

May 12, 2023

## **NSK Announces the Execution of a Joint Venture Agreement Accompanying Changes in a Consolidated Subsidiary and a Specified Subsidiary (Sub-subsidiary)**

Tokyo, May 12, 2023 – NSK Ltd. (TSE: 6471, herein after referred to as “NSK”) has today entered into a joint venture agreement (“Joint Venture Agreement”) with Japan Industrial Solutions III Investment Limited Partnership (“JIS”). It is agreed i) NSK Steering & Control, Inc. (“NS&C”), a consolidated subsidiary which controls NSK's global steering business, will issue class shares equivalent to 50.1% of voting rights of NS&C by way of third-party allotment (“Third-Party Allotment”) to JIS, ii) NS&C will distribute special dividend to NSK prior to the Third-Party Allotment (the series of transactions including such share issuance and distribution of special dividend are hereinafter referred to as the “Transaction”) and iii) JIS and NSK will jointly operate NS&C. As a result of the Transaction, NS&C and NSK Steering Systems Co., Ltd. (“NSS”), a subsidiary of NS&C and a specified subsidiary /sub-subsidiary of NSK, will become equity-method affiliated companies.

### **1. Background and Purpose**

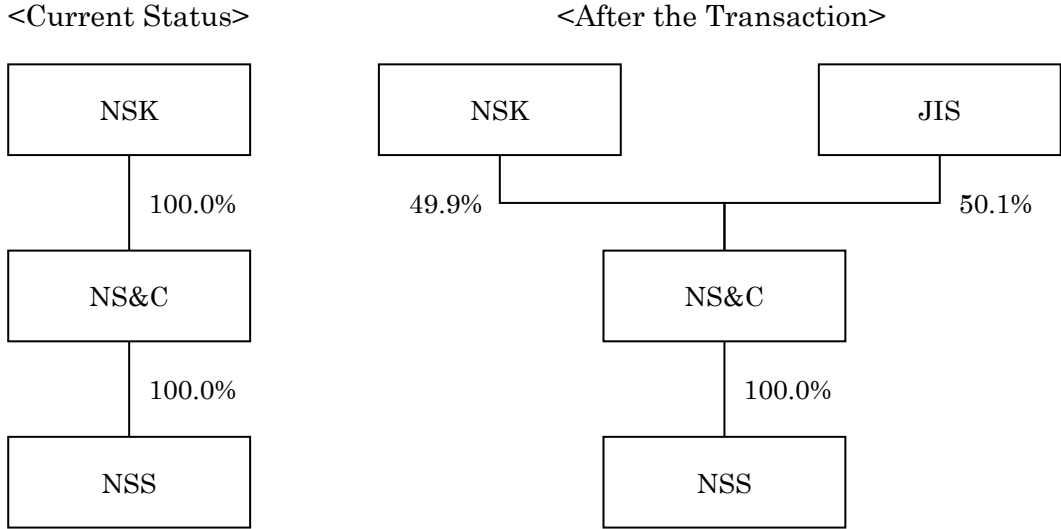
The automotive industry is currently facing major transformation. In addition, supply chain disruptions triggered by Covid-19 outbreak, semiconductor shortages, geopolitical risks including the Ukraine situation, and global inflation have added to the increasingly challenging business environment. In this environment, as announced in the Mid-Term Management Plan 2026 (“MTP2026”) dated May 13, 2022, NSK has initiated business structural reforms to enhance the automotive steering business; and at the same time, NSK has been pursuing alliance discussions with external partners. As a result, NSK has decided today to enter into the Joint Venture Agreement with JIS regarding NS&C.

JIS has extensive experience and expertise in investing and providing managerial support in a wide range of industries, including the automotive industry, and possesses knowledge and network of information based on its track record and experience. NSK has come to a conclusion that inviting JIS as the partner to the steering business is important amid an increasingly uncertain business environment, with an aim to further progress with measures to improve the steering business as quickly as possible. Specifically, NSK will work with JIS to consider a variety of measures, including the following.

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

2. Outline of the Joint Venture Agreement

NS&C will issue 10,041 class shares by way of third-party allotment, all of which will be subscribed by JIS for 20 billion yen. Prior to the Third-Party Allotment, NS&C plans to distribute special dividend to NSK. As a result of the Transaction, the ownership structure of voting rights NS&C will be as follows. NSK currently plans to implement the aforementioned structure, however, in an event that the structure of the Transaction has a significant impact on NSK's financial results due to material changes in external environment, NSK may choose to take the alternative scheme where NSK will subscribe the class shares issued by NS&C and transfer all of which to JIS, after obtaining the consent from JIS. (The shareholder composition and shareholding ratios will remain unchanged in the event of a change in scheme)



As a result of this transaction, NS&C will become an affiliate of NSK accounted by equity method. NSK will continue to support NS&C's sustainable growth and enhancement of corporate value as a shareholder. In addition, NSK may acquire the class shares subscribed by JIS in case certain conditions are fulfilled.

### 3. Outline of the relevant Subsidiary/Specified Subsidiary (Sub-subsidiary)

#### (1) Outline of the relevant Subsidiary

|                                                                                        |                                                                                                                                                                        |                                                                                                              |
|----------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| (1) Company name                                                                       | NSK Steering & Control, Inc.                                                                                                                                           |                                                                                                              |
| (2) Head office                                                                        | 1-6-3 Osaki, Shinagawa-ku, Tokyo                                                                                                                                       |                                                                                                              |
| (3) Representative                                                                     | Narihito Otake<br>Representative Director and President                                                                                                                |                                                                                                              |
| (4) Description of business                                                            | Sales, research, and development of automotive steering products.<br>Manufacturing, sales, research, and development of automotive electronic components and software. |                                                                                                              |
| (5) Capital<br>(As of May 12, 2023)                                                    | 200 million yen                                                                                                                                                        |                                                                                                              |
| (6) Date established                                                                   | September 30, 2010                                                                                                                                                     |                                                                                                              |
| (7) Major shareholders<br>and ownership<br>(as of May 12, 2023)                        | NSK Ltd. 100%                                                                                                                                                          |                                                                                                              |
| (8) Relationship between<br>NSK and the<br>subsidiary                                  | Capital<br>relationship                                                                                                                                                | NSK owns 100% of the outstanding shares of this subsidiary.                                                  |
|                                                                                        | Personal<br>relationship                                                                                                                                               | NSK's executive officers serve as directors of the subsidiary.                                               |
|                                                                                        | Business<br>relations                                                                                                                                                  | The subsidiary manufactures and sells products to NSK and NSK supplies parts and services to the subsidiary. |
|                                                                                        | Related<br>Party Status                                                                                                                                                | The subsidiary is a consolidated subsidiary of NSK and falls under the category of a related party.          |
| (9) Actual results of the<br>subsidiary for the fiscal<br>year ended March 31,<br>2022 | Net sales                                                                                                                                                              | 4,100 million yen*                                                                                           |

\*The figures are the financial position and operating results before NS&C took over the steering business from NSK on April 1, 2023.

## (2) Outline of the relevant Specified Subsidiary (Sub-subsidiary)

|                                                                                                          |                                                            |                                                                                                     |                |
|----------------------------------------------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|----------------|
| (1) Company name                                                                                         | NSK Steering Systems Co.                                   |                                                                                                     |                |
| (2) Head office                                                                                          | 1-6-3 Osaki, Shinagawa-ku, Tokyo                           |                                                                                                     |                |
| (3) Representative                                                                                       | Katsumi Kobayashi<br>Representative Director and President |                                                                                                     |                |
| (4) Description of business                                                                              | Manufacturing of automotive components                     |                                                                                                     |                |
| (5) Capital                                                                                              | 7,500 million yen (As of May 12, 2023)                     |                                                                                                     |                |
| (6) Date established                                                                                     | February 21, 2001                                          |                                                                                                     |                |
| (7) Major shareholders and ownership                                                                     | NSK Steering & Control, Inc. 100%.(As of May 12, 2023)     |                                                                                                     |                |
| (8) Relationship between NSK and the subsidiary                                                          | Capital relationship                                       | NSK indirectly owns 100% of the outstanding shares of this subsidiary.                              |                |
|                                                                                                          | Personal relationship                                      | NSK's executive officers serve as directors of the subsidiary.                                      |                |
|                                                                                                          | Business relations                                         | NSK sells the products manufactured by the subsidiary and provides services to the subsidiary.      |                |
|                                                                                                          | Related Party Status                                       | The subsidiary is a consolidated subsidiary of NSK and falls under the category of a related party. |                |
| (9) Financial position and operating results of the subsidiary for the past three years<br>(million JPY) |                                                            |                                                                                                     |                |
| Fiscal year end                                                                                          | March 31, 2021                                             | March 31, 2022                                                                                      | March 31, 2023 |
| Net assets                                                                                               | 16,549                                                     | 15,431                                                                                              | 14,087         |
| Total assets                                                                                             | 30,458                                                     | 31,028                                                                                              | 29,021         |
| Net assets per share                                                                                     | 110,329.32 yen                                             | 102,878.67 yen                                                                                      | 93,915.98 yen  |
| Net sales                                                                                                | 48,792                                                     | 42,031                                                                                              | 47,106         |
| Operating income                                                                                         | 695                                                        | -881                                                                                                | -1,290         |
| Ordinary income                                                                                          | 639                                                        | -940                                                                                                | -1,331         |
| Net income Attributable to Owners of the Parent                                                          | 434                                                        | -682                                                                                                | -1,344         |
| Net income per share                                                                                     | 2,899.21 yen                                               | -4,550.65 yen                                                                                       | -8,962.69 yen  |
| Dividend per share                                                                                       | 2,900.00 yen                                               | —                                                                                                   | —              |

#### 4. Overview of the Underwriters of the Class Shares

|                                                                                  |                                                                                                               |                                                                                                     |
|----------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| (1) Company name                                                                 | Japan Industrial Solutions III Investment Limited Partnership                                                 |                                                                                                     |
| (2) Head office                                                                  | 2-2-2 Marunouchi, Chiyoda-ku, Tokyo                                                                           |                                                                                                     |
| (3) Grounds, etc. for incorporation                                              | Limited Partnership Act for Investment                                                                        |                                                                                                     |
| (4) Purpose of formation                                                         | Acquisition, etc. of securities                                                                               |                                                                                                     |
| (5) Partnership formation date                                                   | September 30, 2021                                                                                            |                                                                                                     |
| (6) Overview of limited liability partners                                       | Development Bank of Japan Inc.<br>Mizuho Bank, Ltd.<br>Sumitomo Mitsui Banking Corporation<br>MUFG Bank, Ltd. |                                                                                                     |
| (7) Outline of operating partner (Unlimited liability partner) (General Partner) | Name                                                                                                          | Japan Industrial Solutions, Inc.                                                                    |
|                                                                                  | Location                                                                                                      | 2-2-2 Marunouchi, Chiyoda-ku, Tokyo                                                                 |
|                                                                                  | Name and title of representative                                                                              | Yuichi Hiromoto<br>President & CEO                                                                  |
|                                                                                  | Description of business                                                                                       | Investment business etc.                                                                            |
|                                                                                  | Capital stock                                                                                                 | 100 million yen                                                                                     |
| (8) Relationship of NSK with the said fund and the operating partner             | Relationship between NSK and the said fund                                                                    | There is no capital, personal, or transactional relationships between NSK and the said fund         |
|                                                                                  | Relationship between NSK and the operating partner                                                            | There is no capital, personal, or transactional relationships between NSK and the operating partner |

5. Status of NS&C and NSS Shares and Voting Rights Held by NSK Before and After the Transaction

|                                                    |      |                                                                                                                                                                                                                       |
|----------------------------------------------------|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1) Number of shares held prior to the Transaction | NS&C | 10,000 Shares<br>(Number of voting rights: 10,000)<br>(Percentage of voting rights held: 100.0%)                                                                                                                      |
|                                                    | NSS  | 150,000 Shares (of which 150,000 shares are indirectly held)<br>(Number of voting rights: 150,000 (of which 150,000 indirectly held))<br>(Percentage of voting rights held: 100.0% (of which 100.0% indirectly held)) |
| (2) Number of shares held after the Transaction    | NS&C | 10,000 Shares<br>(Number of voting rights: 10,000)<br>(Percentage of voting rights held: 49.9%)                                                                                                                       |
|                                                    | NSS  | 0 Shares<br>(Number of voting rights: 0 (of which 0 indirectly held))<br>(Percentage of voting rights held: 0% (of which 0% indirectly held))                                                                         |

6. Schedule

|                                     |                          |
|-------------------------------------|--------------------------|
| (1) Date of resolution by NSK's CEO | May 12, 2023             |
| (2) Date of executing the agreement | May 12, 2023             |
| (3) Date of closing                 | July 3, 2023 (scheduled) |

7. Future Outlook and Impact on Business Performance

The impact of the Transaction on the consolidated financial results is currently being examined. NSK will promptly disclose any matter that should be disclosed. Also, the special dividend to be conducted as part of the Transaction will be a capital transaction where the dividend will be paid

from NS&C's capital surplus, therefore, the impact of this matter to the consolidated statement of income of NSK is insignificant.

This document is an English convenience translation of a document that was originally prepared in the Japanese language and is provided for convenience purpose only. NSK makes no representation or warranty that this document is a complete or accurate translation of the original Japanese text, and it is not intended to be relied upon. In the event that there is a discrepancy between the Japanese and English versions, the Japanese version shall prevail. This document is not intended and should not be construed as an inducement to purchase or sell stock in NSK.