

NSK

NSK Ltd.

FINANCIAL CONFERENCE
Consolidated Business Results
for the First Quarter
ended June 30, 2023



Change & Go Beyond

August 3, 2023

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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Thank you for joining first quarter financial conference. I am the CFO, Keita Suzuki.

I will cover our financial results for the first quarter of the fiscal year ending March 31, 2024.

Key Points - Consolidated Business Results for FY2023 Q1



✓ Changes in disclosure

» **Effective from FY2023 Q1, the steering business is classified as a discontinued operation in accordance with IFRS accounting standards due to transitioning the steering business to a joint venture. Figures for FY2022 and the forecast for FY2023 are presented accordingly.**

- Sales, segment income, operating income, income before income taxes
 - > Presented excluding the discontinued operation
- Net income attributable to owners of the parent
 - > Presented including the discontinued operation

✓ FY2023 Q1 Actual (Continuing operations)

Ref. Steering Business (Discontinued operations)

- » Sales ¥188.2 bn YOY +¥4.8 bn <¥40.9 bn >
- » Operating income ¥4.1 bn YOY -¥4.2 bn <-¥1.9 bn> Segment income
- » Sales in Automotive Business increased and sales in Industrial Machinery Business decreased. In line with outlook.

✓ Established joint venture with Japan Industrial Solutions III Investment Limited Partnership (JIS) in the steering business

- » Changed status of NSK Steering & Control, Inc. which controls NSK's global steering business to an equity-method affiliate on August 1, 2023.

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Our financial results were released on July 31, 2023.

The key points this time include our revised earnings forecast, cancellation (retirement) of treasury stock, and the establishment of a joint venture (JV) in the steering business.

One major item to note is that in accordance with International Financial Reporting Standards (IFRSs), in accounting terms, the steering business is classified as a discontinued operation.

To explain in more detail, the income statement and cash flow statement are broken down into continuing operations and discontinued operations, and on the balance sheet the steering business is classified as an asset held for sale. Accordingly, the FY22 results and FY23 forecast have been presented accordingly, with sales, segment income, operating income, and income before income taxes disclosed excluding discontinued operations, and quarterly income after income taxes disclosed as the sum of continuing operations and discontinued operations. Quarterly profit from continuing operations is also disclosed as reference information in the quarterly summary.

With regard to the steering business, the joint venture with JIS (Japan Industrial Solutions Co., Ltd.) started on August 1. As a result, the steering business will be accounted for by the equity method from August 1.

Summary of Consolidated Business Results for FY2023 Q1

✓ Business Environment :

Moderate recovery in global automotive production volume as expected.
Chinese economy weaker than expected and continues to be in an adjustment phase.
Inflation remains high. Trend of yen depreciation.

➤ Sales in Automotive Business increased and sales in Industrial Machinery Business decreased.

Volume decreased in constant-terms basis, excluding effect of exchange rate fluctuations and transferring of increased costs to sales prices.

➤ Net income of continuing operations: ¥1.7 bn

(Net income of continuing and discontinued operations: -¥0.9 bn)

(Billions of yen)		FY2022 Q1 Actual	FY2023 Q1 Actual	Increase/ Decrease YOY	Difference YOY	(Effect of exchange rate fluctuations)
Continuing operations	Sales	183.5	188.2	+4.8	+2.6%	+4.8
	Segment income*	8.8	3.8	-4.9	-56.4%	+1.0
	(%)	4.8%	2.0%			
	Operating income	8.4	4.1	-4.2	-50.7%	+1.6
	(%)	4.6%	2.2%			
	Income before income taxes	8.4	4.3	-4.2	-49.3%	
	Net income attributable to owners of the parent	4.2	1.7	-2.6	-60.7%	
Continuing and discontinued operations	Net income attributable to owners of the parent	1.3	-0.9	-2.2	—	
	(Ex. rate: 1USD=)	129.6	137.4	+7.8	+6.0%	
	(" 1EUR=)	138.1	149.5	+11.4	+8.2%	
	(" 1CNY=)	19.6	19.6	-0.0	-0.1%	

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

This slide shows the summary of the first quarter.

Regarding the business environment, automobile production volume continues to recover moderately as expected. On the other hand, the Chinese economy is a little weaker than expected and continues to be in an adjustment phase. Inflation is still high compared to the past, although some regions and some items, such as electricity and ocean freight rates, are showing signs of stabilizing.

In the foreign exchange market, the yen depreciated for the first three months of the quarter. There was another change in the Bank of Japan's policy the other day, and the yen continues to depreciate.

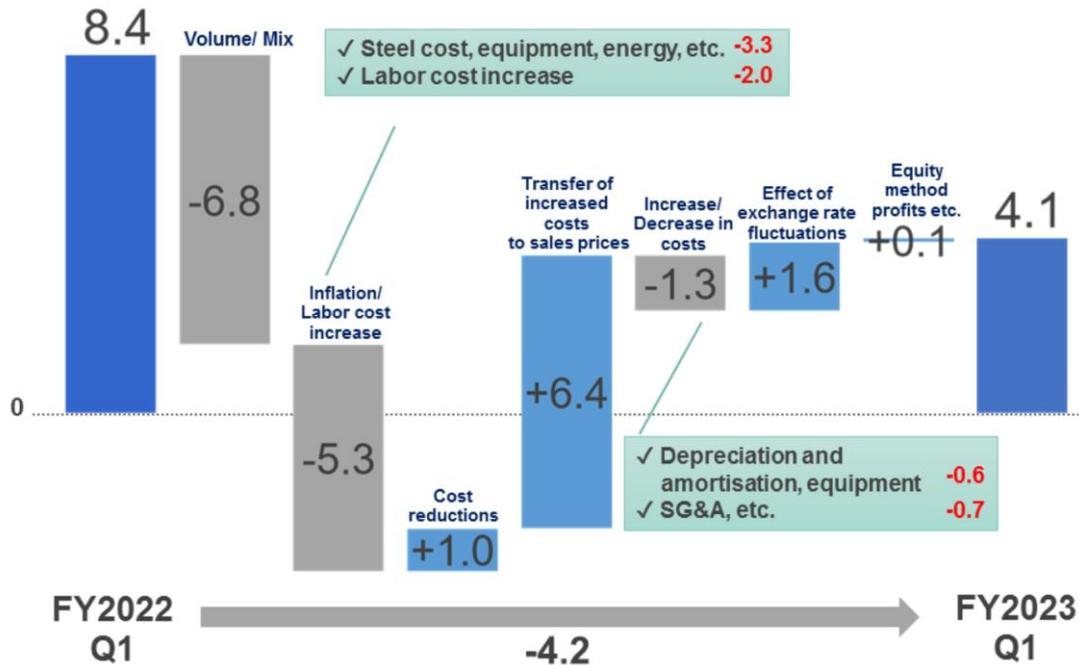
Under such an environment, net sales for the first quarter of FY23 from continuing operations were 188.2 billion yen, operating income was 4.1 billion yen, and net income was 1.7 billion yen, which means that both sales and income were down.

As noted here, the impact of yen depreciation on net sales and operating income was 4.8 billion yen and 1.6 billion yen, respectively. In addition, the effect of the transferring cost increases to sales prices was also in play this fiscal year as well, so there was a decrease in the actual volume of goods sold.

Operating Income: Factors Behind Change (FY2022 Q1 ⇒ FY2023 Q1) (Continuing operations)

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(Billions of yen)



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Page 4 shows the v-chart of factors behind change in operating income as compared to the first quarter of the previous fiscal year.

On the left side, there is 8.4 billion yen of operating income for the first quarter of the previous fiscal year, but this figure has been adjusted to reflect only continuing operations. On the far right is the FY23 first quarter operating income of 4.1 billion yen. As for what happened during this period, the second bar from the left shows the volume/mix, which was a major factor in the decrease in profit.

As I explained earlier, in addition to the impact of the decrease on a real volume basis, there was also the effect of the composition difference. In addition, the ratio of industrial machinery, which has a higher profit margin than automotive, declined, and within industrial machinery, sales of products for machine tools and semiconductor manufacturing equipment also declined, resulting in a drop in sales of precision machinery products. The combined effect of these factors was to reduce profits by about 6.8 billion yen.

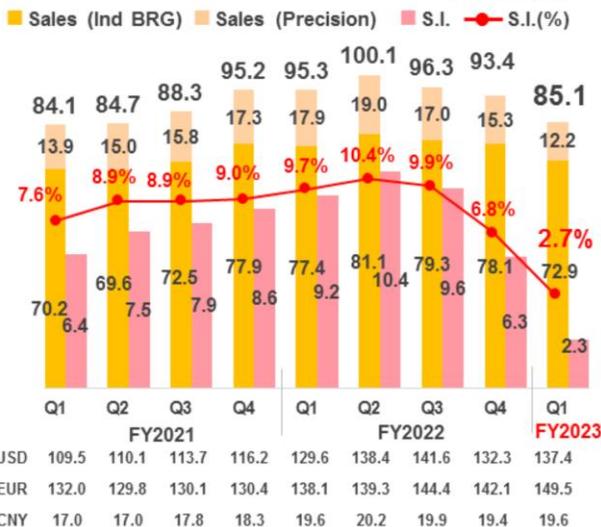
Inflation and labor cost increases had an impact of about 5.3 billion yen, but cost reduction activities of 1 billion yen and transferring costs to sales prices had a positive effect of 6.4 billion yen, which means that improvement activities exceeded cost increases compared to the same period of the previous year. Adding to this the impact of increase and decrease in costs and the effect of exchange rate fluctuations brings us to the 4.1 billion yen operating income in the first quarter.

Industrial Machinery Business



(Billions of yen)

	FY2022 Q1 Actual	FY2023 Q1 Actual	Increase Decrease YOY (Effect of exchange rate fluctuations)	Difference YOY (excluding effect of exchange rate fluctuations)
Sales	95.3	85.1	-10.2 +2.3	-10.7% -13.1%
Industrial Machinery	77.4	72.9	-4.5	-5.8%
Bearings	17.9	12.2	-5.7	-32.0%
Precision Machinery and Parts				
Segment income	9.2	2.3	-6.9	-75.0%
(%)	9.7%	2.7%		
(Ex. rate: 1USD=)	129.6	137.4	+7.8	+6.0%
(" 1EUR=)	138.1	149.5	+11.4	+8.2%
(" 1CNY=)	19.6	19.6	-0.0	-0.1%



- ✓ Sales in machine tools, semiconductor manufacturing equipment and E&E sectors decreased due to China's economic stagnation.
- ✓ Excluding E&E, operating income ratio of 8% in industrial machinery bearings. Volume of precision machinery and parts decreased to break-even point.

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Continuing on to the breakdown by business segment, this slide shows the Industrial Machinery business.

Sales were 85.1 billion yen and segment income was 2.3 billion yen, a decrease in both sales and income. Sales were boosted by a foreign exchange effect of 2.3 billion yen. In addition, there was the effect of price increases, so in real terms, the decrease in sales volume was about 15.0 billion yen.

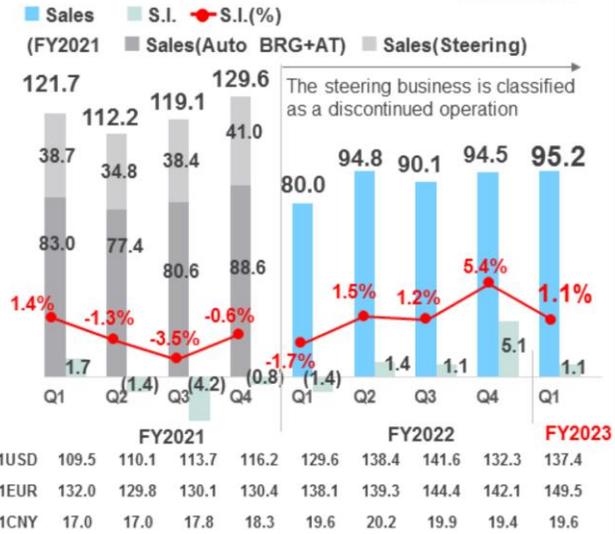
As shown in the lower part of the slide, sales of precision machinery products decreased by 32%. As for segment income, the E&E business continues to face a difficult situation. The volume of precision machinery products has dropped to near break even due to a large decrease in the volume of products.

As for general industrial machinery bearings, we continue to be profitable, but the profit margin for the industrial machinery business as a whole was 2.7%.

Automotive Business



(Billions of yen)	FY2022 Q1 Actual	FY2023 Q1 Actual	Increase/ Decrease YOY (Effect of exchange rate fluctuations)	Difference YOY (Excluding effect of exchange rate fluctuations)
Sales	80.0	95.2	+15.2	+19.0%
Segment income	-1.4	1.1	+2.4	—
(%)	-1.7%	1.1%		
(Ex. rate: 1USD=)	129.6	137.4	+7.8	+6.0%
(= 1EUR=)	138.1	149.5	+11.4	+8.2%
(= 1CNY=)	19.6	19.6	-0.0	-0.1%



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 Q1 Actual 22.0 million* YOY +16% *Based on IHS Markit
- ✓ Both sales and profits increased YOY due to increase of global automotive production volume.

Page 6 shows the automotive business.

Sales were 95.2 billion yen and segment income was 1.1 billion yen.

This was an increase in both sales and income. Foreign exchange rate effects had a positive impact of 2.4 billion yen on net sales, and there was also the effect of price increases.

However, excluding these factors, we estimate that more than 10% of the increase in sales was due to the increase in real volume.

Segment income returned to the black year to 1.1 billion yen from a loss in the previous year, partly due to the effect of increased sales.

The graph on the right side for FY21 includes the steering business as in the past.

However, from FY22, only continuing operations are in the data.

Consolidated Business Forecast for the Year Ending March 31, 2024



- ✓ The steering business is classified as a discontinued operation.
Revised forecast based on the assumption of changing the status of NSK Steering & Control, Inc. to an equity-method affiliate.

■ Business Environment

- Industrial Machinery Business: Moderate recovery in 2nd half in machine tools and semiconductor manufacturing equipment sectors.
- Automotive Business: Global automotive production volume 86 million (YOY +5%), same as May forecast.
- Inflation such as steel prices, energy and labor cost increase remained within expectations. Transferring increased costs to sales price as planned.
- Exchange rates: Assumption unchanged for Q2 onwards (USD ¥125, EUR ¥140, CNY ¥19)

(Billions of yen)		FY2022 Actual	FY2023 Forecast	Increase/ Decrease	YOY Difference	FY2023 Forecast as of May **	Increase/ Decrease
Continuing operations	Sales	776.8	808.0	+31.2	+4.0%	990.0	-182.0
	Segment income*	44.3	46.0	+1.7	+3.9%	43.5	+2.5
	(%)	5.7%	5.7%			4.4%	
	Operating income	43.8	44.0	+0.2	+0.4%	41.5	+2.5
	(%)	5.6%	5.4%			4.2%	
Continuing and discontinued operations	Income before income taxes	43.3	42.0	-1.3	-3.0%	39.5	+2.5
	Net income attributable to owners of the parent	18.4	25.5	+7.1	+38.5%	25.5	+0.0
	(Ex. rate: 1USD=)	135.5	128.1	-7.4	-5.5%	125.0	+3.1
	(" 1EUR=)	141.0	142.4	+1.4	+1.0%	140.0	+2.4
	(" 1CNY=)	19.8	19.1	-0.6	-3.1%	19.0	+0.1

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

**The forecast in May includes the steering business.

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Next, I would like to explain our revised earnings forecast.

In the Tokyo Stock Exchange disclosure, we have announced a revision to the earnings forecast, but please understand that we have adjusted the base figures to reflect the classification of the steering business as a discontinued operation. In other words, the outcomes of the plan have not been significantly changed, and we have only made revisions to exclude discontinued operations from the figures.

Regarding the business environment, in the industrial machinery business, we expect machine tools and semiconductor production equipment to recover moderately in the second half. We have also factored in a 5% year-on-year increase in automotive production to 86 million units.

Inflation is also expected to be in line with the plan. We have maintained our initial exchange rate assumptions of 125 yen to the dollar and 140 yen to the euro from Q2 onward.

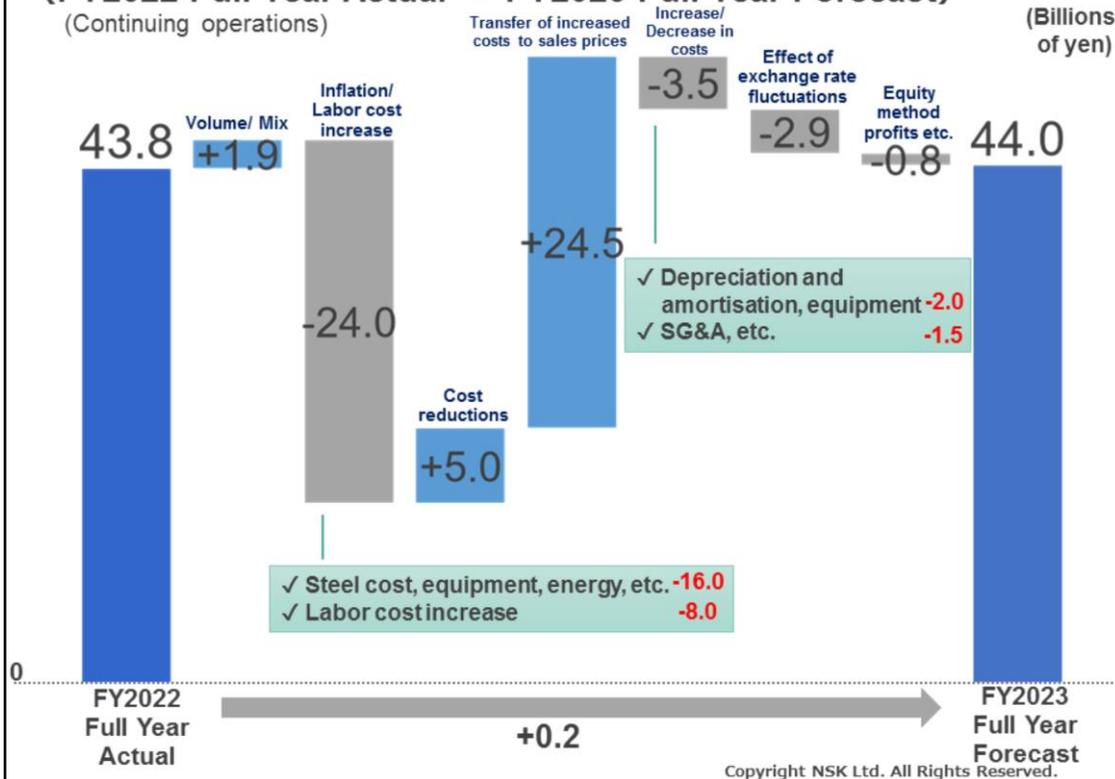
As a result, for FY23, we are projecting sales of 808.0 billion yen and operating income of 44.0 billion yen, or 5.4% of the previous year's forecast, which is an increase of 31.2 billion yen in net sales and an increase of 200 million yen in operating income compared to FY22, when we reclassified only continuing operations.

Operating Income: Factors Behind Change (FY2022 Full Year Actual ⇒ FY2023 Full Year Forecast)



(Continuing operations)

(Billions of yen)



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Operating income from continuing operations for FY22 was 43.8 billion yen, and the forecast for FY23 is 44.0 billion yen, as I explained earlier, so this is the breakdown of the increase and decrease. Since we have not changed our base plan, it is basically the same as I explained at the May meeting.

We have incorporated measures to recover from inflation and rising labor costs, including those that we have not been able to recover over the past two years, by passing increases on to sales prices and reducing costs.

- ✓ **Respond to inflation**
 - » Continue to negotiate prices including labor cost increase
- ✓ **Reorganize production to improve productivity**
 - » Promote business restructuring in E&E
- ✓ **Promote portfolio reform of business**
 - » Pursue M&A and invest in new ventures to expand Industrial Machinery Business and new business fields
 - » Increase capital investment including R&D to respond to shift to EVs
 - Increase capacity of R&D sites in China
 - NSK wins Bosch Global Supplier Award 2023
- ✓ **Financial strategy**
 - » Plan to issue Sustainability Linked Bonds
 - » Decided to cancel treasury shares
 - Number of cancelled shares: 51 million shares (9.3% of the total 551 million issued shares)

In addition to the explanation given in May, I would like to explain our efforts to achieve the target of 10% ROE in our mid-term management plan, which we believe will also improve PBR.

First, we will continue to pass on the costs of inflation to sales prices. In particular, we will negotiate prices that include the expected continuous increase in labor costs.

In terms of increasing asset efficiency, we are working to improve productivity, including production reorganization.

In terms of sustainable growth, we will continue to expand our industrial machinery business and pursue M&A opportunities to promote new businesses. In the automotive field, we have decided to strengthen our research and development base in China, in addition to expanding on more highly profitable products through the shift to EVs. We will respond to the speed and customers in China.

We are also preparing for the issuance of Sustainability Linked Bonds, which was disclosed on our website and as TSE PR information on July 14, 2023 (Sustainability Linked Bond Framework). In addition, we have decided to cancel or retire treasury stock. The number of shares to be cancelled is 51 million shares, which means that 9.3% of our treasury shares will be canceled.

✓ **Steering Business**

» May 2023 : Signed joint venture agreement with JIS

» August 2023 : Established equity-method affiliate

(Shareholding ratio: NSK 49.9%, JIS 50.1%)

Purpose

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

» FY2023 Q1 Actual

(Billions of yen)	FY2022 Q1 Actual	FY2023 Q1 Actual	Increase/ Decrease YOY (Effect of exchange rate fluctuations)	Difference YOY (Excluding effect of exchange rate fluctuations)	Ref.) FY2022 Actual				
					Q1	Q2	Q3	Q4	Full year
Sales	35.9	40.9	+5.0 +1.1	+13.8% +10.9%	35.9	41.7	41.7	42.0	161.3
Segment income	-3.9	-1.9	+2.0	—	-3.9	-2.3	-1.7	-1.5	-9.3
(%)	-10.8%	-4.7%			-10.8%	-5.6%	-4.0%	-3.5%	-5.8%
(Ex. rate: 1USD=)	129.6	137.4	+7.8	+6.0%	129.6	138.4	141.6	132.3	135.5
(" 1EUR=)	138.1	149.5	+11.4	+8.2%	138.1	139.3	144.4	142.1	141.0
(" 1CHY=)	19.6	19.6	-0.0	-0.1%	19.6	20.2	19.9	19.4	19.8

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Page 10 shows the steering business.

We signed the joint venture agreement in May and the JV company was formed on August 1.

With this agreement, we will actively promote further structural reforms to improve the profitability of the steering business, operate the business independently, and look toward creating new alliances with other strategic partners, together with JIS.

This concludes my explanation of our first quarter results.

Supplementary Information : Financial Results by Business Segment



Due to the classification of the steering business as a discontinued operation, the figures back to FY22 have been retroactively updated to show as continuing operations excluding the steering business.

(Billions of yen)		FY2022					FY2023			FY2023 Forecast		
		Q1	Q2	Q3	Q4	Full year	Q1	Increase/ Decrease	Difference	H1	H2	Full year
Total	Sales	183.5	202.8	194.6	195.9	776.8	188.2	+4.8	+2.6%	392.0	416.0	808.0
	Segment Income	8.8	12.0	11.1	12.4	44.3	3.8	-4.9	-56.4%	15.0	31.0	46.0
	(%)	4.8%	5.9%	5.7%	6.3%	5.7%	2.0%			3.8%	7.5%	5.7%
	Operating income	8.4	11.2	10.3	14.0	43.8	4.1	-4.2	-50.7%	14.0	30.0	44.0
	(%)	4.6%	5.5%	5.3%	7.1%	5.6%	2.2%			3.6%	7.2%	5.4%
Industrial Machinery Business	Sales	95.3	100.1	96.3	93.4	385.1	85.1	-10.2	-10.7%	182.5	195.0	377.5
	Industrial Machinery	77.4	81.1	79.3	78.1	315.9	72.9	-4.5	-5.8%	154.5	164.5	319.0
	Bearings	17.9	19.0	17.0	15.3	69.2	12.2	-5.7	-32.0%	28.0	30.5	58.5
	Precision Machinery and Parts	9.2	10.4	9.6	6.3	35.5	2.3	-6.9	-75.0%	9.0	18.5	27.5
	Segment Income	9.2	10.4	9.6	6.3	35.5	2.3	-6.9	-75.0%	9.0	18.5	27.5
	(%)	9.7%	10.4%	9.9%	6.8%	9.2%	2.7%			4.9%	9.5%	7.3%
Automotive Business	Sales	80.0	94.8	90.1	94.5	359.4	95.2	+15.2	+19.0%	193.0	205.0	398.0
	Segment Income	-1.4	1.4	1.1	5.1	6.3	1.1	+2.4	—	5.0	11.0	16.0
	(%)	-1.7%	1.5%	1.2%	5.4%	1.8%	1.1%			2.6%	5.4%	4.0%
Others	Sales	14.7	14.4	15.1	14.8	59.0	16.7	+2.0	+13.6%	33.5	34.0	67.5
	Segment Income	0.8	0.2	0.3	0.9	2.2	0.7	-0.1	-15.8%	1.0	1.5	2.5
	(%)	5.5%	1.1%	2.1%	5.9%	3.7%	4.1%			3.0%	4.4%	3.7%
Eliminations (sales)		-6.5	-6.6	-6.8	-6.8	-26.7	-8.7	-2.2	—	-17.0	-18.0	-35.0
Other operating income and expenses (adjustments)		-0.3	-0.7	-0.8	1.6	-0.2	0.1	+0.4	—	-1.0	-1.0	-2.0

Supplementary Information : Sales by Customer Location

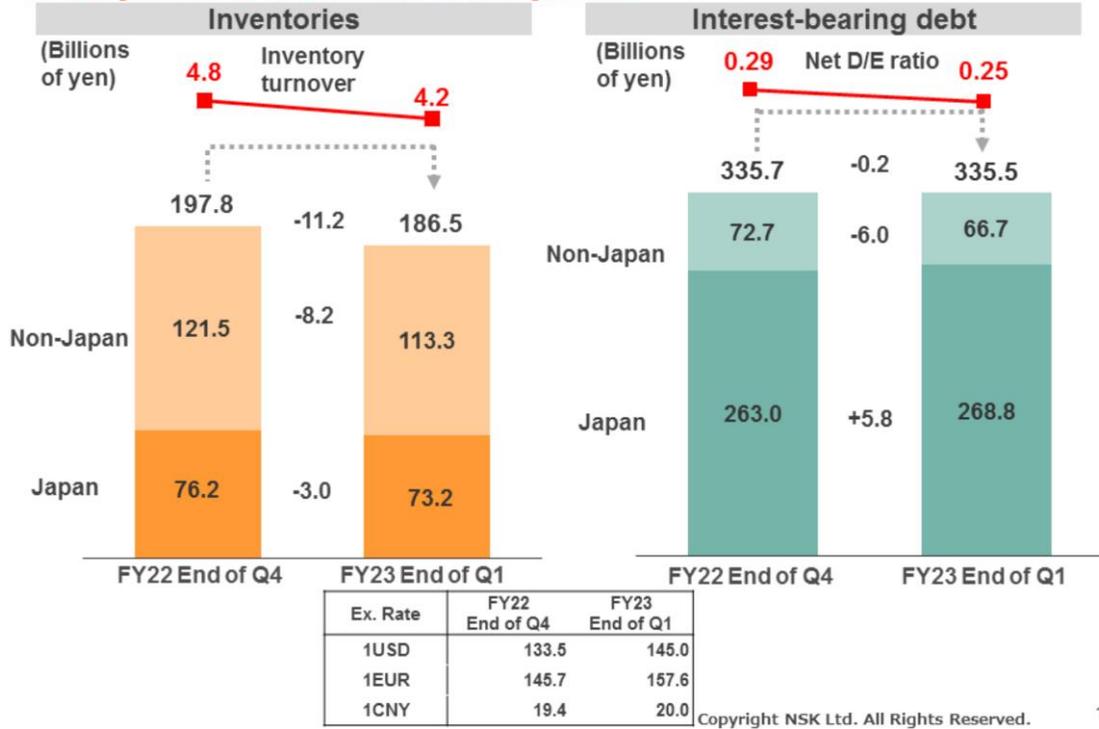


Due to the classification of the steering business as a discontinued operation, the figures back to FY22 have been retroactively updated to show as continuing operations excluding the steering business.

(Billions of yen)	FY2022					FY2023	YOY	
	Q1	Q2	Q3	Q4	Full year	Q1 Actual	Increase/Decrease	Difference
Sales	183.5	202.8	194.6	195.9	776.8	188.2	+4.8	+2.6%
Japan	65.6	68.3	65.0	69.3	268.2	66.0	+0.4	+0.6%
Non-Japan	117.8	134.5	129.6	126.6	508.5	122.2	+4.4	+3.7%
(Non-Japan Ratio)	64.2%	66.3%	66.6%	64.6%	65.5%	64.9%		
The Americas	29.1	33.4	33.5	34.8	130.8	33.4	+4.2	+14.5%
Europe	24.6	24.7	25.2	29.2	103.7	27.0	+2.4	+9.7%
China	37.2	48.0	42.9	35.0	163.2	35.5	-1.7	-4.7%
Other Asia	26.8	28.4	28.1	27.6	110.9	26.4	-0.5	-1.7%
Ex. Rate								
1USD	129.6	138.4	141.6	132.3	135.5	137.4	+7.8	+6.0%
1EUR	138.1	139.3	144.4	142.1	141.0	149.5	+11.4	+8.2%
1CNY	19.6	20.2	19.9	19.4	19.8	19.6	-0.0	-0.1%

Supplementary Information: Inventories / Interest-Bearing Debt

Due to the classification of the steering business as a discontinued operation, the figures for FY23 excludes the steering business. Net D/E ratio includes the steering business.



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



Due to the classification of the steering business as a discontinued operation, the figures back to FY22 have been retroactively updated to show as continuing operations excluding the steering business.

(Billions of yen)	FY2022	FY2023	
	Full year Actual	Q1 Actual	Full year Forecast
Capital Expenditures	54.1	9.9	60.0
Capital Expenditures (excluding lease)	48.4	9.5	55.0
Depreciation and Amortisation	50.1	12.8	52.0
Depreciation and Amortisation (excluding lease)	45.3	11.5	47.0
R&D Expenses (on a statutory basis)	15.4	3.6	17.0
(Ref.) R&D Expenses (on a managerial basis)	25.9	6.4	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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