



# NSK Ltd.

## Supplementary Information FY2022

---

### **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 as the primary version.

# Company Profile

■ <b>Company Name</b>	<b>NSK Ltd.</b>
■ <b>Established</b>	<b>November 8, 1916</b>
■ <b>Capital</b>	<b>¥67.2 billion</b> (As of March 31, 2023)
■ <b>Sales</b>	<b>¥938.1 billion</b> (Year ended March 31, 2023)
■ <b>Operating Income</b>	<b>¥32.9 billion</b> (Year ended March 31, 2023)
■ <b>Subsidiaries</b>	<b>92 companies</b> (As of March 31, 2023)
■ <b>Number of Employees</b>	<b>29,882</b> (As of March 31, 2023)



**Headquarters  
(Tokyo, Japan)**



**Akitoshi Ichii, President and CEO**

## <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.

**The first Japanese bearing manufacturer / Share of bearings: No.1 in Japan, No.3 worldwide**

# FY2022 Sales Breakdown by Business Segment

**Automotive Business**  
56% (46%)※

※ ( ) excluding Steering business

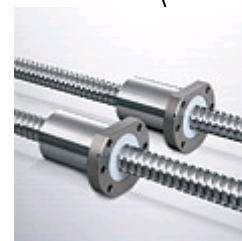
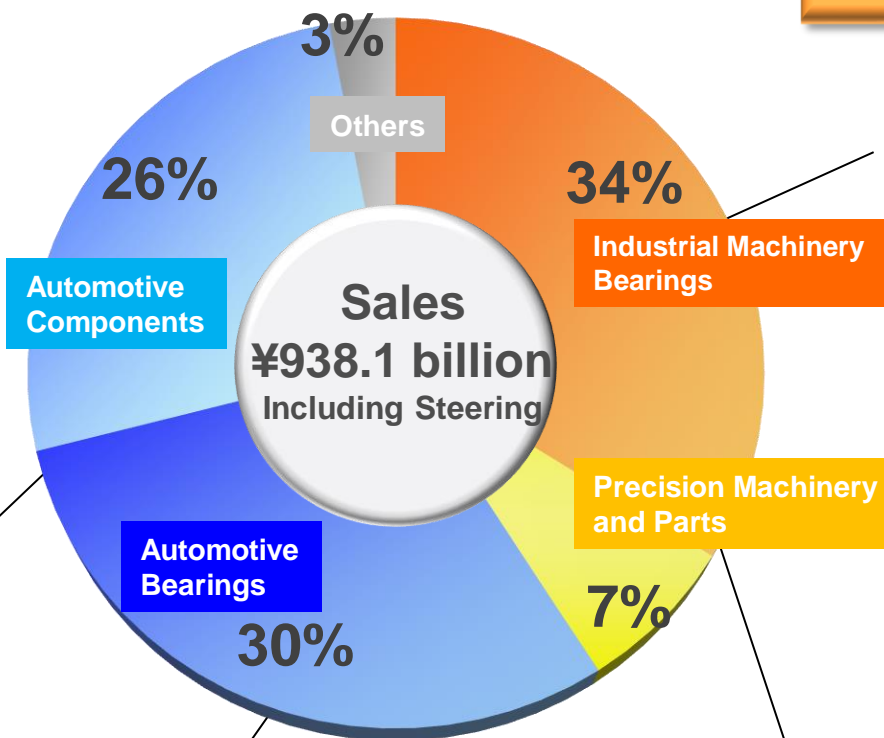
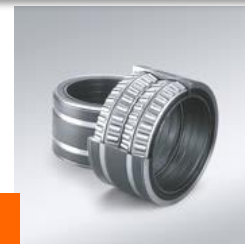


**Others**

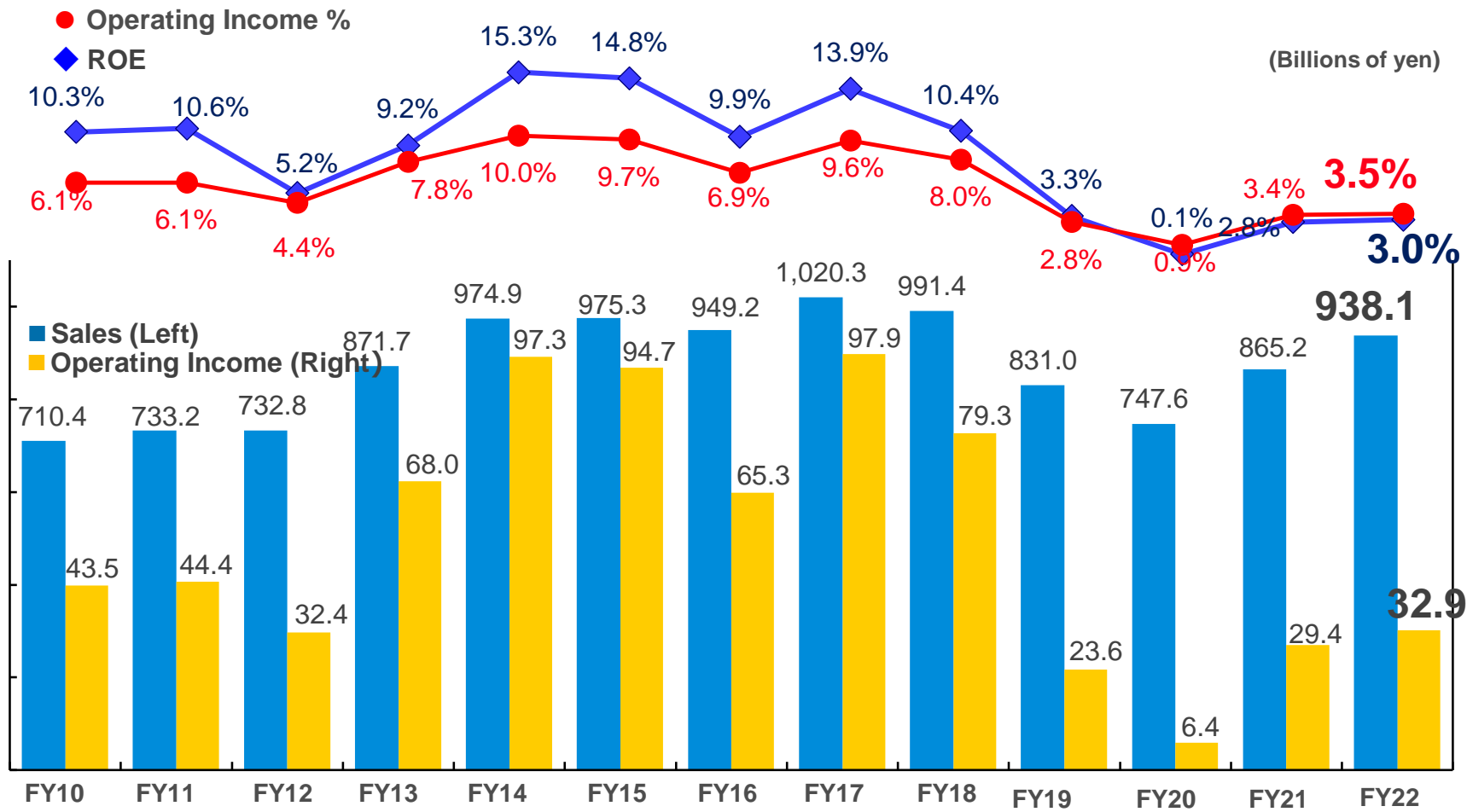
**Steel Ball**



**Industrial Machinery Business**  
41% (50)※

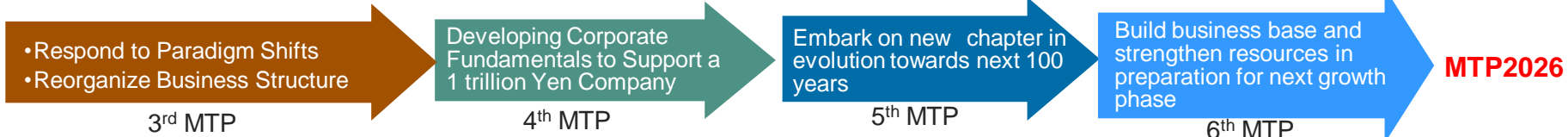


# Business Trends – Consolidated Business Trend –



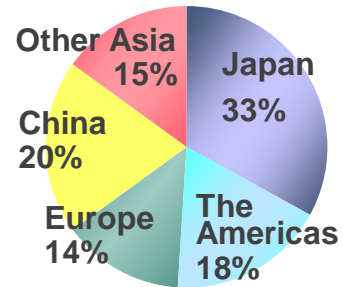
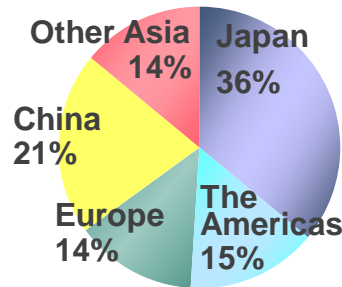
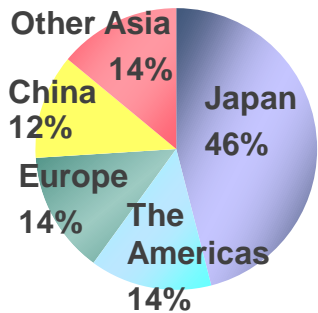
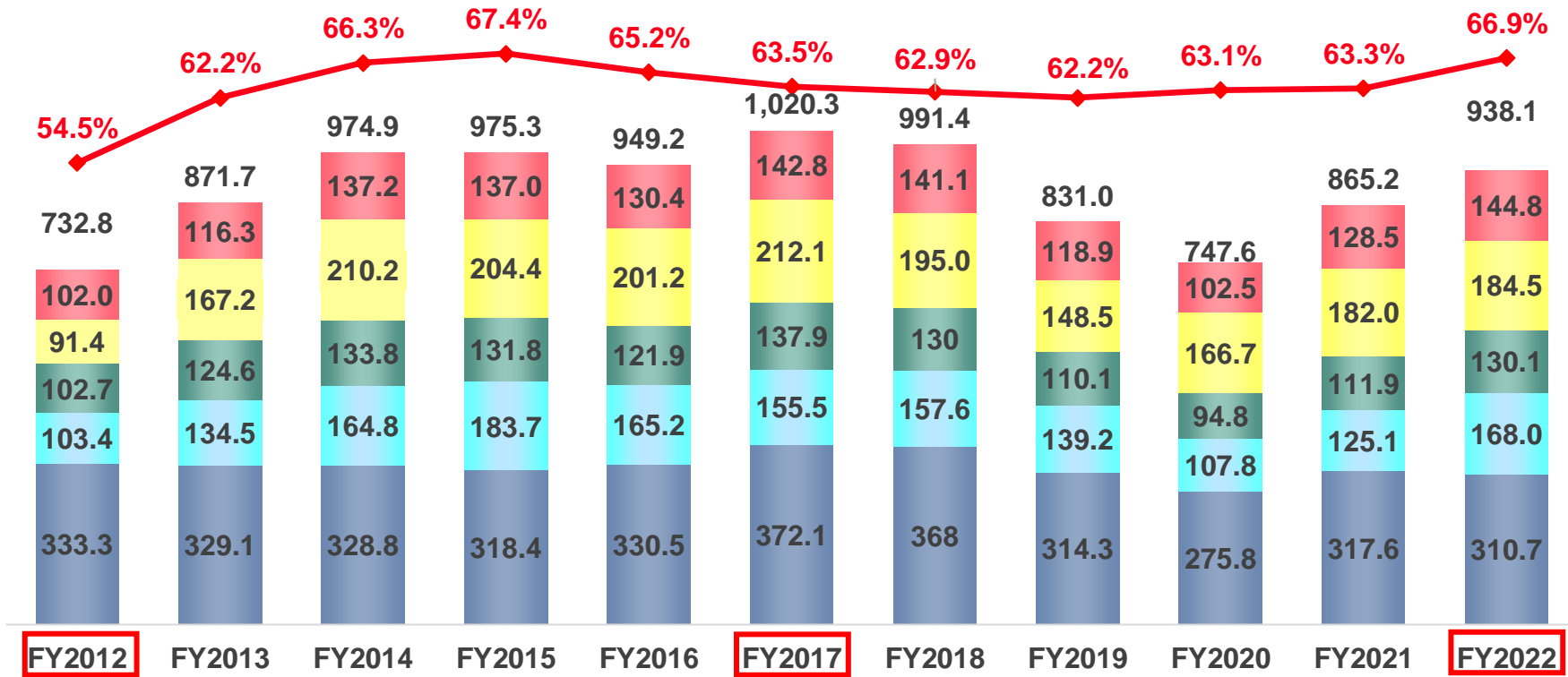
← JP GAAP IERS →

\$	86	79	83	100	110	120	108	111	111	109	106	112	135
EURO	113	109	107	134	139	133	119	130	128	121	124	131	141

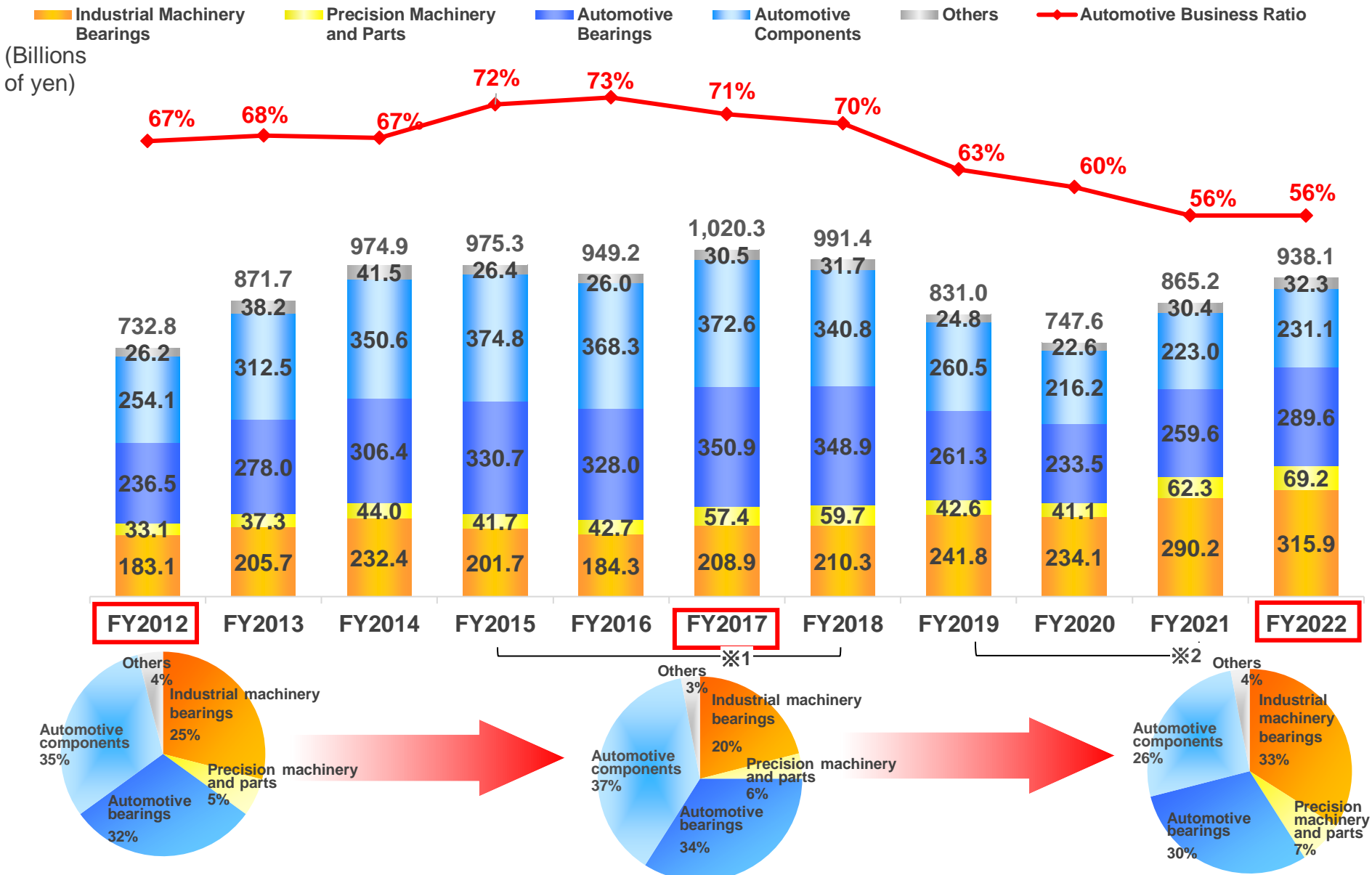


# Business Trends – Sales by Customer Location –

(Billions of yen) Japan The Americas Europe China Other Asia Non-Japan ratio



# Business Trends – Sales by Business Segment –



※1 Part of industrial machinery business operations were transferred to the automotive business in FY2016. Accordingly, figures from FY2015 to FY2018 were based on the changed segments.

※2 Part of automotive business operations were transferred to the industrial machinery business in FY2020. Accordingly, figures for FY2019 have been reclassified to match current segments.

**Mid-Term Management Plan 2026  
(MTP2026)  
FY2022 to FY2026**

# MTP2026: Overall Image and Positioning

## 6th MTP

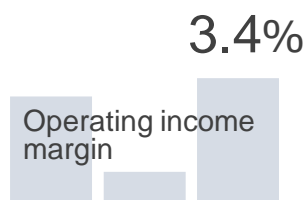
FY19-20-21

Build business base and strengthen resources in preparation for next growth phase

- Pursue new initiatives targeting growth
- Enhance managerial resources
- Contribute to environment and society

Changing business conditions

- Stagnating automotive market
- Carbon neutrality
- Supply chain risk actualizing
- Divided international community
- Costs increasing due to inflation



## MTP2026

Rebuild corporate foundation for sustainable growth

FY22 — 24 — 26

**"Change & Go Beyond" to become new type of trillion-yen company**

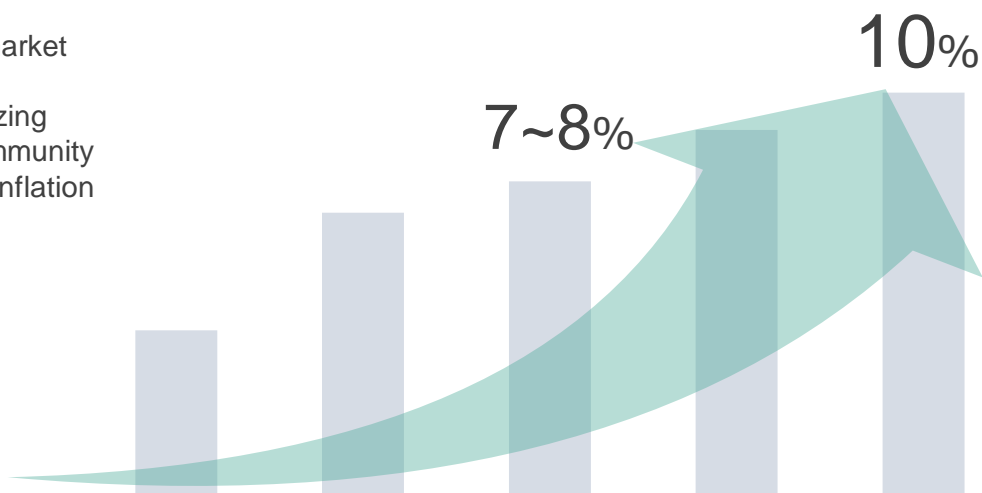
Accelerate efforts to address management issues

ESG Management



Growth with Profitability

Enhancement of Managerial Resources



## Post2026

Continue exceling for next 100 or even 1,000 years

No.1 in quality and trust  
Resolve social issues  
Foster technological innovation

- Advances in electrification, automation, and IT
- Respond to electrification of automobiles
- Growing demand for semiconductors, and robots
- Global push to reduce environmental impact





# New Type of Trillion-yen Company

Portfolio reform; 10% operating margin; 10% ROE

## » Portfolio reform Bearings & Beyond

① Expand Industrial Machinery business

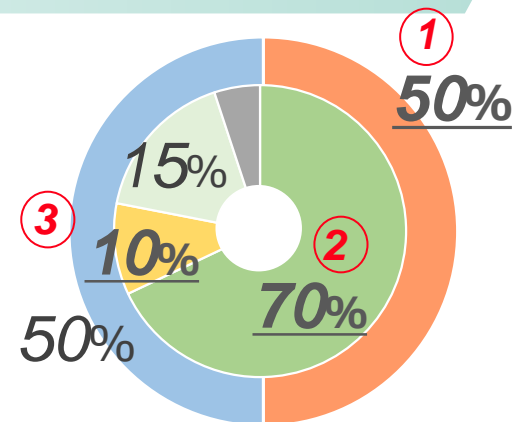
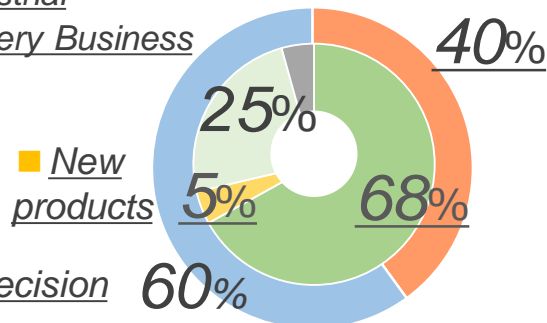
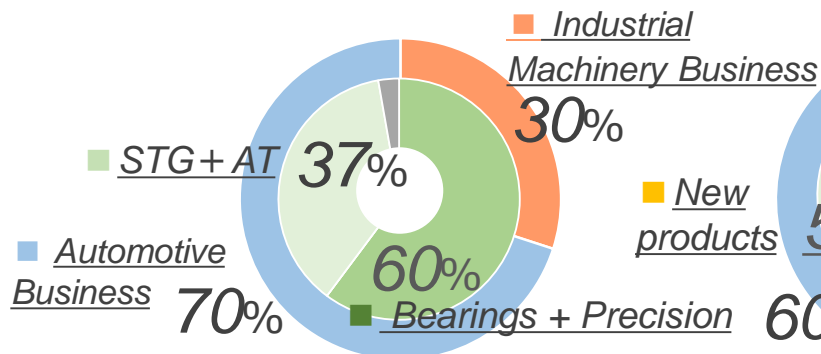
② Deploy bearings + precision machinery to drive earnings

③ Grow new products

**FY17**  
Sales: ¥1 trillion

**MTP2026**  
Sales: ¥1 trillion

**Post2026**



## » KPIs

**FY21**

**FY26**

**FY21→26**

		FY21	FY26	FY21→26
Growth	Sales/ Growth ratio	¥865.2 billion	¥1 trillion or more	CAGR +5%/year
	Operating income margin	¥29.4 billion (3.4%)	¥100.0 billion (10%)	+¥70.0 billion +6.6 points
Efficiency	ROE	2.8%	10%	+7.2 points
	ROIC	1.9%	8%	+6.1 points
Financial Stability	Net D/E ratio	0.3 times	0.4 times or less	Maintain an A-level credit rating

FY26 forex rates  
→ Using average  
FY21 rates:  
USD ¥112  
EUR ¥131  
CNY ¥17.5

We aim to be a needed and trusted company that contributes to the development of a sustainable society by creating new value through the fusion of tribology and information technology

## ESG Management

Be needed, trusted, and relied upon by society

- ✓ Promote carbon neutrality
  - » FY26 -50% compared to FY17 (Scope 1, 2)
- ✓ Create better working environments
  - » Continue to be certified as outstanding health and productivity management organization on the “White 500” list of the top-performing 500 companies

Create  
new value

**Change & Go  
Beyond**

Operational  
excellence

## Enhancement of Managerial Resources

Enhance our managerial resources with the power of IT and continuously transform our business

- ✓ Engage information technology in all areas
  - ✓ Super-stabilize production
  - ✓ Develop and support diverse career paths
- » 1.5x productivity

## Growth with Profitability

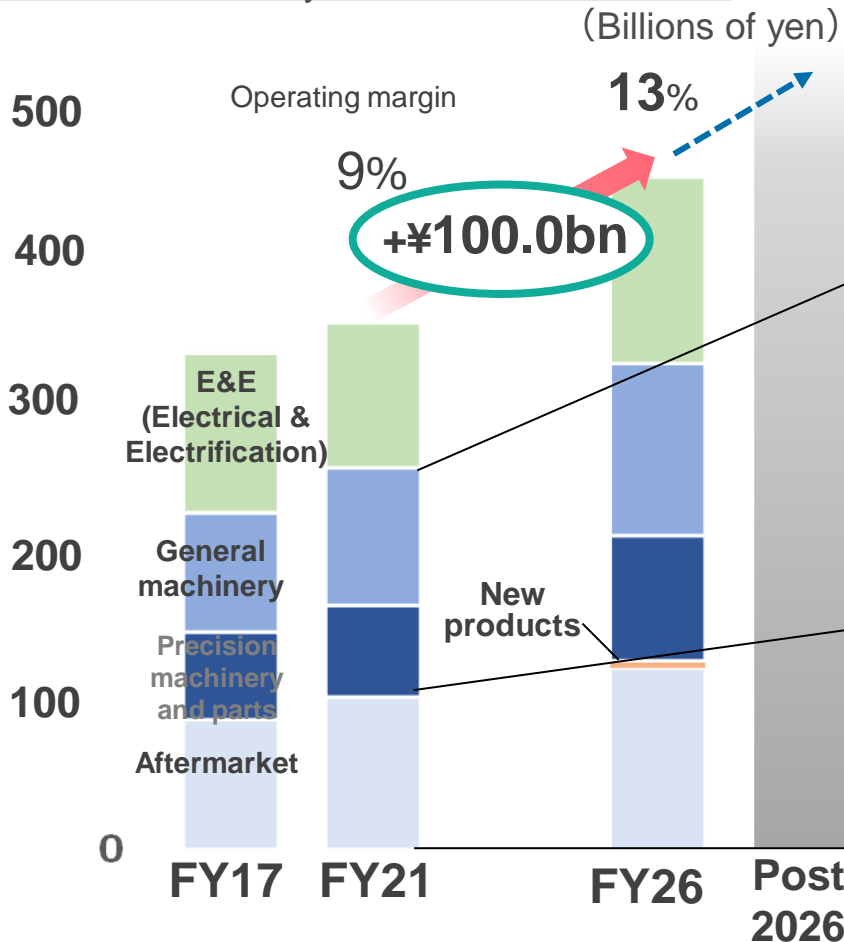
Establish business foundation for sustainable growth even in changing business conditions

- ✓ Bearings & Beyond
  - » Expand industrial machinery business
  - » Deploy bearings + precision machinery to drive earnings
  - » Grow new products
- ✓ Restructure steering business
- ✓ Pursue alliances and M&A

## > Expand Industrial Machinery Business

- Aim to capture expanding market demand in electrification, automation, digitalization
- Strengthen supply capabilities and enhance technical services system
- » FY26 targets: Sales of **¥450.0 billion**; operating margin of **13%**

Industrial Machinery Business: Growth vision



Business growth initiatives by sector

1. Increase demand for small motors for electrification, 5G, etc.

**+¥30.0 billion**

- » High-accuracy, low noise
- » Increase capacity, establish new production sites

2. Demand increases in automation and semiconductor, advanced machining technology

**+¥30.0 billion**

- » High-speed, high-accuracy, reliability
- » Reinforce supply capacity and develop new products

3. Wind turbines • railways • energy transition

**+¥10.0 billion**

- » Durability, reliability, high-speed
- » Increase supply capacity in Shenyang and Toyama

4. Transform business model to increase sales

**+¥25.0 billion**

- » Deploy CMS and reconditioning to establish PLM model

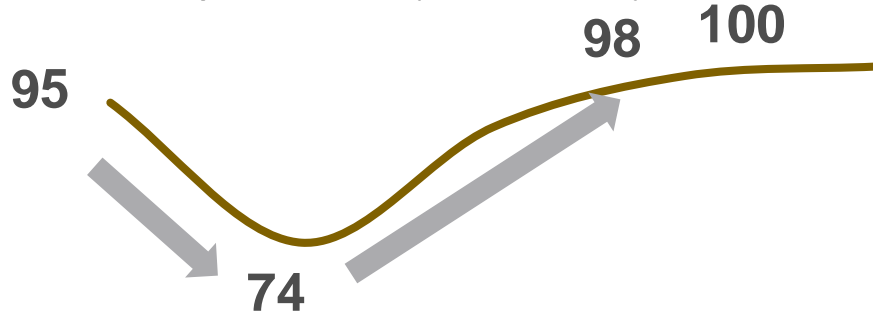
※ PLM: Product lifecycle management

# Growth with Profitability – Automotive Bearings Business

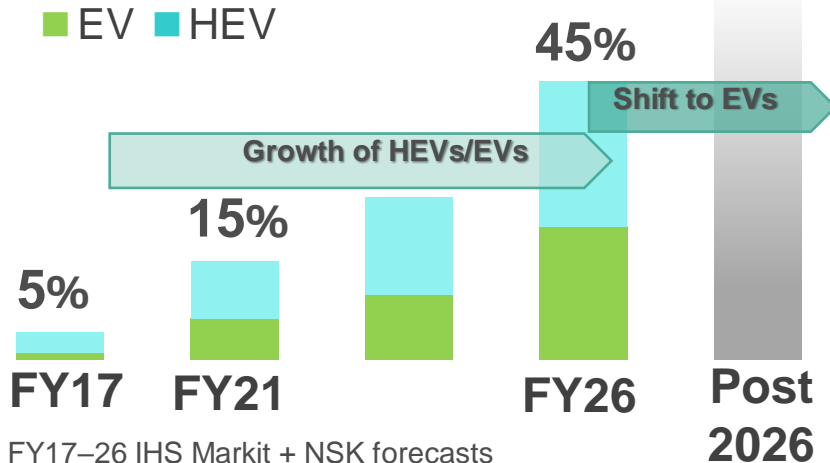
## > Respond to electrification of automobiles

- Achieve increase in EV-related sales in excess of decline in ICE-related sales and thus surpass prior peak
- Aim to achieve high market share in products related to low torque, high-speed rotation, and lightweight, and expand introduction of new products for future business.
- » FY26 targets: Sales of **¥340.0 billion**; operating margin of **8%**

Automobile production (million units)



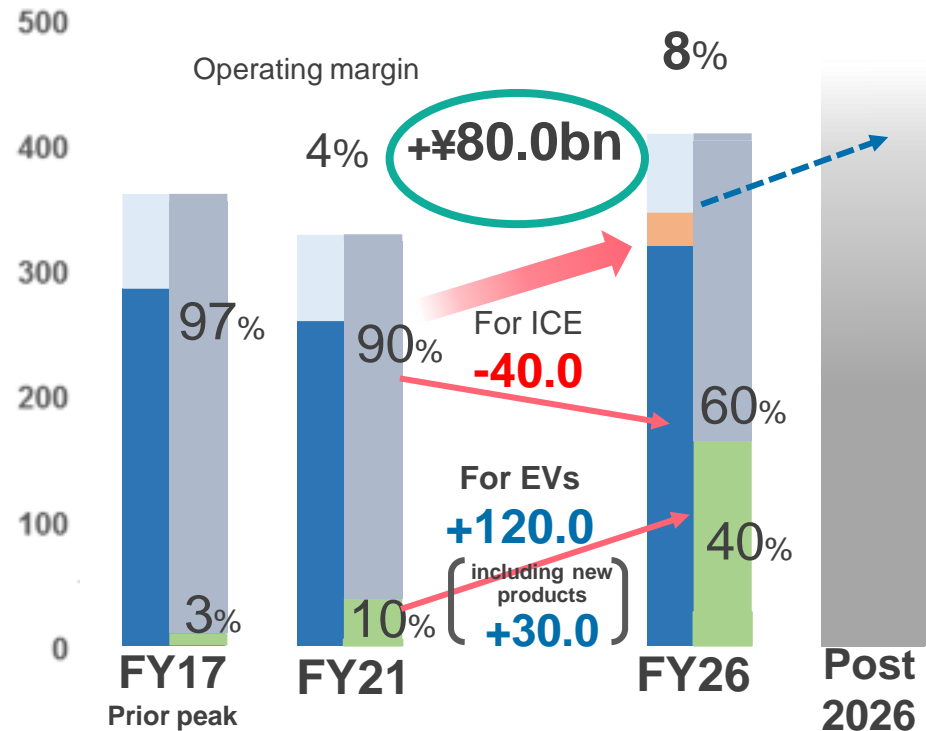
Electric vehicle ratio



FY17–26 IHS Markit + NSK forecasts

Automotive bearings: Sales growth vision (Billions of yen)

Left graph: ■ Automotive bearings ■ New products ■ AT (reference)  
Right graph: ■ For ICE ■ For EVs (incl. new products)



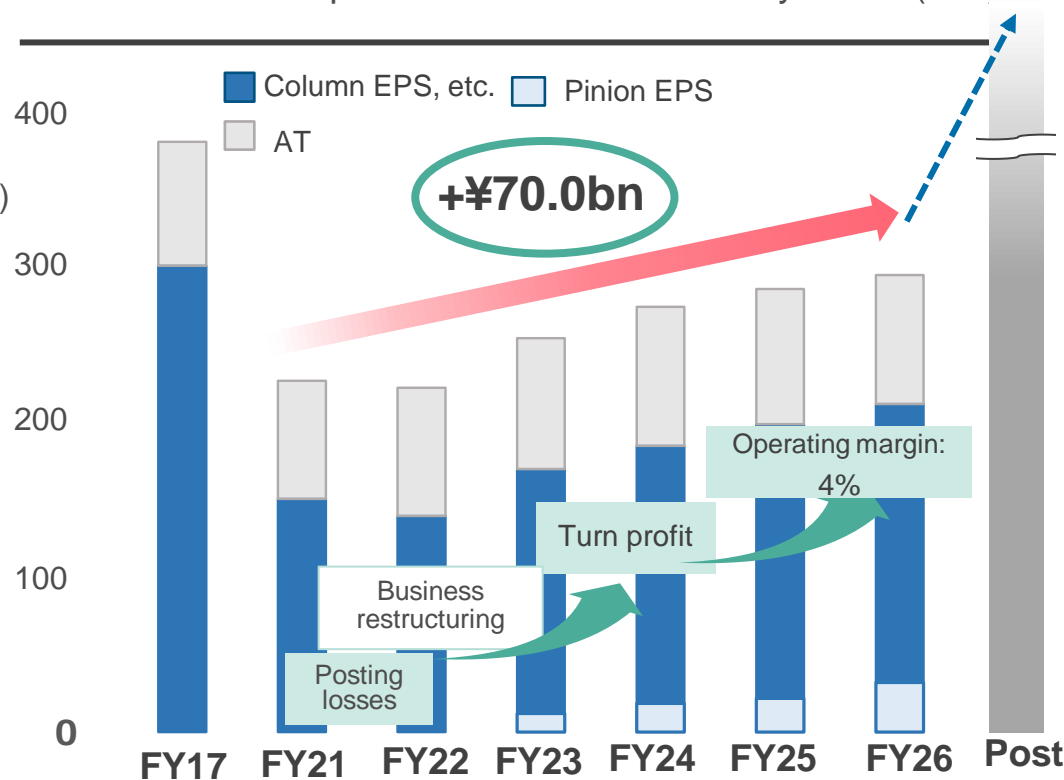
## > Restructure steering business and pursue alliances/M&As

- Restore production volume and profitability through structural reform of steering business; **return to profitability in FY23 (2nd half); achieve operating margin of 4% in FY26**
- Utilize alliances and M&A to grow business with profitability
- » FY26 targets: Sales of **¥290.0 billion**; operating margin of **4%**

### Measures to recover the steering business

- ✓ Increase number of orders
  - » Pinion-type EPS
    - Roll out of EPS for MEB (EPS for VW's EV)
  - » Column-type EPS
    - Leverage compact, lightweight and quietness to achieve differentiation
- ✓ Reform business
  1. Reorganize production sites
  2. Reassign personnel
- ✓ Pursue alliances/M&As
  - » Secure production scales
  - » Strengthen competitiveness by deploying full lineup of products

### Automotive components business: Recovery vision (¥bn)



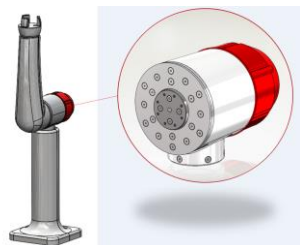
# Growth with Profitability – Grow New Products

## ■ Industrial Machinery Business

Spread of automation, electrification, and predictive maintenance technologies

Acceleration of energy transition

### Actuators for robots



Service/mobility/transport robots, etc.



### Active casters

"Broaden CMS"  
Synergies with BKV



Expand hydrogen-related businesses

**Sales target:  
¥50.0 billion**

Increase sales of industrial actuators

Expand sales of ball screws for electric-hydraulic brake systems:  
10 million units/ year

FY26

Post 2026

Power Flow Switching Device  
Non-contact torque sensor

## ■ Automotive Business

Spread of HEVs/EVs

Shift to EVs

Improved EV driving performance

# ESG Management – Promoting Carbon Neutrality

- Build a carbon-neutral society through “Create and Utilize” approach
- New target:

**Achieve Scope 1+2 -50% compared to FY2017 by FY2026**

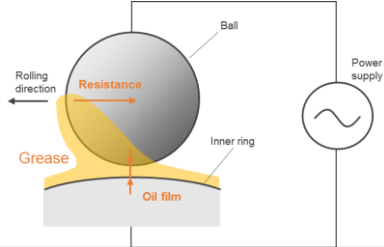
**Achieve Scope 1+2 carbon neutrality by FY2035**



## Environmental contribution by using “tribology”

Advanced tribology tech = higher energy savings  
E.g. Developed “Electrical Impedance Method\* to visualize the inside of bearings

\*Received Outstanding Paper Award from Japanese Society of Tribologists  
⇒ Contributing to lower torque by making the oil film as thin as possible



The oil film thickness is calculated by measuring the ease with which an electrical current flows.

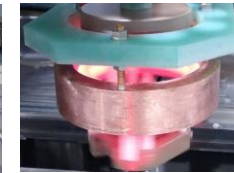
## Reduce CO<sub>2</sub> emissions from business activities

Reduce CO<sub>2</sub> emissions from business activities in three ways: energy saving, technological innovation, and renewable energy adoption

Coating plant roofs with thermal insulation paint



Improving efficiency of heat treatment



Adopting renewable energy



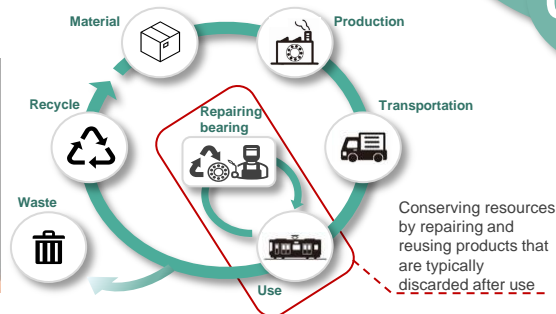
**Create**

R&D

Production

## Environmental contribution by utilizing CMS/Reconditioning

Improve reliability and conserve resources by diagnosing product life expectancy, using condition monitoring systems (CMSs), and conducting repairs



Customer Support

**Utilize**

Product

## Benefit the environment through our products

Help reduce society-wide CO<sub>2</sub> emissions by offering environmentally friendly products



Low-friction hub unit bearings



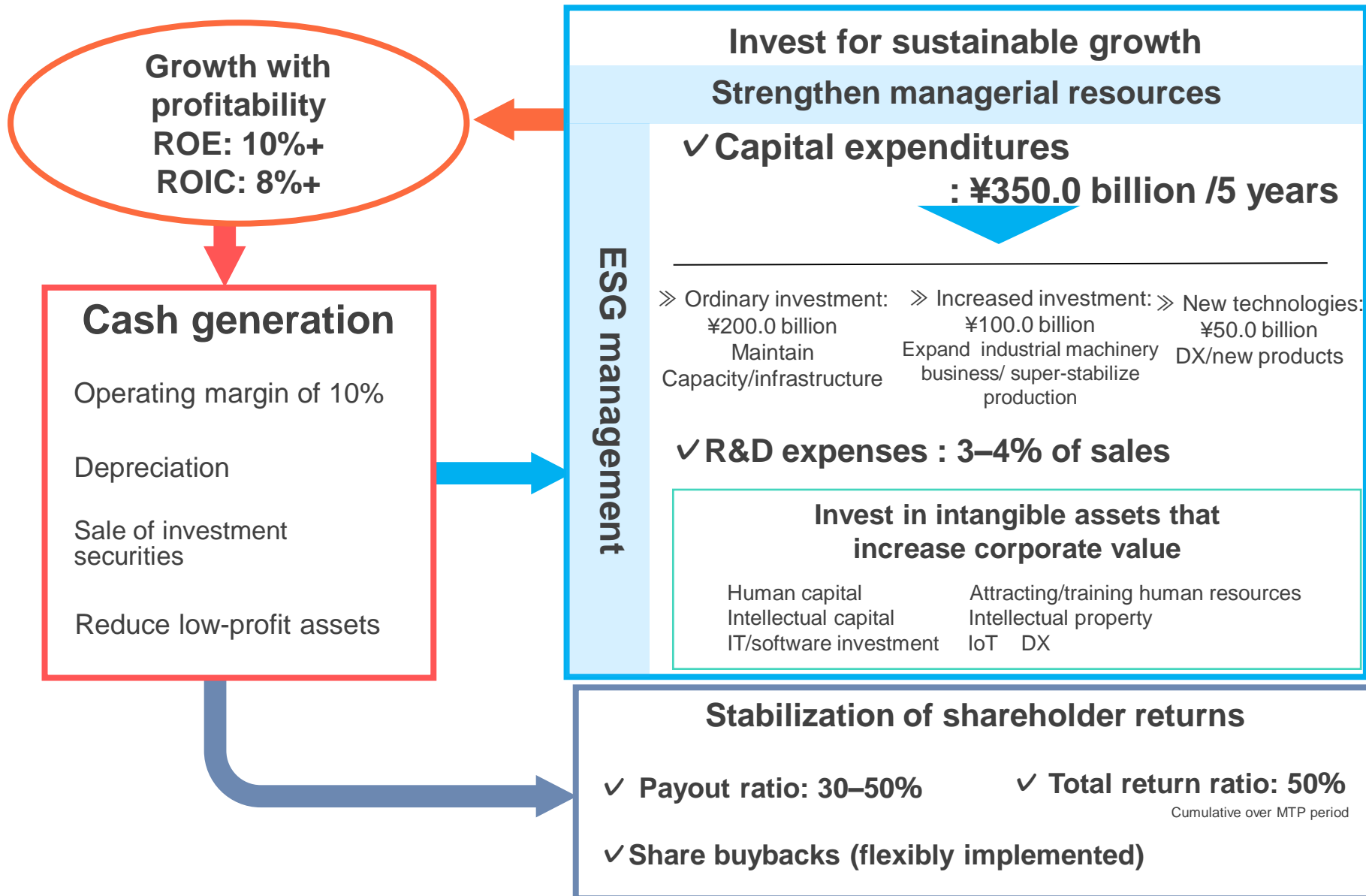
Ultra high-speed ball bearings for EV motors



Bearings for wind turbine gearboxes



■ Contributing to creating a sustainable society while continuously growing corporate value





# **Progress of MTP2026 as of FY2022**

# Change of Business Environment in MTP2026

## ✓ Changing Business Environment

Slow recovery in volume of automotive production due to semiconductor shortages, slower economic growth in China, US-China friction (nationalism), expansion of inflation, increasing risk of slowdown in economic growth due to monetary tightening in various countries, etc.

- Industrial Machinery Business: Increased sales and improved profitability, but entered an adjustment phase from 2nd half of FY2022.
- Automotive Business: Progress in Steering Business restructuring, but steering continues to be in the red and slow recovery in demand in automotive bearings.

		MTP2026 Target	FY22 Actual
Growth	Sales/Growth ratio (CAGR)		
	Excluding effect of exchange rate fluctuations	+5%	+0%
Profitability	Operating income margin	10%	3.5%
	Industrial Machinery Business	13%	9.2%
	Automotive Business	6%	-0.8%
Efficiency	ROE	10%	3.0%
	ROIC	8%	2.1%
Financial Stability	Net D/E ratio	0.4 or less	0.29
Shareholder Returns	Total return ratio	approx. 50%	83.6%

» Continue operating policy sticking to achieving 10% ROE and enhancing corporate value

## ✓ Growth with Profitability:

### Rebuild Business Foundation to Focus on Bearings and Precision Products to Achieve Operating Income Above 10%

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

## ✓ Continue Stabilization of Shareholder Returns

- Payout ratio: 30-50%
- Total return ratio: approx. 50%
- Share buybacks: flexibly implemented

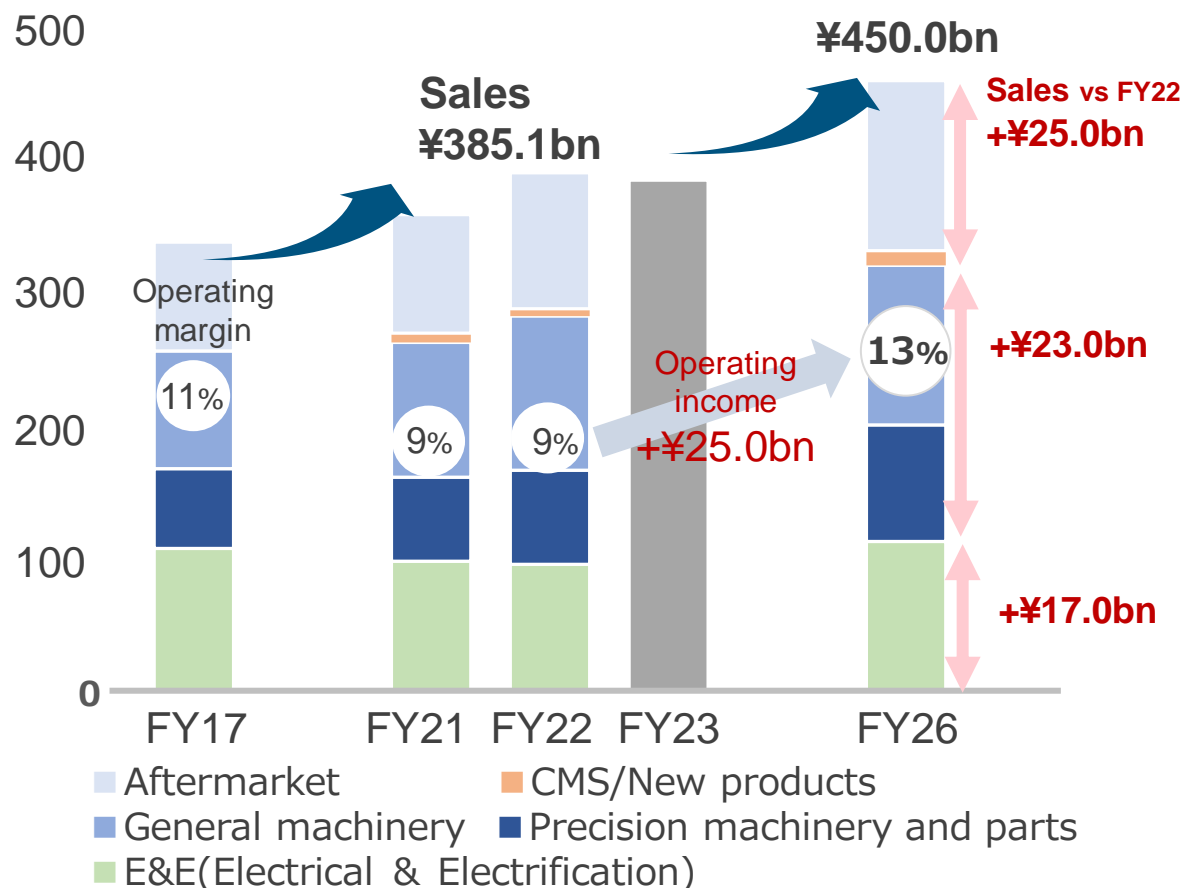
# Growth with Profitability

## – Industrial Machinery Business –

- ✓ Aim to be 50% of sales by continuing strategies focusing on electrification, automation, digitalization and global push to reduce environmental impact
- ✓ Strengthen supply capacity and enhance technical service systems

» FY26 targets: Sales of ¥450.0bn / Operating income ratio of 13%

To achieve MTP2026 targets



### ✓ Expand in High-Margin Segments (Aftermarket, Precision)

- » Aftermarket sales: Aim ¥130.0bn in FY26
- Expand CMS: Synergy with B&K Vibro
- » Machine tools, Robots and Semiconductor manufacturing equipment
- Secure high-margin products orders for multi-axis, high precision and environment technology
- Increase supply capability by strengthening capacity

### ✓ Improve profitability by improving asset efficiency through business restructuring in E&E

- Reorganize production sites globally including pre-processing, starting from Europe
- Maximize utilization of existing capacity
- Improve productivity and withdraw from unprofitable products

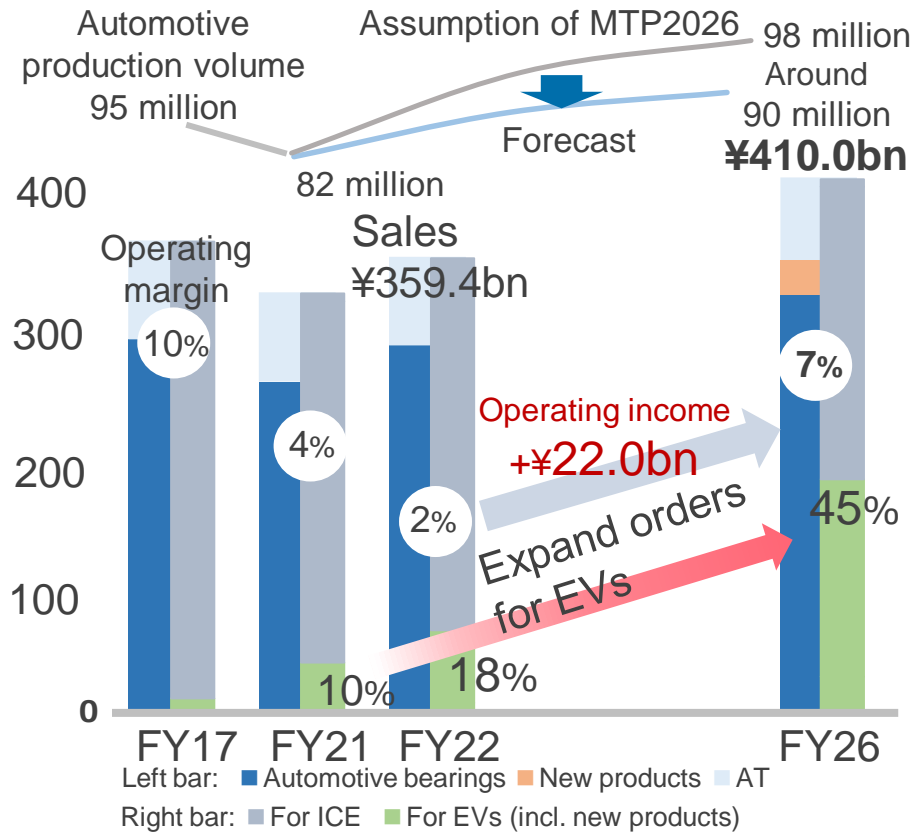
### ✓ Firm stance on transferring increased costs / inflation to sales prices

# Growth with Profitability

## – Automotive Business (excl. Steering Business) –

- ✓ Accelerate production restructuring due to downward revision of automotive production volume assumption in MTP2026
- ✓ Developing new customers' in EVs and receiving orders for electrification are proceeding as planned

» FY26 targets: Sales of ¥410.0bn / Operating income ratio of 7% To achieve MTP2026 targets



### ✓ Expand Sales

- » Fulfilled 80% of plan for ¥90.0bn new orders for EVs by differentiating technologies
  - Expand supply capability for bearings for eAxles
  - Brought to market bearings for preventing electrical erosion
  - Strengthening R&D in China
- » Secure Orders for New Products
  - Fulfilled 70% of ¥30.0bn sales target of new products
  - Ball screws for electric-hydraulic brake systems: Secured order of 10 million units, etc.

### ✓ Improve Profitability

- » Focus on high-margin new orders
  - Reflect added value to sales prices of EV products
- » Improve profitability of existing orders
  - Concentrated production of ICE products and use available equipment and space for Industrial Machinery Business and new products
  - Withdraw from unprofitable products and transfer increased costs and inflation to sales prices

# Growth with Profitability

## - Steering Business -

- ✓ Terminated joint venture discussion with thyssenkrupp AG and signed joint venture agreement with Japan Industrial Solutions III Investment Limited Partnership (JIS)
- ✓ Plan to change status of NSK Steering & Control, Inc., a subsidiary of the Company, to equity-method affiliate on July 3, 2023 (Shareholding ratio: NSK 49.9%、JIS 50.1%)

### Purpose

Promote structural reform by delegating management leadership to JIS, which has experience and expertise in management improvement in several Japanese manufacturing industry companies including automotive parts companies.

- Further structural reforms to improve profitability
- Promote independent operation (review governance structure and processes)
- Explore opportunities for alliances with strategic partners
- Strengthen monitoring system

## Policy

## Progress

### Continue stable shareholder returns

- Payout ratio: 30-50%
  - Total return ratio: approx. 50%
  - Buybacks: flexibly implemented
- » FY22 actual cash dividends per share ¥30
  - » FY22 actual dividend payout ratio 83.6%
  - » FY23 planned cash dividends per share ¥30
  - » Resolved to implement share buyback

- Maximum amount of shares bought back: ¥**22.0** billion
- Maximum number of shares bought back: **25** million shares
- Acquisition period: 2023/5/15-2023/6/30

In case NSK Ltd. holds Treasury Stock with no expected use for an extended period, such Treasury Stock will be cancelled at the appropriate timing.

### ✓ Reduce crossholding of shares (including in holdings in NSK's retirement benefit trust)

- » Reduced holdings
- » Proportion of cross-shareholding in total consolidated capital as of the end of March 2023:
  - Excluding retirement benefit trust: Down to **6.6%**
  - Including retirement benefit trust: Down to **15.1%**