

NSK

NSK Ltd.

FINANCIAL CONFERENCE

**Consolidated Business Results
for the Third Quarter
ended December 31, 2023**



Change & Go Beyond

February 7, 2024

Cautionary Statement 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 the forward-looking statements.

Note : This document is an English translation of material written initially in Japanese.
In the case of any differences, the original Japanese version takes precedence.

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I am Suzuki Keita, CFO of NSK Ltd. Thank you for joining us today for our third quarter business results conference.

**1. Consolidated Business Results
for the Nine Months Ended December 31, 2023**

**2. Consolidated Business Forecast
for the Year Ending March 31, 2024**

(Supplementary Information)

Key Points - Consolidated Business Results for FY2023 Q3



✓ FY2023 Q3 Actual (Continuing operations)

Industrial: China's economy continued to stagnate and scrape the bottom

Automotive: Steady growth in global automotive production

Q3 YTD (Apr. – Dec.) Actual

- » Sales ¥588.1 bn
- » Operating income ¥19.3 bn Operating margin 3.3%

Q3 QTD Actual

- » Sales ¥201.4 bn
- » Operating income ¥8.2 bn Operating margin 4.1%

✓ Consolidated Business Forecast for the Year Ending March 31, 2024

Remains unchanged from October forecast.

✓ Full year dividend: ¥30 per share (Unchanged)

(Interim dividend ¥15 per share, end of year dividend ¥15 per share)

Before we begin, please note that as of August 1, 2023, the steering business was transitioned to and began operating as a joint venture. For apples-to-apples comparison, in our Q3 disclosure we have retroactively modified the numbers for previous year's results to reflect this change.

The key points of the Q3 business results are as follows:

- The industrial machinery business continues to scrape the bottom affected by the continued stagnation of the Chinese economy.
- The automotive business performed well, bolstered by an increase in global automotive production compared to the previous year.
- Result: YTD sales (April to December) were 588.1 billion yen, with operating income of 19.3 billion yen or 3.3%. For Q3 alone (October to December), sales were 201.4 billion yen, with operating income of 8.2 billion yen or 4.1%.
- The full-year forecast for this fiscal year has not been revised from the forecast announced on October 31.
- Regarding the annual dividend, we paid a mid-term dividend of 15 yen in December, and we have not changed the plan to pay a total annual dividend of 30 yen.

Summary of Consolidated Business Results for FY2023 Q3



- ✓ Sales in Q3 QTD increased QOQ due to increasing sales of Automotive Business.
- ✓ Sales in Q3 YTD increased YOY due to growth in Automotive exceeding the decline in Industrial Machinery

(Billions of yen)		Q3 QTD		Increase/ Decrease YOY	Increase/ Decrease QOQ	Q3 YTD		Increase/ Decrease YOY	Difference YOY
		FY2022	FY2023	(Effect of exchange rate fluctuations)	(Effect of exchange rate fluctuations)	FY2022	FY2023	(Effect of exchange rate fluctuations)	
Continuing operations	Sales	194.6	201.4	+6.7 +6.9	+2.9 +2.1	580.9	588.1	+7.2 +17.8	+1.2%
	Segment income*	11.1	9.2	-1.9 +1.5	+1.5 +0.5	31.9	20.6	-11.3 +3.8	-35.4%
	(%)	5.7%	4.6%			5.5%	3.5%		
	Operating income	10.3	8.2	-2.1 +1.3	+1.2 +0.5	29.9	19.3	-10.6 +4.5	-35.4%
	(%)	5.3%	4.1%			5.1%	3.3%		
	Income before income taxes	10.6	8.1	-2.5	+1.9	+29.7	18.6	-11.1	-37.3%
Continuing and discontinued operations	Net income attributable to owners of the parent	6.2	3.3	-2.9	-0.8	16.9	9.0	-7.8	-46.4%
	Net income attributable to owners of the parent	4.9	4.1	-0.8	+2.5	10.9	4.7	-6.2	-56.8%
	(Ex. rate: 1USD=)	141.6	147.9	+6.2	+3.2	136.5	143.3	+6.8	+5.0%
	(" 1EUR=)	144.4	159.1	+14.7	+1.8	140.6	155.3	+14.7	+10.4%
	(" 1CNY=)	19.9	20.4	+0.6	+0.5	19.9	20.0	+0.1	+0.5%

*Segment income : Operating income before deduction of other operating income/loss (exchange rate fluctuation gain/loss, etc.)

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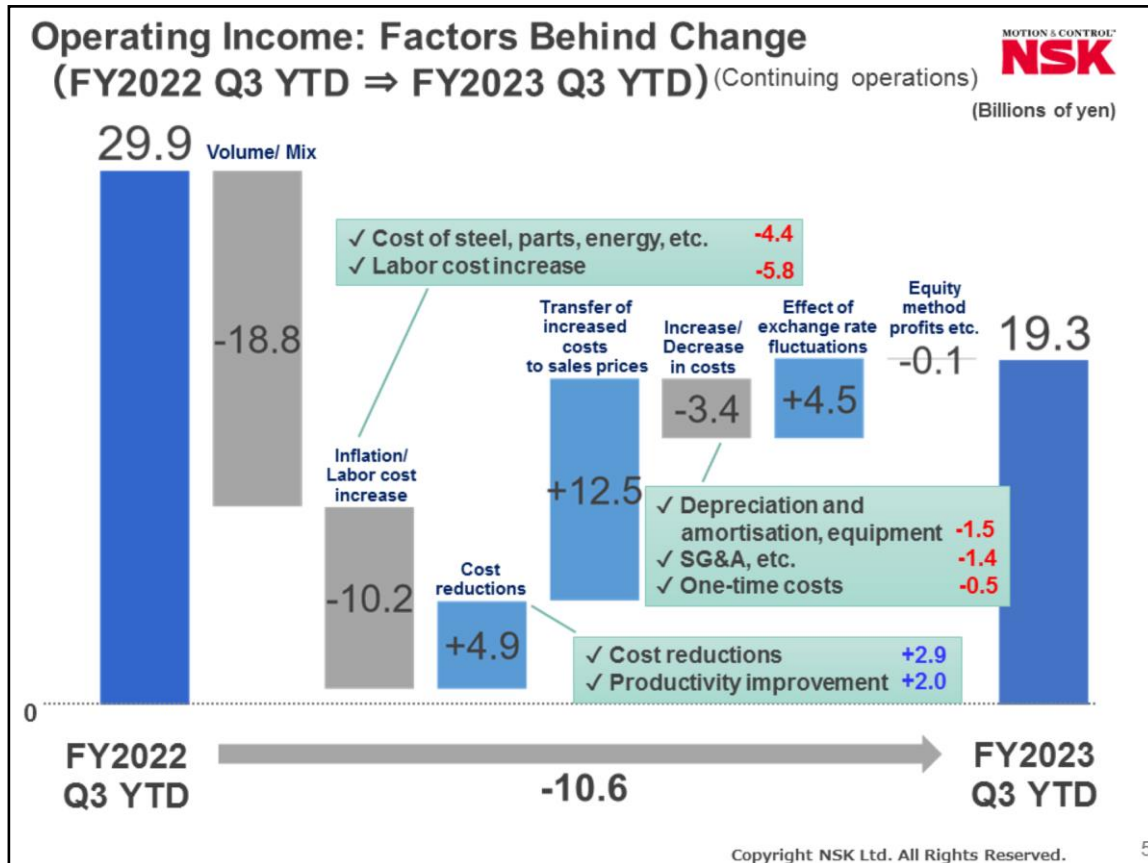
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Here on page 4, we show the summary of the Q3 results.

The left side of the table shows the figures for the past three months, while the center-right side shows the cumulative YTD figures.

As mentioned earlier, in the past three months we marked sales of 201.4 billion yen and operating income of 8.2 billion yen. While there was an increase in sales but a decrease in profit year-on-year, comparing quarter-on-quarter from Q2 to Q3, there was an increase in both sales and profit due to the increase in sales in the automotive business.

YTD, Q1 through Q3, sales amounted to 588.1 billion yen and operating income of 19.3 billion yen. Sales increased due to the effects of a weaker yen and sales price increases. However, excluding currency effects and sales price increases, we had a decrease in volume that had a significant impact resulting in lower operating income year-on-year.



On this page, the number 29.9 billion yen on the far left represents the operating income of the previous fiscal year's first nine months, while the number 19.3 billion yen on the far right represents the operating income for the current fiscal year's first nine months (YTD).

To touch on the main factors behind change:

- The third bar from the left represents the impact of cost increases due to inflation and labor cost increases, which had an adverse impact of approximately 10.2 billion yen.
- In the middle, "Transfer of increased costs to sales prices", which is a comparison between the previous and current fiscal years, had an impact of 12.5 billion yen. This indicates we are doing well in covering inflating costs by increasing sales prices.
- However, in "Volume/Mix", the second bar from the left, there was an adverse impact of 18.8 billion yen.
- Despite the weaker yen, operating income decreased by 10.6 billion yen compared to the same period last year.

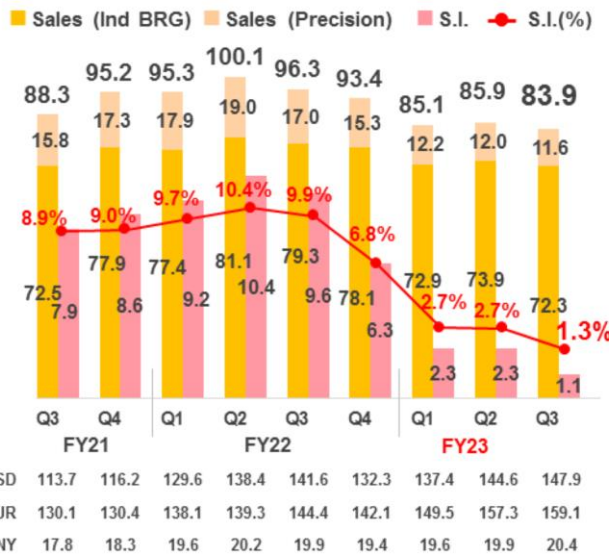
About 10 billion yen of the decline in Volume/Mix is attributed to the reduction in actual volume, while the remainder is attributed to product mix causing a difference of about 8 to 9 billion yen, largely a difference in sales between the industrial machinery business and the automotive business. Since the industrial machinery business tends to have higher margins, the current period has been significantly affected by the lower volume in the industrial machinery business.

Additionally, in the industrial machinery business, there has been a decrease in demand for machine tools and semiconductor manufacturing equipment. Consequently, this affects our high-profit items such as precision bearings and precision machinery products.

Industrial Machinery Business



(Billions of yen)	FY2022 Q3 YTD Actual	FY2023 Q3 YTD Actual	Increase/Decrease YOY (Effect of exchange rate fluctuations)	Difference YOY (Excluding effect of exchange rate fluctuations)
Sales	291.7	255.0	-36.8 +8.9	-12.6% -15.6%
Industrial Machinery Bearings	237.9	219.1	-18.7	-7.9%
Precision Machinery and Parts	53.9	35.8	-18.0	-33.5%
Segment income	29.2	5.7	-23.5	-80.4%
(%)	10.0%	2.2%		
(Ex. rate: 1USD=)	136.5	143.3	+6.8	+5.0%
(" 1EUR=)	140.6	155.3	+14.7	+10.4%
(" 1CNY=)	19.9	20.0	+0.1	+0.5%



1USD	113.7	116.2	129.6	138.4	141.6	132.3	137.4	144.6	147.9
1EUR	130.1	130.4	138.1	139.3	144.4	142.1	149.5	157.3	159.1
1CNY	17.8	18.3	19.6	20.2	19.9	19.4	19.6	19.9	20.4

- ✓ Sales and profits declined YOY due to sluggish market conditions including inventory adjustments in machine tools and semiconductor manufacturing equipment
- ✓ In Q3 volume declined QOQ and segment income declined
 - In Q3 inventory adjustment phase continued for machine tools and semiconductor
 - E&E remained sluggish; weak home appliances due to weak Chinese real estate

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Next, let's look at the breakdown by segment, starting with the industrial machinery business.

YTD sales amounted to 255 billion yen and segment income of 5.7 billion yen, a significant decrease in both sales and profit compared to the previous year.

The written notes at the bottom touch on how market conditions have been sluggish over the past nine months, including periods of inventory adjustments, particularly in machine tools and semiconductor manufacturing equipment, which greatly impacted volume. At the bottom, "E&E" mainly refers to sales of small ball bearings for motor and electronics applications. Here, the influence of the weak real estate market in China has resulted in a downturn, particularly in the consumer electronics sector.

On the top right of the page, the graph illustrates the quarterly performance trend, with the three bars on the far right showing the current fiscal year performance. While sales remained flat, there was a slight decrease from Q2 to Q3, leading to a slight decline in segment income, as you can see in the graph.

Automotive Business

(Billions of yen)	FY2022 Q3 YTD Actual	FY2023 Q3 YTD Actual	Increase/Decrease YOY (Effect of exchange rate fluctuations)	Difference YOY (Excluding effect of exchange rate fluctuations)
Sales	264.9	307.1	+42.2	+15.9%
Segment income	1.2	13.2	+12.0	-
(%)	0.4%	4.3%		
(Ex. rate: 1USD=)	136.5	143.3	+6.8	+5.0%
(" 1EUR=)	140.6	155.3	+14.7	+10.4%
(" 1CNY=)	19.9	20.0	+0.1	+0.5%

Previously we disclosed sales separately under the categories of "Automotive Bearings" and "Automotive Components".

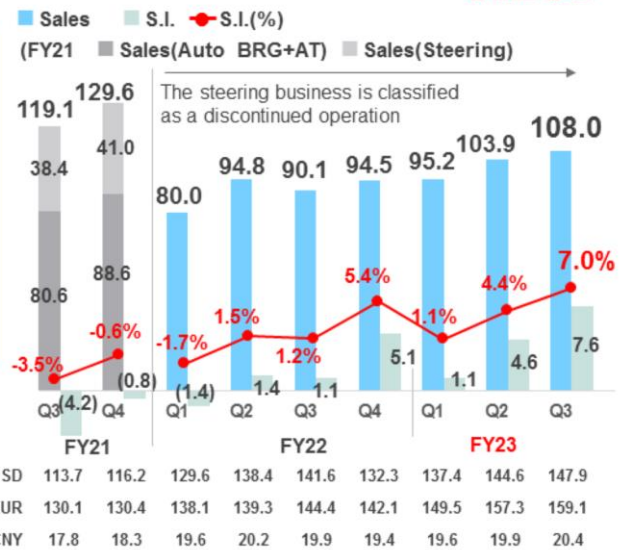
Due to the classification of the steering business as a discontinued operation, we will disclose sales under the category of the "Automotive Business".

✓ Global automotive production volume:

FY2023 Q3 YTD actual: 68 million vehicles (+10% YOY) *Based on IHS Markit

✓ Sales and profits in Q3 YTD increased YOY

Q3 segment income ratio marked 7% partly due to one-off income from negotiations to reflect increasing costs in sales prices



Next, we let's look at the automotive business.

YTD sales amounted to 307.1 billion yen, with segment income of 13.2 billion yen, an increase in both sales and profit compared to the same period last year.

According to IHS Markit, global automotive production volume reached approximately 68 million vehicles over the cumulative nine months, representing a 10% increase year-on-year. In line with this trend in increasing volume, the automotive business saw improved profitability. The graph on the top right of the page illustrates the quarterly performance trend, showing that both sales and profit have been on an upward trajectory.

Particularly in this third quarter, the effects of one-off income from negotiations to reflect increasing costs in sales prices in Europe and the Americas have contributed to the improvement in segment income ratio to 7%.

1. Consolidated Business Results
for the Nine Months Ended December 31, 2023

2. Consolidated Business Forecast
for the Year Ending March 31, 2024

(Supplementary Information)

Consolidated Business Forecast for the Year Ending March 31, 2024



- ✓ Full-year forecasts announced in October remain unchanged
- » As of Q3, 64% progress toward operating income forecast

(Billions of yen)		FY2023 Full year Forecast	FY2023 Q3 Actual	% of Forecast	FY2022 Full year Actual	YOY Difference (Effect of exchange rate fluctuations)
Continuing operations	Sales	800.0	588.1	74%	776.8	+23.2 +24.0
	Segment income*	31.5	20.6	65%	44.3	-12.8
	(%)	3.9%	3.5%		5.7%	+5.0
	Operating income	30.0	19.3	64%	43.8	-13.8
	(%)	3.8%	3.3%		5.6%	+5.0
Continuing and discontinued operations	Income before income taxes	28.5	18.6	65%	43.3	-14.8
	Net income attributable to owners of the parent	14.0	4.7	34%	18.4	-4.4
	(Ex. rate: 1USD=)	142.5 *	143.3		135.5	+7.0
	(" 1EUR=)	154.0	155.3		141.0	+13.0
	(" 1CNY=)	19.7	20.0		19.8	-0.0

* Segment income : Operating income before deduction of other operating income/loss (exchange rate fluctuation gain/loss, etc.)

* FY2023 Q4 exchange rate assumptions: USD ¥140, EUR ¥150, CNY ¥19

Next, page 9 covers the full year business forecast for this fiscal year.

As mentioned earlier, the full-year forecast announced on October 31 remains unchanged.

The full-year forecast is as follows: Sales of 800 billion yen and operating income of 30 billion yen or 3.8%.

We have included a “% of Forecast” column in the table to indicate our actual YTD progress toward the forecast. As indicated, performance to date is basically in line with our internal projections. While we do not anticipate significant recovery in the industrial machinery business in Q4, we expect the automotive business to continue to perform well.

Considering also the uncertainty surrounding currency exchange rates, we have decided to maintain our forecast unchanged, and are focused on achieving operating income of 30 billion yen.

Consolidated Business Forecast by Business Segment

- ✓ Engage efforts toward achieving full year targets and Mid-Term Plan with an eye on the risk of slow recovery in industrial machinery

» Industrial Machinery Business

(Billions of yen)	FY2023 Full year Forecast	FY2023 Q3 YTD Actual	% of Forecast
Sales	352.5	255.0	72%
Industrial Machinery Bearings	301.5	219.1	73%
Precision Machinery and Parts	51.0	35.8	70%
Segment income	12.5	5.7	46%
(%)	3.5%	2.2%	

- » Q4 demand forecast remains flat overall but confident in efforts to capture demand in aftermarket in Europe and Americas
- » Expand CMS orders
- » Promote structural reorganization in Europe

» Automotive Business

(Billions of yen)	FY2023 Full year Forecast	FY2023 Q3 YTD Actual	% of Forecast
Sales	414.0	307.1	74%
Segment income	16.5	13.2	80%
(%)	4.0%	4.3%	

- » Automotive production volume as expected at October forecast level of 89 million units
- » Continued negotiations to pass on inflation to sales price
- » Secure new orders for EV

Page 10 shows the forecast figures by segment.

The notes provided on the page reflect our acknowledgment of the risk of a slow recovery in demand in the industrial machinery business. Despite this, we are committed to our efforts toward achieving the full-year forecast and Mid-Term Plan goals.

Many companies in Europe and the Americas close their fiscal year in December, so demand in these regions is typically lower in our Q3, especially in the aftermarket. For them, our Q4 aligns with their Q1, the beginning of a new fiscal year, and we anticipate increased demand in Europe and the Americas when comparing Q3 to Q4, primarily in the aftermarket, which has higher profit margins. We are confident in our ability to capture demand here effectively.

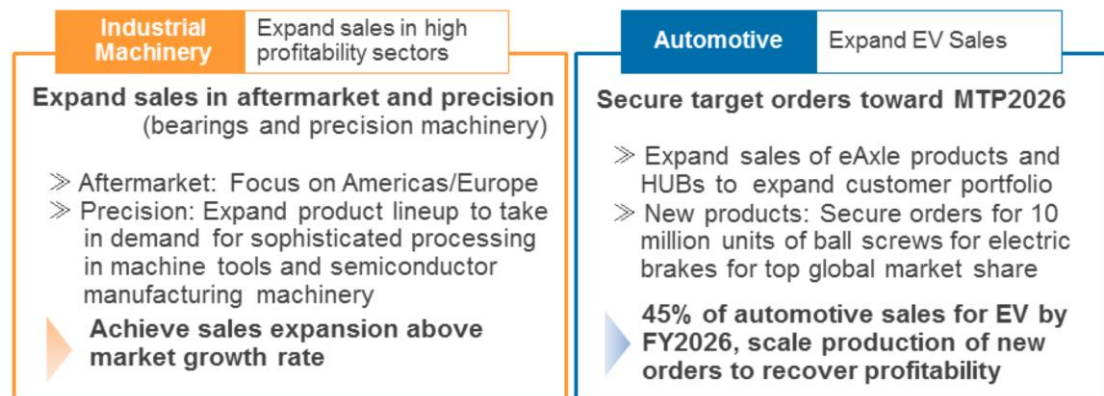
Additionally, there is some accumulation of CMS projects coming through in Q4. We are also undertaking structural reforms in Europe, which we will diligently implement. While the effects of these measures may not be immediately visible, they are essential for the future, and we will continue to implement them.

Regarding the automotive business, we anticipate global production volume to land around 89 million vehicles, representing an approximately 8% increase compared to the previous year. In addition to addressing this increase in volume, we have not yet fully reflected increasing labor costs in our price negotiations as planned. However, we remain committed to negotiating until the end. Furthermore, we are securing new EV projects, and we will ensure proper preparation for the future in this area.

✓ FY2023 Summary

- Profitability in industrial machinery declined due to slower-than-expected market. Europe structural reorganization initiated and ongoing.
- Automotive business steady due to the abatement of semiconductor shortages. Promoted price negotiations to reflect inflating costs.
- Success in transferring inflating costs such as steel and energy to sales prices. Ongoing efforts to reflect increasing labor costs in sales prices.
- Maintain full year dividend of ¥30 per share. Interim dividend ¥15 per share; end of year dividend ¥15 per share

✓ Progress on MTP2026 Priority Tasks — Portfolio Transformation



Lastly, on page 11, we have a summary of the fiscal year so far and progress on Mid-Term Plan 2026 (MTP2026)

For industrial machinery, we anticipate continued challenging conditions. However, we have initiated structural reforms in Europe and are committed to seeing them through. In automotive, while there is some certainty regarding volume, we are ensuring that all factors, including recent automaker quality issues in the media and semiconductor shortages due to the Noto Peninsula Earthquake, are incorporated into our figures. Additionally, we remain focused on coming through on our pricing negotiations.

Regarding MTP2026 priority tasks, for industrial machinery, we will continue to expand into high-profit areas, focusing on aftermarket sales, precision bearings, and precision machinery products. We are extending our reach to regions like North America and Europe, where our presence is not as strong. In North America we are implementing a new program with one of the largest distributors and the establishing a production line for industrial machinery bearings. In Europe, including Eastern European countries, there are still areas requiring attention, and we will allocate resources to expand sales there. Furthermore, in precision products, trends toward higher sophistication in manufacturing are enabling us to capitalize in this area by leveraging our technical expertise/proposals for sales expansion. These initiatives aim to exceed market growth and expand profitability.

In automotive, we will increase sales for EV, including BEVs, hybrids, and plug-in hybrids. We believe we are on track to meet mid-term plan targets and secure orders beyond them, thereby increasing sales from electric vehicles and boosting profitability. For NSK as a whole, we aim to transform our portfolio over the remaining three years of the midterm management plan, striving for not just growth but growth accompanied by profitability.

This concludes our presentation. Thank you.

Supplementary Information

Supplementary Information: Financial Results by Business Segment



Due to the classification of the steering business as a discontinued operation in FY23 Q1, the figures back to FY2022 have been retroactively updated to show as continuing operations excluding the steering business. Income from the equity in the joint venture with JIS, which was established on August 1, 2023, is included in the segment income of the automotive business from FY23 Q2.

(Billions of yen)		FY2022			FY2023			FY2023			FY2023		
		Q3 YTD	Q3 QTD	Full year	Q3 YTD	Increase/ Decrease	Difference	Q3 QTD	Increase/ Decrease	Difference	Full year	FCST	
Total	Sales	580.9	194.6	776.8	588.1	+7.2	+1.2%	201.4	+6.7	+3.5%	800.0		
	Segment income	31.9	11.1	44.3	20.6	-11.3	-35.4%	9.2	-1.9	-17.3%	31.5		
	(%)	5.5%	5.7%	5.7%	3.5%			4.6%			3.9%		
	Operating income	29.9	10.3	43.8	19.3	-10.6	-35.4%	8.2	-2.1	-20.3%	30.0		
	(%)	5.1%	5.3%	5.6%	3.3%			4.1%			3.8%		
Industrial Machinery Business	Sales	291.7	96.3	385.1	255.0	-36.8	-12.6%	83.9	-12.4	-12.8%	352.5		
	Industrial Machinery Bearings	237.9	79.3	315.9	219.1	-18.7	-7.9%	72.3	-7.0	-8.9%	301.5		
	Precision Machinery and Parts	53.9	17.0	69.2	35.8	-18.0	-33.5%	11.6	-5.3	-31.4%	51.0		
	Segment income	29.2	9.6	35.5	5.7	-23.5	-80.4%	1.1	-8.5	-88.3%	12.5		
	(%)	10.0%	9.9%	9.2%	2.2%			1.3%			3.6%		
Automotive Business	Sales	264.9	90.1	359.4	307.1	+42.2	+15.9%	108.0	+17.9	+19.8%	414.0		
	Segment income	1.2	1.1	6.3	13.2	+12.0	—	7.6	+6.4	+571.9%	16.5		
	(%)	0.4%	1.2%	1.8%	4.3%			7.0%			4.0%		
Others	Sales	44.2	15.1	59.0	51.0	+6.8	+15.4%	18.3	+3.2	+21.4%	67.5		
	Segment income	1.3	0.3	2.2	1.9	+0.6	+49.9%	0.5	+0.2	+73.3%	2.5		
	(%)	2.9%	2.1%	3.7%	3.8%			3.0%			3.7%		
	Eliminations (sales)	-19.9	-6.8	-26.7	-25.0	-5.1	—	-8.8	-2.0	—	-34.0		
	Other operating income and expenses (Adjustments)	-1.8	-0.8	-0.2	-1.6	+0.2	—	-1.0	-0.3	—	-1.5		

Supplementary Information: Sales by Customer Location

Due to the classification of the steering business as a discontinued operation in FY23 Q1, the figures back to FY2022 have been retroactively updated to show as continuing operations excluding the steering business. Income from the equity in the joint venture with JIS, which was established on August 1, 2023, is included in the segment income of the automotive business from FY23 Q2.

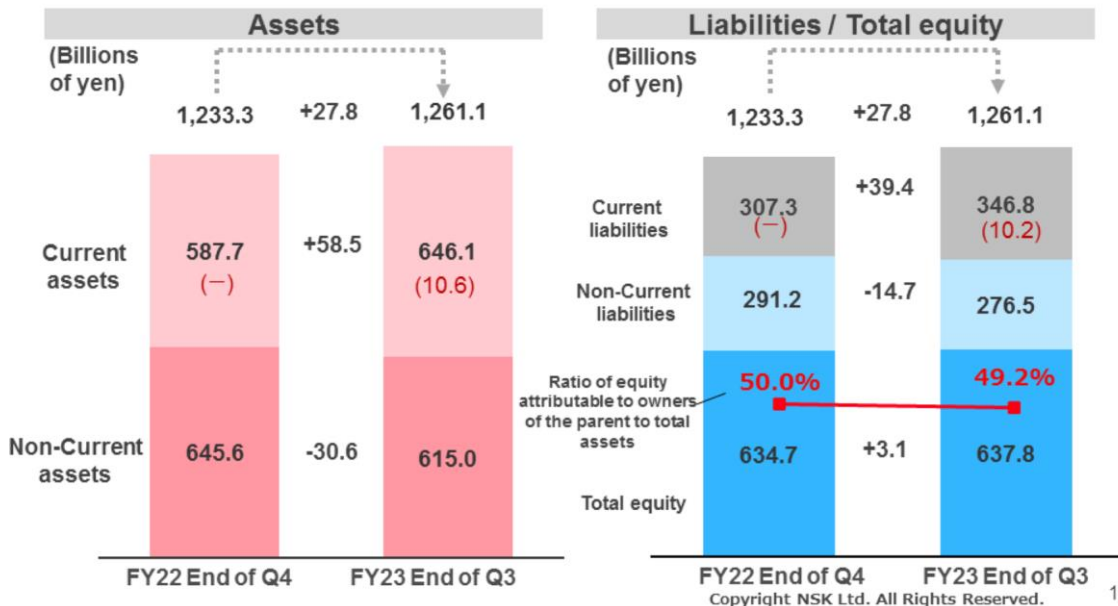
(Billions of yen)	FY2022		FY2023		vs FY2022 Q3 YTD		vs FY2022 Q3 QTD	
	Apr.-Dec. Actual	Q3 Actual	Apr.-Dec. Actual	Q3 Actual	Increase/ Decrease	Difference	Increase/ Decrease	Difference
Sales	580.9	194.6	588.1	201.4	+7.2	+1.2%	+6.7	+3.5%
Japan	198.9	65.0	206.9	70.5	+8.0	+4.0%	+5.5	+8.5%
Non-Japan	382.0	129.6	381.2	130.8	-0.8	-0.2%	+1.2	+0.9%
(Non-Japan Ratio)	65.8%	66.6%	64.8%	65.0%				
The Americas	96.0	33.5	103.5	35.1	+7.5	+7.8%	+1.7	+4.9%
Europe	74.5	25.2	78.1	25.9	+3.7	+4.9%	+0.7	+2.8%
China	128.1	42.9	116.5	41.5	-11.6	-9.1%	-1.4	-3.3%
Other Asia	83.3	28.1	83.1	28.3	-0.3	-0.3%	+0.3	+0.9%
Ex. Rate								
1USD	136.5	141.6	143.3	147.9	+6.8	+5.0%	+6.2	+4.4%
1EUR	140.6	144.4	155.3	159.1	+14.7	+10.4%	+14.7	+10.2%
1CNY	19.9	19.9	20.0	20.4	+0.1	+0.5%	+0.6	+2.8%

Supplementary Information: Consolidated Balance Sheet



Due to the classification of the steering business as a discontinued operation in FY23 Q1, the assets and liabilities of the discontinued operation are shown in parentheses as "Assets and liabilities related to disposal group classified as held for sale". The Company established a joint venture with JIS on August 1, 2023, and plans to transfer certain companies separately at a later date with respect to the above assets and liabilities.

Ex. Rate	FY22 End of Q4	FY23 End of Q3
1USD	133.5	141.8
1EUR	145.7	157.1
1CNY	19.4	19.9

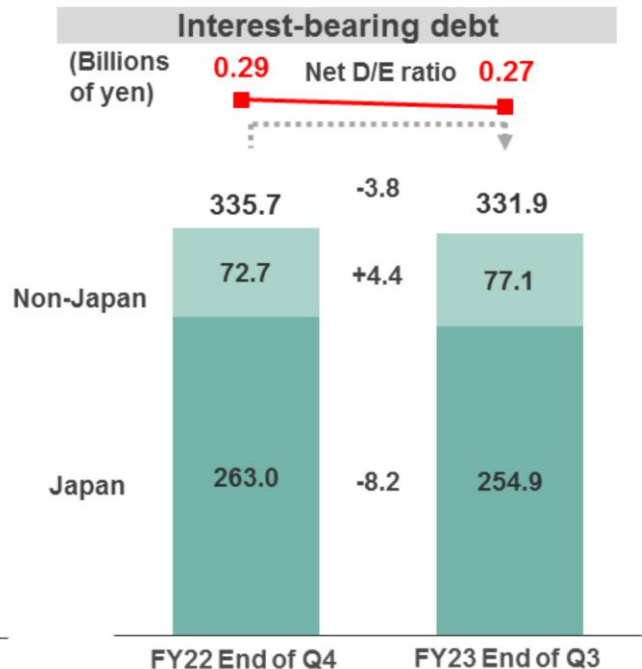
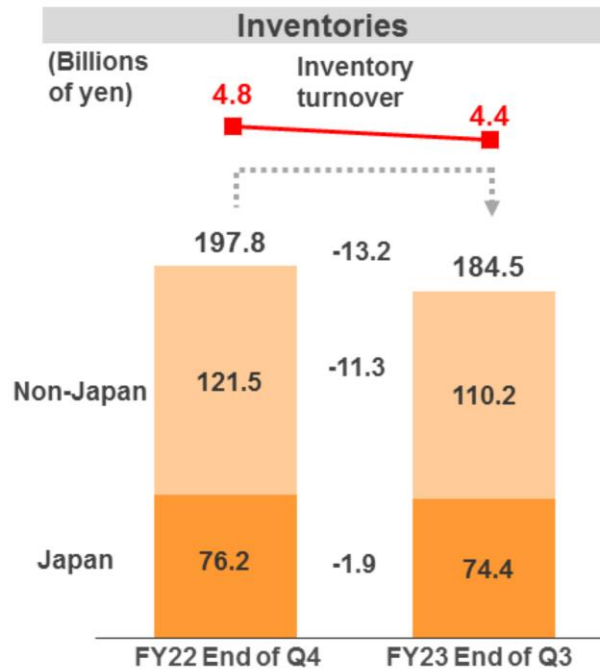


Supplementary Information: Inventories / Interest-Bearing Debt



Due to the classification of the steering business as a discontinued operation in FY23 Q1, the figures for FY23 excludes the steering business.

Ex. Rate	FY22 End of Q4	FY23 End of Q3
1USD	133.5	141.8
1EUR	145.7	157.1
1CNY	19.4	19.9



Supplementary Information:

Capital Expenditures, Depreciation and Amortisation, R&D Expenses



Due to the classification of the steering business as a discontinued operation in FY23 Q1, the figures back to FY2022 have been retroactively updated to show as continuing operations excluding the steering business.

(Billions of yen)	FY2022	FY2023			
	Full year Actual	Q1 Actual	Q2 Actual	Q3 Actual	Full year Forecast
Capital Expenditures	54.1	9.9	15.2	12.0	60.0
Capital Expenditures (excluding lease)	48.4	9.5	13.8	11.1	55.0
Depreciation and Amortisation	50.1	12.8	13.3	13.3	52.0
Depreciation and Amortisation (excluding lease)	45.3	11.5	12.0	11.8	47.0
R&D Expenses (on a statutory basis)	15.4	3.6	3.9	4.0	17.0
(Ref.) R&D Expenses (on a managerial basis)	25.9	6.4	6.6	6.7	27.0

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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