

NSK

NSK Ltd.

FINANCIAL CONFERENCE

Consolidated Business Results
for the Second Quarter
ended September 30, 2022



Change & Go Beyond

November 4, 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.

Copyright NSK Ltd. All Rights Reserved.

- 1. Consolidated Business Results
for the Six Months Ended September 30, 2022**
- 2. Consolidated Business Forecast
for the Year Ending March 31, 2023**
- 3. Progress on MTP2026 -Growth with Profitability-**
(Supplementary Information)

- 1. Consolidated Business Results
for the Six Months Ended September 30, 2022**
 2. Consolidated Business Forecast
for the Year Ending March 31, 2023
 3. Progress on MTP2026 -Growth with Profitability-
- (Supplementary Information)

Summary of Consolidated Business Results for the Six Months Ended September 30, 2022 (1)

Business Environment

- Restriction of economic activity in China due to Zero-Covid policy
- Prolonged impact of Russia-Ukraine crisis
- Ongoing shortage of components such as semiconductors
- Increased inflation, e.g., steel prices, ocean freight costs and energy
- Rapid and significant depreciation of the yen

Summary of Business Results for 1st Half

(Billions of yen)	FY2021	FY2022	Increase/ Decrease YOY	Difference YOY	(Effect of exchange rate fluctuations)	1st half	vs. May Forecast	
	1st half Actual	1st half Actual				May Forecast	Difference	(Effect of exchange rate fluctuations)
Sales	417.8	463.8	+46.1	+11.0%	(+37.7)	450.0	+13.8	(+18.9)
Segment income *	16.2	14.6	-1.6	-10.1%	(+8.3)	11.5	+3.1	(+4.7)
(%)	(3.9%)	(3.1%)				(2.6%)		
Operating income	15.7	13.5	-2.2	-13.8%	(+8.3)	11.0	+2.5	(+4.7)
(%)	(3.8%)	(2.9%)				(2.4%)		
Income before income taxes	15.6	12.8	-2.8	-17.9%		11.0	+1.8	
Net income attributable to owners of the parent	7.8	6.0	-1.7	-22.3%		7.0	-1.0	
(Ex. rate: 1USD=)	109.8	134.0	+24.2	+22.0%		120.0	+14.0	
(" 1EUR=)	130.9	138.7	+7.8	+6.0%		130.0	+8.7	
(" 1CNY=)	17.0	19.9	+2.9	+17.0%		19.0	+0.9	

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

Summary of Consolidated Business Results for the Six Months Ended September 30, 2022 (2)

■ Sales ■ Operating Income - O.I (%)

FY22 H1

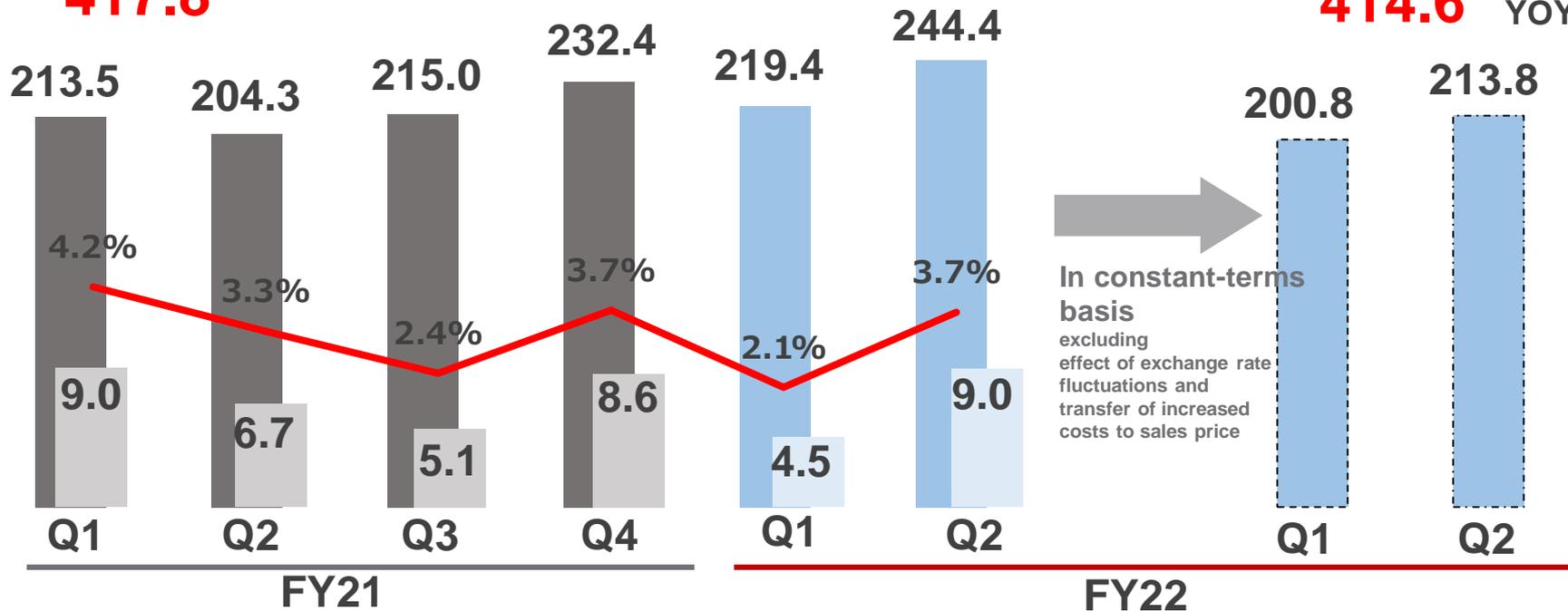
463.8 YOY+11%

(Billions
of yen)

FY21 H1
417.8

FY22 H1
414.6 YOY-1%

✓ Effect of exchange rate fluctuations
+¥37.7 bn
✓ Transfer of increased costs to sales price
+¥11.5 bn

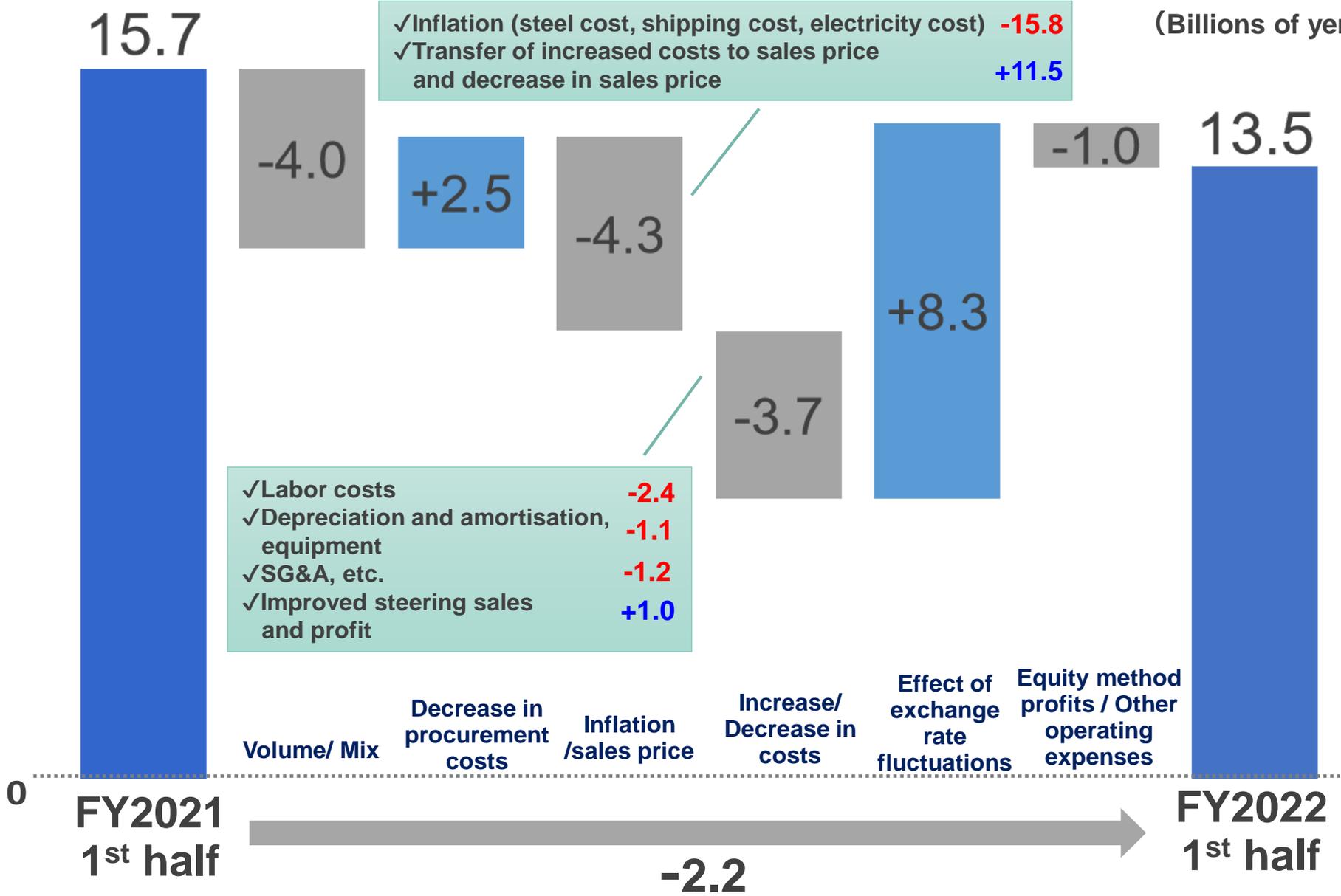


1USD	109.5	110.1	113.7	116.2	129.6	138.4
1EUR	132.0	129.8	130.1	130.4	138.1	139.3
1CNY	17.0	17.0	17.8	18.3	19.6	20.2

- Sales in H1 decreased, excluding effect of exchange rate fluctuations and transferring of increased costs to sales prices
- Sales in Q2 increased QoQ due to the recovery from lockdown impact in China

Operating Income: Factors Behind Change (FY2021 1st half ⇒ FY2022 1st half)

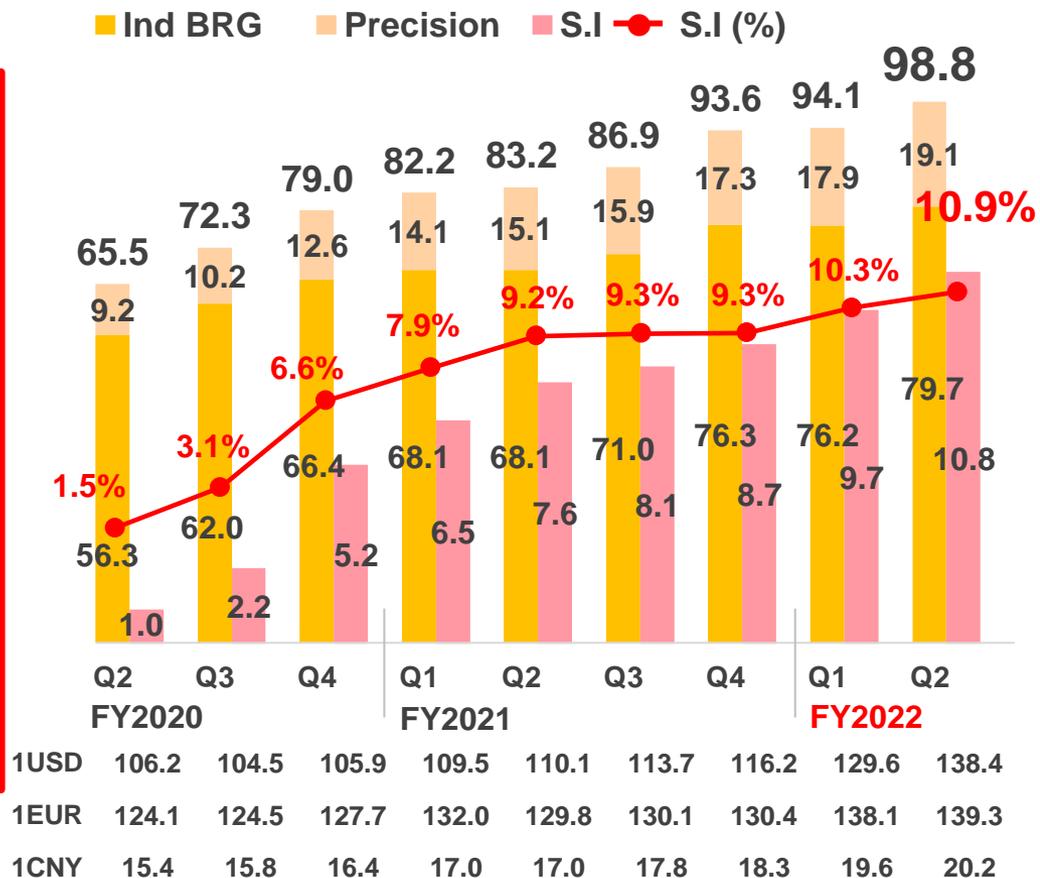
(Billions of yen)



Industrial Machinery Business

(Billions of yen)

	FY2021 1st half Actual	FY2022 1st half Actual	Increase/ Decrease YOY (Effect of exchange rate fluctuations)	Difference YOY (Excluding effect of exchange rate fluctuations)
Sales	165.3	192.9	+27.5 (+16.1)	+16.7% (+6.9%)
Industrial Machinery Bearings	136.2	155.9	+19.7	+14.5%
Precision Machinery and Parts	29.2	37.0	+7.8	+26.8%
Segment income	14.2	20.5	+6.3	+44.8%
(%)	(8.6%)	(10.6%)		
(Ex. rate: 1USD=)	109.8	134.0	+24.2	+22.0%
(" 1EUR=)	130.9	138.7	+7.8	+6.0%
(" 1CNY=)	17.0	19.9	+2.9	+17.0%

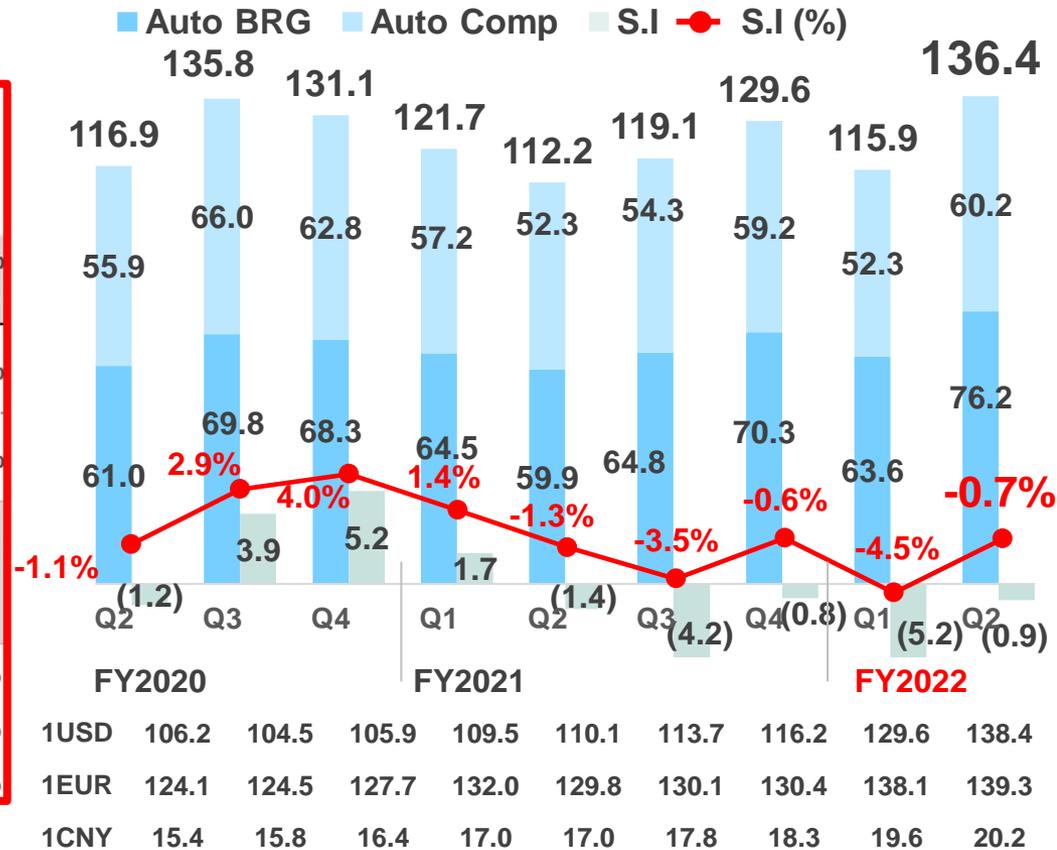


- Despite the impact of China's Zero-Covid policy and the slowdown of current demand in machine tools and semiconductor manufacturing equipment, sales increased due to increasing of supply for aftermarket, the effect of exchange rate fluctuations, transferring of increased costs to sales prices toward inflation. (In constant-terms basis, sales increased +3.5% excluding effect of exchange rate fluctuations and transferring of increased costs to sales prices)
- Operating margin continued to reach double digits. Started to reflect additional cost increase in sales prices due to inflation exceeding expectations.

Automotive Business

(Billions of yen)

	FY2021 1st half Actual	FY2022 1st half Actual	Increase/ Decrease YOY (Effect of exchange rate fluctuations)	Difference YOY (Excluding effect of exchange rate fluctuations)
Sales	233.9	252.3	+18.4 (+21.0)	+7.9% (-1.1%)
Automotive Bearings	124.5	139.8	+15.3	+12.3%
Automotive Components	109.4	112.5	+3.1	+2.8%
Segment income	0.3	-6.1	-6.4	—
(%)	(0.1%)	(-2.4%)		
(Ex. rate: 1USD=)	109.8	134.0	+24.2	+22.0%
(" 1EUR=)	130.9	138.7	+7.8	+6.0%
(" 1CNY=)	17.0	19.9	+2.9	+17.0%



- Global automotive production volume in 1st half: 36 million (YOY +3%)
- Although sales increased YOY due to the effect of exchange rate fluctuations and declining in sales prices, sales decreased YOY in constant-terms basis due to China's Zero-Covid policy and production adjustment of Japanese customers affected by prolonged supply chain issue.
- Profits continued to be in red. This is because frequent production adjustment affected by production cutbacks and expansion of inflation that surpasses increase in sales prices.

1. Consolidated Business Results
for the Six Months Ended September 30, 2022
 - 2. Consolidated Business Forecast
for the Year Ending March 31, 2023**
 3. Progress on MTP2026 -Growth with Profitability-
- (Supplementary Information)

Consolidated Business Forecast for the Year Ending March 31, 2023

Business Environment

- Industrial Machinery Business: Reflect the slowdown of global demand
Automotive Business: Supply chain disruption such as component shortage including semiconductors
- Additional cost increase in sales prices due to inflation exceeding expectations
- Exchange rates in H2 was revised due to further depreciation of the Japanese yen.
(USD ¥140, EUR ¥140, CNY ¥20)

Revision of Business Forecast Announced May

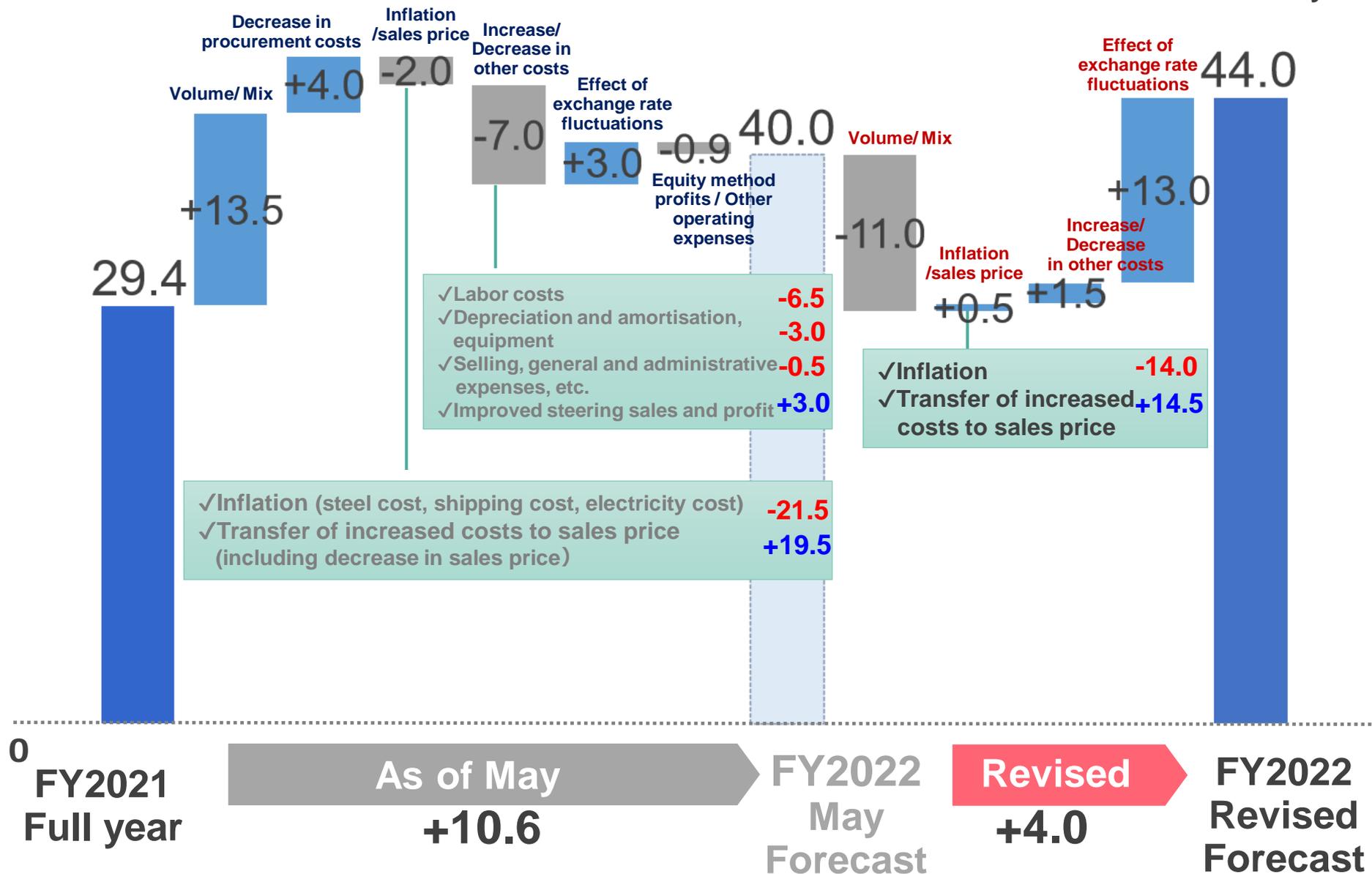
(Billions of yen)	Revised Forecast	vs. May Forecast	Difference	(Effect of exchange rate fluctuations)	FY2021 Full year Actual
Sales	980.0	+40.0	+4.3%	(+50.0)	865.2
Segment income *	46.0	+5.5	+13.6%	(+13.0)	28.8
(%)	(4.7%)				(3.3%)
Operating income	44.0	+4.0	+10.0%	(+13.0)	29.4
(%)	(4.5%)				(3.4%)
Income before income taxes	42.0	+2.0	+5.0%		29.5
Net income attributable to owners of the parent	27.0	+0	+0.0%		16.6
(Ex. rate: 1USD=)	137.0	+17.0	+14.2%		112.4
(" 1EUR=)	139.4	+9.4	+7.2%		130.6
(" 1CNY=)	19.9	+0.9	+4.9%		17.5

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

- Full-year dividend remains unchanged at ¥30 per share
(Interim dividend ¥15 per share, end of year dividend ¥15 per share)

Operating Income: Factors Behind Change (FY2021 ⇒ FY2022 Revised Forecast)

(Billions of yen)



Consolidated Business Forecast for the Year Ending March 31, 2023 by Segment

Industrial Machinery Business

✓ Although the demand in H2 is supposed to slow down against our original plan, sales in H2 is expected to increase by maximizing the sales and additional increase in sales prices.

(Billions of yen)	May Forecast	1st half Actual	FY2022 2nd half Forecast	Revised Forecast	vs. May Forecast		Difference	FY2021 Full year Actual
					Increase/Decrease	(Effect of exchange rate fluctuations)		
Sales	380.0	192.9	207.1	400.0	+20.0	(+22.0)	+5.3%	345.8
Industrial Machinery	308.0	155.9	169.1	325.0	+17.0		+5.5%	283.5
Bearings								
Precision Machinery and Parts	72.0	37.0	38.0	75.0	+3.0		+4.2%	62.3
Segment income	38.0	20.5	24.0	44.5	+6.5	(+9.0)	+17.1%	30.9
(%)	(10.0%)	(10.6%)	(11.6%)	(11.1%)				(8.9%)

Automotive Business

✓ Although sales in H1 were lower than our original plan in constant-terms basis, sales in full year is expected to increase due to recovery of automotive production volume in H2.
✓ Additional increase in sales prices toward inflation

(Billions of yen)	May Forecast	1st half Actual	FY2022 2nd half Forecast	Revised Forecast	vs. May Forecast		Difference	FY2021 Full year Actual
					Increase/Decrease	(Effect of exchange rate fluctuations)		
Sales	521.0	252.3	289.2	541.5	+20.5	(+27.0)	+3.9%	482.5
Automotive Bearings	295.0	139.8	165.7	305.5	+10.5		+3.6%	259.6
Automotive Components	226.0	112.5	123.5	236.0	+10.0		+4.4%	223.0
Segment income	0	-6.1	6.1	0	-	(+4.0)	-	-4.7
(%)	(0.0%)	(-2.4%)	(2.1%)	(0.0%)				(-1.0%)

1. Consolidated Business Results
for the Six Months Ended September 30, 2022
2. Consolidated Business Forecast
for the Year Ending March 31, 2023
3. **Progress on MTP2026 -Growth with Profitability-**

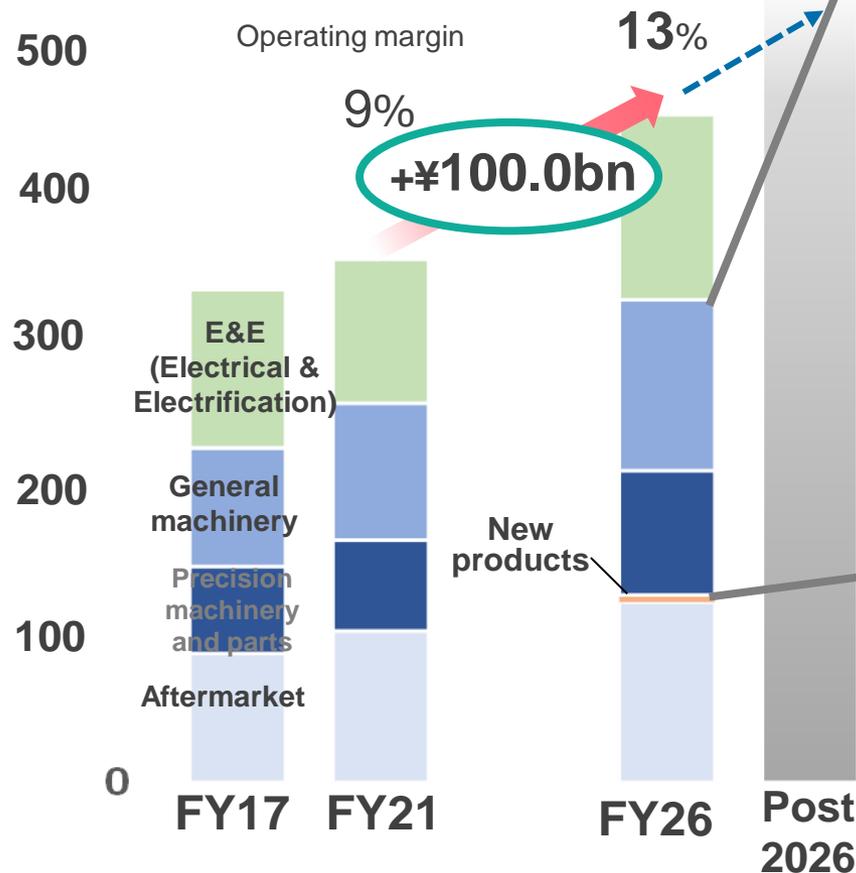
(Supplementary Information)

Growth with Profitability – Industrial Machinery Business

◆ Progress on MTP2026

● **FY26 targets: Sales of ¥450.0 billion; operating margin of 13%**

Industrial Machinery Business: Growth vision
(Billions of yen)



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

Target
+¥30.0 billion

- » Ongoing plan to establish new plant in Southeast Asia
- » Promote initiatives for ultra-stable production

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

Target
+¥30.0 billion

- » Improve products' performance by advanced machining technology
 - » [High-speed] Bearings with high-load capacity and high-speed rotation
 - » [High-accuracy] Ball screws by stabilizing friction
 - » [Reliability] Seizure-resistant grease
- Note: Issued 4 press release in FY2022 and those products will be exhibited at JIMTOF2022

3. Wind turbines, railways, and energy transition

Target
+¥10.0 billion

- » Inaugurated new facility at NSK Toyama Plant in Sep., 2022; increase production capacity
- » Extend lines at the Shenyang Plant; improve productivity
- » Hydrogen-related businesses: Develop products for special environments

4. Transform business model to increase sales

Target
+¥25.0 billion

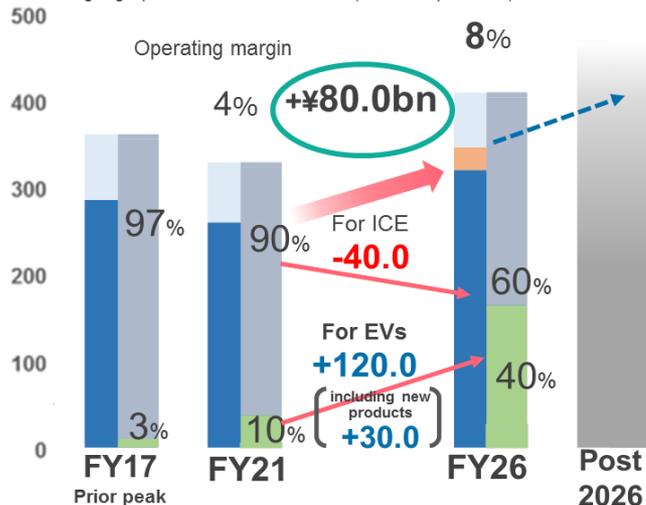
- » Build structure of establishing PLM model
- Accelerate synergies with BKV in CMS business
- Start reconditioning business in North America

Growth with Profitability – Automotive Business

◆ Progress on MTP2026

● Automotive Bearings FY26 targets: Sales of ¥340.0 billion; operating margin of 8%

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



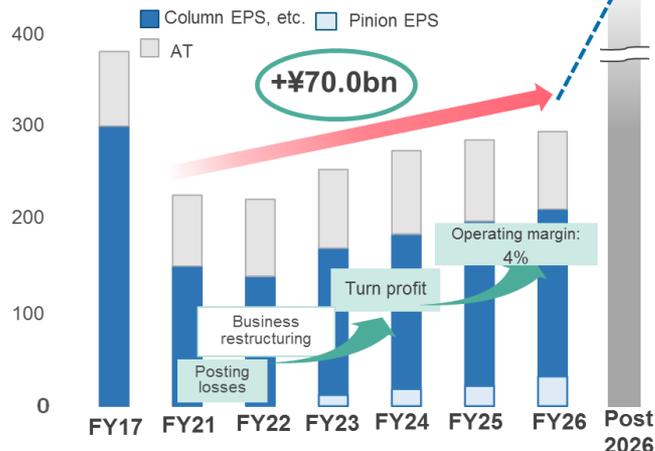
✓ Accumulate about 70% of orders for EVs against the target in FY2026 (+¥120.0bn)

- » Low friction hub unit bearings : New expansion toward professional EV manufacturers
- » Bearings for e-Axles: 3x sales in FY2026 compared to FY2022
- » Ball screws for electric-hydraulic brake systems: Order of over 10 million units
- » Ceramic ball bearings: Increase sales with sales capability of NSK Group

✓ Continued business growth and developing new products

- » Develop traction drive speed reducer and non-contact torque sensor
- » Secure new orders of tapered roller hub unit bearings for SUVs

● Automotive Components FY26 targets: Sales of ¥290.0 billion; operating margin of 4%



✓ Promote to secure orders to revitalize steering business, accumulate about 70% orders of the target in FY2026

- » Single pinion EPS for VW's EVs: orders of 1 million units
- » Increase sales of column-type EPS for Evs

✓ Continued non-binding assessment for exploring a joint venture in steering business

✓ Continued restructuring steering business

✓ **Business conditions**

The outlook of the global economy remains uncertain

- » Sales volume will decrease comparing to our original plan in constant-terms basis
- » Reflect transferring of increased costs to sales price in addition
- » Revised exchange rates

▶ Revision of consolidated business forecast for the fiscal year ending March 31, 2023

✓ **Promote priority initiatives**

Continuous improvement of earning structure

- » Additional increase in sales prices due to inflation and improve productivity
- » Strengthen supply capability and control production flexibly
- » Promote structural reforms of steering business
- » Steadily implement initiatives of MTP2026

1. Consolidated Business Results
for the Six Months Ended September 30, 2022
2. Consolidated Business Forecast
for the Year Ending March 31, 2023
3. Progress on MTP2026 -Growth with Profitability-

(Supplementary Information)

Forecast for FY2022 by Segment

Industrial Machinery Business Demand trend by sector

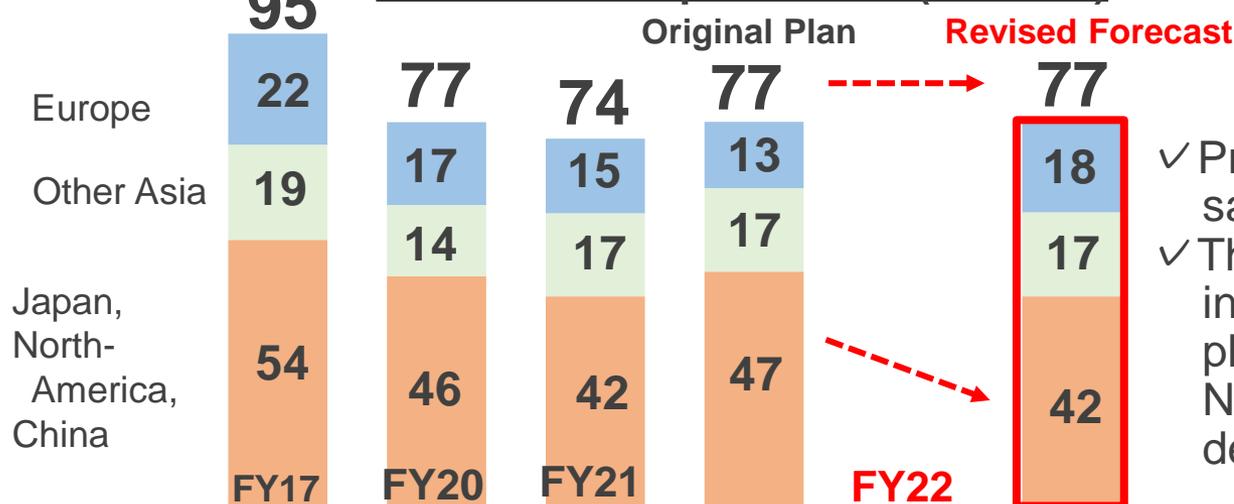
	Original Plan		Revised Forecast	
	FY22 1H vs FY21 2H	FY22 2H vs FY22 1H	FY22 1H vs FY21 2H	FY22 2H vs FY22 1H
Machine Tools	→	→	→	→
Semi conductors	↑	↑	↑	→
Wind Turbines	→	→	→	→
Railcars	→	→	→	→
Electrical equipment	↑	→	↓	→

✓ Global economy is assumed to slow down.

✓ In FY2022 H2, demand will not increase more than our expectations.

Automotive Business

Global vehicle production (millions)



✓ Product volume maintains the same level as FY2020.

✓ The forecast of product volume in FY2022 follows our original plan although that in Japan, North America and China will decrease.

Supplementary Information : Financial Results by Business Segment

(Billions of yen)		FY2021		FY2022			FY2022 Revised FCST		FY2021 H2- FY2022 H1 Increase/ Decrease
		1st half Actual	Full year Actual	1st half Actual	Increase/ Decrease	Difference	2nd half	Full year	
Total	Sales	417.8	865.2	463.8	+46.1	+11.0%	516.2	980.0	+52.4
	Segment Income	16.2	28.8	14.6	-1.6	-10.1%	31.4	46.0	+16.8
	(%)	(3.9%)	(3.3%)	(3.1%)			(6.1%)	(4.7%)	
	Operating Income	15.7	29.4	13.5	-2.2	-13.8%	30.5	44.0	+17.0
	(%)	(3.8%)	(3.4%)	(2.9%)			(5.9%)	(4.5%)	
Industrial Machinery Business	Sales	165.3	345.8	192.9	+27.5	+16.7%	207.1	400.0	+14.2
	Industrial Machinery Bearings	136.2	283.5	155.9	+19.7	+14.5%	169.1	325.0	+13.2
	Precision Machinery and Parts	29.2	62.3	37.0	+7.8	+26.8%	38.0	75.0	+1.1
	Segment Income	14.2	30.9	20.5	+6.3	+44.8%	24.0	44.5	+3.5
	(%)	(8.6%)	(8.9%)	(10.6%)			(11.6%)	(11.1%)	
Automotive Business	Sales	233.9	482.5	252.3	+18.4	+7.9%	289.2	541.5	+36.8
	Automotive Bearings	124.5	259.6	139.8	+15.3	+12.3%	165.7	305.5	+25.9
	Automotive Components	109.4	223.0	112.5	+3.1	+2.8%	123.5	236.0	+10.9
	Segment Incon	0.3	-4.7	-6.1	-6.4	-	6.1	0	+12.3
	(%)	(0.1%)	(-1.0%)	(-2.4%)			(2.1%)	(0.0%)	
	Operating Income	0.3	-13.8	-6.1	-6.4	-	6.1	0	+12.3
(%)	(0.1%)	(-2.9%)	(-2.4%)			(2.1%)	(0.0%)		
Others	Sales	29.5	59.7	31.7	+2.2	+7.3%	35.3	67.0	+3.6
	Operating Income	1.7	2.3	0.1	-1.6	-93.7%	1.4	1.5	+1.3
	(%)	(5.7%)	(3.8%)	(0.3%)			(3.9%)	(2.2%)	
Eliminations (sales)		-11.0	-22.9	-13.1	-2.1	-	-15.4	-28.5	-2.3
Other operating income and expenses /Adjustments		-0.4	10.0	-0.9	-0.5	-	-1.1	-2.0	-0.1

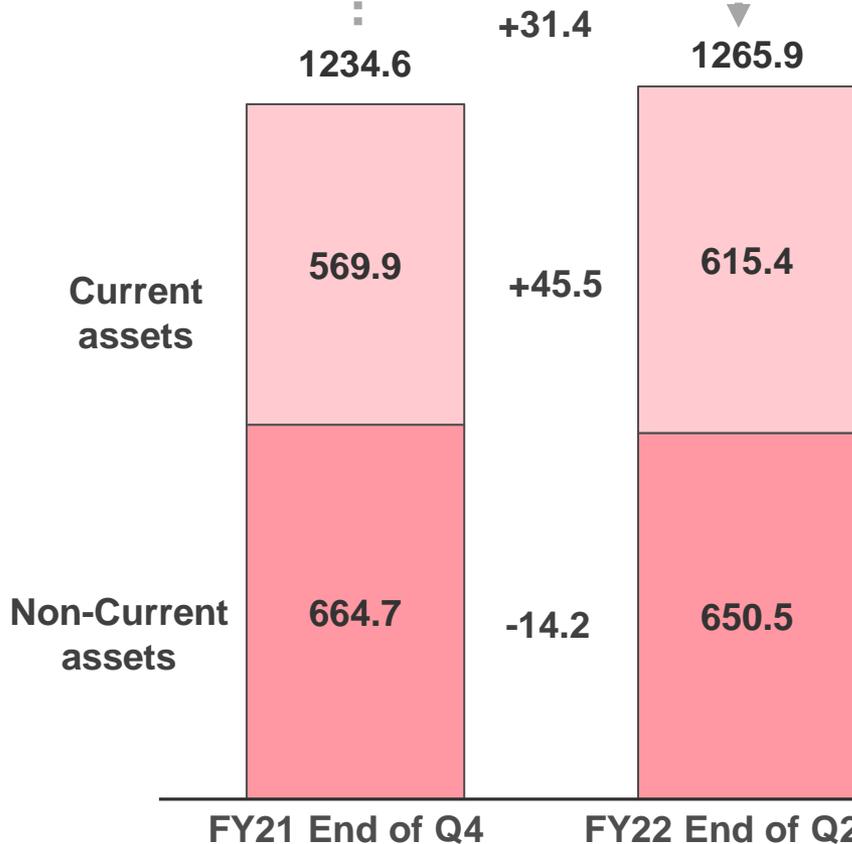
Supplementary Information : Sales by Customer Location

(Billions of yen)	FY2021	FY2022	YOY	
	1st half	1st half	Increase/ Decrease	Difference
Sales	417.8	463.8	+46.1	+11.0%
Japan	156.8	153.4	-3.4	-2.2%
Non-Japan	261.0	310.4	+49.4	+18.9%
(Non-Japan Ratio)	(62.5%)	(66.9%)		
The Americas	60.4	81.1	+20.7	+34.3%
Europe	53.5	61.0	+7.5	+14.0%
China	85.8	96.1	+10.3	+12.0%
Other Asia	61.3	72.2	+10.9	+17.8%
Ex. Rate				
1USD	109.8	134.0	+24.2	+22.0%
1EUR	130.9	138.7	+7.8	+6.0%
1CNY	17.0	19.9	+2.9	+17.0%

Supplementary Information: Consolidated Balance Sheet

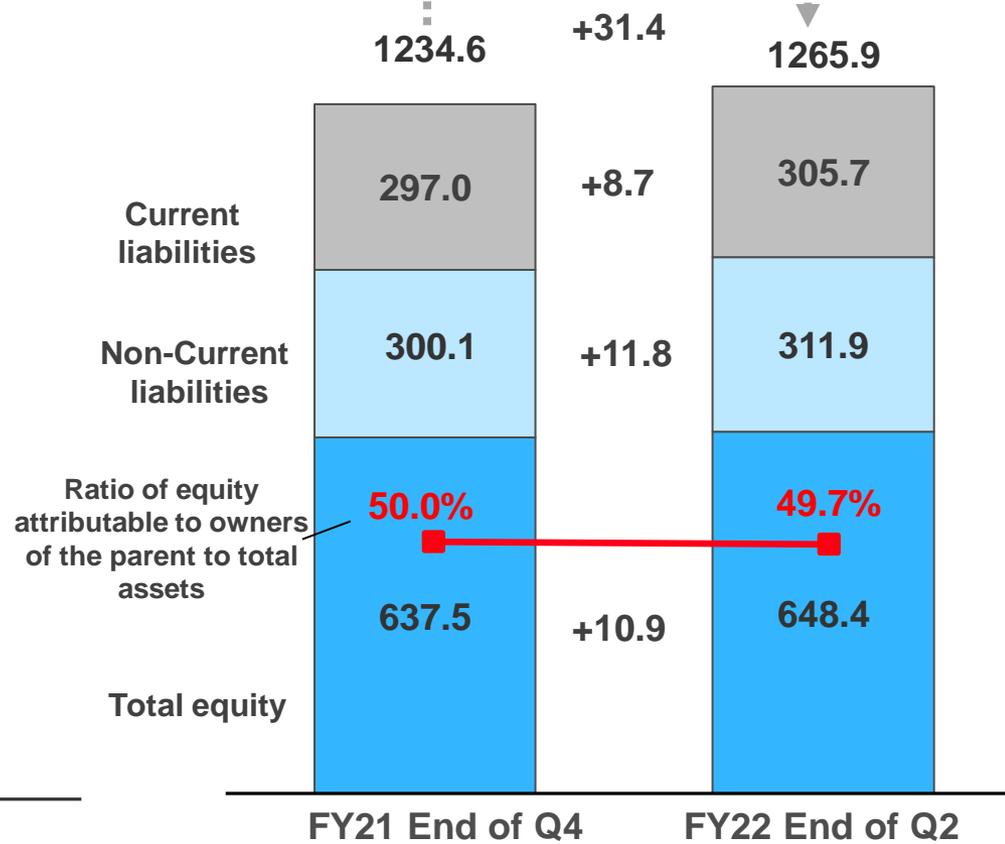
Assets

(Billions of yen)



Liabilities / Total equity

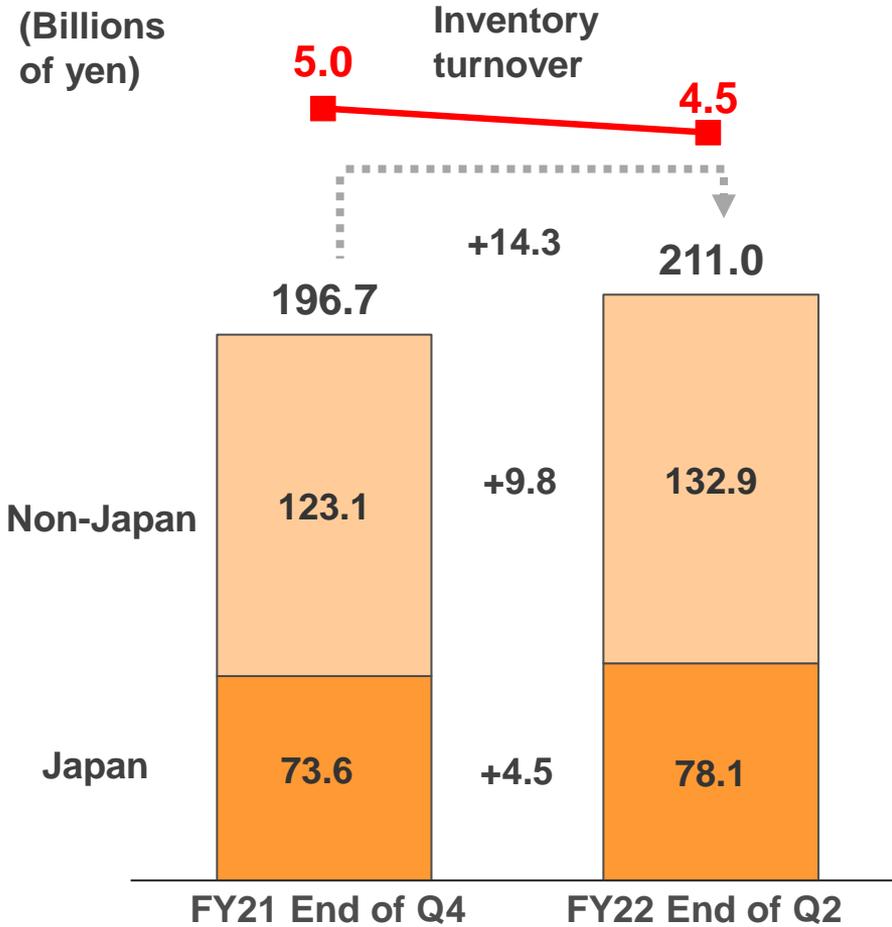
(Billions of yen)



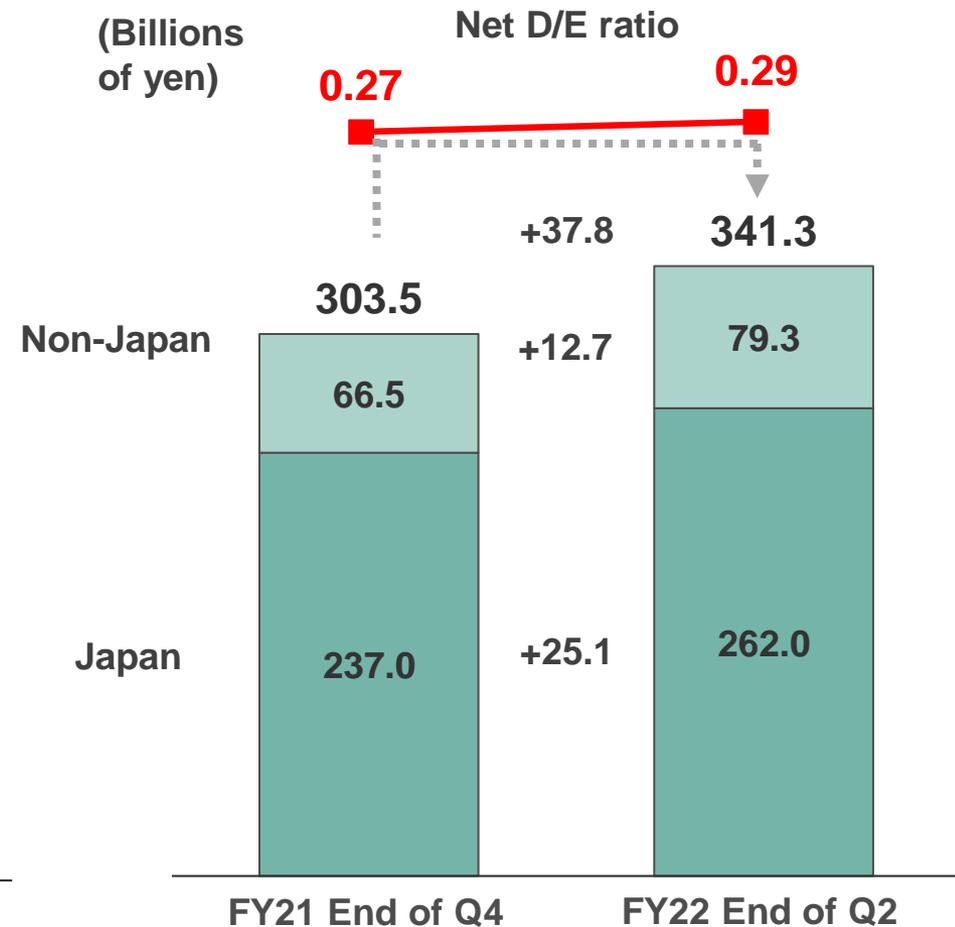
Ex. Rate	FY21 End of Q4	FY22 End of Q2
1USD	122.4	144.8
1EUR	136.8	142.3
1CNY	19.3	20.4

Supplementary Information: Inventories / Interest-Bearing Debt

Inventories



Interest-bearing debt



Ex. Rate	FY21 End of Q4	FY22 End of Q2
1USD	122.4	144.8
1EUR	136.8	142.3
1CNY	19.3	20.4

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

(Billions of yen)	FY2021	FY2022		
	Full year Actual	Q1 Actual	Q2 Actual	Full year Forecast
Capital Expenditures	52.3	9.2	14.2	70.0
Capital Expenditures (excluding lease)	44.5	7.7	11.4	70.0
Depreciation and Amortisation	56.6	14.3	14.7	57.0
Depreciation and Amortisation (excluding lease)	51.8	13.0	13.3	52.0
R&D Expenses (on a statutory basis)	19.2	4.5	5.1	20.0
(Ref.) R&D Expenses (on a managerial basis)	30.8	7.4	7.8	32.0



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.