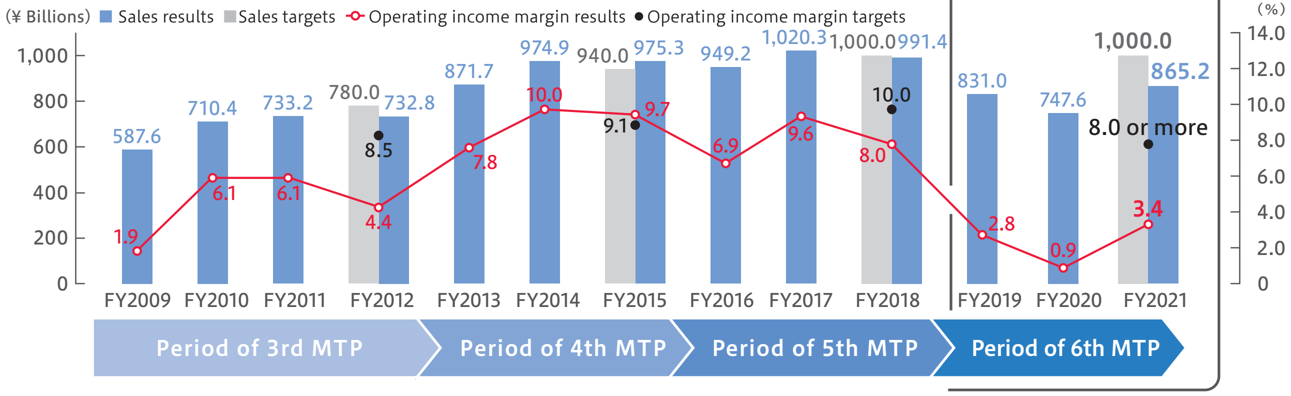
Looking Back at the Mid-Term Management Plan

The 6th Mid-Term Management Plan (FY2019–FY2021) covered a period that experienced increasing uncertainty due to the spread of COVID-19, supply chain issues, and a difficult to predict business environment that included dramatic inflation. On the other hand, the period also saw progress in technological innovations, including the electrification, automation, and digitalization of the overall industry, as well as an acceleration in carbon-neutrality initiatives. Despite this challenging environment, NSK advanced various initiatives under our Corporate Philosophy in aims of contributing to the sustainable development of society and of becoming a company that is needed and trusted by society.

Mid-Term Management Plan is abbreviated as MTP

	The 3rd MTP FY2009–FY2012	The 4th MTP FY2013–FY2015	The 5th MTP FY2016–FY2018
Positioning of Vision	**Responding to paradigm shifts** Reorganizing the business foundation toward net sales of ¥1 trillion • Establish and consolidate corporate fundamentals appropriate for a company with sales of ¥1 trillion • Continue measures to become No. 1 in total quality	**Establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion** • Establish corporate fundamentals appropriate for a company with sales of ¥1 trillion in 2016, the 100th anniversary of NSK's foundation • Continue to implement basic strategies (focus on profitability, growth in emerging countries, global management)	**Embarking on a new chapter in evolution toward the next 100 years** • Initiate mid- and long-term policies for realizing sustainable growth • Introduce resources for the future
Outline of the MTP	**Our Three Core Management Strategies and Specific Measures** A. Enhancement of business-based management • Sales & marketing, production and technological divisions brought under business headquarters management • Autonomous management by integrated business management and the clarification of divisional responsibilities B. Growth strategies • Increase presence in emerging markets • Expand environmental, infrastructure, and resource businesses • Respond to technological innovation C. Profitability improvement • Implement a proactive sales strategy (strengthen proposal-based sales capabilities) • Reorganize global production sites • Accelerate new product development	**Business Strategies** Growth with focus on profitability • Growth in emerging countries • Enhancement of customer and sector strategies • Production and technological innovation capabilities • Strategic alliances **Corporate Foundation** Develop management capabilities to handle ¥1 trillion in sales volume • Enhance corporate governance and compliance • Reform the business structure • Advance global management **Basics of the MTP (Priority Issues)** • Safety, quality, and compliance	**Two Pillars of the Plan** • Operational excellence Constant pursuit of competitiveness • Challenging innovation Creation of new value **Management Tasks** • Achieve sustainable growth • Reconstruct the profit base • Expand into new growth fields **Strategies by Business** • Industrial Machinery Business: Respond to changes in the business environment and expand target fields • Automotive Business: Reinforce the profit base and establish a platform for future growth
Looking Back	In the severe business environment immediately after the collapse of Lehman Brothers, we achieved some measure of success focusing on emerging markets and technological innovation. • Established a production system for a full product lineup, built an autonomous management system within China • Exceeded the MTP target for global expansion of the EPS business • Enhanced profitability following the reorganization of the Precision Machinery and Parts Business • Advanced local production and local procurement Nevertheless, the upheaval in the business environment, including a sharp appreciation of the yen and fluctuations in global demand, continued to intensify, and the numerical targets of the final year were not achieved. Furthermore, having been found guilty of violating the Antimonopoly Law in a 2013 case involving a bearing product cartel, the Company received a cease-and-desist order and was ordered to pay financial penalties. As a priority and urgent task, the Company undertook measures to strengthen its compliance system toward the early restoration of trust and to prevent any reoccurrence.	Against a backdrop of improvements in the profitability of the Automotive Business and assisted by an underlying weakness in yen exchange rates, the Company achieved all its numerical targets, including those for sales and profit, a year ahead of schedule in the second year of the fourth MTP. The Company also improved on the targets in the MTP's final fiscal year. Significant growth was recorded in the Chinese and EPS businesses. Regarding profitability, the Company achieved an operating income margin of 10.0% in FY2014 and maintained a high level of 9.7% in the final fiscal year. In contrast, sales and profitability in the Industrial Machinery Business were on a declining trend, buffeted by the slowdown in global economic growth, including the deceleration in China. We also worked to evolve the global management structure and strengthen and enhance compliance.	Under an environment of robust demand, the Industrial Machinery Business recovered as the powertrain business grew during FY2017, the second year of the MTP, and the Company achieved sales of ¥1 trillion, as targeted. Both operating income and net income achieved record highs. We also strengthened shareholder returns that led to a total return ratio of 57% over the three years. However, due to a downturn in the economic cycle starting in the second half of FY2018, and the impact of the U.S.-China trade friction, the business environment deteriorated. Full-year performance during the final year of the MTP experienced a year-on-year decline in sales and profits, which resulted in failure to achieve the MTP targets. Meanwhile, amid technological changes including the expanding use of IoT, AI, and robots, as well as autonomous driving and electrification, the Company developed new technologies and products and released ball screws for brakes, industrial actuators, and others to the market while it started smart-factory model-line operations. The steering business entered a transitional period, making activities aimed at returning to growth important. We expanded initiatives to address social issues (e.g., ESG, SDGs).
Challenges and Countermeasures	• Declines in profitability levels due to the extremely high value of the yen and inadequate responses to changes in the business environment, including extreme fluctuations in demand • Decrease in the Industrial Machinery Business sales ratio • Strengthening of the compliance system to restore trust and prevent any reoccurrence following the cartel incident	• Continue to build our foundation as a company with ¥1 trillion in sales • Establish profitability not greatly affected by business cycles or fluctuations in the amounts of raw materials or exchange rates • Promote new products and development in new areas	• Firmly achieve ¥1 trillion in sales and a double-digit operating income margin • Restart growth in the EPS business • Improve productivity by leveraging ICT

■ Business Trends (JP-GAAP up to and including the 4th MTP, IFRS from the 5th MTP onward)



The 6th MTP FY2019–FY2021

Build the Business Base and Strengthen Resources in Preparation for the Next Growth Phase

Three Initiatives

1 New initiatives targeting growth

Grow by delivering value that meets the needs of a future society

1. Expand NSK core products in the growth segments of electrification, automation, environment, and IoT
2. Grow by commercializing new products in growth segments
3. Expand the product lineup for and restart growth in the EPS business
4. Utilize M&A and strategic alliances

2 Enhance managerial resources

1. Evolve personnel development
2. Evolve manufacturing *(monozukuri)*
3. Evolve technology development
4. Utilize digital technology

3 Contribute to the environment and society

Address environmental and societal issues by strengthening managerial resources and NSK's core values + corporate governance

Looking Back at the 6th MTP

- Industrial Machinery Business matched past record, but the operating margin did not reach double digits. Automotive Business recorded a loss for the second consecutive year.
- Growth in semiconductor manufacturing equipment, machine tools, and robots; shrinking automotive market; acceleration of electrification; missed target for EPS orders
- Ongoing COVID-19 concerns, rapid inflation, supply chain disruption
- Maintained an "A" credit rating due to financial stability

6th MTP (FY2019–FY2021): KPIs				Results * Reference values after E&E adjustment
Growth	Sales/growth ratio	Sales growth CAGR 2% ¥1 trillion	**Industrial machinery** Achieve sales growth that surpasses market growth **Automotive bearings** Achieve sales growth that surpasses growth in global vehicle production volume **Automotive components** Secure orders to restart growth in the steering business	
Profitability	Operating income margin	8% or more	Secure stable profitability	
Efficiency	ROE	10% or more	ROE exceeding cost of capital	10.4% / 3.3% / 0.1% / 3.4%
Financial Stability	Net D/E ratio Equity ratio	0.3 times 50%	Maintain an A-level credit rating	Maintained an A-level credit rating even amid the COVID-19 pandemic
Shareholder Returns	Payout ratio Share buyback	30%–50% ¥40/share or more	Continue stable dividends Acquisition of treasury shares Agile capital policy	Continued stable dividends
Capital Expenditures	Capital expenditures	Three-year total ¥180.0 billion	Investments to underpin sustainable growth	Controlled capital expenditures considering the business environment Three-year total: ¥144.5 billion
R&D	R&D expenses	versus Sales 3%–4%	Continue developing technologies for further growth	Maintained at 3%–4% (¥30 billion/year)