Looking Back on Past Mid-Term Management Plans

Here we take a retrospective look at the past 10 years of mid-term management plans, from the 3rd to the 5th.
(Note: Mid-Term Management Plan is abbreviated as MTP)

### The 3rd MTP
**Year to March 31, 2010-Year to March 31, 2013**

- **Vision, Positioning**
  - Responding to paradigm shifts
  - Reorganizing business foundation toward net sales of ¥1 trillion

- **Specific Measures**
  - A. Enhancement of business-based management
  - Autonomous management by integrated business management and the clarification of divisional responsibilities
  - B. Growth strategies
  - 1. Increase presence in emerging markets
  - 2. Expand environmental, infrastructure and resource businesses
  - 3. Respond to technological innovation
  - C. Profitability improvement
  - 1. Proactive sales strategy (strengthen proposal-based sales capabilities)
  - 2. Reorganize global production sites
  - 3. Accelerate new product development

- **Outline of the MTP**

- **Looking Back**
  - Amid the severe business conditions that followed the collapse of Lehman Brothers, the Company responded to the paradigm shift stipulated by the keywords "emerging markets" and "technological innovation," worked on reorganizing its business structure toward sales of ¥1 trillion and achieved significant progress in terms of sales and profits. However, 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 of the 3rd MTP (the year ended March 2013) 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.

- **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

- **Achievements**
  - Strengthened its business foundation in China (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

- **Issues and Shortcomings**
  - 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
  - Decrease in the compliance system to restore trust and prevent any reoccurrence following the cartel incident

### The 4th MTP
**Year to March 31, 2014-Year to March 31, 2016**

- **Business Strategies**
  - Growth with focus on profitability
  - Increase presence in emerging markets
  - Expand environmental, infrastructure and resource businesses
  - Respond to technological innovation
  - Profitability improvement

- **Specific Measures**
  - A. Enhancement of business-based management
  - Autonomous management by integrated business management and the clarification of divisional responsibilities
  - B. Growth strategies
  - 1. Increase presence in emerging markets
  - 2. Expand environmental, infrastructure and resource businesses
  - 3. Respond to technological innovation
  - C. Profitability improvement
  - 1. Proactive sales strategy (strengthen proposal-based sales capabilities)
  - 2. Reorganize global production sites
  - 3. Accelerate new product development

- **Outline of the MTP**

- **Looking Back**
  - 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 4th MTP. The Company also improved on the targets in the MTP’s final fiscal year. Significant growth was recorded in the Chinese business and in the EPS business in particular.
  - With regard to profitability, the Company achieved an operating income margin of 10.0% in the fiscal year ended March 2015 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.

- **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

- **Achievements**
  - Achieved all the MTP numerical targets
  - Improved profitability on a consolidated basis
  - Expanded business in China, increased EPS sales
  - Made progress with the global management structure
  - Strengthened and enhanced compliance

- **Issues and Shortcomings**
  - 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
  - Decrease in the compliance system to restore trust and prevent any reoccurrence following the cartel incident

### The 5th MTP
**Year to March 31, 2017-Year to March 31, 2019**

- **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
  - Implement measures to achieve mid-term targets
  - Continue to implement basic strategies (focus on profitability, growth in emerging countries, global management)

- **Outline of the MTP**

- **Looking Back**
  - Under an environment of robust demand during the fiscal year ended March 2018, the second year of the MTP, the Company poured its energies into maximizing output and achieved sales of ¥1 trillion, as targeted in the 5th MTP, ahead of schedule. Both operating income and net income achieved new record highs. However, due to a downturn in the US-China trade dispute, the business environment for both the industrial machinery and automotive businesses 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 electric vehicles, the Company developed new technologies and products intended to connect to the future, and also released ball screws for brakes, industrial actuators, and other products to the market. On the other hand, the steering business entered a transitional period, making activities aimed at returning to growth important.

- **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

- **Achievements**
  - Achieved sales of ¥1 trillion, achieved record highs for operating income and net income
  - Achieved growth in the powertrain business and recovery in the industrial machinery business
  - Developed and proposed new technologies and products
  - Started smart-factory-model-line operations
  - Expanded initiatives to address social issues (ESG, SDGs)
  - Strengthened shareholder returns. Total return ratio 57% (3-year total)

- **Issues and Shortcomings**
  - Firmed achieve ¥1 trillion in sales and a double-digit operating income margin
  - Restart growth in the EPS business
  - Productivity improvements leveraging ICT

### Embark on New Chapter in Evolution Towards Next 100 Years

- **Two Pillars of the Plan**
  - Operational excellence
  - Constant pursuit of competitiveness
  - Innovate and challenge
  - Creation of new value

- **Management Tasks**
  - Achieve sustainable growth
  - Reconstruct the profit base
  - Expand into new growth fields
Looking Back on Past Mid-Term Management Plans

(Note: Mid-Term Management Plan is abbreviated as MTP)

Sustainable Growth Strategies

Amid the severe business conditions that followed the cartel incident, the Company undertook measures to prevent any reoccurrence. Toward the early restoration of trust and to respond to changes in the business environment, including upward pressure on the cost of raw materials and exchange rates, the Company worked on reorganizing its business foundation for a company with net sales of ¥1 trillion.

Under an environment of robust demand during the fiscal year ending March 2015, the Company poured its energies into maximizing output and productivity improvements leveraging ICT, meeting customer needs.

The 5th MTP, the final year of the 3rd MTP, came to an end in March 2018. The Company achieved sales of ¥1 trillion, as targeted in the 5th MTP, meeting the challenge set forth. This was due in part to new products and development in the Industrial Machinery Business that responded to paradigm shifts, including increased safety, quality, and durability and made activities aimed at returning to growth important.

The 5th MTP built on customer needs following the cartel incident, and the Company worked on reorganizing its business foundation.

Enhanced profitability following the cartel incident was assisted by an underlying weakness in yen in the business cycle.

- **Profitability improvement**
  - Profitability improvement
  - Stabilization of sales
  - Stabilization of sales

- **Growth strategies**
  - Reconstructing the profit base
  - Robust demand
  - Robust demand

- **Safety, quality and compliance**
  - Reconstructing the profit base
  - Robust demand
  - Robust demand

- **Enhancement of business-based customer and sector relationship**
  - New products and development
  - New products and development

- **Production and technological innovation**
  - New products and development
  - New products and development

- **Enhancement of corporate governance and management**
  - New products and development
  - New products and development

- **Reform of business structure**
  - New products and development
  - New products and development

- **Strengthening of the compliance system**
  - New products and development
  - New products and development

- **Proactive sales strategy (strengthening of sales ratio)**
  - New products and development
  - New products and development

- **Resource businesses**
  - New products and development

- **R&D Expenditures**
  - New products and development

- **Sales**
  - New products and development
  - New products and development

- **Operating Income Margin**
  - New products and development
  - New products and development

- **Net D/E Ratio**
  - New products and development
  - New products and development

- **Net Income**
  - New products and development

- **Movements in Exchange Rates (¥/US$) (¥/Euro)**

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

**Sales (¥ Billions)**

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<th>Period of 3rd MTP</th>
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<th>Period of 5th MTP</th>
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**Operating Income (¥ Billions)**

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**Net Income (¥ Billions)**

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**Capital Expenditures/Depreciation and Amortisation/R&D Expenditures**

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<th>4th MTP (Actual)</th>
<th>5th MTP (Initial Plan)</th>
<th>5th MTP (Actual)</th>
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<tr>
<td>Capital Expenditures</td>
<td>¥149.0 billion</td>
<td>¥180.0 billion</td>
<td>¥208.5 billion</td>
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<td>(including intangible assets)</td>
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<td>Depreciation and</td>
<td>¥115.3 billion</td>
<td>¥130.0 billion</td>
<td>¥138.9 billion</td>
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<td>Amortisation</td>
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<td>R&amp;D Expenditures</td>
<td>¥31.7 billion</td>
<td>¥40.0 billion</td>
<td>¥49.9 billion</td>
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<td>(on a statutory basis)</td>
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<tr>
<td>R&amp;D Expenditures</td>
<td>¥80.0 billion</td>
<td>¥86.3 billion</td>
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<td>(on a managerial basis)</td>
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