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Securities Code: 6471  
May 31, 2018

**NOTICE OF  
THE 157th ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders with Voting Rights:

Notice is hereby given that the 157th Ordinary General Meeting of Shareholders of NSK Ltd. (hereinafter referred to as “the Company”) will be held as described below. Your attendance is cordially requested.

If you are unable to attend the meeting, you can exercise your voting rights by postal mail or via the Internet. Please review the “Reference Documents for the General Meeting of Shareholders” which follow this Notice, and exercise your voting rights no later than 5:15 p.m. on Thursday, June 21, 2018 (Japan time).

Yours very truly,

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

- 1. Date and Time:** Friday, June 22, 2018, at 10:00 a.m. (reception opens at 9:00 a.m.)
- 2. Place:** Keio Plaza Hotel Tokyo, 5F Concord Ballroom  
2-1, Nishi-Shinjuku 2-chome, Shinjuku-ku, Tokyo
- 3. Agenda of the Meeting**  
**Matters to be reported:** (1) Business Report, Consolidated Financial Statements, and Audit Reports of the Accounting Auditor and the Audit Committee for the Consolidated Financial Statements for the 157th Fiscal Term (from April 1, 2017 to March 31, 2018)  
(2) Non-Consolidated Financial Statements for the 157th Fiscal Term (from April 1, 2017 to March 31, 2018)
- Matter to be resolved:**  
**Proposal 1** Election of Twelve Directors

**Other Matters Related to this Notice**

Of the documents which should be provided along with this Notice, the Consolidated Statements of Changes in Equity, the Notes to the Consolidated Financial Statements, the Non-consolidated Statements of Changes in Net Assets, and the Notes to the Non-Consolidated Financial Statements are published on the Company’s website at the following address pursuant to laws and regulations as well as Article 15 of the Articles of Incorporation of the Company. Therefore, these documents are not included in the attached 157th Report.

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

**Methods of Exercising Voting Rights**

**(1) Voting by postal mail**

Please indicate your vote for or against the proposal on the enclosed Voting Rights Exercise Form, and return the form to us by postal mail so that it will arrive by no later than 5:15 p.m. on Thursday, June 21, 2018, (Japan Time).

**(2) Voting via the Internet**

Please access the designated voting website (in Japanese language only) and enter your voting code and password supplied in the enclosed Voting Rights Exercise Form. Follow the instructions (in Japanese language only) and enter your vote for the proposal no later than 5:15 p.m. on Thursday, June 21, 2018 (Japan Time).

- \* If you exercise your voting rights more than once via the Internet, the last vote will be deemed valid.
- \* If you exercise your voting rights both in writing and via the Internet, the vote via the Internet will be deemed valid.

Notes:

- Please present the enclosed Voting Rights Exercise Form at the reception if you attend the meeting in person. In order to conserve resources, please bring this notice and the enclosed 157th Report with you.
- If there are any amendments to the Reference Documents for General Meeting of Shareholders, Business Report, Consolidated Financial Statements and/or Non-consolidated Financial Statements, these amendments will be published on the Company’s website (<http://www.nsk.com/jp/investors/stockandbond/meeting.html>).

## **Reference Documents for General Meeting of Shareholders**

### **Proposal 1: Election of Twelve Directors**

The terms of office of all twelve Directors will expire at the conclusion of the 157th Ordinary General Meeting of Shareholders of the Company (hereinafter the “Meeting”). Accordingly, election of the following twelve Directors is proposed based on the Nomination Committee’s decision. The policy and procedure for the election of Directors and the candidates for Directors is as follows:

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

The Company operates under a Company with Three Committees structure. For the election of Directors, the Company first selects the candidates for Director based on the ideal composition of the Board and the requirements for Directors in light of the Company’s corporate governance structure. These selections are subsequently deliberated by the Nomination Committee, and the approved candidate selections added as a Proposal to the agenda of the ordinary general meeting of shareholders.


The Company believes that the Company’s Board of Directors should be well versed in the Company’s businesses and be capable of supervising important managerial judgments related to business execution. Career diversity in field of specialty and business experience are also considered in order to ensure that the Board maintains a well-balanced composition and is of an appropriate size.


### The List of the Candidates for Director


No.	Name	Current Position and Area of Responsibility in the Company	Attendance at Board of Directors and Committee meetings (meetings attended / meetings held)
1	Toshihiro Uchiyama Reappointment	Director, Representative, President and Chief Executive Officer, Member of the Nomination Committee	Board of Directors: 100% (10/10) Nomination Committee: 100% (6/6)
2	Saimon Nogami Reappointment	Director, Representative, Executive Vice President, Chief Financial Officer, Member of the Compensation Committee	Board of Directors: 100% (10/10) Compensation Committee: 100% (4/4)
3	Shigeyuki Suzuki Reappointment	Director, Representative, Executive Vice President	Board of Directors: 100% (10/10)
4	Yasuhiro Kamio Reappointment	Director, Representative, Executive Vice President	Board of Directors: 100% (10/10)
5	Nobuo Goto New Appointment	Executive Vice President	—
6	Akitoshi Ichii Reappointment	Director, Senior Vice President	Board of Directors: 100% (7/7)
7	Toshihiko Enomoto Reappointment	Director, Member of the Audit Committee	Board of Directors: 100% (10/10) Audit Committee: 100% (14/14)
8	Kazuaki Kama Reappointment Outside Director Independent Director	Director, Chairperson of the Nomination Committee	Board of Directors: 100% (10/10) Nomination Committee: 100% (6/6)
9	Yasunobu Furukawa Reappointment Outside Director Independent Director	Director, Chairperson of the Audit Committee, Member of the Compensation Committee	Board of Directors: 100% (10/10) Audit Committee: 100% (14/14) Compensation Committee: 100% (4/4)
10	Teruhiko Ikeda Reappointment Outside Director Independent Director	Director, Chairperson of the Compensation Committee	Board of Directors: 100% (10/10) Compensation Committee: 100% (4/4)
11	Hajime Bada New Appointment Outside Director Independent Director	—	—
12	Akemi Mochizuki New Appointment Outside Director Independent Director	—	—


#### Notes:

- The planned members of each Committee if all the 12 candidates for Director are elected at this Meeting are described on page 17.
- Regarding attendance of meetings of the Board of Directors and Committees: The data show each candidate's attendance at the meetings of the Board of Directors and Committees held during fiscal 2017 (April 1, 2017, through March 31, 2018).
- **Outside Director:** Candidate for Outside Director.
- **Independent Director:** Candidate for Outside Director who satisfies the Company's Criteria for Independence of Outside Directors (page 18) and the criteria for the independence prescribed by the Tokyo Stock Exchange, and who has been reported by the Company as Independent Director to the Tokyo Stock Exchange, subject to the approval of their election at this Meeting.


<b>No. 1</b>		<b>Toshihiro Uchiyama</b>	
<b>Reappointment</b>			
Company Shares Owned: 83,600		Age: 59 (DoB: November 28, 1958)	
Attendance: (FY17)	Board of Directors: 100% (10/10) Nomination Committee: 100% (6/6)		
<b>Career Summary, Position and Area of Responsibility in the Company and Significant Concurrent Positions outside the Company:</b>			
Apr. 1981	Joined the Company		
Mar. 2006	Deputy Head of Procurement Division HQ		
Jun. 2008	Vice President, Deputy Head of Corporate Planning Division HQ		
Jun. 2009	Head of Corporate Planning Division HQ		
Jun. 2010	Senior Vice President, Head of Corporate Planning Division HQ, Responsible for IR & CSR Office		
Jun. 2011	Responsible for Asia, Head of Corporate Planning Division HQ, Responsible for IR & CSR Office		
Jun. 2012	Director (current)		
Jun. 2013	Representative (current), Executive Vice President, Member of the Compensation Committee, Responsible for Administrative Divisions, Head of Corporate Strategy Division HQ		
Jun. 2015	President and Chief Executive Officer (current), Chairperson of the Nomination Committee		
Jun. 2017	Member of the Nomination Committee (current)		
<b>Reasons for nominating the candidate for Director:</b>			
<p>Toshihiro Uchiyama has experienced a broad range of businesses at the Company spanning overseas business (Americas), procurement and corporate planning, and is well versed in the Company's businesses. As President and Chief Executive Officer of the Company, he also has a wealth of experience and achievements in corporate management. The Company has designated him as a director nominee with the expectation that, by having the President and Chief Executive Officer concurrently serve as a director, the Board of Directors will be able to better understand the status of business execution and internal affairs of the Company, allowing the Board to exercise its oversight function more effectively.</p>			


<b>No. 2</b>		<b>Saimon Nogami</b>	
<b>Reappointment</b>			
Company Shares Owned: 44,800		Age: 57 (DoB: September 19, 1960)	
Attendance: (FY17)	Board of Directors: 100% (10/10) Compensation Committee: 100% (4/4)		
<b>Career Summary, Position and Area of Responsibility in the Company and Significant Concurrent Positions outside the Company:</b>			
Apr. 1984	Joined the Company		
Feb. 2011	Deputy Head of Industrial Machinery Business Division HQ		
Jun. 2011	Vice President		
Jun. 2013	Director (current), Senior Vice President, Head of Corporate Planning Division HQ, Responsible for IR & CSR Office		
Jun. 2015	Representative (current), Executive Vice President (current), Member of the Compensation Committee (current), Responsible for Administrative Divisions (current), Responsible for Asia, Head of Corporate Strategy Division HQ (current)		
Jun. 2017	Chief Financial Officer (current)		
<b>Reasons for nominating the candidate for Director:</b>			
<p>Saimon Nogami has experienced a broad range of businesses at the Company spanning overseas business (Europe) and the industrial machinery business, and is well versed in the Company's businesses. The Company has designated him as a director nominee with the expectation that, by having the Representative Executive Vice President and Chief Financial Officer concurrently serve as a director, the Board of Directors will be able to better understand the business execution status of the Company, allowing the Board to exercise its oversight function more effectively.</p>			


<b>No. 3</b>		<b>Shigeyuki Suzuki</b>	
<b>Reappointment</b>			
Company Shares Owned: 53,000		Age: 58 (DoB: December 15, 1959)	
Attendance: (FY17)	Board of Directors: 100% (10/10)		
<b>Career Summary, Position and Area of Responsibility in the Company and Significant Concurrent Positions outside the Company:</b>			
Apr. 1982	Joined the Company		
Jun. 2009	Head of Eastern Japan Automotive Department 3 (Automotive Sales & Marketing Division HQ, Automotive Business Division HQ)		
Jun. 2010	Vice President, Deputy Head of Automotive Sales & Marketing Division HQ (Automotive Business Division HQ), Head of Eastern Japan Automotive Department 3 (Automotive Sales & Marketing Division HQ, Automotive Business Division HQ)		
Apr. 2011	Deputy Head of Operations in Europe		
Jun. 2012	Senior Vice President		
Oct. 2013	Deputy Head of Automotive Bearings Division HQ (Automotive Business Division HQ)		
Jun. 2014	Director (current), Executive Vice President (current), Head of Automotive Bearings Division HQ (Automotive Business Division HQ)		
Jun. 2016	Representative (current), Head of Automotive Business Division HQ (current), Head of Automotive Powertrain Division HQ (Automotive Business Division HQ) (current)		
<b>Reasons for nominating the candidate for Director:</b>			
<p>Shigeyuki Suzuki has experienced a broad range of businesses at the Company, spanning domestic automotive sales and marketing and overseas business (Europe), and is well versed in the Company's businesses. The Company has designated him as a director nominee with the expectation that, by having the Representative Executive Vice President in charge of automotive business divisions concurrently serve as a director, the Board of Directors will be able to better understand the business execution status of the Company, allowing the Board to exercise its oversight function more effectively.</p>			


No. 4	Yasuhiro Kamio		
Reappointment			
Company Shares Owned: 76,100		Age: 58 (DoB: July 22, 1959)	
Attendance: (FY17)	Board of Directors: 100% (10/10)		
<p style="text-align: center;"><b>Career Summary, Position and Area of Responsibility in the Company and Significant Concurrent Positions outside the Company:</b></p> <p>Apr. 1982      Joined the Company</p> <p>Jun. 2006      Deputy Head of Automotive Components Division HQ (Automotive Business Division HQ)</p> <p>Jun. 2009      Vice President, Head of all ASEAN operations, President of NSK International (Singapore) Pte Ltd., President of NSK Bearings (Thailand) Co., Ltd.</p> <p>Jun. 2013      Senior Vice President, Head of China operations, President of NSK (China) Investment Co., Ltd.</p> <p>Jun. 2016      Director (current), Representative (current), Executive Vice President (current), Head of Industrial Machinery Business Division HQ (current), Head of Japan Sales &amp; Marketing Division HQ (Industrial Machinery Business Division HQ) (current)</p>			
<p><b>Reasons for nominating the candidate for Director:</b></p> <p>Yasuhiro Kamio has experienced a broad range of businesses at the Company, spanning overseas business (Americas, ASEAN, and China) as well as experience in the automotive business, and is well versed in the Company's businesses. The Company has designated him as a director nominee with the expectation that, by having the Representative Executive Vice President in charge of the industrial machinery business concurrently serve as a director, the Board of Directors will be able to better understand the business execution status of the Company, allowing the Board to exercise its oversight function more effectively.</p>			





<b>No. 5</b>	<b>Nobuo Goto</b>	
New Appointment		
Company Shares Owned: 19,400		Age: 60 (DoB: November 6, 1957)
Attendance: (FY17)	—	
<b>Career Summary, Position and Area of Responsibility in the Company and Significant Concurrent Positions outside the Company:</b>		
Apr. 1982	Joined the Company	
Jul. 2004	Head of Bearing Technology Center (Automotive Bearing Technology Department)	
Jun. 2006	NSK Corporation	
Jun. 2010	Vice President, Head of Technology Development Division HQ (Future Technology Development Center), Deputy Head of Automotive Bearings Division HQ (Automotive Business Division HQ)	
Jun. 2012	Senior Vice President	
Jun. 2013	Head of Steering Technology Center (Automotive Components Division HQ, Automotive Business Division HQ), Deputy Head of Automotive Components Division HQ (Automotive Business Division HQ)	
Jun. 2016	Head of Automotive Technology Development Center (Automotive Business Division HQ), Deputy Head of Automotive Steering & Actuator Division HQ (Automotive Business Division HQ)	
Apr. 2018	Executive Vice President (current), Head of Technology Development Division HQ (current)	
<b>Reasons for nominating the candidate for Director:</b>		
<p>Nobuo Goto has experienced a broad range of businesses at the Company, spanning overseas business (Americas) as well as product development, and is well versed in the Company's businesses. The Company has designated him as a director nominee with the expectation that, by having the Executive Vice President in charge of the technology development divisions concurrently serve as a director, the Board of Directors will be able to better understand the business execution status of the Company, allowing the Board to exercise its oversight function more effectively.</p>		


No. 6	Akitoshi Ichii	
Reappointment		
Company Shares Owned: 55,161		Age: 55 (DoB: May 8, 1963)
Attendance: (FY17)	Board of Directors: 100% (7/7)	
<p style="text-align: center;"><b>Career Summary, Position and Area of Responsibility in the Company and Significant Concurrent Positions outside the Company:</b></p> <p>Apr. 1986      Joined the Company</p> <p>Dec. 2008      Deputy Head of Automotive Bearings Division HQ (Automotive Business Division HQ)</p> <p>Jun. 2012      Head of operations in India</p> <p>Jun. 2015      Vice President, Deputy Head of Corporate Planning Division HQ</p> <p>Jun. 2016      Head of Corporate Planning Division HQ (current), Responsible for Asia (current)</p> <p>Apr. 2017      Senior Vice President (current)</p> <p>Jun. 2017      Director (current)</p>		
<p><b>Reasons for nominating the candidate for Director:</b></p> <p>Akitoshi Ichii has experienced a broad range of businesses at the Company, spanning overseas business (Europe and India) as well as experience in the automotive business, and is well versed in the Company's businesses. The Company has designated him as a director nominee with the expectation that, by having the Senior Vice President in charge of corporate planning divisions concurrently serve as a director, the Board of Directors will be able to better understand the business execution status of the Company, allowing the Board to exercise its oversight function more effectively.</p>		


No. 7		Toshihiko Enomoto	
Reappointment			
Company Shares Owned: 15,316		Age: 59 (DoB: August 28, 1958)	
Attendance: (FY17)	Board of Directors: 100% (10/10) Audit Committee: 100% (14/14)		
<b>Career Summary, Position and Area of Responsibility in the Company and Significant Concurrent Positions outside the Company:</b>			
Apr. 1985	Joined the Company		
Jun. 2008	Head of Consolidated Accounting Department (Finance Division HQ)		
Jun. 2013	Vice President, Deputy Head of Finance Division HQ		
Jun. 2015	Executive Advisor, Head of Internal Audit Department		
Jun. 2016	Director (current), Member of the Audit Committee (current)		
<b>Reasons for nominating the candidate for Director:</b>			
<p>Toshihiko Enomoto has experienced a broad range of businesses at the Company, spanning finance and accounting, overseas business (Europe) and auditing, and is well versed in the Company's businesses. Such experience and knowledge make him sufficiently qualified to supervise the execution of the Company's business operations. Accordingly, he is nominated for the position of Director.</p>			

No. 8	<b>Kazuaki Kama</b>	
Reappointment Candidate for Outside Director Independent Director		
Company Shares Owned: 2,800		Age: 69 (DoB: December 26, 1948)
Attendance: (FY17)	Board of Directors: 100% (10/10) Nomination Committee: 100% (6/6)	
Years since assuming the office as Outside Director of the Company: 4 years		
<b>Career Summary, Position and Area of Responsibility in the Company and Significant Concurrent Positions outside the Company:</b>		
Jul. 1971	Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently, IHI Corporation)	
Jun. 2004	Executive Officer, General Manager of Finance & Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.	
Apr. 2005	Managing Executive Officer, General Manager of Finance & Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.	
Jun. 2005	Director, Managing Executive Officer, General Manager of Finance & Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.	
Apr. 2007	President and Chief Executive Officer of Ishikawajima-Harima Heavy Industries Co., Ltd.	
Apr. 2012	Chairperson of the Board of IHI Corporation	
Jun. 2014	Director (current), Member of the Compensation Committee	
Apr. 2016	Director of IHI Corporation	
Jun. 2016	Senior Advisor of IHI Corporation (current), Member of the Nomination Committee	
Jun. 2017	Chairperson of Nomination Committee (current)	
<b>Reasons for nominating the candidate for Outside Director:</b>		
Kazuaki Kama has actively expressed his opinions at meetings of the Board of Directors from a fair and independent standpoint, based on his considerable experience and deep insight as a corporate executive. As a Chairperson of the Nomination Committee, he has provided appropriate guidance on the proposals for election of Directors, etc., drawing on his experience and insight. The Company has designated him as an outside director nominee with the expectation that he will continue to contribute to enhancement and reinforcement of the Company's corporate governance, as well as ensure its sustainable growth and increase its corporate value. Mr. Kama fulfills the criteria for the independence of outside directors prescribed by the Company.		
<b>Assessment of the independence of the candidate:</b>		
Kazuaki Kama has not engaged in business execution at IHI Corporation since July 2016. Although the Company has a business relationship with IHI Corporation, the value of transactions was less than 1% of net sales of the Company, constituting no special interest between the Company and Mr. Kama.		
<b>Significant Concurrent Positions outside the Company:</b>		
Senior Advisor of IHI Corporation		
Outside Director of Kyokuto Boeki Kaisha, LTD.		
Outside Director of Konica Minolta, Inc.		
Outside Director of Sumitomo Life Insurance Company		

<b>No. 9</b>		<b>Yasunobu Furukawa</b>	
<b>Reappointment Candidate for Outside Director Independent Director</b>			
Company Shares Owned: 2,700		Age: 64 (DoB: October 11, 1953)	
Attendance: (FY17)	Board of Directors: 100% (10/10) Audit Committee: 100% (14/14) Compensation Committee: 100% (4/4)		
Years since assuming the office as Outside Director of the Company: 3 years			
<b>Career Summary, Position and Area of Responsibility in the Company and Significant Concurrent Positions outside the Company:</b>			
Apr. 1976	Joined Tetsuzo Ota & Co. (currently, Ernst & Young ShinNihon LLC)		
Sept. 1980	Registered as a Certified Public Accountant		
May 1999	Representative Partner of Ernst & Young ShinNihon LLC		
Aug. 2008	Executive Partner of Ernst & Young ShinNihon LLC		
Aug. 2010	Senior Executive Partner of Ernst & Young ShinNihon LLC (retired in August 2012)		
Aug. 2012	Senior Advisor of Ernst & Young ShinNihon LLC (retired in June 2014)		
Jun. 2015	Director (current), Chairperson of Audit Committee (current), Member of the Nomination Committee		
Jun. 2016	Member of the Compensation Committee		
<b>Reasons for nominating the candidate for Outside Director:</b>			
<p>Yasunobu Furukawa has actively expressed his opinions at meetings of the Board of Directors from a fair and independent standpoint and based on his considerable experience and deep insights as a Certified Public Accountant. As Chairperson of the Audit Committee, he has provided appropriate guidance on the operation and enhancement of audit systems and played a leading role in enhancing the discussions at the Committee meetings. As a member of the Compensation Committee, he has provided appropriate guidance primarily regarding the determination of compensation for officers. The Company has designated him as an outside director nominee with the expectation that he will continue to contribute to enhancement and reinforcement of the Company's corporate governance, as well as ensure its sustainable growth and increase its corporate value. Mr. Furukawa fulfills the criteria for the independence of outside directors prescribed by the Company.</p>			
<b>Assessment of the independence of the candidate:</b>			
<p>Yasunobu Furukawa has not engaged in the management of Ernst &amp; Young ShinNihon LLC since September 2012. The amount that the Company has paid to the audit firm was less than 1% of the firm's revenue, constituting no special interest between the Company and Mr. Furukawa.</p>			
<b>Significant Concurrent Positions outside the Company:</b>			
Outside Director of Keisei Electric Railway Co., Ltd.			

<b>No. 10</b>	<b>Teruhiko Ikeda</b>	
<b>Reappointment Candidate for Outside Director Independent Director</b>		
Company Shares Owned: 0	Age: 71 (DoB: December 5, 1946)	
Attendance: (FY17)	Board of Directors: 100% (10/10) Compensation Committee: 100% (4/4)	
Years since assuming the office as Outside Director of the Company: 3 years		
<b>Career Summary, Position and Area of Responsibility in the Company and Significant Concurrent Positions outside the Company:</b>		
Apr. 1969	Joined The Fuji Bank, Limited (currently, Mizuho Bank, Ltd.)	
Jun. 1996	General Manager of Branch Department of The Fuji Bank, Ltd.	
Apr. 1998	Managing Director (Member of the Board) of The Fuji Bank, Ltd.	
May 2001	Senior Managing Director (Member of the Board) of The Fuji Bank, Ltd.	
Apr. 2002	Deputy President of Mizuho Corporate Bank, Ltd. (currently, Mizuho Bank, Ltd.) (retired in April 2004)	
Apr. 2004	Advisor of Mizuho Trust & Banking Co., Ltd.	
Jun. 2004	President and Chief Executive Officer of Mizuho Trust & Banking Co., Ltd.	
Jun. 2008	Chairperson of the board of Mizuho Trust & Banking Co., Ltd.	
Jun. 2010	Advisor of Mizuho Trust & Banking Co., Ltd. (current)	
Jun. 2015	Director (current), Chairperson of the Compensation Committee (current)	
<b>Reasons for nominating the candidate for Outside Director:</b>		
<p>Teruhiko Ikeda has actively expressed his opinions at meetings of the Board of Directors from a fair and independent standpoint, based on his considerable experience and deep insight as a corporate executive. As a Chairperson of the Compensation Committee, he has provided appropriate guidance on the determination of compensation for officers, and has played a leading role in enhancing the discussions at the Committee. The Company has designated him as an outside director nominee with the expectation that he will continue to contribute to enhancement and reinforcement of the Company's corporate governance, as well as ensure its sustainable growth and increase its corporate value. Mr. Ikeda fulfills the criteria for the independence of outside directors prescribed by the Company.</p>		
<b>Assessment of the independence of the candidate:</b>		
<p>Teruhiko Ikeda has not engaged in business execution at Mizuho Trust &amp; Banking Co., Ltd., since July 2010. Although Mizuho Trust &amp; Banking is a lender to the Company, the Company is not particularly dependent on the loans from Mizuho Trust &amp; Banking Co., Ltd. (the balance of the loans from the same bank is approximately 4% of the Company's total loans). Although the Company has a business relationship with Mizuho Trust &amp; Banking Co., Ltd., the value of such transactions was less than 1% of gross profit of the same bank. Neither case constitutes a special interest between the Company and Mr. Ikeda.</p>		
<b>Significant Concurrent Positions outside the Company:</b>		
Advisor of Mizuho Trust & Banking Co., Ltd.		

<b>No. 11</b>	<b>Hajime Bada</b>	
<b>New Appointment Candidate for Outside Director Independent Director</b>		
Company Shares Owned: 0	Age: 69 (DoB: October 7, 1948)	
Attendance: (FY17)	—	
<b>Career Summary, Position and Area of Responsibility in the Company and Significant Concurrent Positions outside the Company:</b>		
Apr. 1973	Joined Kawasaki Steel Corporation (currently JFE Steel Corporation)	
Jun. 2000	Director of Kawasaki Steel Corporation	
Apr. 2003	Executive Officer of JFE Steel Corporation	
Apr. 2005	President and Chief Executive Officer of JFE Steel Corporation (retired Apr. 2010)	
Jun. 2005	Director of JFE Holdings, Inc.	
Apr. 2010	President and Chief Executive Officer of JFE Holdings, Inc.	
Apr. 2015	Director of JFE Holdings, Inc.	
Jun. 2015	Advisor of JFE Holdings, Inc.	
<b>Reasons for nominating the candidate for Outside Director:</b>		
<p>Hajime Bada has considerable experience and deep insight as a corporate executive. Such experience and knowledge make him sufficiently qualified to supervise the execution of the Company's business operations. The Company has designated him as an outside director nominee with the expectation that he will contribute to enhancement and reinforcement of the Company's corporate governance, as well as ensure its sustainable growth and increase its corporate value. Mr. Bada fulfills the criteria for the independence of outside directors prescribed by the Company.</p>		
<b>Assessment of the independence of the candidate:</b>		
<p>Hajime Bada has not engaged in business execution at JFE Holdings, Inc. since July 2015. Although there are mutual transactions between the Company and JFE Holdings, Inc., the value of such transactions was less than 1% of net sales of each company, constituting no special interest between the Company and Mr. Bada.</p>		
<b>Significant Concurrent Positions outside the Company:</b>		
Advisor of JFE Holdings, Inc.		
Director of Mitsui Chemicals, Inc.		
External Auditor of Asagami Corporation		

No. 12	<b>Akemi Mochizuki</b>	
New Appointment Candidate for Outside Director Independent Director		
Company Shares Owned: 0	Age: 63 (DoB: June 10, 1954)	
Attendance: (FY17)	—	
<b>Career Summary, Position and Area of Responsibility in the Company and Significant Concurrent Positions outside the Company:</b>		
Oct. 1984	Aoyama Audit Corporation (currently PricewaterhouseCoopers Arata LLC)	
Mar. 1988	Registered as a Certified Public Accountant	
Aug. 1996	Joined Tohmatsu Audit Corporation (currently Deloitte Touche Tohmatsu LLC)	
Jul. 2001	Partner of Tohmatsu Audit Corporation (currently Deloitte Touche Tohmatsu LLC)	
<p>* Akemi Mochizuki is expected to step down from her post at Deloitte Touche Tohmatsu LLC on Jun. 30, 2018. If elected, she will be appointed Director on July 1, 2018.</p> <p><b>Reasons for nominating the candidate for Outside Director:</b> Akemi Mochizuki has considerable experience and deep insight as a Certified Public Accountant, and the Company deems her capable of supervising important managerial judgments related to business execution. The Company has designated her as an outside director nominee with the expectation that she will continue to contribute to enhancement and reinforcement of the Company's corporate governance, as well as ensure its sustainable growth and increase its corporate value. Ms. Mochizuki fulfills the criteria for the independence of outside directors prescribed by the Company.</p> <p><b>Assessment of the independence of the candidate:</b> Akemi Mochizuki is currently engaged as a Partner at Deloitte Touche Tohmatsu LLC. The amount that the Company has paid to the audit firm was less than 1% of the firm's revenue, constituting no special interest between the Company and Ms. Mochizuki.</p> <p><b>Significant Concurrent Positions outside the Company:</b> Partner of Deloitte Touche Tohmatsu LLC</p>		



**Notes:**

1. Special interest between the Company and candidates for Director:  
No special interest exists between the Company and each candidate for Director above.
2. Number of years of the candidates for Outside Director since assuming the position as Outside Director of the Company:

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

3. Liability limitation agreement with candidates for Directors

Pursuant to Article 427, Paragraph 1 of the Companies Act and Article 27 of the Articles of Incorporation of the Company, the Company has executed agreements to limit liability for damage of Director under Article 423, Paragraph 1 of the Companies Act with Directors Toshihiko Enomoto, Kazuaki Kama, Yasunobu Furukawa and Teruhiko Ikeda. If they are reelected as Directors at the meeting, the Company will continue said agreements to limit liability with each of them.

If Hajime Bada and Akemi Mochizuki are elected as Directors at the meeting, the Company will similarly execute agreements to limit liability with each of them.

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

4. Composition of each Committee

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

	Chairperson	Members
Nomination Committee	Kazuaki Kama	Hajime Bada, Toshihiro Uchiyama
Audit Committee	Yasunobu Furukawa	Teruhiko Ikeda, Akemi Mochizuki, Toshihiko Enomoto
Compensation Committee	Teruhiko Ikeda	Yasunobu Furukawa, Saimon Nogami

**<Reference>**

**Criteria for Independence of Outside Directors**

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

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

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

\* This information is also available on the Company's website.  
(<http://www.nsk.com/company/governance/index.html#tab3>)

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# Business Report

Fiscal 2017  
April 1, 2017 - March 31, 2018

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NSK Ltd.

## Attachments

### **Business Report (April 1, 2017 - March 31, 2018)**

#### **1. Review of Group Operations**

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

NSK celebrated its 100th anniversary on November 8, 2016. In order to realize NSK's Mission Statement, NSK has established NSK Vision 2026 (Setting the Future in Motion), an overarching vision of the type of company it aims to become in the 10 years following its 100th anniversary.

Under NSK Vision 2026 the NSK Group has worked to achieve its 5th Mid-Term Management Plan, spanning the three years beginning April 2016. Under the slogan "a new chapter in evolution toward the next 100 years" and supported by the two main pillars of "operational excellence" and "innovate and challenge", we are working to address three main management tasks: achieving sustainable growth, reconstructing our profit base, and establishing new growth fields.

Looking at global economic conditions during the year ended March 31, 2018, the Japanese economy underwent a gradual recovery, mainly driven by a pick-up in consumption and steady improvement in employment. The US economy continued to see solid growth due to stronger employment and capital expenditure. The European economy is trending toward recovery, primarily in the Eurozone, on the back of growth in consumption and a moderate increase in capital expenditure. Meanwhile, the Chinese economy enjoyed steady growth, boosted by a range of government policies, while other Asian economies exhibited a gradual recovery.

In this economic environment, consolidated net sales for the year ended March 31, 2018 totaled ¥1,020,338 million, a year-on-year increase of 7.5%, and operating income totaled ¥97,875 million, a year-on-year increase of 49.8%. Income before income taxes was ¥97,248 million, a year-on-year increase of 52.9%. Net income attributable to owners of the parent was ¥69,312 million, a year-on-year increase of 52.1%.

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

##### **1. Industrial Machinery Business Segment**

The industrial machinery business has continued to recover. Looking at the Company's results by geographic breakdown, sales in Japan increased, primarily in the machine tool and electrical sectors. In the Americas, sales in the semiconductor and general machinery sectors rose. In Europe, sales increased, primarily in the machine tool and aftermarket sectors. Sales in China also grew steadily due to strength in the electrical, and aftermarket sectors. In other Asian countries, sales increased due to a continuing recovery in demand, primarily in the semiconductor sector.

As a result, net sales in the industrial machinery business totaled ¥266,249 million, a year-on-year increase of 17.3%. Operating income was ¥28,333 million, a year-on-year increase of 93.3%.

##### **2. Automotive Business Segment**

The global automotive business continued its gradual expansion. Looking at the Company's results by geographic breakdown, sales in Japan increased, primarily in products for transmission systems. In the Americas, sales declined due to a slowdown in the US automotive market. In Europe, sales increased due to solid vehicle sales. In China, the increase in sales was slight, partially due to a change in product mix. Meanwhile, sales in other Asian countries rose, primarily in India. In other Asian countries sales increased due to a continuing recovery in demand, primarily in the semiconductor sector.

As a result, net sales in the automotive business totaled ¥723,564 million, a year-on-year increase of 3.9%. Operating income totaled ¥65,963 million, a year-on-year increase of 2.1%.

## (2) Investment in Fixed Assets

The NSK Group has identified the pursuit of business competitiveness as a key task. As such, we are working to expand our global business, enhance our manufacturing and technology development capabilities, and working to develop next-generation manufacturing technologies.

During the fiscal year under review, we focused investment toward enhancement of our manufacturing platform, while also investing in the powertrain business—a global growth business—and the expansion of our production capacity, primarily in emerging countries. As a result, capital expenditure totaled ¥58.6 billion, an increase of ¥3.6 billion from the previous fiscal year.

Capital expenditure in the industrial machinery business totaled ¥15.6 billion, primarily related to reorganizing and increasing output at the Company's production sites both in and outside Japan, with the aim of improving productivity in response to stronger demand.

Meanwhile, capital expenditure in the automotive business totaled ¥49.6 billion. This included expansion of production capacity in Japan, China, and Europe in response to demand growth, as well as investment in productivity measures.

Other investments totaled ¥3.6 billion, primarily related to steel ball production.

Unit: ¥100 million	
Segment	Capital Expenditure in Year Ended March 31, 2018
Industrial Machinery Business	156
Automotive Business	496
Other	36
Total	688

## (3) Financing Activities

Capital expenditure and operating expenses during the consolidated fiscal year under review were funded by the Group's own capital and loans from financial institutions. In addition, the Group issued ¥20 billion in unsecured straight bonds in Japan in December 2017 in order to fund the repayment of debt.

The balance of outstanding loans and corporate bonds at the end of the period under review was ¥250.9 billion, a year-on-year decrease of ¥16.5 billion.

#### (4) Key Tasks

##### Increasing Corporate Value

Under NSK Vision 2026, which the Company established on the occasion of its 100th anniversary, the NSK Group has worked to achieve its 5th Mid-Term Management Plan for the three years beginning April 2016. Under the slogan *A new chapter in evolution toward the next 100 years*, and supported by the two main pillars of *operational excellence* and *innovate and challenge*, we will address three main management tasks: achieving sustainable growth, reconstructing our profit base, and establishing new growth fields.

Measures to achieve *operational excellence*:

- Pursuit of business competitiveness
- Pursuit of efficient management
- Development of human resources and manufacturing (monozukuri) expertise

Measures to *innovate and challenge* (create new value):

- Sowing seeds for the next phase of growth
- Innovation in manufacturing
- Development of new products and technologies targeting new fields

The NSK Group regards the reduction of energy loss through its global business as one of its social responsibilities, and is steadily upgrading its environment-conscious management in order to contribute to environmental preservation and the development of a sustainable society.

We aim to continue to grow by building trust relationships with a range of stakeholders, including customers and local communities, by respecting all relevant laws and acting with high ethical standards as a good corporate citizen. To do so, we are implementing a range of initiatives aimed at strengthening compliance, including further refinement of organizational structures and systems, and thorough compliance-related training and awareness programs.

NSK operates under a “Company with Three Committees” system with the aim of enhancing management transparency and soundness, and conducting fair and prompt decision-making by clearly defining the respective roles of the executive and supervisory functions. NSK will continue working to reinforce its corporate governance structure in light of social requirements, including Japan’s recently-released Corporate Governance Code, in order to deliver sustainable growth and mid-to-long term enhancement in corporate value.

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

## (5) Financial Highlights

(IFRS)

	FY14 (Year ended March 31, 2015)	FY15 (Year ended March 31, 2016)	FY16 (Year ended March 31, 2017)	FY17 (Year ended March 31, 2018)
Net sales	¥974,885 million	¥975,319 million	¥949,170 million	¥1,020,338 million
Operating income	¥86,958 million	¥89,534 million	¥65,341 million	¥97,875 million
Net income attributable to owners of the Parent	¥59,383 million	¥65,719 million	¥45,560 million	¥69,312 million
Total equity	¥486,801 million	¥478,871 million	¥485,011 million	¥561,014 million
Total assets	¥1,125,509 million	¥1,032,374 million	¥1,043,955 million	¥1,092,310 million
Equity per share attributable to owners of the Parent	¥852.83	¥839.56	¥873.11	¥1,016.30
Basic net income per share	¥109.79	¥121.38	¥86.08	¥131.16
Return on equity (ROE)	14.5%	14.3%	9.9%	13.9%

(JP GAAP)

	FY14 (Year ended March 31, 2015)	FY15 (Year ended March 31, 2016)
Net sales	¥974,885 million	¥975,319 million
Ordinary income	¥91,002 million	¥93,964 million
Net income attributable to owners of the Parent	¥61,962 million	¥67,169 million
Net assets	¥481,859 million	¥473,560 million
Total assets	¥1,129,164 million	¥1,038,218 million
Net assets per share	¥842.69	¥828.33
Net income per share	¥114.56	¥124.06
Return on equity (ROE)	15.3%	14.9%

- Notes: 1. Figures listed above are rounded down to the nearest one million yen.  
2. NSK has adopted International Financial Reporting Standards (IFRS) since the year ended March 31, 2016.  
3. Under International Financial Reporting Standards (IFRS), net income per share attributable to owners of the Parent is calculated using the number of shares outstanding at the end of the period, while return on equity is calculated using the average number of shares outstanding during the period.  
4. Under Japanese GAAP, net assets per share are calculated using the number of shares outstanding at the end of the period, while net income per share are calculated using the average number of shares outstanding during the period.

**(6) Major Subsidiaries (as of March 31, 2018)**

Company Name	Capital	Holding Ratio	Business
NSK Steering Systems Co., Ltd.	¥7,500 million	100.0%	Manufacture of automotive components
Amatsuji Steel Ball Mfg. Co., Ltd.	¥2,101 million	100.0%	Manufacture and sale of steel balls
NSK Americas, Inc.	USD 195.7 million	— (100.0%) <sup>3</sup>	Management of affiliated companies in the Americas
NSK Brasil Ltda.	BRL 1.8 million	— (100.0%) <sup>3</sup>	Manufacture and sale of industrial machinery bearings, etc.
NSK Europe Ltd.	EUR 90.4 million	— (100.0%) <sup>3</sup>	Management of affiliated companies in Europe
NSK (China) Investment Co., Ltd.	RMB 1,684.0 million	100.0%	Management of affiliated companies in China, sale of bearings, etc.
Kunshan NSK Co., Ltd.	RMB 701.6 million	63.3% (85.0%) <sup>4</sup>	Manufacture of automotive bearings, etc.
Pt. NSK Bearings Manufacturing Indonesia	USD 45 million	100.0%	Manufacture of automotive bearings, etc.
NSK Korea Co., Ltd.	KRW 53.9 billion	100.0%	Manufacture and sales of automotive bearings, etc.

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



**(7) Overview of Main Businesses (as of March 31, 2018)**

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

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

(8) Main Sites (as of March 31, 2018)

Main Sales Sites

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

### Main Sales Sites

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

### Main Manufacturing Sites

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

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

**(9) Employees (as of March 31, 2018)**

Business	Number of Employees	Year-on-Year Change
Industrial Machinery	6,777 (454)	+211 (-44)
Automotive	21,992 (3,716)	+68 (443)
Intersegmental (Common), Other	3,092 (382)	+81 (-)
Total	31,861 (4,552)	+360 (363)

Notes: 1. Number of employees does not include officers of the company and its subsidiaries.  
2. Numbers in brackets denote the average number of temporary employees during the fiscal year.

**(10) Major Lenders (as of March 31, 2018)**

Lender	Outstanding Loan Amount
Mizuho Bank, Ltd.	¥50,215 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥40,958 million
Nippon Life Insurance Company	¥14,500 million
Meiji Yasuda Life Insurance Company	¥13,500 million
The Bank of Yokohama, Ltd.	¥11,690 million
Fukoku Mutual Life Insurance Company	¥10,000 million

- Notes: 1. *Outstanding loan amount includes loans from overseas subsidiaries of the lenders.*  
2. *Outstanding loan amounts are rounded down to the nearest one million yen.*  
3. *The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its legal name to MUFG Bank, Ltd. as of April 1, 2018.*

## 2. Stock Information (as of March 31, 2018)

- |                                      |   |
|--------------------------------------|---|
| 1. Total number of authorized shares | 1,700,000,000 shares  |
| 2. Number of issued shares           | 531,192,558 shares<br>(excluding 20,075,546 shares of Treasury stock) |
| 3. Number of shareholders            | 34,878  |

### Top Ten Shareholders

Shareholders	Number of shares owned in thousands	Holding ratio
The Master Trust Bank of Japan, Ltd. (Trust Account)	43,206	8.13%
Japan Trustee Services Bank, Ltd. (Trust Account)	31,266	5.89%
Meiji Yasuda Life Insurance Company	27,626	5.20%
Fukoku Mutual Life Insurance Company	27,600	5.20%
Nippon Life Insurance Company	27,543	5.19%
Mizuho Bank, Ltd.	18,211	3.43%
The Master Trust Bank of Japan, Ltd. (Toyota Motor Corporation Account)	10,709	2.02%
Toyota Motor Corporation	10,000	1.88%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,675	1.63%
Japan Trustee Services Bank, Ltd. (Trust Account 5)	7,848	1.48%

- Notes:
1. Numbers of shares are rounded down to the nearest thousand.
  2. In calculation of the shareholding ratio, the treasury shares of the Company (20,075,546 shares) are excluded from the total number of shares issued.
  3. The treasury shares do not include 2,183,178 shares of the Company held by the trust account related to the share delivery trust.
  4. The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its legal name to MUFG Bank, Ltd. as of April 1, 2018.

### 3. Stock Acquisition Rights

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

		(1)		(2)	
		Number of Persons	Number of Rights	Number of Persons	Number of Rights
Exercise period for Stock Acquisition Rights		August 22, 2014 – August 21, 2019		August 21, 2015 – July 29, 2025	
Officers issued Stock Acquisition Rights	Directors (excluding independent directors)	8	110	8	1,560
	Independent Directors	2	15	4	320
	Executive Officers	23	205	26	2,580
Type of shares to be issued upon exercise		Common stock		Common stock	
Number of shares to be issued upon exercise		330,000 shares		446,000 shares	
Issue price of Stock Acquisition Rights		Gratis		Gratis	
Issue price per share		¥1,431		¥1,806	

Notes: 1. Items (1) and (2) above were resolved by the Board of Directors based on the provisions of Articles 236, 238 and 240 of the Companies Act.  
2. The number of target shares for each Stock Acquisition Right is (1):1,000 shares, (2):100 shares. For directors who also serve as executive officers, Stock Acquisition Rights provided for the executive officer position are listed.



## 4. Officers of the Company

### (1) Directors of the Company (as of March 31, 2018)

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

Name	Main Assignments and Responsibilities
Toshihiro Uchiyama	Member of the Nominating Committee
Saimon Nogami	Member of the Compensation Committee
Shigeyuki Suzuki	
Yasuhiro Kamio	
Hirotooshi Aramaki	
Minoru Arai	
Akitoshi Ichii	
Toshihiko Enomoto	Member of the Audit Committee
Kazuaki Kama	Chairperson of the Nominating Committee, Senior Counselor of IHI Corporation, Independent Director of Kyokuto Boeki Kaisha, Ltd., Independent Director of Konica Minolta, Inc., Outside Director of Sumitomo Life Insurance Company
Ichiro Tai	Member of the Audit Committee, Member of the Nomination Committee
Yasunobu Furukawa	Chairperson of the Audit Committee, Member of the Compensation Committee, Outside Director of Keisei Electric Railway Co., Ltd.
Teruhiko Ikeda	Chairperson of the Compensation Committee, Advisor of Mizuho Trust & Banking Co., Ltd.

- Notes:
- 1. Kazuaki Kama, Ichiro Tai, Yasunobu Furukawa, and Teruhiko Ikeda are Outside Directors as defined in Article 2, Paragraph 15 of the Companies Act of Japan.*
  - 2. Kazuaki Kama, Ichiro Tai, Yasunobu Furukawa, and Teruhiko Ikeda have been reported as Independent Directors to the Tokyo Stock Exchange. NSK has also established its own criteria for the independence of outside directors. These criteria are listed on page 18 of the Notice of the 157th Ordinary General Meeting of Shareholders.*
  - 3. Yasunobu Furukawa, Chairperson of the Audit Committee, is a Certified Public Accountant and possesses considerable experience and insight in the fields of finance and accounting.*
  - 4. The Company has assigned non-independent director Toshihiko Enomoto as a full-time member of the Audit Committee in order to improve the effectiveness and efficiency of the Committee. Full-time members of the Audit Committee perform audit duties, attend key meetings, gather information from the operating organizations, monitor and direct the Internal Audit Department, and share this information with all Audit Committee members.*
  - 5. Director Norio Otsuka retired from his position as of Friday, June 23, 2017.*

#### II. Liability Limitation Agreement

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

**(2) Executive Officers of the Company (as of March 31, 2018)**

Title	Name	Main Assignments and Responsibilities
Representative, President and CEO	Toshihiro Uchiyama	Chief Executive Officer
Representative, Executive Vice President	Saimon Nogami	Chief Financial Officer, Responsible for Administrative Divisions, Head of Corporate Strategy Division HQ
Representative, Executive Vice President	Shigeyuki Suzuki	Head of Automotive Business Division HQ, Head of Automotive Powertrain Division HQ
Representative, Executive Vice President	Yasuhiro Kamio	Head of Industrial Machinery Business Division HQ, Head of Japan Sales and Marketing Division HQ
Executive Vice President	Hirotohi Aramaki	Responsible for Technology Divisions, Head of Technology Development Division HQ
Executive Vice President	Masatada Fumoto	Head of Automotive Steering and Actuator Division HQ, CEO of NSK Europe Ltd.
Senior Vice President	Yasutsugu Hada	Head of Automotive Sales and Marketing Division HQ
Senior Vice President	Nobuo Goto	Head of Automotive Technology Development Center, Deputy Head of Automotive Steering and Actuator Division HQ
Senior Vice President	Koji Inoue	Head of all ASEAN operations, CEO of NSK ASEAN and Oceania Pte. Ltd.
Senior Vice President	Yukio Ikemura	Head of CSR Division HQ, President of Nissei Bldg. Management Ltd.
Senior Vice President	Hiroshi Suzuki	Head of Quality Assurance Division HQ
Senior Vice President	Minoru Arai	Responsible for manufacturing, responsible for quality assurance, Head of Manufacturing Strategy Division HQ, Head of Procurement Division HQ
Senior Vice President	Yuya Miyazaki	Deputy Head of Automotive Technology Development Center
Senior Vice President	Adrian Browne	Responsible for Europe and the Americas, Deputy Head of Corporate Strategy Division HQ, Head of Finance Division HQ, responsible for IR Office
Senior Vice President	Shin Ikeda	Head of Human Resources Division HQ, President of NSK Human Resource Services Ltd., President of NSK Friendly Services Co., Ltd.
Senior Vice President	Katsumi Kobayashi	Deputy Head of Automotive Powertrain Division HQ, Head of Needle Bearing Operation Department
Senior Vice President	Masami Shinomoto	Deputy Head of Manufacturing Strategy Division HQ, Head of Manufacturing Engineering Center

Title	Name	Main Assignments and Responsibilities
Senior Vice President	Hiromasa Orito	Head of all Chinese operations, CEO of NSK (China) Investment Co., Ltd.
Senior Vice President	Kazunori Iritani	Deputy Head of Automotive Steering & Actuator Division HQ President and CEO of NSK Steering Systems Co., Ltd.
Senior Vice President	Akitoshi Ichii	Head of Corporate Planning Division HQ, responsible for Asia
Executive Officer	Juergen Ackermann	Head of European operations
Executive Officer	Masaru Takayama	Plant Manager, Ishibe Plant
Executive Officer	Seiji Ijuin	Head of Industrial Machinery Technology Center
Executive Officer	Nobuaki Mitamura	Head of Core Technology R&D Center
Executive Officer	Takashi Yamanouchi	Deputy Head of Manufacturing Strategy Division HQ
Executive Officer	Kazuya Fukuda	Deputy Head of Steering Technology Center
Executive Officer	Kenichi Yamana	Deputy Head of Finance Division HQ, responsible for IR Office (deputy)
Executive Officer	Steven Beckman	Responsible for the Americas, CEO of NSK Americas, Inc.
Executive Officer	Susumu Ishikawa	Plant Manager, Fujisawa Plant
Executive Officer	Tatsuya Atarashi	Deputy Head of Japan Sales & Marketing Division HQ
Executive Officer	Tomoyuki Yoshikiyo	Deputy Head of Automotive Powertrain Division HQ
Executive Officer	Guoping Yu	Deputy Head of all Chinese operations
Executive Officer	Hideki Ochiai	Deputy Head of Automotive Sales and Marketing Division HQ (responsible for Western Japan), Head of Mid-Japan Automotive Department
Executive Officer	Kunihiko Akashi	Deputy Head of Industrial Machinery Business Division HQ
Executive Officer	Hiroya Achiha	Deputy Head of Industrial Machinery Business Division HQ

Note : *Toshihiro Uchiyama, Saimon Nogami, Shigeyuki Suzuki, Yasuhiro Kamio, Hirotoshi Aramaki, Minoru Arai, and Akitoshi Ichii concurrently serve as directors of the Company.*

### **(3) Directors and Executive Officers' Compensation (as of March 31, 2018)**

#### **I. Policy for Directors/Executive Officers' Compensation**

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

##### **a) Directors' Compensation**

The compensation package for directors consists of basic compensation and stock compensation.

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

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

###### **ii. Stock compensation**

To further enhance the commitment of directors to a sustainable increase in corporate value, NSK introduced a stock compensation program using a Board Benefit Trust system. Under the program, NSK grants directors shares of NSK stock at retirement based on a point system whereby points are awarded depending on whether the director is independent or non-independent and according to the value of the stock. However, for a certain portion of the above, NSK will compensate executive officers with the equivalent amount acquired by converting shares into cash.

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

##### **b) Executive Officers' Compensation**

The compensation package for executive officers consists of basic compensation, a performance-based salary and stock compensation.

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

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

###### **ii. Performance-based salary**

The total amount of performance-based salary is calculated using the consolidated operating income margin and the consolidated ROE targeted in the Company's mid-term management plan as well as the operating income margin and cash flow as numerical targets for a single fiscal year, and an index which evaluates the officer's contribution to quality-improvement efforts.

The individual's title and the level of achievement in their designated job duties are also evaluated when determining the amount of compensation paid to each executive officer.

###### **iii. Stock compensation**

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

##### **c) Other Matters**

In addition, in the event a member of a management team of another company such as a subsidiary or an affiliate, etc., assumes an executive officer position, compensation will be determined separately.

## II. Directors/Executive Officers' Compensation

The amount of compensation for directors and executive officers for the year ended March 31, 2018, was as follows:

	Fixed compensation		Performance-based salary		Stock compensation		Stock Options	
	No. of Directors/ Executive Officers	Amount (¥ million)	No. of Directors/ Executive Officers	Amount (¥ million)	No. of Directors/ Executive Officers	Amount (¥ million)	No. of Directors/ Executive Officers	Amount (¥ million)
Directors (non-independent)	9	¥83 million	—	—	2	¥16 million	5	¥4 million
Directors (independent)	4	¥45 million	—	—	4	¥14 million	4	¥3 million
Executive Officers	32	¥848 million	30	¥806 million	35	¥796 million	26	¥34 million

- Notes:
- 1. Compensation (excluding stock compensation) for directors (non-independent) includes compensation for directors who also serve as executive officers.*
  - 2. The amount of performance-based salary is the planned amount to be paid on July 2, 2018, based on the results for the year ended March 31, 2018. The amount of performance-based salary paid on July 3, 2017, based on the results for the year ended March 31, 2017, was ¥594 million.*
  - 3. In the Board Benefit Trust system, the amount of stock compensation is commensurate with the number of points awarded for the fiscal year and booked as costs.*
  - 4. The previous compensation package for Officers of NSK comprised basic (fixed) compensation, performance-based salary, a stock option program (share subscription rights) and retirement benefits. However, at the Compensation Committee meeting held on May 16, 2016, it was decided to introduce a stock compensation program and end the stock option and retirement benefit programs.*
  - 5. Figures listed above are rounded down to the nearest one million yen.*

#### (4) Independent Directors

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

Concurrent posts held by the Company's independent directors are listed on page 33 of this report. Each of the persons listed below fulfill the Company's Criteria for Independence of Outside Directors listed on page 18 of the Notice of the 157th Ordinary General Meeting of Shareholders.

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

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

Name	Attendance at Board of Directors and Committee Meetings	Main Roles and Responsibilities
Kazuaki Kama	Board of Directors: 100% (10 of the 10 meetings held) Nomination Committee: 100% (6 of the 6 meetings held)	Mr. Kama utilizes his considerable experience and insight as a corporate executive to provide appropriate guidance to the Board of the Directors, particularly in the fields of compliance and corporate governance, thereby contributing to further enhancement of the Company's corporate value. He has also led the Nominating Committee as Chairperson since June 2017, reporting to the Board of Directors as required.
Ichiro Tai	Board of Directors: 100% (10 of the 10 meetings held) Audit Committee: 100% (14 of the 14 meetings held) Nomination Committee: 100% (6 of the 6 meetings held)	Mr. Tai utilizes his considerable experience and insight as a corporate executive to provide appropriate guidance to the Board of the Directors, particularly in the fields of compliance and corporate governance, thereby contributing to further enhancement of the Company's corporate value. He has also fulfilled his role as a member of the Audit Committee and Nominating Committee, actively contributing his insight and expertise.
Yasunobu Furukawa	Board of Directors: 100% (10 of the 10 meetings held) Audit Committee: 100% (14 of the 14 meetings held) Compensation Committee: 100% (4 of the 4 meetings held)	Mr. Furukawa utilizes his considerable experience and insight as a Certified Public Accountant to provide appropriate guidance to the Board of the Directors, particularly in the fields of compliance and corporate governance, thereby contributing to further enhancement of the Company's corporate value. In addition to leading the Audit Committee as Chairperson and reporting to the Board of Directors as required, he has also fulfilled his role as a member of the Compensation Committee, actively contributing his insight and expertise.
Teruhiko Ikeda	Board of Directors: 100% (10 of the 10 meetings held) Compensation Committee: 100% (4 of the 4 meetings held)	Mr. Ikeda utilizes his considerable experience and insight as a corporate executive to provide appropriate guidance to the Board of the Directors, particularly in the fields of compliance and corporate governance, thereby contributing to further enhancement of the Company's corporate value. He also leads the Compensation Committee as Chairperson, reporting to the Board of Directors as required.

## 5. Status of Accounting Auditor

### (1) Name of Accounting Auditor

Ernst & Young ShinNihon LLC

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

①	Amount of remuneration payable for the audit service as stipulated in Article 2, Paragraph 1 of the Certified Public Accountants Act	¥163 million
②	Total amount of monetary or other property benefits to be paid by the Company and its subsidiaries	¥184 million

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

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

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

4. Of the Company's principal subsidiaries, 10 companies, including NSK Americas, Inc. and NSK Europe Ltd., are subject to audits (limited to those under the provisions of the Companies Act or the Financial Instruments and Exchange Act, or foreign laws and regulations equivalent to such laws) of financial statements of a certified public accountant or an auditing corporation other than the Company's Accounting Auditor (including those with equivalent foreign qualifications).

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

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

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

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

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

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

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

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

##### **Basic Policy**

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

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

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

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

##### **Operational Status**

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

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

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

##### **Basic Policy**

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

By fostering awareness of compliance among all officers and employees and strengthening/improving internal



controls, NSK aims to prevent violation of laws, regulations, and the Articles of Incorporation. In particular, NSK will prevent violation of competition laws in Japan and abroad by ensuring adherence to “Rules for Compliance with Competition Law.”

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

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

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

### **Operational Status**

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

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

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

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

#### **Basic Policy**

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

#### **Operational Status**

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

The Company’s management policies and objectives are outlined in its Mid-Term Management Plan. The year under review represents the intermediate year of this plan. Based on a comprehensive review of our achievements and shortcomings during this period as well as our future tasks, we have compiled a budget for the current year, which has received the approval of the Board of Directors.

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

##### **Basic Policy**

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

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

##### **Operational Status**

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

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

##### **Basic Policy**

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

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

##### **Operational Status**

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

We have also established a specialist organization tasked with enhancing measures to prevent the leakage of confidential information. Security measures taken include classifying information by level of confidentiality, conducting regular training and education, and holding training drills to increase preparedness toward targeted email attacks. During the fiscal period under review, the NSK Group's information security organization also worked to respond to changes in personal information protection laws.

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

##### **Basic Policy**

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

The Internal Audit Department is appointed as the organization which supports the duties of the Audit Committee. Selected employees of the Internal Audit Department shall support the duties of the Audit Committee either full-time or part-time.

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

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

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

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

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

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

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

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

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

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

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

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

#### **Operational Status**

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

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

## 2) Basic Guidance Regarding Control of the Company

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

The Company is a stock company whose shares are traded on capital markets, and therefore, the Company believes that, in the case of a large-scale purchase of the Company shares, the decision whether to accept such a purchase should ultimately be left to the shareholders.

However, taking into account recent capital market conditions in Japan, there is a possibility that a sudden and unsolicited large-scale purchase of shares could occur without necessary and sufficient information being disclosed and without an opportunity to consider the proposal being given to our shareholders, or without NSK's Board of Directors being provided with information and time to express its opinion and prepare an alternative proposal. Some of these large-scale purchases of shares may damage the Company's corporate value and the common interests of its shareholders, such as the case in which a purchaser does not intend to manage the Company reasonably or in good faith.

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

### 2. Outline of the Effective Usage of the Company's Assets, Formation of an Appropriate Corporate Group, and Other Special Endeavors which Contribute to the Realization of the Basic Policy

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

Under NSK Vision 2026, which the Company established on the occasion of its 100th anniversary, the NSK Group has worked to achieve its 5th Mid-Term Management Plan for the three years beginning April 2016. Under the slogan *A new chapter in evolution toward the next 100 years* and supported by the two main pillars of *operational excellence* and *innovate and challenge*, we will address three main management tasks: achieving sustainable growth, reconstructing our profit base, and establishing new growth fields.

Measures to achieve *operational excellence*:

- Pursuit of business competitiveness
- Pursuit of efficient management
- Development of human resources and manufacturing (monozukuri) expertise

Measures to *innovate and challenge* (create new value):

- Sowing seeds for the next phase of growth
- Innovation in manufacturing
- Development of new products and technologies targeting new fields

The NSK Group regards the reduction of energy loss through its global business as one of its social responsibilities, and is steadily upgrading its environment-conscious management in order to contribute to environmental preservation and the development of a sustainable society.

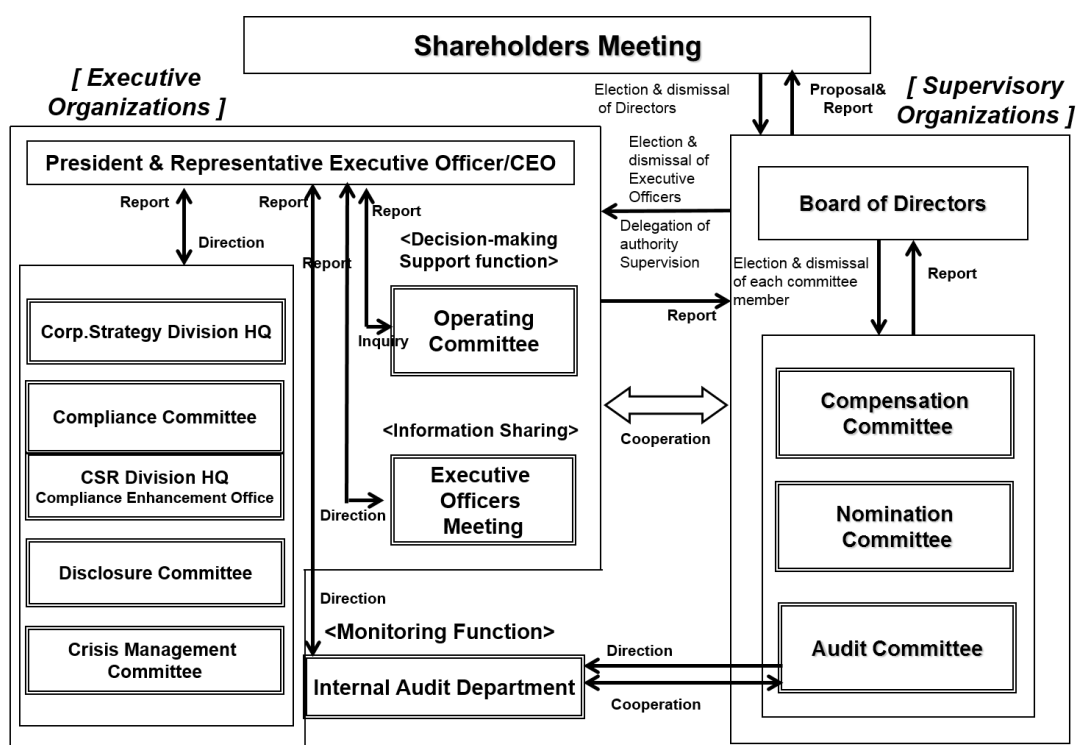
We aim to continue to grow by building trust relationships with a range of stakeholders, including customers and local communities, by respecting all relevant laws and acting with high ethical standards as a good corporate citizen. To do so, we are implementing a range of initiatives aimed at strengthening compliance, including further refinement of organizational structures and systems, and thorough compliance-related training and awareness programs.

## Endeavors to Enhance Corporate Governance

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

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

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



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

The Company introduced the response measures to large-scale purchases of the Company’s shares at the annual general shareholders’ meeting held on June 25, 2008, and subsequently renewed the former response measures to large-scale purchases of the Company shares at the annual general shareholders’ meetings held on June 24, 2011, and June 25, 2014, and introduced the response measures to large-scale purchases of the Company shares (the “Plan”) by obtaining shareholder approval at the annual general shareholders’ meeting held on June 23, 2017.

The outline of the Plan is explained below. With respect to the details of the Plan, please see the “Continuation of the Response Measures to Large-scale Purchases of the Company Shares (Takeover Defenses)” as of date May 23, 2017, which is published on the Company’s website at the address below: <http://www.nsk.com/company/governance/index.html#tab4>.

## **i. Large-scale Share Purchases Subject to the Plan**

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

## **ii. Establishment of Large-scale Share Purchase Rules**

### **a) Submission of a Statement of Intention**

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

### **b) Provision of Necessary Information**

Within ten (10) business days from (excluding the first day) the receipt of the Statement of Intention described in a) above, the Board of Directors will send a list to the Large-scale Share Purchaser that specifies the information (the "Necessary Information"), necessary and sufficient for shareholders to make a decision and for the Board of Directors to evaluate and examine, etc., and which the Large-scale Share Purchaser is required to provide (the "List of Necessary Information"). Accordingly, the Large-scale Share Purchaser will be required to provide the President and Chief Executive Officer of the Company with sufficient information in accordance with the List of Necessary Information.

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

### **c) The Board of Directors' Evaluation Period, etc.**

After the completion of provision of the Necessary Information or the expiration of the Information Provision Request Period, the Board of Directors will designate the period (the "Board of Directors' Evaluation Period") of up to sixty (60) days or up to ninety (90) days (in each case excluding the first day) in accordance with a Large-scale Share Purchase. During the Board of Directors' Evaluation Period, the Board of Directors will evaluate and examine the proposal of the Large-scale Share Purchase, negotiate with the Large-scale Share Purchaser, form its opinion on the Large-scale Share Purchase and/or elaborate alternative proposals. Notwithstanding the foregoing, if the Board of Directors is unable to reach an opinion within the

initially-designated Board of Directors' Evaluation Period due to unavoidable circumstances, the Board of Directors may, after consulting with the Independent Committee regarding whether to extend the Board of Directors' Evaluation Period and by respecting the Independent Committee's recommendation to the greatest extent possible, extend the Board of Directors' Evaluation Period by up to an additional thirty (30) days (excluding the first day) by unanimous resolution at the Board of Directors meeting at which all of the directors are present (provided that the extension may be made only once).

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

### **iii. Triggering Countermeasures**

In the case where the Large-scale Share Purchaser commences a Large-scale Share Purchase in compliance with the Large-scale Share Purchase Rules, even if the Board of Director's objects to such Large-scale Share Purchase, the Board of Directors will, as a general rule, not trigger countermeasures to such Large-scale Share Purchase. The Board of Directors, however, may express its objections, etc., to shareholders.

Notwithstanding the foregoing, if such Large-scale Share Purchase is reasonably deemed to be likely to materially damage the Company's corporate value and shareholders' common interests, after the expiration of the Board of Directors' Evaluation Period, the Board of Directors may hold a shareholders' meeting and ask the shareholders to decide whether to trigger countermeasures to such Large-scale Share Purchase. In addition, as an exception to the foregoing, if such Large-scale Share Purchase falls under any of the types of abusive acquisitions described below and such Large-scale Share Purchase is reasonably deemed to materially damage the Company's corporate value and shareholders' common interests, the Board of Directors may trigger countermeasures.

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

Notwithstanding the foregoing, if the Board of Directors reasonably determines that it is practicable and is appropriate to hold a shareholders' meeting in order to confirm its shareholders' opinion and to have them decide whether to trigger countermeasures, the Board of Directors shall, after the expiration of the Board of Directors' Evaluation Period, hold a shareholders' meeting, and leave the shareholders to decide whether to trigger countermeasures to the Large-scale Share Purchase. In the case that the Board of Directors decides to hold a shareholders meeting and have the shareholders decide whether to trigger countermeasures, the Large scale Purchaser shall not commence the Large scale Purchase until the close of the shareholder's meeting. Under the Plan, the Company will, as a general rule, trigger an allotment of share options without contribution as a countermeasure.

### **iv. Establishment of the Independent Committee and Procedures for Consultation, etc.**

#### **a) Establishment of the Independent Committee**

The Board of Directors shall finally decide whether to extend the Board of Directors' Evaluation Period, whether to trigger countermeasures, and whether to maintain the countermeasures having been triggered (however, if the Board of Directors holds a shareholders' meeting to decide whether to trigger countermeasures, the Board of Directors shall follow the resolution of the shareholders' meeting). In order to secure the reasonableness and fairness of the Board of Directors' decision, the Company has established the Independent Committee as an organization that is independent from the Board of Directors. The Independent Committee shall consist of at least three (3) committee members, who shall be appointed by the Board of Directors from independent outside directors, lawyers, certified public tax accountants, certified public accountants, persons with an academic background, persons who are acquainted with investment

banking, and outside persons with experience as directors or executive officers of another company. Such persons shall be recognized as independent. Independent Committee members at the time of drafting of this business report are four (4) outside directors and one (1) lawyer.

**b) Procedures for triggering countermeasures**

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

Before triggering the countermeasures, the Board of Directors shall consult with the Independent Committee regarding whether to trigger countermeasures, whereupon the Independent Committee shall make a recommendation. In deciding whether to trigger countermeasures, the Board of Directors shall respect the Independent Committee's recommendation to the greatest extent possible.

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

**v. Effective Term of the Plan**

The effective term of the Plan will expire upon the close of the annual shareholders' meeting concerning the final fiscal year, which ends within three (3) years after the Annual Shareholders' Meeting (or the close of the annual shareholders' meeting to be held in June 2020). The Company will resolve whether or not to continue the Plan (including continuing with any modification) at the annual shareholders' meeting every three (3) years.

**4. Judgments of the Board of Directors and reasons therefor regarding the endeavors described in 2. above**

The endeavors described in 2. above are part of the Company's basic endeavors for the mid- to long-term improvement of the Company's corporate value, and have been undertaken for the purpose of enhancing the Company's corporate value and the common interests of its shareholders.

Therefore, the Board of Directors believes that the endeavors described in 2. above are consistent with the basic policy described in 1. above, do not damage the common interests of the Company's shareholders, and are not for the purpose of allowing the Company's directors to maintain their position.

**5. Judgments of the Board of Directors and reasons therefor regarding the endeavors described in 3. above**

The endeavors described in 3. above have been introduced to require the Large-scale Share Purchaser to provide necessary information on the Large-scale Share Purchase, and secure the necessary period to evaluate, examine, etc., the substance of the Large-scale Share Purchase in order to secure and enhance the Company's corporate value and the common interests of its shareholders.

The endeavors described in 3. above, enable countermeasures to be triggered against the Large-scale Share Purchasers who do not comply with requests to provide such information and secure the necessary period to evaluate, examine, etc., the Large-scale Share Purchase, or Large-scale Share Purchasers who intend to commence a Large-scale Share Purchase that is reasonably deemed to be likely to materially damage the Company's corporate value and shareholders' common interests, for the purpose of preventing the Large-scale Share Purchase by such Large-scale Share Purchaser. Thus, the endeavors described in 3. above aim to prevent inappropriate persons from controlling the decisions concerning the Company's financial and business policies in light of the basic policy described in 1. above.

Furthermore, in the endeavors described in 3. above, where a Large-scale Share Purchaser commences a Large-scale Share Purchase in compliance with the Large-scale Share Purchase Rules, there is a general rule to triggering countermeasures that requires the Board of Directors to hold a shareholders' meeting and ask the shareholders to decide whether the countermeasures should be triggered against a Large-scale Share Purchase.



In addition, even in the case where a Large-scale Share Purchaser commences a Large-scale Share Purchase without complying with the Large-scale Share Purchase Rules, if the Board of Directors resolves to trigger the countermeasures, the Board of Directors shall consult with the Independent Committee regarding whether to trigger countermeasures, before triggering said countermeasures. Respecting the recommendation of the Independent Committee to the greatest extent possible, the Board of Directors must then unanimously resolve to trigger countermeasures at a Board of Directors' meeting at which all of the directors, including the outside directors, are present. As a result, a range of systems and procedures have been put in place to eliminate any arbitrariness in the Board of Directors' decision-making and to secure the reasonableness and fairness of the endeavors described in 3. above.

Therefore, the Board of Directors believes that the endeavors described in 3. above are consistent with the basic policy described in 1. above, do not damage the common interests of the Company's shareholders, and are not for the purpose of allowing the Company's directors to maintain their position.

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

The distribution of returns to shareholders is one of NSK's important corporate policies. Specifically, we aim to pay a per-share dividend, maintaining a dividend payout ratio of approximately 30% on a consolidated basis, while taking into account financial circumstances and other factors.

The year-end dividend for the fiscal year ended March 31, 2017 will be 21.00 yen per share.

The dividend for the first half of the year, paid on December 1, 2017, was ¥19.00 per share. Accordingly, the full year dividend for the fiscal year ended March 31, 2018 will be ¥40.00 per share, a year-on-year increase of ¥2.00.

# Independent Auditor's Report

May 10, 2018

The Board of Directors, NSK Ltd.

Ernst and Young ShinNihon LLC  
**Hirokazu Sekiguchi**  
Designated and Engagement Partner  
Certified Public Accountant  
**Taichi Muto**  
Designated and Engagement Partner  
Certified Public Accountant  
**Makoto Matsumura**  
Designated and Engagement Partner  
Certified Public Accountant

Pursuant to Article 444, Section 4 of the Companies Act, we have audited the accompanying financial statements, which comprise the consolidated statements of financial position, the consolidated statement of income, the statement of changes in net assets, and the notes to the consolidated financial statements of NSK Ltd. (the Company) applicable to the fiscal year from April 1, 2017 through March 31, 2018.

## Management's Responsibility for the Consolidated Financial Statements

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

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## Opinion

In our opinion, the consolidated financial statements, which were prepared in accordance with designated International Financial Reporting Standards with some omissions of disclosure items pursuant to the latter part of Article 120, Paragraph 1 of the Rules of Corporate Accounting, present fairly, in all material respects, the consolidated financial position of NSK Ltd. and its subsidiaries as of March 31, 2018, and their financial performance for the year then ended.

## Conflicts of Interest

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

# Independent Auditor's Report

May 10, 2018

The Board of Directors, NSK Ltd.

Ernst and Young ShinNihon LLC  
**Hirokazu Sekiguchi**  
Designated and Engagement Partner  
Certified Public Accountant  
**Taichi Muto**  
Designated and Engagement Partner  
Certified Public Accountant  
**Makoto Matsumura**  
Designated and Engagement Partner  
Certified Public Accountant

Pursuant to Article 436, Section 2, Paragraph 1 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of NSK Ltd. (the Company) applicable to the 157th fiscal year from April 1, 2017 through March 31, 2018.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the related supplementary schedules in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and related supplementary schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and related supplementary schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and related supplementary schedules, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements and related supplementary schedules in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and related supplementary schedules.

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

## Opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly, in material aspects, the financial position and results of operations of NSK Ltd. applicable to the 157th fiscal year ended March 31, 2018 in conformity with accounting principles generally accepted in Japan.

## Conflicts of Interest

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

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

### **Audit Report**

The Audit Committee, having audited the execution of duties by the Directors and Executive Officers during the 157th fiscal term from April 1, 2017 to March 31, 2018, reports on the audit method and results as follows.

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

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

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

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

income, consolidated statement of changes in equity and notes to the consolidated financial statement).

## 2. Results of Audit

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

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

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

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

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

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

May 16, 2018

Audit Committee of NSK Ltd.

**Yasunobu Furukawa**

Audit Committee Member

**Ichiro Tai**

Audit Committee Member

**Toshihiko Enomoto**

Standing Audit Committee Member

Note: Mr. Yasunobu Furukawa and Mr. Ichiro Tai are Outside Directors as provided for in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.