

03 Mid- to Long-Term Growth Strategies and Resource Allocation Progress on MTP2026

Changing Business Environment

NSK launched Mid-Term Management Plan 2026 (MTP) in FY2022. As far as its operating environment is concerned, business conditions throughout FY2022 changed dramatically. In addition to the slow recovery in global automobile production volumes owing to shortages in the supply of semiconductors, China experienced slower economic growth. Buffeted also by the growing friction between the United States and China attributable to nationalism, rising inflation in such areas as materials and energy, and steps by various countries to tighten monetary policies, concerns of an economic downturn continued to mount. Despite increased sales and improved profitability in the Industrial Machinery Business, demand entered an adjustment phase in the second half of FY2022. The Automotive Business was also impacted by the aforementioned slow recovery in automobile production volumes.

While NSK will review the underlying assumptions of MTP2026 in response to these changes in the business environment, the Company will continue to focus on achieving its initial KPIs and aim to enhance corporate value.

KPIs

		MTP2026 Target	FY2022 Results
Growth	Sales/Growth ratio (CAGR) Excluding the effects of exchange rate fluctuations	+5%	+0%
	Operating income margin*	10%	3.5% (5.6%)
Profitability	Industrial Machinery Business	13%	9.2%
	Automotive Business*	6% (7%)	-0.8% (1.8%)
Efficiency	ROE	10%	3.0%
	ROIC	8%	2.1%
Financial Stability	Net D/E ratio	0.4 times or less	0.29 times
Shareholder Returns	Total return ratio	Around 50%	83.6%

* Figures excluding the steering business are presented in parentheses.

Non-Financial Targets

ESG management	Environment	“Create” Reduce CO ₂ emissions from business activities (Scope 1 + 2 compared with FY2017) FY2022: -43.6% (actual) (FY2026 target: -50%)
		“Utilize” Reduce CO ₂ emissions through utilization of our products FY2022: 2.288 million tons (actual) (FY2026 target: 3 million tons)
	Social	Published the NSK Human Rights Policy in October 2022
	Governance	Abolished takeover defenses
Enhance managerial resources	Engage information technology in all areas	• Commenced DX talent development program (More than 50% progress toward the target of 5,000 employees trained) • Promote renewal of core business systems
	Ultra-stable production	• Promote initiatives to achieve 1.5 times productivity FY2022 result: 12% progress vs. FY2026 target
	Utilization of a diverse workforce	• Diversity ratio FY2022 result: 13% progress vs. FY2026 target of 15% • Strengthen collaboration with the Tokyo Institute of Technology in the area of tribology

Continue operating a policy that sticks to achieving an ROE of 10% and enhancing corporate value

✔ Growth with Profitability
Rebuild the business foundation to focus on bearings and precision products to achieve operating income above 10%

- Reflect inflation costs in sales prices
- Promote the improvement of asset efficiency and profitability on downwardly revised assumptions for market growth in E&E and global automobile production
 - Increase output through ultra-stable production
 - Reorganize production to improve productivity
- Promote portfolio reform of businesses/customers/products
 - Increase the Company-wide sales ratio of the Industrial Machinery Business to 50%
 - Develop new customers and expand sales in EVs
 - Steering business: Promote independent management and a new partnership strategy under the new company

✔ Continue stabilization of shareholder returns

- Payout ratio: 30%–50%
- Total return ratio: Around 50%
- Share buybacks: Flexibly implemented