

Automotive Business

Seizing Electrification as an Opportunity in Aiming for Further Growth



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MTP2026 Strategy and Message

Under Bearings & Beyond, NSK will realize further growth by making new high-value-added proposals that contribute to the diversification of CASE and mobility. Specifically, the Company will maintain our top position in the automotive bearings industry through an uncompromising approach to HEVs, EVs, and eAxle in electrification technologies (low-friction, high-speed, lightweight), while also ensuring super-stabilization of production, executing an agile reorganization of production sites, and building a strong organization that is not swayed by the amount of resources. Moreover, the Company will develop

and introduce new products to the market that connect to the satisfaction of our customers. NSK aims to expand the markets for system and module products (e.g., traction drive speed reducers, torque sensors) that contribute to the greater efficiency of power transmission in electric vehicles, as well as for ball screws used in electric-hydraulic brake systems. In the steering business, the Company aims to achieve a recovery by expanding the product lineup through the addition of pinion lower assist EPSs, for example, to existing quiet high power column EPSs; executing business structure reforms; and promoting alliances and M&As.

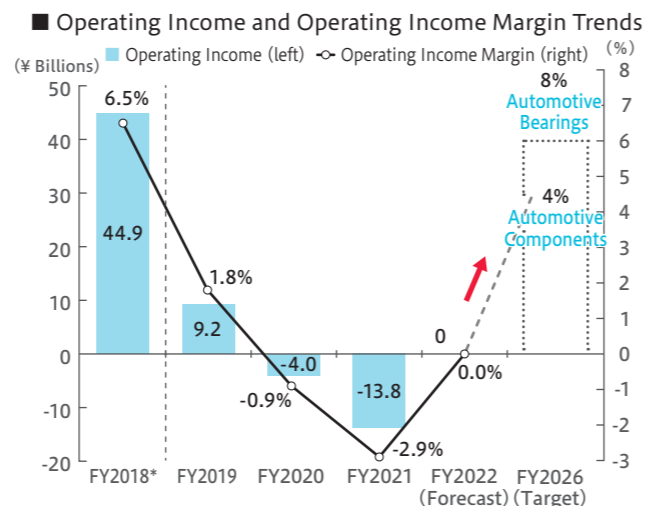
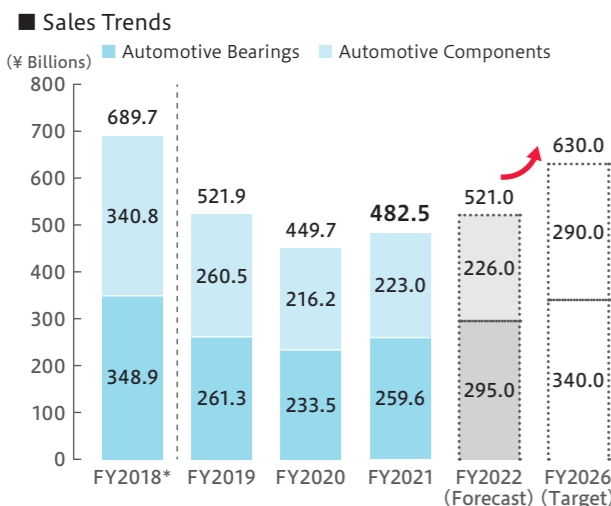
Business Environment

A Look Back at the Business Conditions for FY2021 and the Forecast for FY2022

The Automotive Business saw global production volume fall below the previous year's level due to the impact of prolonged production cutbacks caused by supply shortages of semiconductors and other materials, but sales increased compared with the previous year during the current consolidated cumulative period in FY2021. Sales increased in all regions except China due to a recovery from the previous year when demand was sluggish. On the other hand, China, where the automotive market had been recovering quickly since the previous spring, experienced a drop in automotive production volume during the period under review due to the shortage of semiconductors and other factors, resulting in a decline in revenue. As a result, sales in the Automotive Business totaled ¥482.54 billion (year-on-year increase of 7.3%), whereas the operating loss

amounted to ¥13.76 billion (compared with a loss of ¥4.01 billion the previous fiscal year) due to higher material prices, transportation expenses, and other costs, as well as to the impact of recording an impairment loss on fixed assets of ¥9.04 billion.

In this business, NSK is working to recover profitability amid the assumption that prolonged supply chain issues, the impact of China's zero-COVID policy, and other aspects of the uncertain business environment will continue through FY2022. In particular, the Company will promote structural reforms in the steering business. Looking to the future, the Company will strengthen competitiveness by leveraging the technological capabilities possessed by the Group in response to the accelerating electrification of automobiles and aims to grow the business by working to expand new products.



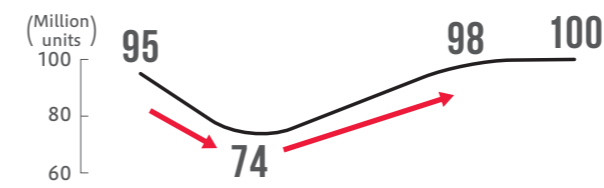
*Part of the Automotive Business operations were transferred to the Industrial Machinery Business in FY2020. Accordingly, figures for FY2019 have been reclassified to match current segments.

MTP2026

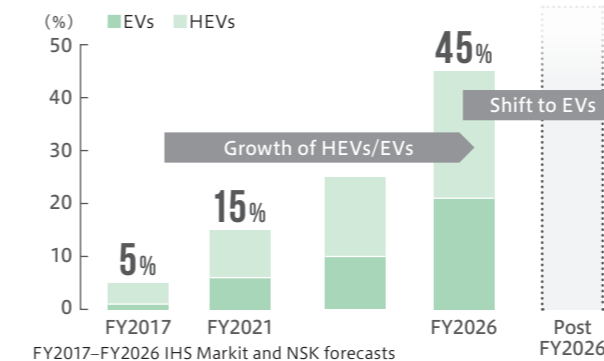
Automotive Bearings Business

As the ratio of electric vehicles increases, the demand for bearings used in engines and transmissions will decline, which will in turn suppress sales for ICE. However, electric vehicles also require low torque, high-speed rotation, and light weight, for

Automobile production



Electric vehicle ratio



Automotive Components Business

NSK aims to restore profitability in the automotive components business by driving structural reforms in the steering business, particularly reorganizing production sites and reassigning personnel. In addition, the Company has received orders for

Measures to recover the steering business

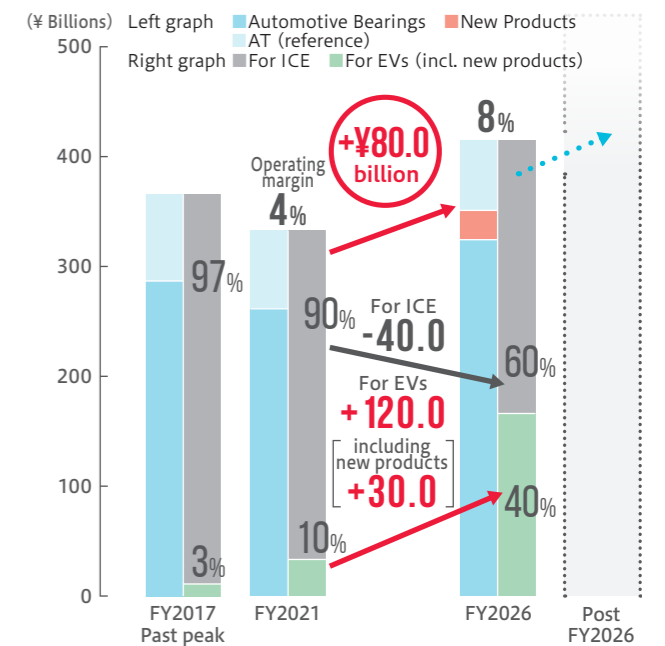
- ✓ **Increase the number of orders**
 - Pinion-type EPS
Roll out EPS for MEB (EPS for VW's EV)
 - Column-type EPS
Leverage compact, light weight, and quiet features to achieve differentiation
- ✓ **Reform the business**
 - Reorganize production sites
 - Reassign personnel
- ✓ **Pursue alliances/M&As**
 - Secure production scales
 - Strengthen competitiveness by deploying a full lineup of products

Note: Although NSK announced the signing of a memorandum of understanding regarding a collaboration with thyssenkrupp AG on May 12, 2022, Japan time, this alliance was not included in the prerequisites during the formulation of MTP2026.

FY2026 targets Sales of ¥340.0 billion / Operating margin of 8%

example, all of which are areas where the Company can leverage NSK's strong technological capabilities. Along with targeting the highest sales in NSK's history, under MTP2026 the Company will work to expand new products with our sights set beyond.

Automotive Bearings: Sales growth vision



FY2026 targets Sales of ¥290.0 billion / Operating margin of 4%

the high-power single pinion EPS, jointly developed with Volkswagen, for a next-generation electric vehicle, and will begin global supply starting in FY2023. Moreover, NSK aims for growth with profitability through alliances and M&As.

Automotive Components Business: Recovery vision

