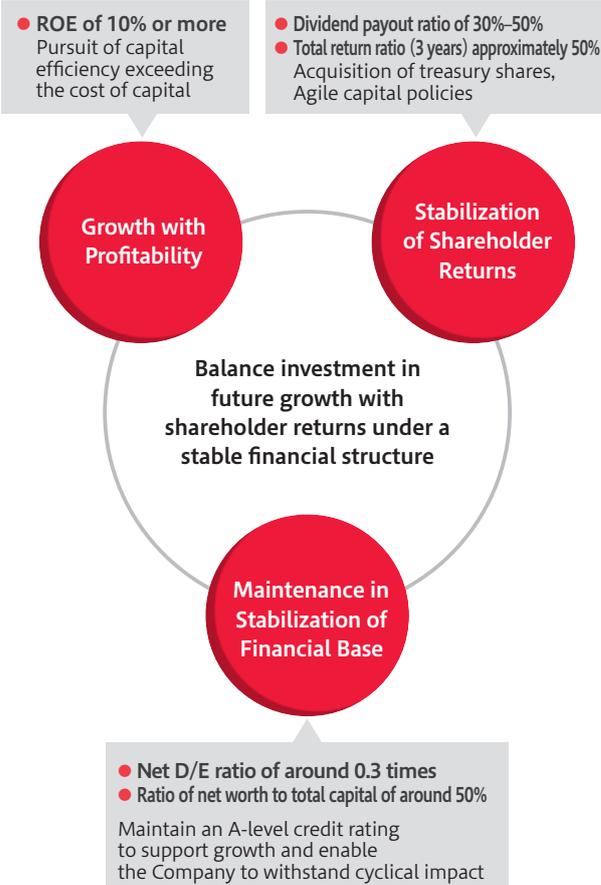
Sustainably achieving "Growth with Profitability" is essential for generating cash flows and making capital expenditures and R&D investments that lead to future growth, as well as for paying stable dividends to shareholders. We believe achieving a rate of return that exceeds the cost of capital expected by shareholders and investors can be considered the "mission" of a publicly listed company. NSK has set a target for ROE of at least 10% in its 6th Mid-Term Management Plan, which exceeds its cost of capital (roughly 8%–9%) as estimated based on past share trends, business characteristics, and the current state of the stock market. We believe maintaining this target over the mid-term could contribute to further improvement in shareholder value.

### 3 Stabilization of Shareholder Returns

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

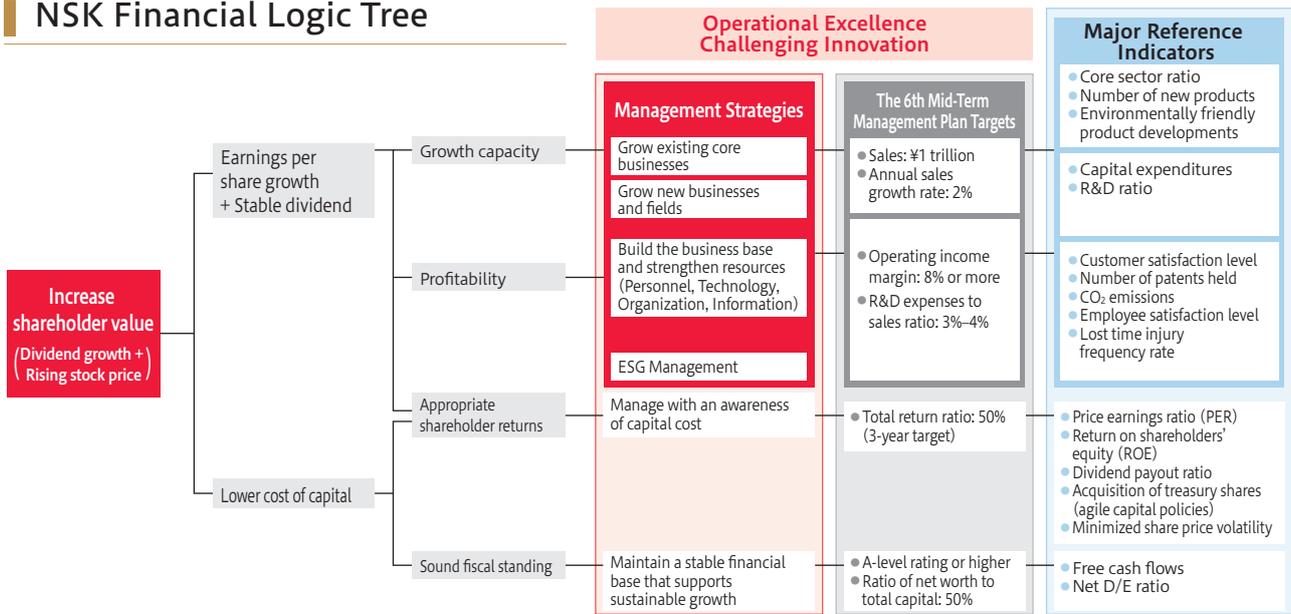
As part of the 6th Mid-Term Management Plan, NSK is working to further enhance shareholder returns, and has thus established a dividend payout ratio of 30%–50% and raised the target to ¥40 or higher for the per share dividend.

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 its 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%.

## NSK Financial Logic Tree



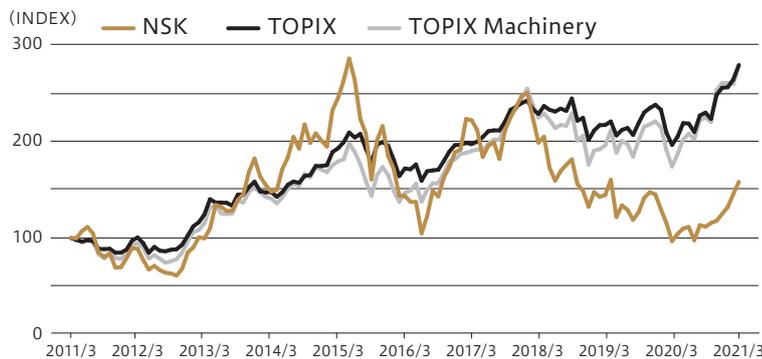
## Total Shareholders' Return (TSR)

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. NSK's TSR has been affected by demand adjustments over the past three to four years and a depressed stock price due to lower steering-related sales. Although this has unfortunately led NSK's TSR to underperform TOPIX and TOPIX Machinery, looking at the most recent year, NSK's TSR has outperformed comparative 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	
	Cumulative/Annual Rate	Cumulative	Annual Rate	Cumulative	Annual Rate	Cumulative	Annual Rate
NSK	66.4%	-14.1%	-4.9%	26.5%	4.8%	95.8%	6.9%
TOPIX	42.1%	22.1%	6.9%	62.3%	10.2%	179.4%	10.8%
TOPIX Machinery	59.9%	23.8%	7.3%	89.6%	13.6%	178.4%	10.8%

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

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



\*Share price index trends including dividends (March 31, 2011 = 100)

## Share Price Trends by Fiscal Year

Fiscal Year	High (Yen)	Low (Yen)	Fiscal Year-End (Yen)	Volatility
2011	815	458	637	36.7%
2012	758	414	715	36.5%
2013	1,360	646	1,062	45.7%
2014	1,815	1,023	1,758	32.6%
2015	2,120	910	1,030	39.0%
2016	1,739	691	1,592	44.3%
2017	1,916	1,261	1,426	28.5%
2018	1,488	885	1,037	26.1%
2019	1,208	579	694	33.7%
2020	1,202	581	1,135	43.2%

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

## Policy on Cross-Shareholding

NSK aims to reduce the crossholding of shares deemed to have little benefit in increasing mid- to long-term corporate value. Conversely, if the Company believes that there is a valid rationale for holding such shares, it will continue to do so. Regarding the appropriateness of cross-shareholdings, NSK conducts quantitative and qualitative evaluations on an annual basis to determine whether each individual shareholding is delivering acceptable benefits in relation to the Company's capital cost. We will promote the sale of any cross-shareholdings 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 five stocks in the year ended March 2021 and 69 stocks over the 11 years from the year ended March 2010).