



FINANCIAL CONFERENCE

Consolidated Business Results

FOR THE YEAR ENDED
MARCH 31, 2020



June 4, 2020
NSK Ltd.

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

- 1. Consolidated Business Results
for the Year Ended March 31, 2020**
 - 2. Business Environment and Initiatives
for the Year Ending March 31, 2021**
- (Supplementary Information)**

1. Consolidated Business Results for the Year Ended March 31, 2020

Summary of Consolidated Business Results for the Year Ended March 31, 2020

Business Environment

- ✓ Uncertainty and stagnation of the world economy persisted due to the US-China trade friction.
- ✓ Demand decreased along with the spread of the novel coronavirus (COVID-19).

Summary of Business Results

✓ Consolidated Business Results		(YOY)
Sales :	¥ 831.0 billion	(-¥ 160.3 billion / -16.2%)
Segment Income* :	¥ 25.6 billion	(-¥ 57.7 billion / -69.3%)
Operating Income :	¥ 23.6 billion	(-¥ 55.7 billion / -70.2%)
(O.I.%)	(2.8%)	(-5.2p)
Net Income Attributable to Owners of the Parent :	¥ 17.4 billion	(-¥ 38.4 billion / -68.8%)

*Segment income : Income after returning other operating income and expenses (foreign exchange gains and losses, etc.) to operating income

- ✓ Decreased in both sales and operating income year-on-year mainly due to volume decline.
- ✓ FY2019 full year dividends: ¥ 30.00 per share (1st half: ¥20.00, 2nd half: ¥10.00)
A ¥10 reduction from the original and the latest forecasts.
- ✓ Payout ratio: 88.2%

Summary of Consolidated Business Results for the Year Ended March 31, 2020

(Billions of yen)	FY2018 <Actual>	FY2019 <Actual>	Increase/ Decrease YOY	FY2019 <Oct FCST>	Increase/ Decrease vs Oct FCST
Sales	991.4	831.0	-160.3	860.0	-29.0
Operating income	79.3	23.6	-55.7	32.0	-8.4
<%>	<8.0%>	<2.8%>		<3.7%>	
Income before income taxes	79.2	24.1	-55.2	31.5	-7.4
Net income attributable to owners of the parent	55.8	17.4	-38.4	21.0	-3.6
(Ex. rate:1USD=)	110.91	108.75	-2.16	108.32	+0.43
(" 1EUR=)	128.40	120.83	-7.57	120.71	+0.12
(" 1CNY=)	16.54	15.60	-0.94	15.49	+0.11

Reference:

Segment income*	83.3	25.6	-57.7	35.0	-9.4
<%>	<8.4%>	<3.1%>		<4.1%>	

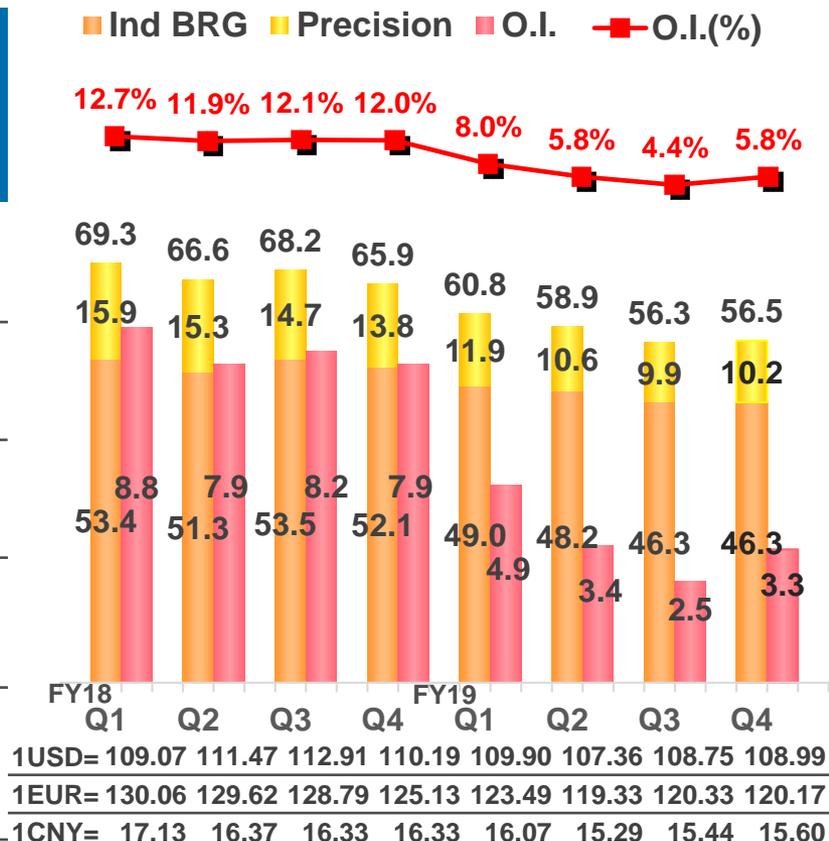
*Segment income : Income after returning other operating income and expenses (foreign exchange gains and losses, etc.) to operating income

【Major indexes】

ROE	10.4%	3.3%
Net D/E ratio (times)	0.27	0.28
Inventory turnover (times)	6.6	5.3

Business Results: Industrial Machinery Business

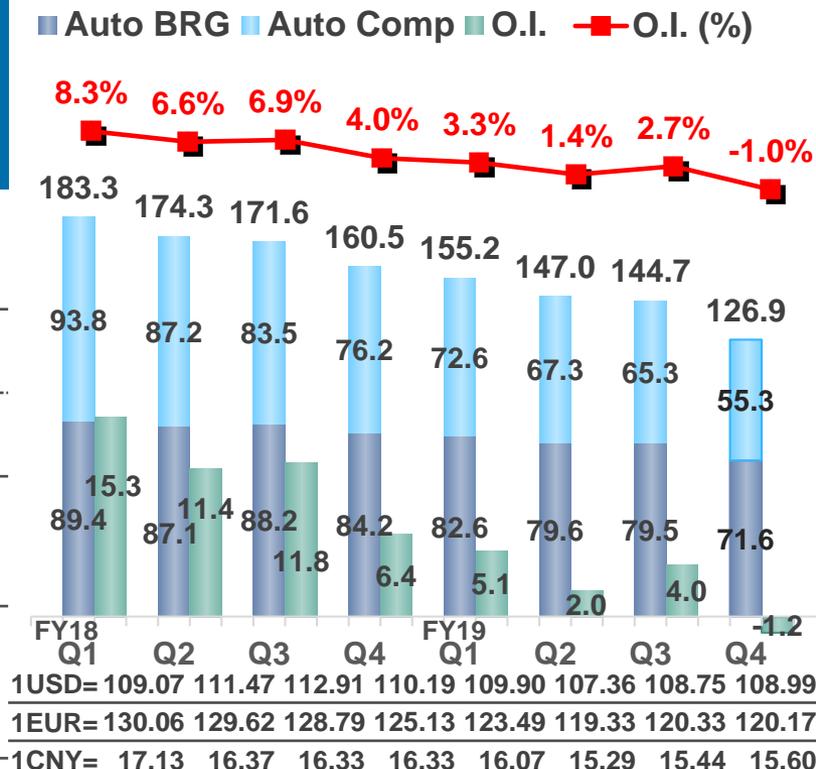
(Billions of yen)	FY2018 <Actual>	FY2019 <Actual>	Increase/ Decrease YOY	Difference YOY	(Reference) FY2019 <Oct FCST>
Sales	270.0	232.5	-37.5	-13.9%	239.0
Industrial machinery bearings	210.3	189.8	-20.4	-9.7%	195.5
Precision machinery and parts	59.7	42.6	-17.1	-28.6%	43.5
Operating income	32.9 <12.2%>	14.1 <6.1%>	-18.8	-57.1%	17.0 <7.1%>
(Ex. rate:1USD=)	110.91	108.75	-2.16	-1.9%	108.32
(" 1EUR=)	128.40	120.83	-7.57	-5.9%	120.71
(" 1CNY=)	16.54	15.60	-0.94	-5.7%	15.49



- ✓ Industrial machinery bearings: Prolonged demand adjustment in the key sectors, primarily machine tools and electrical sectors. Infrastructure-related sector (wind power, railcar) remained robust.
- ✓ Precision machinery and parts: Affected by stagnation of machine tools, while signs of recovery in semiconductor sector emerged.
- ✓ Demand for medical device and information and communication-related increased at present.
- ✓ Impact of COVID-19 Sales: -¥ 2.5 billion, Operating income: -¥ 1.0 billion

Business Results: Automotive Business

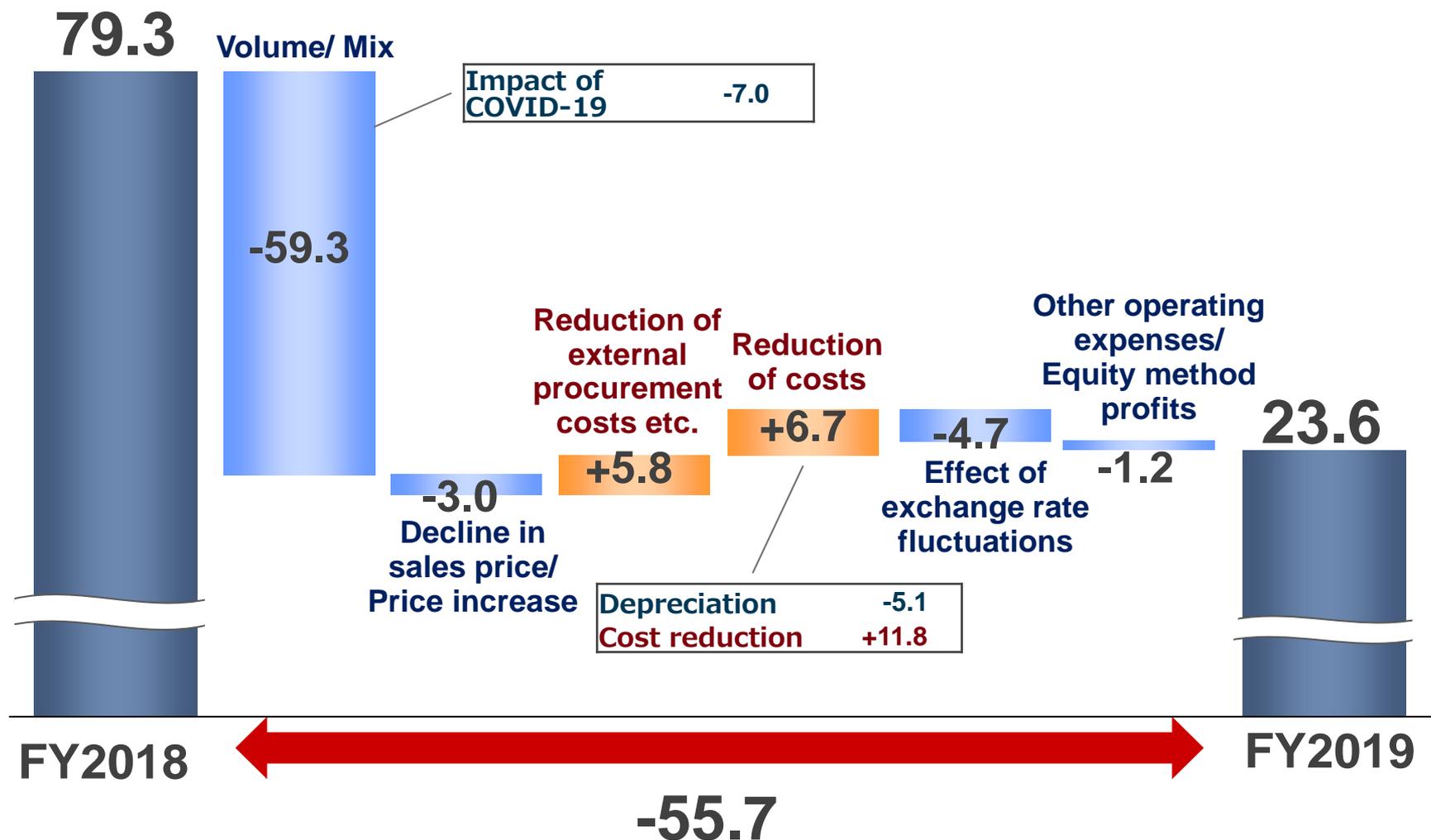
(Billions of yen)	FY2018 <Actual>	FY2019 <Actual>	Increase/ Decrease YOY	Difference YOY	(Reference) FY2019 <Oct FCST>
Sales	689.7	573.8	-115.8	-16.8%	594.5
Automotive bearings	348.9	313.3	-35.6	-10.2%	325.0
Automotive components	340.8	260.5	-80.2	-23.5%	269.5
Operating income	44.9 <6.5%>	9.8 <1.7%>	-35.1	-78.2%	15.5 <2.6%>
(Ex. rate:1USD=)	110.91	108.75	-2.16	-1.9%	108.32
(" 1EUR=)	128.40	120.83	-7.57	-5.9%	120.71
(" 1CNY=)	16.54	15.60	-0.94	-5.7%	15.49



- ✓ Vehicle production volume: Decreased for two years in a row.
YOY: Global -10%, especially large drop in China (-16%) and India (-16%).
- ✓ Automotive bearings: -10% YOY (effects of exchange rate -2%, in real terms -8%)
- ✓ Automotive components: EOP in steering business continued.
Customer's volume toward China decreased in automatic transmission systems.
- ✓ Impact of COVID-19 Sales: -¥ 16.5 billion, Operating income: -¥ 6.0 billion

Operating Income: Factors Behind Change (FY2018 ⇒ FY2019)

(Billions of yen)



2. Business Environment and Initiatives for the Year Ending March 31, 2021

Forecasted Business Environment

- ✓ **The impact of the worldwide spread of COVID-19.**
Contraction of economic activities, Concerns over employment / income, Decrease in demand
- ✓ **Industrial machinery:**
Infrastructure-related is to remain robust. Industrial goods (machine tools, robot) are to be sluggish.
- ✓ **Automotive:**
Stagnant new car sales. Disruptions in supply chain.

Business Forecast

- ✓ **Forecast of consolidated results and dividends for the year ending March 31, 2021 are yet to be determined as of now due to a number of uncertainties including outlook of demand and customers operation.**
- ✓ **The forecasts will be announced promptly when it becomes possible to reasonably assess the situation.**

Demand trend by Region

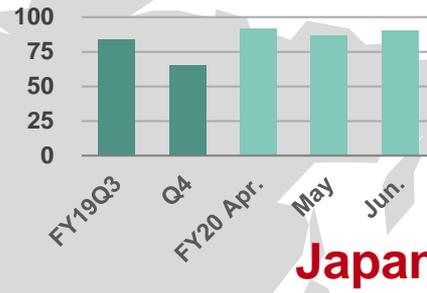
Demand when the same period of the previous year is regarded as 100.

Europe



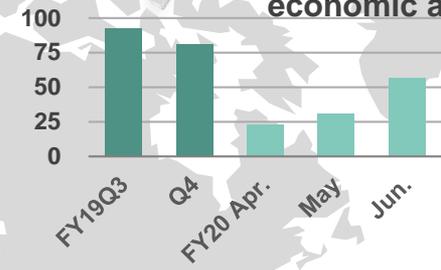
China

Resumed in Q1, but outlook remains uncertain



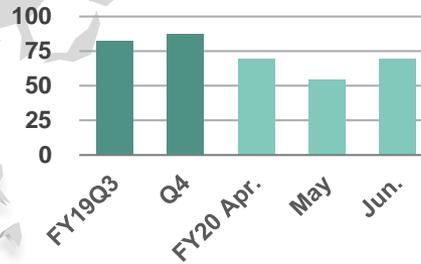
The American

Gradually resume economic activities

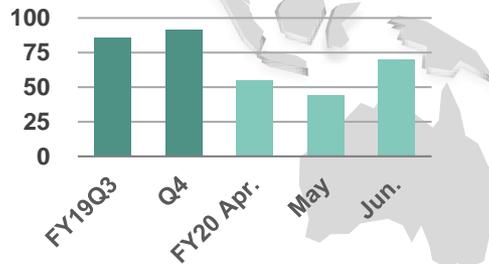


Japan

Resumed economic activities in wait-and-see mode

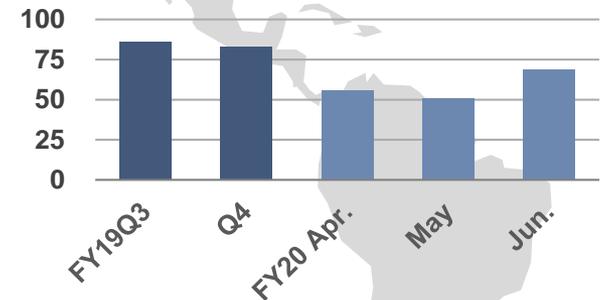


Other Asia



ASEAN : Gradually resume economic activities
India : Economic activities have halted
Korea : Resumed, but outlook remains uncertain

Global



- No suspension of operation caused by staff becoming infected with COVID-19.
- No suspension of production caused by failure of parts procurement.
- Production adjustment along with suspension of customer operations due to COVID-19 is gradually recovering.

Key initiatives

1H of the year ending March 2021

Firmly implement emergency measures and initiatives for post-corona era

● **Business continuity**

- ✓ **Continue measures to prevent COVID-19 infection.**
Secure safety and security of employees and their family, and society
- ✓ **Secure the supply chain.**
- ✓ **Secured liquidity on hand equivalent to approx. six months including debt funding capacity.**

● **Risk control**

- ✓ **Reduce external procurement costs.**
Expenses reduction target: 50%
- ✓ **Curb capital expenditure.**
1H: reduce by 50% vs. 1H FY2019.

● **Attempt to transform ahead of the post-corona era**

- ✓ **Accelerate profitability enhancement.**
Reestablish business competitiveness and profitability.
- ✓ **Promote “workstyle reform”.**
Promote working from home. Change business model.

Initiatives for post-corona era -Business Divisions-

- ✓ **Automotive bearing business: Restore profitability**
 - Improve efficiency of fixed costs by reviewing personnel and facilities in line with demand.
- ✓ **Industrial machinery business**
 - Respond to infrastructure-related demand.
 - Accelerate reorganization of roller bearing business.
- ✓ **Establish supply chain further resilient to risk**
 - Production at regions closer to customers. -Dual source chain.
- ✓ **Continue to invest development resources into technology innovation area**
 - Electrification, Automation, Condition monitoring, Actuator
- ✓ **Establish supply system to growth fields**
 - Focus on electrification and information and communication-related.
 - Ball bearings for small motor / in-vehicle motor

1. Industrial Machinery Business

Infrastructure-related sector

Strategies for further growth at the robust sector

● Wind power

- ✓ Deploy products made in China globally
- ✓ Reduce cost through local procurement / in-house production

● Railways

- ✓ Start production in China
- ✓ Enhance presence at the strategic regions (China, Europe)

Information and communication sector

5G expansion, acceleration of the pace of investment for data centers due to promotion in teleworking.

- Application: fan motor, semiconductor manufacturing equipment

Medical device sector

- Stable supply
- Fulfill our social responsibilities

- Application: motors for oxygen pump, infusion pump, ventilator

Digitalization

Increase in remote operation in line with digitalization

● Condition monitoring technology

- ✓ Contribute to customers' productivity and quality improvement. Provide technology service and solution services

● Actuator

- ✓ Respond to the needs for automation and electrification
 - Electrification in hydraulic device
 - Environmental measures, improvement in controllability, safety, comfort

Strengthen cost competitiveness

Reorganization of roller bearing production

- ✓ Promote local procurement
- ✓ Expand production in China
- ✓ Japan: Finish reorganization of Fujisawa plant

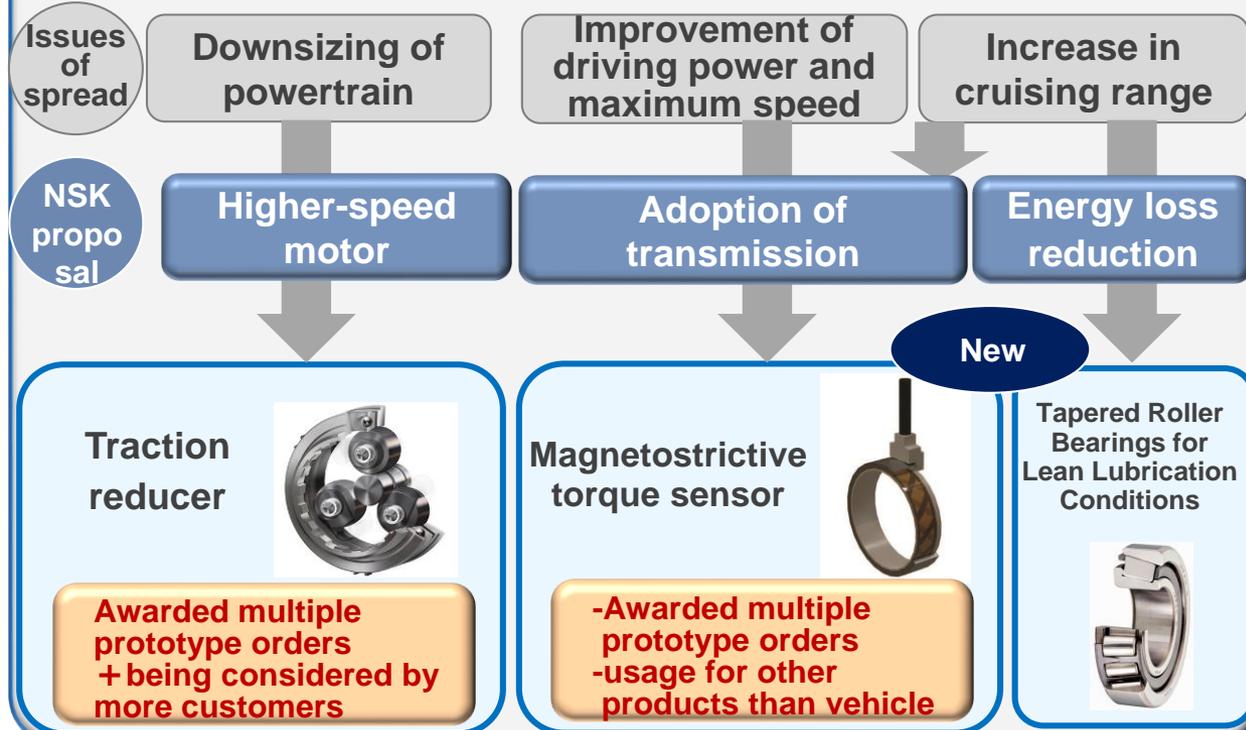
2. Automotive Business

Enhance profitability

- ✓ Optimize allocation of production capacity: product, region
- ✓ Promote stabilization and automation of production by leveraging IoT.

Powertrain product strategy for HEV, EV

Pursue business opportunities along with the progress in HEV, EV



Progress in STG & Actuator business

EPS

- ✓ Cooperation agreement with VW Group Components
 - Started in July 2019
 - Joint development of new EPS products

Project is well under way toward mass production around 2023.

Ball screws for Brake booster

- ✓ Establish global production structure
 - March 2018 Saitama plant
 - January 2020 Akagi plant
 - Q2 2021 (Plan) China
- ✓ Ongoing sales expansion activities
2026 target
10 million units/year

(Supplementary Information)

Sales & Operating Income Results by Business Segment

(Billions of yen)		FY2018 <Actual>	FY2019 <Actual>	Increase/ Decrease YOY	FY2019 <Oct FCST>	Increase/ Decrease vs Oct FCST
Total	Sales	991.4	831.0	-160.3	860.0	-29.0
	Operating income	79.3	23.6	-55.7	32.0	-8.4
	<%>	8.0%	2.8%		3.7%	
Industrial Machinery Business	Sales	270.0	232.5	-37.5	239.0	-6.5
	Industrial machinery bearings	210.3	189.8	-20.4	195.5	-5.7
	Precision machinery and parts	59.7	42.6	-17.1	43.5	-0.9
	Operating income	32.9	14.1	-18.8	17.0	-2.9
	<%>	12.2%	6.1%		7.1%	
Automotive Business	Sales	689.7	573.8	-115.8	594.5	-20.7
	Automotive bearings	348.9	313.3	-35.6	325.0	-11.7
	Automotive components	340.8	260.5	-80.2	269.5	-9.0
	Operating income	44.9	9.8	-35.1	15.5	-5.7
	<%>	6.5%	1.7%		2.6%	
Others	Sales	62.9	48.7	-14.2	52.0	-3.3
	Operating income	5.6	1.4	-4.2	2.5	-1.1
	<%>	8.9%	2.8%		4.8%	
Eliminations (sales)		-31.2	-23.9	+7.2	-25.5	+1.6
Other operating expenses / Adjustments		-4.2	-1.7	+2.5	-3.0	+1.3

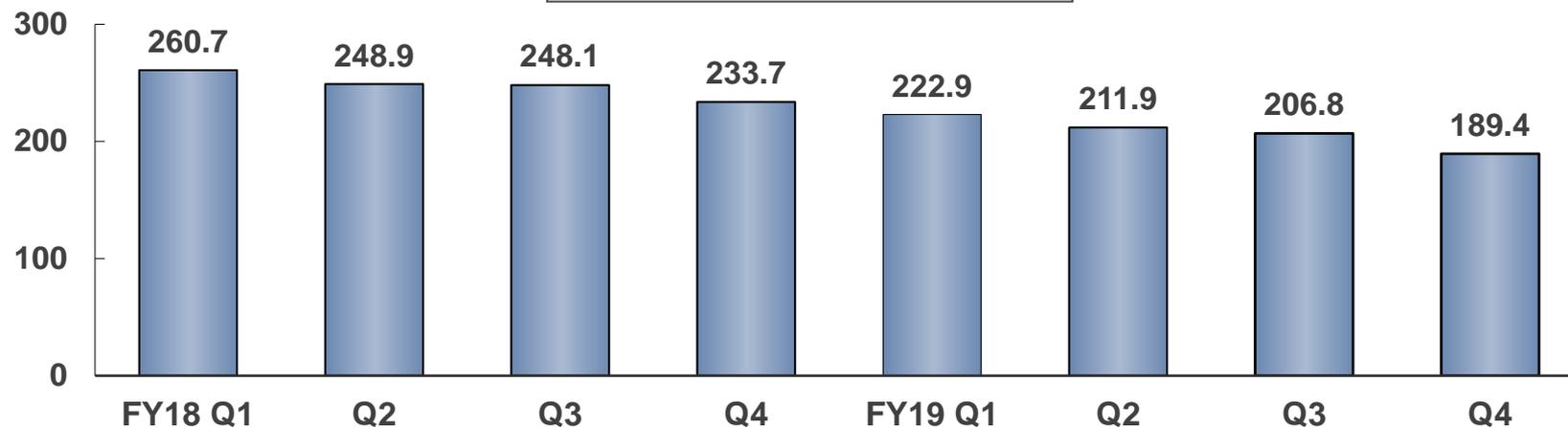
Sales by Customer Location

(Billions of yen)	FY2018			FY2019			Increase/ Decrease YOY	Difference YOY
	1 st half <Actual>	2 nd half <Actual>	Full year <Actual>	1 st half <Actual>	2 nd half <Actual>	Full year <Actual>		
Sales	509.6	481.8	991.4	434.8	396.2	831.0	-160.3	-16.2%
Japan	186.9	180.7	367.5	161.7	152.5	314.3	-53.3	-14.5%
Non-Japan <Non-Japan ratio>	322.7 <63.3%>	301.1 <62.5%>	623.8 <62.9%>	273.1 <62.8%>	243.7 <61.5%>	516.8 <62.2%>	-107.1	-17.2%
The Americas	79.5	78.1	157.6	74.3	64.9	139.2	-18.3	-11.6%
Europe	64.7	65.4	130.1	56.9	53.1	110.1	-20.1	-15.4%
China	105.9	89.1	195.0	80.2	68.3	148.5	-46.5	-23.8%
Other Asia	72.6	68.5	141.1	61.6	57.3	118.9	-22.2	-15.7%
(Ex. rate:1USD=)	110.27	111.55	110.91	108.63	108.87	108.75	-2.16	-1.9%
(" 1EUR=)	129.84	126.96	128.40	121.41	120.25	120.83	-7.57	-5.9%
(" 1CNY=)	16.75	16.33	16.54	15.68	15.52	15.60	-0.94	-5.7%

Quarterly Business Performance

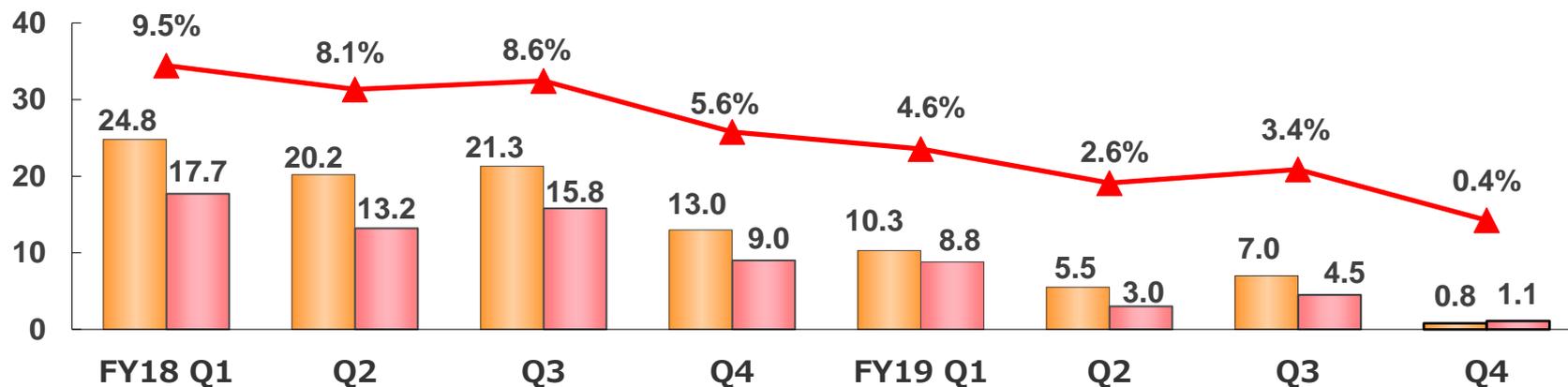
(Billions of yen)

Sales



(Billions of yen)

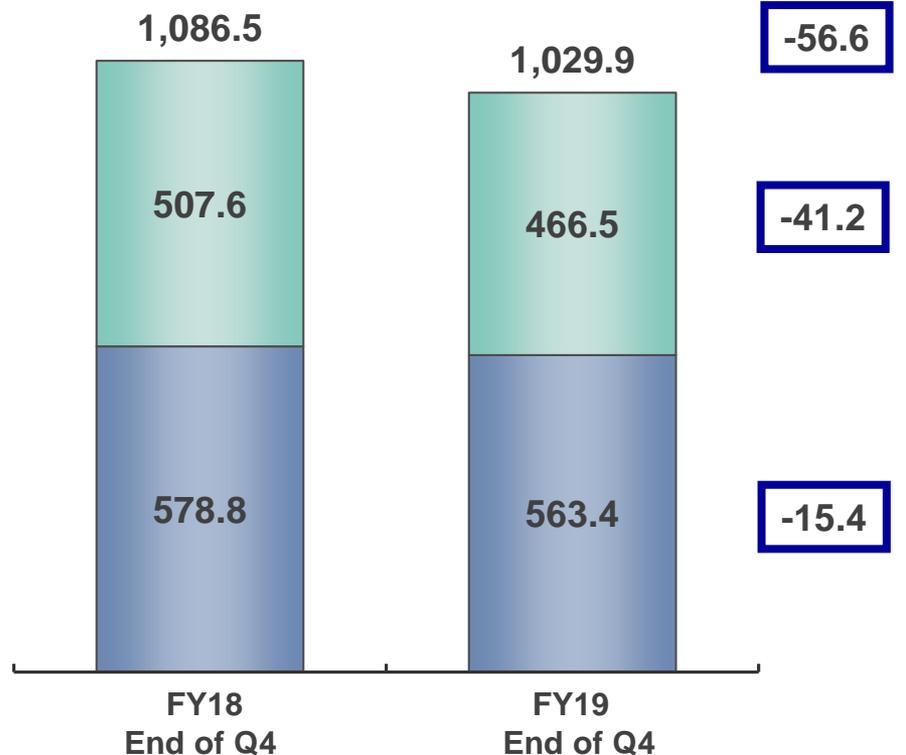
Operating income Net income attributable to owners of the parent Operating income margin



1USD=	109.07	111.47	112.91	110.19	109.90	107.36	108.75	108.99
1EUR=	130.06	129.62	128.79	125.13	123.49	119.33	120.33	120.17
1CNY=	17.13	16.37	16.33	16.33	16.07	15.29	15.44	15.60

Assets

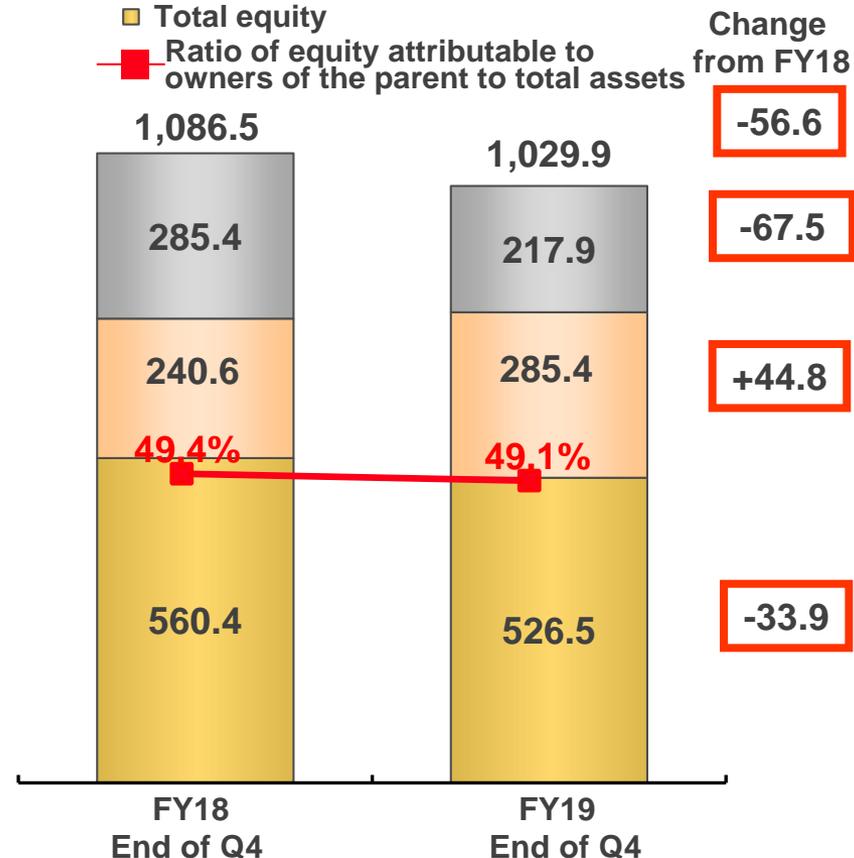
■ Non-Current assets ■ Current assets
 (Billions of yen)



Liabilities / Total equity

(Billions of yen)

■ Current liabilities
 ■ Non-Current liabilities
 ■ Total equity
 ■ Ratio of equity attributable to owners of the parent to total assets

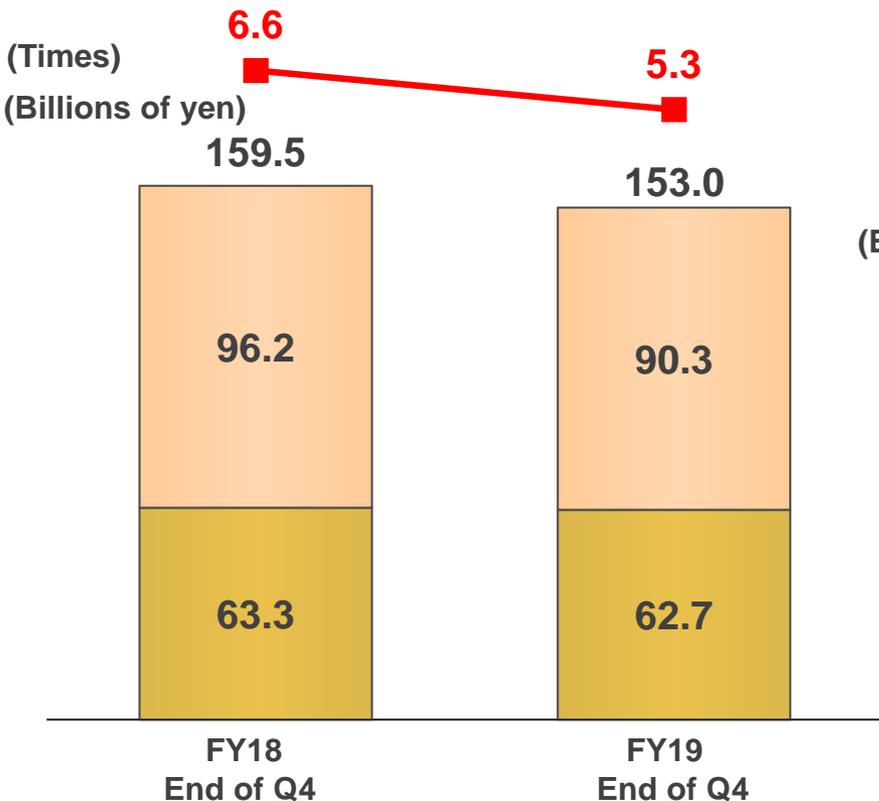


Ex. Rate	FY18 End of Q4	FY19 End of Q4
1USD=	111.01	108.83
1EUR=	124.56	119.65
1CNY=	16.48	15.30

Inventories / Interest-Bearing Debt

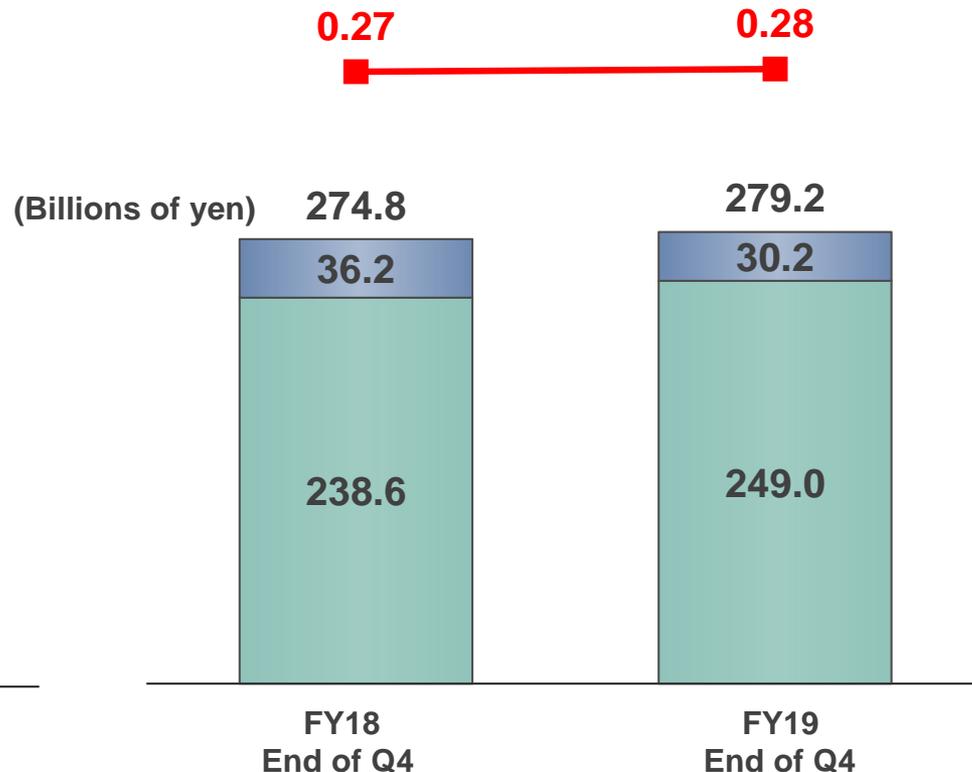
Inventories

Japan Non-Japan Inventory turnover



Interest-bearing debt

Japan Non-Japan Net D/E ratio



Ex. Rate	FY18 End of Q4	FY19 End of Q4
1USD=	111.01	108.83
1EUR=	124.56	119.65
1CNY=	16.48	15.30

(Supplementary Information) **Capital Expenditure,
Depreciation and amortisation, R&D Expenses**

(Billions of yen)	FY2017 <Actual>	FY2018 <Actual>	FY2019 <Actual>	FY2019 <Forecast>
Capital Expenditure	68.8	81.1	54.9	60.0
Depreciation and amortisation	46.8	48.8	53.9	52.0
R&D Expenses (on a statutory basis)	17.1	19.0	18.3	19.0
R&D Expenses (on a managerial basis)	28.2	32.4	31.4	32.0

MOTION & CONTROL™
NSK

Copyright : NSK Ltd. All rights reserved for all pages.