

# NSK

## NSK Ltd.

**FINANCIAL CONFERENCE**  
Consolidated Business Results  
for the First Quarter  
ended June 30, 2022



Change & Go Beyond

**August 3, 2022**

**Cautionary Statements with Respect to Forward-Looking Statements**

Statements made in this report with respect to plans, strategies and future performance that are not historical fact are forward-looking statements. NSK cautions that a number of factors could cause actual results to differ materially from those discussed in the forward-looking statements.

Note : This document is an English translation of material written initially in Japanese.  
The Japanese original should be considered the primary version.

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Good afternoon everyone, and thank you for taking time out of your busy schedule to be here.

I am pleased to report our financial results for the first quarter of the fiscal year ending March 31, 2023.

First let's look at page 1.

# Summary of Consolidated Business Results for FY2022 1Q(1)



## Business Environment

- Restriction on economic activities due to China's Zero-Covid policy
- Prolongation of the impact of Ukraine crisis
- Continued inflation of steel prices, ocean freight costs, electricity costs
- Further depreciation of the Japanese yen
- Industrial Machinery Business: demand remained high primarily for sectors such as machine tools and semiconductor manufacturing equipment
- Automotive Business : larger than expected impact of supply chain disruption and China's Zero-Covid policy

## Summary of Business Results

(Billions of yen)	FY2021	FY2022	YOY			FY2022 FCST
	1Q Actual	1Q Actual	Increase/ Decrease	Effect of exchange rate fluctuations	Difference	As of May
Sales	213.5	219.4	+5.9	(+15.1)	+2.8%	940.0
Segment income *	9.1	4.9	-4.3	(+3.6)	-46.7%	40.5
(%)	(4.3%)	(2.2%)				(4.3%)
Operating income	9.0	4.5	-4.5	(+3.6)	-49.6%	40.0
(%)	(4.2%)	(2.1%)				(4.3%)
Income before income taxes	9.3	4.5	-4.8	—	-51.4%	40.0
Net income attributable to owners of the parent	4.7	1.3	-3.4	—	-72.0%	27.0

\* Segment Income: Operating income before deduction of other operating income and expenses

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1

This is a summary of the first quarter results. The business environment was marked by the prolonged effects of the situation in Ukraine, in addition to restrictions on economic activities due to China's COVID policy. Inflation continued to rise, affecting steel prices, ocean freight rates, and electricity costs. On the other hand, the yen continued to depreciate in the foreign exchange market.

In this environment, in our industrial machinery business, demand for machine tools and semiconductor manufacturing equipment remained high.

On the other hand, in the automotive business, in addition to supply chain problems, the impact of China's zero-COVID policy spread not only within China but also to other countries.

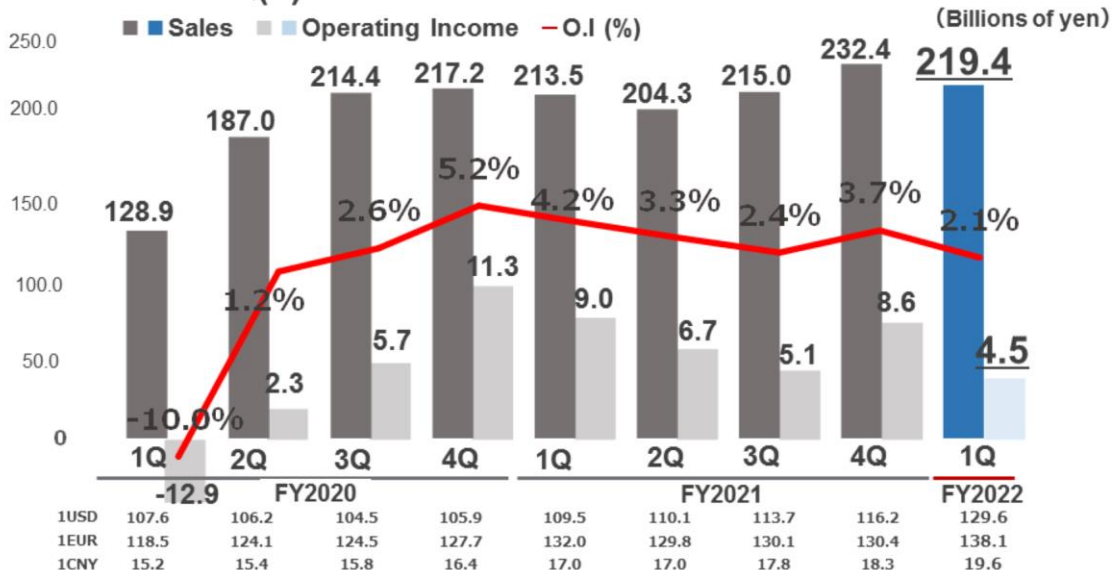
As a result, for the first quarter of the fiscal year ending March 31, 2023, we reported net sales of 219.4 billion yen, operating income of 4.5 billion yen, operating margin of 2.1%, and net income attributable to owners of the parent of 1.3 billion yen. Compared to the same period last year, net sales increased 5.9 billion yen and operating income decreased 4.5 billion yen.

The effect of the weaker yen on foreign exchange rates had the effect of increasing net sales by 15.1 billion yen. Therefore, both net sales and income decreased in real terms.

As for how the first quarter results compared to our initial plan, we had also factored in the impact of China's zero-COVID policy in our initial plan. However, the impact of the policy spread beyond China, resulting in a slight negative impact on the automotive business, but the industrial machinery business remained strong, so overall, we believe we were able to operate within our expectations.

Let's go to page 2.

## Summary of Consolidated Business Results for FY2022 1Q(2)



- Both sales and profits decreased compared to 4Q FY2021.  
Sales -13.0 billion Operating income -4.1 billion  
(Effect of exchange rate fluctuations  
Sales +10.6 billion Operating income +2.4 billion)

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2

Here is a list of quarterly sales, operating income, and operating margin.

The far left side shows the first quarter of FY20, and the right side the first quarter of the current fiscal year.

What I would like you to see here is a comparison between the fourth quarter of the previous year and the first quarter of the current year.

Net sales and operating income were negative 13.0 billion yen and 4.1 billion yen, respectively.

Again, foreign exchange effects had a positive impact of 10.6 billion yen on net sales and 2.4 billion yen on operating income.

As a result, net sales decreased by approximately 24.0 billion yen and profit decreased by over 6.0 billion yen.

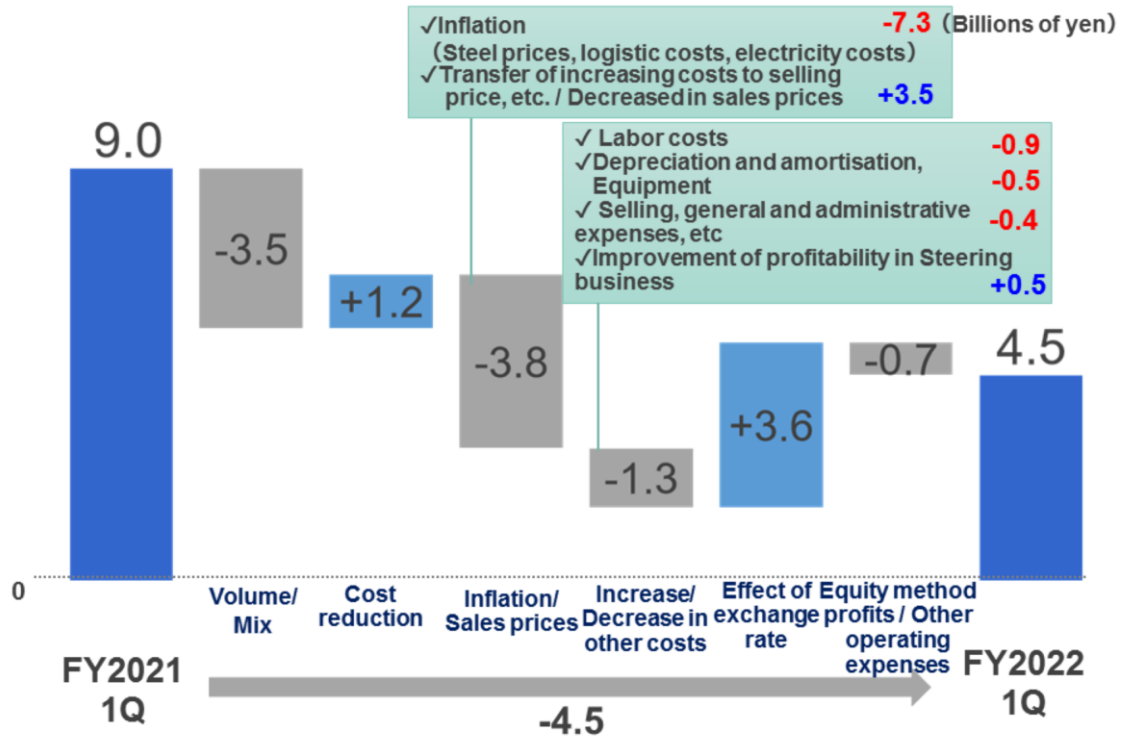
In addition, in the fourth quarter of the previous fiscal year, we recorded one-time charges totalling just over 3 billion yen, including provisions related to Russia and Ukraine.

Therefore, operating income decreased by about a total of 10 billion in real terms.

The decrease was due to the impact of a decrease in the volume of goods, which was approximately 9 billion yen, and an increase in expenses, including a base increase in personnel expenses.

Let's continue to page 3.

## Operating Income: Factors Behind Change (FY2021 1Q ⇒ FY2022 1Q)



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3

This is a comparison of operating income with the same period of the previous year.

The leftmost graph shows 9 billion yen of operating income for the first quarter of last year, and the rightmost graph shows 4.5 billion yen of operating income for the first quarter of this year.

First, let me explain from the left, there was a negative 3.5 billion yen in Volume and Mix.

Net sales were 5.9 billion yen higher than the same period last year, excluding the impact of foreign exchange rates and price hikes, net sales were down approximately 13.0 billion yen.

On the other hand, the mix of industrial machinery and automobiles improved because industrial machinery accounted for a larger share. These resulted in a 3.5 billion yen decrease in income.

Next to that, cost reduction activities had a positive effect of 1.2 billion yen.

Next, regarding the situation of inflation and transfer of costs, costs for steel, ocean freight, and electricity have risen, and the impact of these increases was 7.3 billion yen. This was recovered by 3.5 billion yen, however, the net cost increase remained at 3.8 billion yen. We expect progress in the first quarter to be as planned, since the main time for transferring costs will be in the second and fourth quarters.

Increases and decreases in expenses are mainly due to an increase in personnel expenses. Earnings improvement in the steering business will be positive 0.5 billion yen, mainly due to a decrease in depreciation burden caused by impairment losses, and we believe that the effects of reorganization of bases and other measures will emerge in the future.

Adding the foreign exchange effect to the above, operating income for the quarter was 4.5 billion yen.

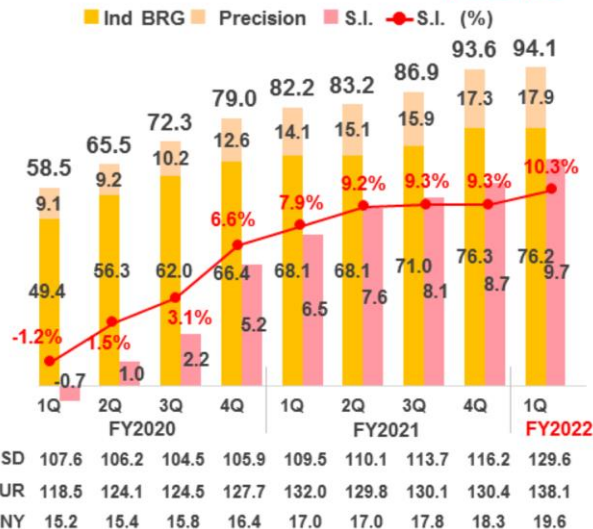
Let's move on to business-specific details.

# Industrial Machinery Business



(Billions of yen)

	FY2021 1Q Actual	FY2022 1Q Actual	Increase/ Decrease YOY (Effect of exchange rate fluctuations)	Difference YOY
<b>Sales</b>	82.2	94.1	+11.9 (+6.7)	+14.5%
Industrial Machinery	68.1	76.2	+8.1	+11.9%
Bearings	14.1	17.9	+3.8	+27.1%
Precision Machinery and Parts	6.5	9.7	+3.2	+48.4%
<b>Segment income</b>	6.5	9.7	+3.2	+48.4%
(%)	(7.9%)	(10.3%)		
(Ex. rate: 1USD=)	109.5	129.6	+20.1	+18.3%
( " 1EUR=)	132.0	138.1	+6.2	+4.7%
( " 1CNY=)	17.0	19.6	+2.6	+15.4%



- Both sales and profits continued to increase in spite of the impact of China's Zero-Covid policy. Profit margin reached 10%.
  - Machine tools and semiconductor manufacturing equipment: Demand remained high
  - E&E: Sales decreased due to the impact of China's Zero-Covid policy
  - AM: Sales increased mainly for the Americas

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First is the industrial machinery business.

Net sales were 94.1 billion yen and segment income was 9.7 billion yen.

The graph on the right shows a steady increase in both sales and profit.

Despite the impact of China's zero-COVID policy in the first quarter, the profit margin reached double digits, 10.3%.

By sector, demand for machine tools and semiconductor equipment maintained a high level. On the other hand, E&E sales decreased mainly in China due to the impact of China's zero-COVID policy for small motor-related products. In addition, aftermarket sales increased in North America, Japan, and Europe, partly due to measures to shift products to the aftermarket.

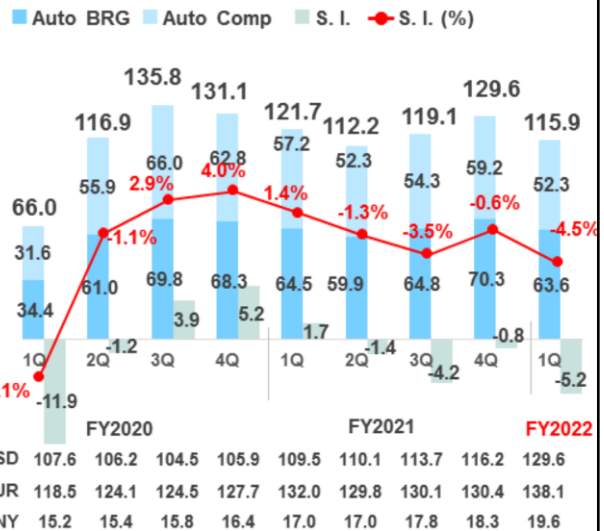
Next we will look at the automotive business on page 5.

# Automotive Business



(Billions of yen)

	FY2021 1Q Actual	FY2022 1Q Actual	Increase/ Decrease YOY (Effect of exchange rate fluctuations)	Difference YOY
<b>Sales</b>	<b>121.7</b>	<b>115.9</b>	<b>-5.8</b> (+8.1)	<b>-4.8%</b>
Automotive Bearings	64.5	63.6	-1.0	-1.5%
Automotive Components	57.2	52.3	-4.8	-8.5%
<b>Segment income</b>	<b>1.7</b>	<b>-5.2</b>	<b>-6.9</b>	<b>—</b>
(%)	(1.4%)	(-4.5%)		
(Ex. rate: 1USD=)	109.5	129.6	+20.1	+18.3%
( " 1EUR=)	132.0	138.1	+6.2	+4.7%
( " 1CNY=)	17.0	19.6	+2.6	+15.4%



- Global automotive production volume 1Q: 17 million\* YOY -11%
- Both sales and profits decreased YoY and QoQ . Profits continued to be in red. This is because of Ukraine crisis, prolonged parts shortage including semiconductors, and cost increases caused by inflation.

\* Based on our research

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5

Next is the automotive business.

Net sales in the automotive business for the first quarter were 115.9 billion yen and segment income was -5.2 billion yen.

As shown in the graph on the right, we regret to report that the segment continues to be in the red.

Global automobile production declined approximately 11% year over year due to the impact of the lockdowns in China. This had a significant impact on our sales, which were also negative by about the same amount in real terms. In addition, there were prolonged supply chain problems and higher costs due to inflation, meaning that we continued to lose money.

Finally let's take a look at page 6.

✓ The forecast and the dividend plan announced on May 10th, 2022 remain unchanged

>>Sales: 940.0 billion Operating Income: 40.0 billion >> Dividend: ¥30 per share

### ✓ Possible risks

1. Prolonged supply chain disruptions
2. Risk of global economic slowdown
3. Inflation exceeding expectations

### ✓ Promote management tasks

1. Additional negotiation against assumed further inflation with customers
2. Inventory reduction and agile production control
3. Industrial Machinery Business:  
Strengthen supply capability and improve productivity
4. Automotive Business:  
Promote structural reforms of steering business
5. Launch program for developing digital human resources to promote DX

These are the risks and management tasks for the fiscal year ending March 31, 2023.

First of all, regarding the earnings forecast, although the foreign exchange situation, the economic environment, and the business environment are becoming increasingly uncertain, we have decided to leave the figures announced on May 10 unchanged, taking into consideration that the first quarter was almost in line with our plan.

Potential risks include prolonged supply chain disruptions, global economic slowdown, and higher-than-expected inflation.

We will negotiate additional selling prices to counter inflation. Also, we will reduce inventories and control our production system quickly and agilely against the global economic slowdown.

By business segment, the industrial machinery business is aiming to increase capacity and sales under the medium-term management plan, and we will strengthen the supply system and improve productivity to achieve this goal.

In the automotive business, we will promote structural reform of the steering business.

In addition, we have started a digital human resources development program to promote DX (Digital Transformation), one of the measures in our mid-term plan.

We will promote and accelerate measures to achieve the goal of the new medium-term management plan, which is to become a new trillion yen company through “Change & Go Beyond”.

# Supplementary Information : Financial Results by Business Segment



		(Billions of yen)	FY2021	FY2022	YoY		FY2022 FCST		
					1Q	1Q	Increase/ Decrease	Difference	1st half
<b>Total</b>	<b>Sales</b>		213.5	219.4	+5.9	+2.8%	450.0	490.0	940.0
	<b>Segment Income</b>		9.1	4.9	-4.3	-46.7%	11.5	29.0	40.5
	<b>(%)</b>		(4.3%)	(2.2%)			(2.6%)	(5.9%)	(4.3%)
	<b>Operating income</b>		9.0	4.5	-4.5	-49.6%	11.0	29.0	40.0
	<b>(%)</b>		(4.2%)	(2.1%)			(2.4%)	(5.9%)	(4.3%)
<b>Industrial Machinery Business</b>	<b>Sales</b>		82.2	94.1	+11.9	+14.5%	181.5	198.5	380.0
	Industrial Machinery		68.1	76.2	+8.1	+11.9%	147.0	161.0	308.0
	Bearings		14.1	17.9	+3.8	+27.1%	34.5	37.5	72.0
	Precision Machinery and Parts								
	<b>Segment Income</b>		6.5	9.7	+3.2	+48.4%	15.5	22.5	38.0
	<b>(%)</b>		(7.9%)	(10.3%)			(8.5%)	(11.3%)	(10.0%)
<b>Automotive Business</b>	<b>Sales</b>		+121.7	+115.9	-5.8	-4.8%	248.5	272.5	521.0
	Automotive Bearings		+64.5	+63.6	-1.0	-1.5%	138.5	156.5	295.0
	Automotive Components		+57.2	+52.3	-4.8	-8.5%	110.0	116.0	226.0
	<b>Segment Income</b>		+1.7	-5.2	-6.9	-	-5.0	5.0	0
	<b>(%)</b>		(1.4%)	(-4.5%)			(-2.0%)	(1.8%)	(0.0%)
<b>Others</b>	<b>Sales</b>		+15.2	+15.9	+0.7	+4.9%	34.0	34.5	68.5
	<b>Operating income</b>		+0.9	+0.3	-0.5	-60.2%	1.0	1.5	2.5
	<b>(%)</b>		(5.7%)	(2.2%)			(2.9%)	(4.3%)	(3.6%)
<b>Eliminations (sales)</b>			-5.6	-6.5	-0.9	-	-14.0	-15.5	-29.5
<b>Other operating income and expenses / Adjustments</b>			-0.1	-0.3	-0.2	-	-0.5	-	-0.5

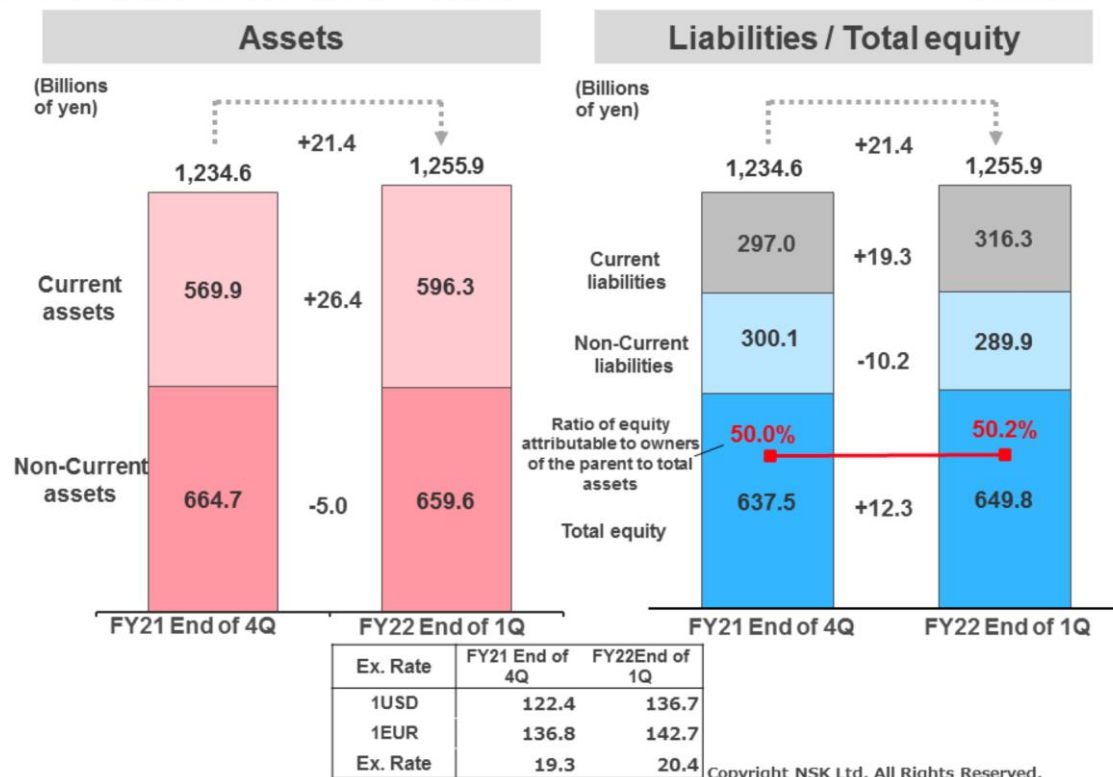
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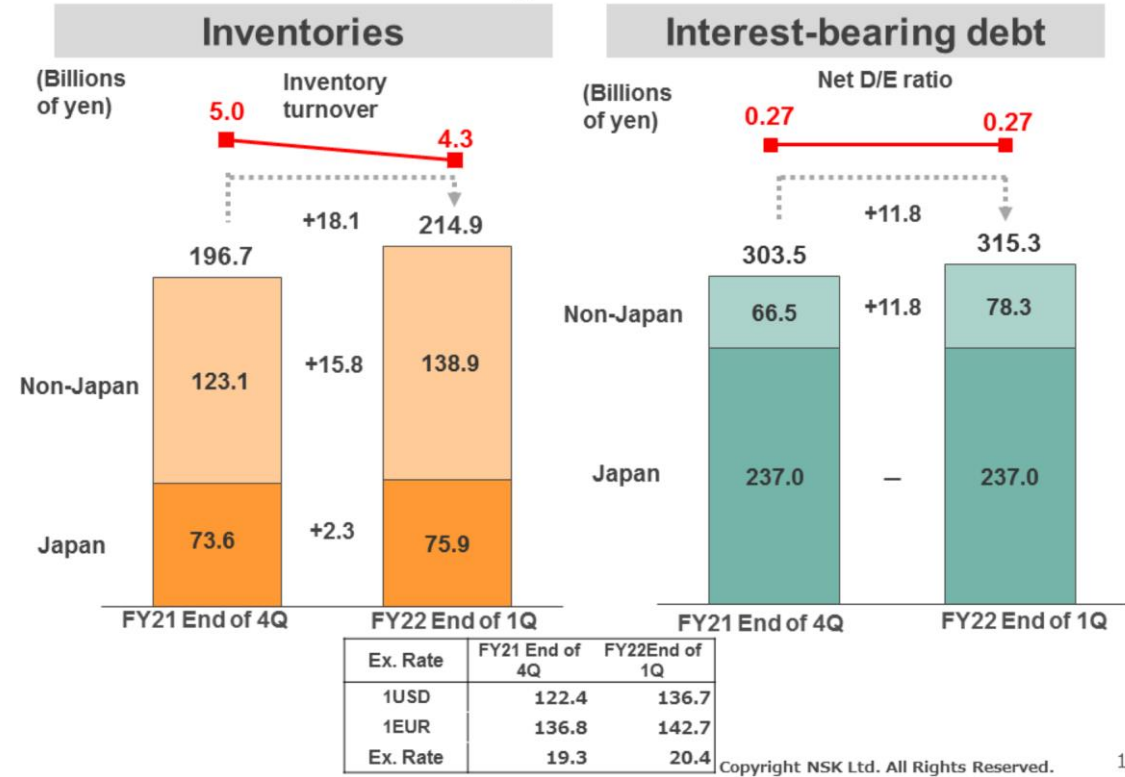
## Supplementary Information : Sales by Customer Location

(Billions of yen)	FY2021	FY2022	YOY	
	1Q Actual	1Q Actual	Increase/ Decrease	Difference
<b>Sales</b>	213.5	219.4	+5.9	+2.8%
<b>Japan</b>	80.2	74.1	-6.1	-7.6%
<b>Non-Japan</b>	133.2	145.3	+12.0	+9.0%
(Non-Japan Ratio)	(62.4%)	(66.2%)		
<b>The Americas</b>	30.6	37.5	+6.9	+22.5%
<b>Europe</b>	27.7	30.6	+2.9	+10.5%
<b>China</b>	44.1	41.9	-2.2	-5.1%
<b>Other Asia</b>	30.8	35.2	+4.5	+14.5%
Ex. Rate				
<b>1USD</b>	109.5	129.6	+20.1	+18.3%
<b>1EUR</b>	132.0	138.1	+6.2	+4.7%
<b>1CNY</b>	17.0	19.6	+2.6	+15.4%

# Supplementary Information: Consolidated Balance Sheet



# Supplementary Information: Inventories / Interest-Bearing Debt



# Supplementary Information : Capital Expenditures, Depreciation and Amortisation, R&D Expenses

(Billions of yen)	FY2021	FY2022	
	Full year Actual	1Q Actual	Full year FCST
Capital Expenditures	52.3	9.2	70.0
Capital Expenditures (excluding lease)	44.5	7.7	70.0
Depreciation and Amortisation	56.6	14.3	57.0
Depreciation and Amortisation (excluding lease)	51.8	13.0	52.0
R&D Expenses (on a statutory basis)	19.2	4.5	20.0
(Ref.) R&D Expenses (on a managerial basis)	30.8	7.4	32.0

MOTION & CONTROL™

**NSK**

## **Mission Statement**

NSK contributes to a safer, smoother society and helps protect the global environment through its innovative technology integrating Motion & Control™. As a truly international enterprise, we are working across national boundaries to improve relationships between people throughout the world.

## **NSK Vision 2026**

### **SETTING THE FUTURE IN MOTION**

We bring motion to life,  
to enrich lifestyles,  
and to build a brighter future.

Dedicated to uncovering society's needs,  
we set ideas in motion,  
to deliver solutions beyond imagination.

We're NSK.  
And, we're setting the future in motion.

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