

Corporate Governance

NSK's Approach

NSK believes that the establishment and maintenance of systems that ensure transparent, fair, and timely decision-making is essential to achieve sustainable growth and increase our mid- to long-term corporate value. To realize this objective, we are working to construct our corporate governance systems based on the following four guiding principles.

Policy on Development of Corporate Governance Systems

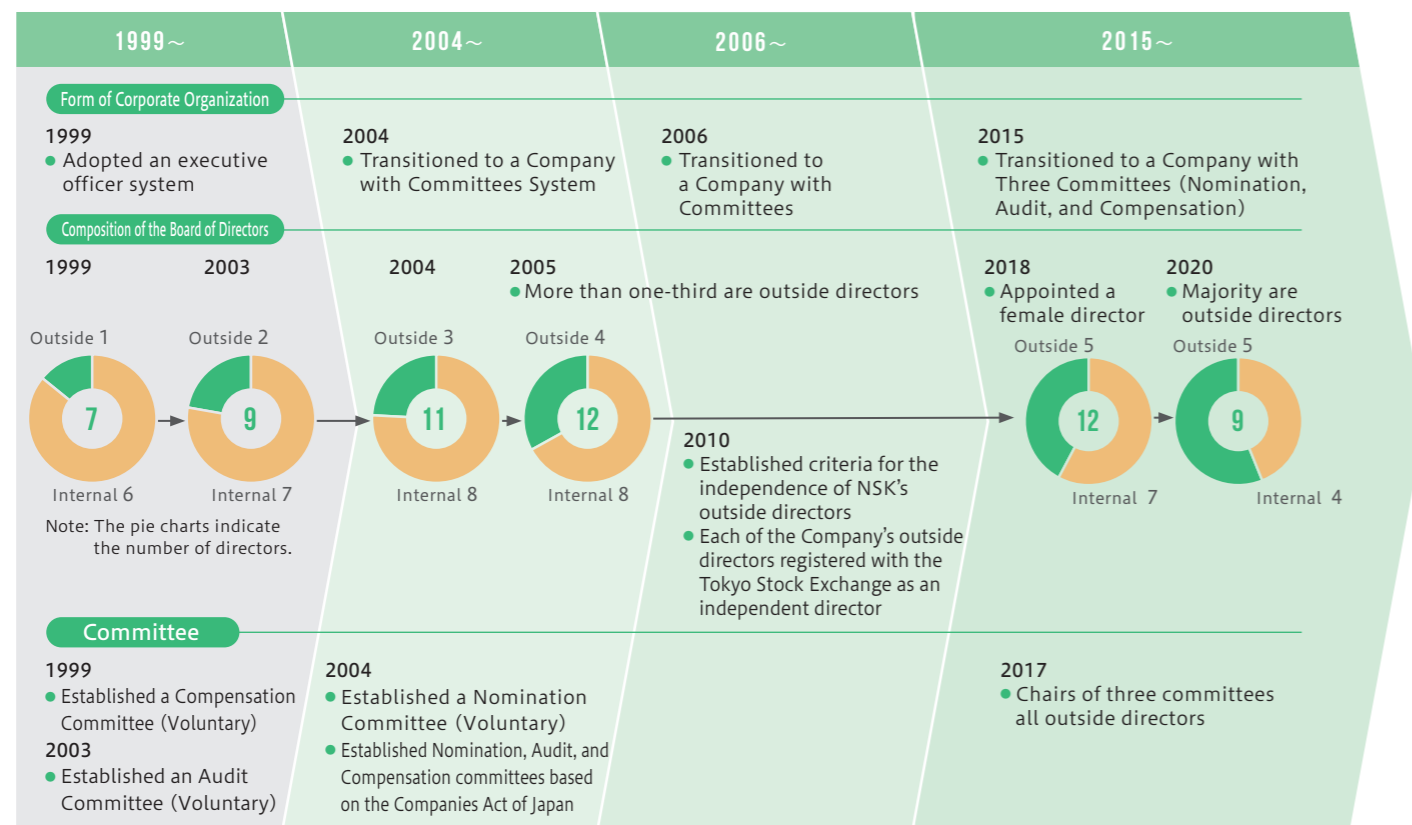
- To increase the efficiency and agility of management by proactively delegating decision-making on the execution of the operations from the Board of Directors to the Company's executive organizations.
- To ensure that supervisory organizations have oversight of executive organizations by clearly separating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

Corporate Governance Systems

Current Corporate Governance System

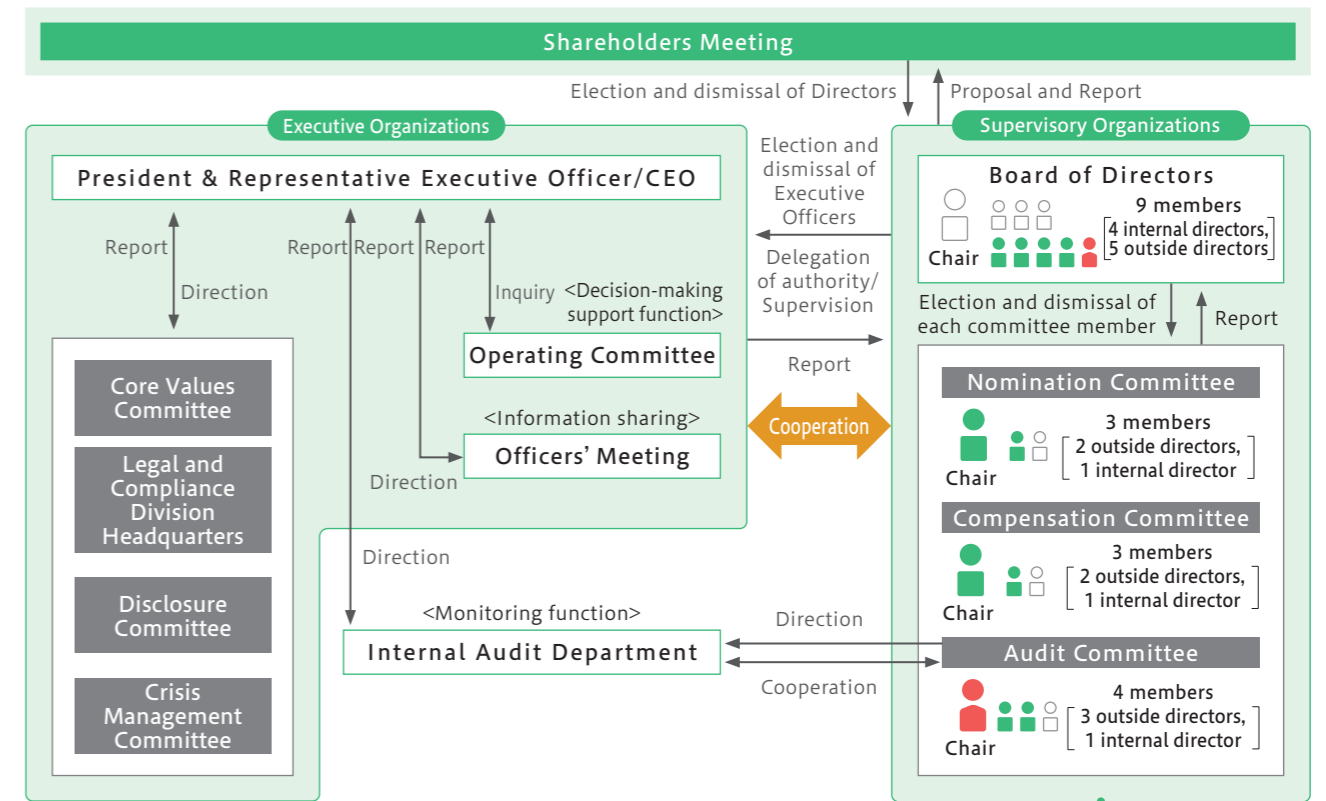
NSK has adopted a Company with Three Committees (Nomination, Audit, and Compensation) as the form of corporate organization to better achieve its basic approach. NSK's Board of Directors determines basic management policies, with the aim of achieving the Group's sustainable growth and increasing mid-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

Changes to NSK's Corporate Governance Systems



NSK's Corporate Governance Structure (As of August 2022)

○ Internal director
□ Internal director
● Outside director (Men)
● Outside director (Women)



Supervisory Organizations

Supervisory Organization	Number of times convened in FY2021
Board of Directors	10
Nomination Committee	7
Compensation Committee	5
Audit Committee	14

Board of Directors

- Chair a non-executive director
- Objectives and Authority
 - Passes resolutions related to basic management policies (including delegation of deciding on the execution of the operations to executive officers)
 - Supervises the execution of duties by executive officers
- Main Activities during FY2021
 - Determined the basic policy on the establishment of internal control systems, cash disposal, the new executive system, and MTP2026
 - Monitored business execution status and confirmed cross-shareholding reduction/continued holding status
 - Assessed the Board of Directors' effectiveness and acted on identified issues
 - Discussed mid- and long-term themes ▶ P.58

Nomination Committee

- Chair Outside director
- Objectives and Authority
 - Determines the content of proposals submitted to the Shareholders Meeting regarding the appointment or dismissal of directors
- Main Activities during FY2021
 - Screened and selected future director candidates
 - Formulated the Board of Directors' skill matrix
 - Revised the Nomination Committee agenda and reporting items

Compensation Committee

- Chair Outside director
- Objectives and Authority
 - Determines policies on the compensation of directors and executive officers
 - Determines the individual compensation provided to directors and executive officers, and other matters
- Main Activities during FY2021
 - Determined compensation standards in reference to the standards and trends, etc., among other companies
 - Revised the indicators used for executive officer short-term performance-based compensation (adopted "Ratio of New Product Sales to Total Sales")
 - Determined numerical targets for short-term performance-based compensation under MTP2026 Management Plan

Audit Committee

- Chair Outside director
- Objectives and Authority
 - Audits the duties of directors and executive officers and creates audit reports
 - Determines the content of proposals related to appointment or dismissal of the auditor, and other matters
- Main Activities during FY2021
 - Audited and provided suggestions on key management issues (e.g., NSK Core Values) based on the audit plan
 - Assessed the auditor (including important matters to be discussed and the three-way audit system)

Composition of the Board of Directors

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

the Company's mid- to long-term business strategy or managerial issues, and the size of the Board is considered to enhance the effectiveness of deliberations.

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

Board of Directors Skill Matrix/Composition of the Nomination, Audit, and Compensation Committees

◎ Chair ○ Members

Name	Outside Director	Date Appointed as Director	Experience and expertise expected					Nomination Committee	Audit Committee	Compensation Committee
			Business Management/ Top Management	Corporate Governance/ Internal Control	Global Business	Engineering/ Manufacturing	Finance/ Accounting/ Capital Policy			
Toshihiro Uchiyama		June 2012	●	●	●					
Akitoshi Ichii		June 2017	●	●	●		○			
Saimon Nogami		June 2013	●	●	●				○	
Kenichi Yamana		June 2021		●	●			○		
Yoshitaka Fujita	●	June 2019	●	●	●		◎	○		
Mitsuhiro Nagahama	●	June 2020	●	●	●			○	◎	
Koichi Obara	●	June 2021	●	●	●	●			○	
Junji Tsuda	●	June 2022	●	●	●	●	○			
Sayoko Izumoto	●	June 2022		●				◎		

Initiatives to Further Enhance the Effectiveness of the Board of Directors

FY2021 Initiatives

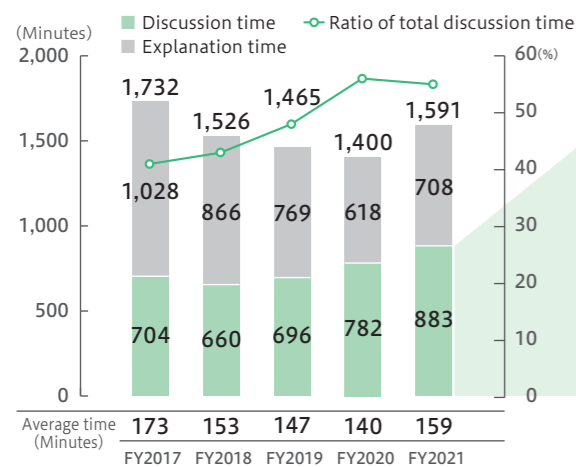
NSK is engaged in efforts to enhance the effectiveness of the Board of Directors to ensure sustainable growth and greater mid- to long-term corporate value.

NSK's Board of Directors proactively delegates decisions regarding the execution of operations to the executive organizations, monitors the status of execution in an appropriate manner, and discusses themes related to mid- to long-term management issues and direction. To achieve active

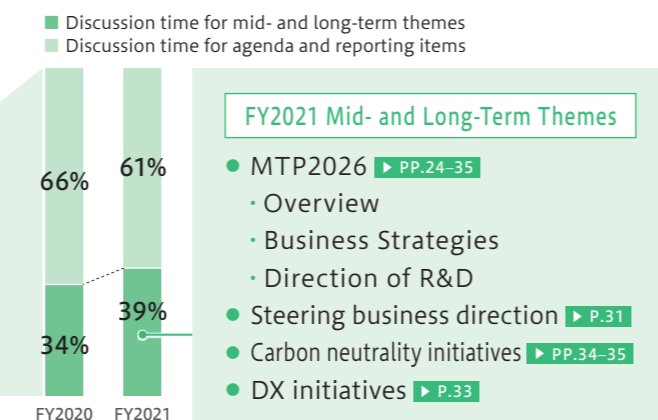
Board deliberations, the Company believes that it is important to provide information to directors in advance of the meeting. We provide information in an appropriate manner, including distributing materials to all directors in advance, and prior explanation by officers and the Board secretariat.

We will continue working to improve the Board's administration to ensure the Board of Directors becomes more effective.

Changes in Explanation and Discussion Times



Breakdown of Discussion Time



FY2021 Mid- and Long-Term Themes

- MTP2026 ▶ PP.24-35
 - Overview
 - Business Strategies
 - Direction of R&D
- Steering business direction ▶ P.31
- Carbon neutrality initiatives ▶ PP.34-35
- DX initiatives ▶ P.33

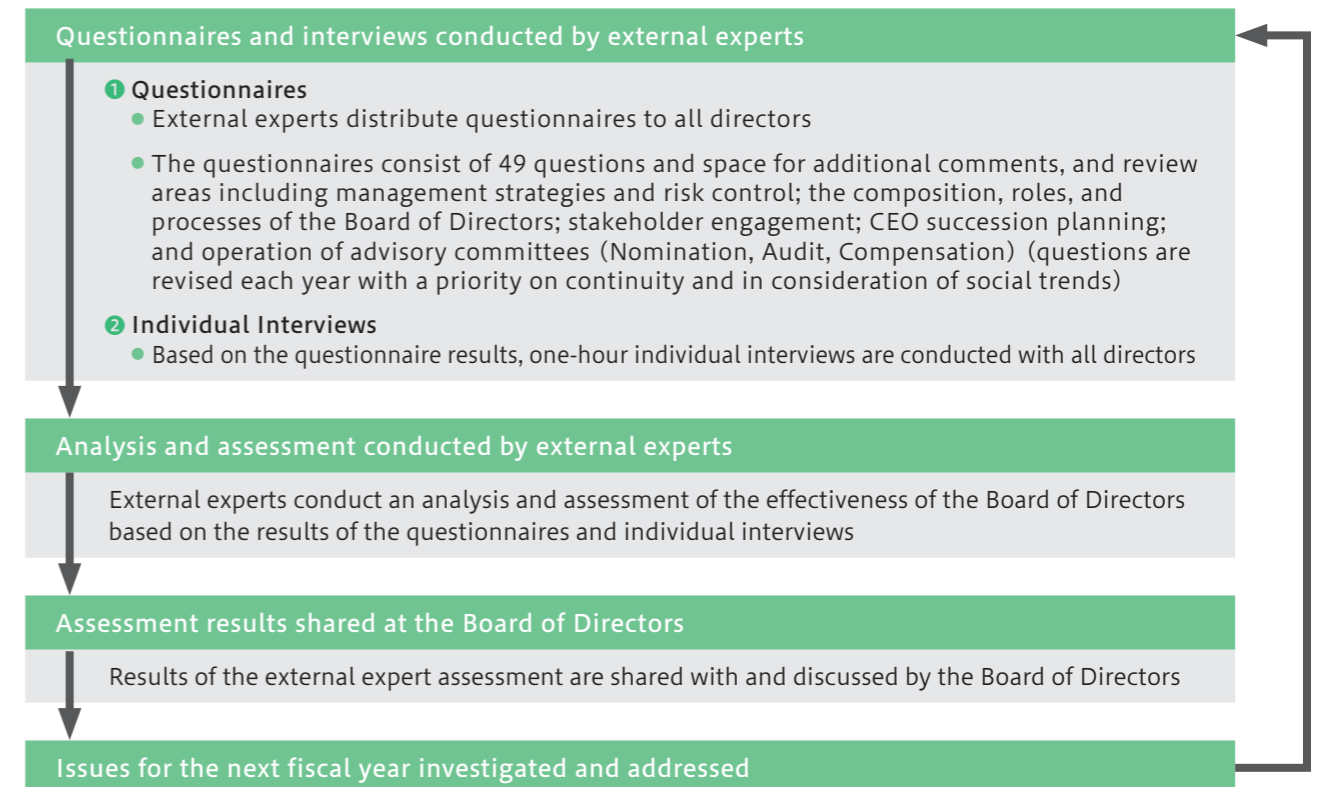
Assessment of Effectiveness of the Board of Directors

Overview

NSK has conducted assessments of the effectiveness of its Board function and has worked to further enhance performance every year since FY2015.

Assessment Procedures

To maintain the objectiveness of these assessments, they are handled by external experts, which distribute questionnaires to all directors and hold individual interviews based on the results of these questionnaires.



FY2021 Assessment

An assessment conducted in FY2021 by external experts concluded that improvements to the administration of NSK's Board of Directors have made progress. The main assessment results and issues are as follows.

Assessment	<ul style="list-style-type: none"> ● Efforts were made to improve the efficiency of the Board of Directors' administration, including narrowing the number of agenda items and expanding prior explanations of the agenda. The environment for discussing mid- and long-term themes is better organized now with more discussion time, for example.
Issues	<ul style="list-style-type: none"> ● The importance of roles that must be fulfilled by directors has increased, and it is therefore necessary to reassess the roles of NSK's Board of Directors and reach an understanding regarding the items to be monitored. ● As a result of the ongoing impact of the COVID-19 pandemic, opportunities for directors to communicate with each other and opportunities for outside directors to learn about the business through site visits have declined.

Main Future Initiatives

- ✓ Monitoring of specific measures under MTP2026 and their progress
- ✓ Provision of locations for outside directors to share opinions and of opportunities to learn about the business, etc.

Internal Control

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

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

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

Response to Japan's Corporate Governance Code

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

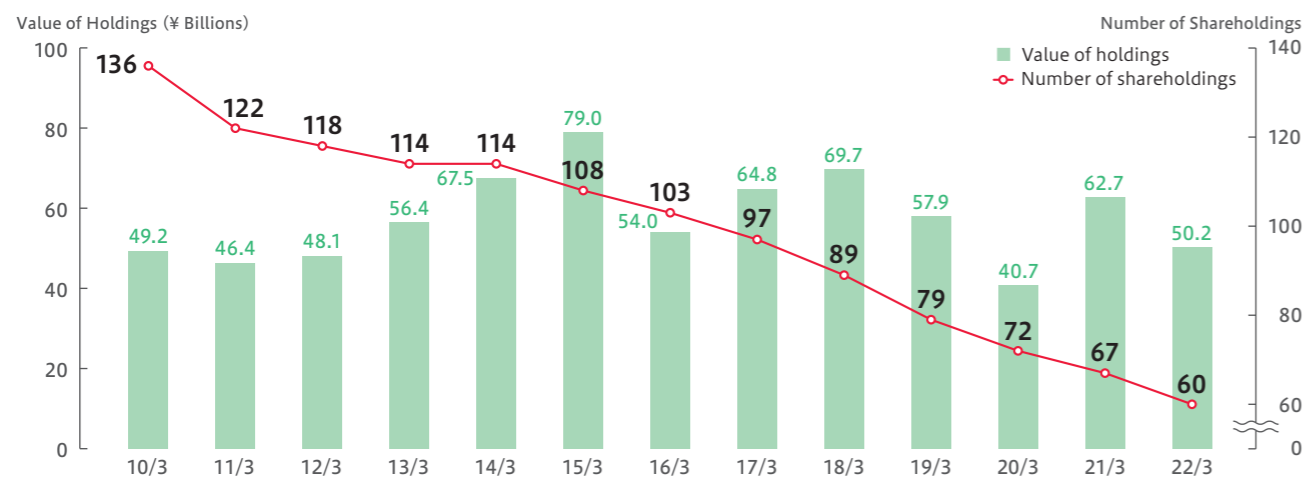
▶ English <https://www.nsk.com/company/governance/index.html>

Cross-Shareholdings

NSK aims to reduce the crossholding of shares deemed to have little benefit in increasing mid- to long-term corporate value. Conversely, if we believe that there is a valid rationale for holding such shares, we will continue to do so. Regarding the appropriateness of cross-shareholdings, our executive organizations conduct quantitative and qualitative evaluations on an annual basis to determine whether each individual shareholding is delivering acceptable benefits in relation to our capital cost. The Board of Directors receives regular reports from the aforementioned executive organizations and studies the matter accordingly. Based on the results of these studies, we will sell any cross-shareholdings for which we believe possession cannot be justified, considering stock prices and market trends.

The number of cross-shareholdings (disclosed in the Annual Securities Report) totaled 136 stocks as of the end of March 2010. However, this number had been reduced to 60 stocks as of the end of March 2022 (a reduction of seven stocks during FY2021 and 76 stocks over the 12 years from FY2009).

Changes in Cross-Shareholdings



Directors/Officers' Compensation

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

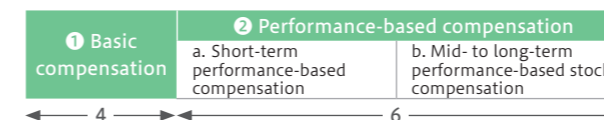
As a Company with Three Committees (Nomination, Audit, and Compensation), NSK makes decisions on executive compensation structure, compensation levels, and individual compensation, etc., at a Compensation Committee chaired by an independent director, and based on advice from external consultants as well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

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

1. Executive Officers' Compensation

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

Executive Officer Compensation Package



① 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 representative rights.

② Performance-based compensation

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

a. Short-term performance-based compensation

The short-term performance-based compensation is determined based on metrics consistent with the management goals to increase profitability, raise the efficiency of shareholders' equity, and improve corporate value—metrics related to the operating income margin, ROE, cash flow, and the ratio of new product sales to total sales as well as an achievement target for ESG goals for CO₂ emission reductions and safety and quality improvement.

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

b. Mid- to long-term performance-based stock compensation

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

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

2. Directors' Compensation

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

① Basic compensation

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

② Stock compensation

To further incentivize contributions to the sustainable improvement of corporate value and to ensure that directors share the interests of shareholders, the Company has introduced a stock compensation program using a Board Benefit Trust system. The system distributes Company shares upon retirement based on points allocated each fiscal year, of which separate amounts are given for outside and internal directors. However, for a certain portion of the above, the Company will compensate directors with the equivalent amount acquired by converting shares into cash. For directors who also serve as executive officers, stock-based compensation will not be provided for the director position.

3. Other

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

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

The amount of compensation for directors and executive officers between April 1, 2021, and March 31, 2022, was as follows.

Classification	Compensation, etc., Total (¥ Millions)	Basic Compensation		Short-Term Performance-Based Compensation		Stock Compensation	
		No. of Directors/Officers	Amount (¥ Millions)	No. of Directors/Officers	Amount (¥ Millions)	No. of Directors/Officers	Amount (¥ Millions)
Directors (internal)	137	5	120	—	—	3	17
Directors (outside)	74	6	66	—	—	6	8
Executive Officers	1,243	29	862	28	107	38	273

Notes: 1. Compensation (excluding stock compensation) for directors (internal) includes compensation for directors who also serve as executive officers. 2. The amount of performance-based salary is the planned amount to be paid on July 1, 2022, based on the results for the year ended March 31, 2022. For reference, the amount paid on July 1, 2021, based on the results for the year ended March 31, 2021, was ¥279 million. 3. The amount of stock compensation is the amount recorded as expenses for the current fiscal year. 4. Figures listed above are rounded down to the nearest one million yen.

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

The amount of compensation for directors and executive officers between April 1, 2021, and March 31, 2022, was as follows.

Name	Consolidated Compensation, etc., Total (¥ Millions)	Title	Company	Amount for Each Item of Consolidated Compensation, etc. (¥ Millions)			
				Basic Compensation	Short-Term Performance-Based Compensation	Stock Compensation	Retirement Benefit
Akitoshi Ichii	102	Director	NSK	7	—	—	—
		Executive officer	NSK	50	7	36	—
Brian Parsons	189	CEO	Consolidated subsidiary NSK Americas, Inc.	70	93	2	23

Note: Only individuals receiving ¥100 million or more in total compensation are listed.