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Notice Regarding Revisions to Executive Compensation System

NSK Ltd. (NSK; Headquarters: Tokyo, Japan; President and CEO: Akitoshi Ichii) announces that the Compensation Committee has resolved to revise the Company's executive compensation system as outlined below. Details regarding evaluation metrics to be used for performance-based compensation will be announced separately, following the formulation of the Company's next Mid-Term Management Plan, which is currently under development.

1. Purpose of the Revision

The Compensation Committee has been examining a compensation framework for Directors and Executive Officers (*shikkoyaku*) that strengthens incentives to achieve the numerical targets under the Mid-Term Management Plan and, by extension, to enhance mid- to long-term corporate value. The Committee has also sought to ensure that the interests of management are better aligned with those of shareholders.

At the same time, in light of changes in the competitive global environment and the growing importance of addressing societal issues through corporate activities, we have reviewed compensation systems and market levels among machinery manufacturers, automotive parts manufacturers, similar-sized companies, ESG-advanced companies, and overseas peer companies. Based on this review, the Compensation Committee has resolved to revise NSK's compensation system for Directors and Executive Officers in accordance with the following basic approach and specific policies.

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Basic Approach

- Strengthen the linkage between compensation and corporate value, and ensure transparency in the compensation framework to enhance corporate value over the mid- to long-term.

Specific Policies

- Secure outstanding human resources
- Incentivize management to contribute to the enhancement of mid to long-term corporate value
- Align the interests of management with those of shareholders
- Ensure fair, objective, and highly transparent corporate governance

2. Outline of the Revision

(1) The compensation structure was defined as follows

1. Compensation for Executive Officers (*shikkoyaku*) shall consist of the following:

Compensation Type		Outline
Fixed Compensation	Basic compensation	<ul style="list-style-type: none"> • Monetary compensation paid in accordance with each Executive Officer's role and responsibilities.
Performance-Based Compensation	Short-term performance-based compensation	<ul style="list-style-type: none"> • Monetary compensation determined based on annual performance results. • Evaluation indicators will consist of single-year metrics aligned with management goals such as improving profitability, enhancing capital efficiency, and increasing corporate value. Indicators will be defined in accordance with the next Mid-Term Management Plan. • Payment amounts will reflect the degree of achievement for each indicator. • Individual amounts will incorporate evaluations of each Executive Officer's performance in executing duties and progress in key management initiatives.
	Mid- to long-term performance-based stock compensation (Board Benefit Trust* ¹⁾)	<ul style="list-style-type: none"> • Stock compensation based on mid- to long-term performance indicators. • Evaluation indicators will include those contributing to cost-conscious management, alignment with shareholders' interests, and the strengthening of human capital. Specific indicators will be defined in accordance with the next Mid-Term Management Plan. • After a certain period of time has elapsed after the granting of points by the Board Benefit Trust, the number of points will be adjusted based on designated valuation metrics • Company shares equivalent to a portion of the points

		<p>will be delivered during the Executive Officer's term of office, subject to transfer restrictions until retirement.</p> <ul style="list-style-type: none"> • Upon lifting of the transfer restriction, the remaining portion will be converted into cash within the trust, and the equivalent monetary amount will be paid to the individual.
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2. Compensation for Directors shall consist of the following:

Compensation Type		Outline
Fixed Compensation	Basic compensation	<ul style="list-style-type: none"> • Monetary compensation paid according to the distinction between internal directors who are knowledgeable about the company's business and outside directors who provide objective advice as effective supervision of management, as well as their roles on the committees and boards to which they belong.
Performance-Based Compensation	Stock compensation (Board Benefit Trust *1)	<ul style="list-style-type: none"> • Designed to motivate Directors to contribute to sustainable enhancement of corporate value and align their interests with those of shareholders. In line with their supervisory role, Directors' stock compensation will not be linked to business performance. • Points will be granted annually, with a portion of shares delivered during the term of office under transfer restrictions until retirement. Upon lifting of the transfer restriction, shares equivalent to the remaining points will be converted into cash within the trust and paid accordingly.

*1 Review of Stock Compensation (Board Benefit Trust) Program

The timing of stock grant, in which shares were awarded at the time of retirement under the current program, will be revised to a system in which shares with transfer restrictions will be awarded during term in office, in order to further promote the alignment of interests with shareholders and to further incentivize the Company's Directors and Executive Officers to contribute to the sustainable enhancement of corporate value. Under the revised program:

- Executive Officers (*shikkoyaku*): Restricted stock will be granted following evaluation based on performance indicators.
- Directors: Non-performance-linked restricted stock will be granted annually.

Points fixed for delivery upon retirement under the existing program will be settled at the time of program revision. The Company plans to pay out the number of shares equivalent to a portion of such points at the time of the plan change and place a restriction on transfer until the retirement of the officer. At the time of termination of the restrictions on the transfer of such shares, Company shares corresponding to the remaining points will be converted into cash within the trust, and a cash payment equivalent to the amount at the conversion price will be made.

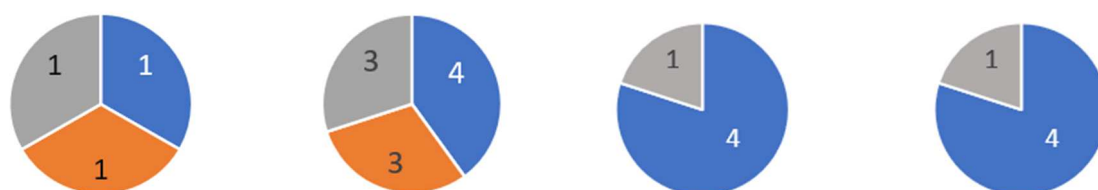
Details of the revised system will be announced once finalized.

(2) Compensation Structure and Method of Setting Compensation Levels

In setting the compensation structure and levels, we have established a peer group consisting of machinery manufacturers, auto parts manufacturers, similarly sized manufacturers, ESG advanced companies, and overseas peer companies, and have utilized the advice of outside experts to set a competitive structure and levels of compensation.

The compensation structure for the President & CEO, Executive Officers (Executive Vice Presidents), and Directors will be set according the following ratios (in the case that performance targets are achieved).

<President & CEO> <Executive Officers> <Non-Executive Directors> <Outside Directors>



Note: Compensation for the President & CEO includes compensation for duties as a Director.

■ Basic remuneration ■ Short-term performance-linked compensation
■ Stock-based compensation

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