

NSK

NSK Ltd.



Change & Go Beyond

Mid-Term Plan (FY2022~FY2026)

MTP2026

May 13, 2022

Akitoshi Ichii

President and CEO

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 as the primary version.

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Review of 6th MTP - KPI

- Industrial Machinery Business hit past record, but operating margin did not reach double digits. Automotive Business recorded a loss for second consecutive year. Growth in semiconductors, machine tools and robots, shrinking automotive market, acceleration of electrification, missed target for EPS orders
- Ongoing COVID-19 concerns, rapid inflation, supply chain disruption ■ Maintained an A credit rating due to financial stability

6th MTP (FY19–21): KPIs

Results

* Reference values after E&E adjustment

6th MTP (FY19–21): KPIs				Results			
				5th MTP FY18	FY19	FY20	FY21
Growth	Sales/ Growth ratio	Sales growth (CAGR): 2% ¥1 trillion	Industrial Machinery: Achieve sales growth that surpasses market growth Automotive Bearings: Achieve sales growth that surpasses growth in global vehicle production volume Automotive Components: Secure orders to restart growth in steering business	¥991.4bn Industrial Machinery Business 328.0*	831.0	747.6	865.2 (-13%) 345.8 (+5%)
	Operating Income %	8% or more	Secure stable profitability	631.0* Automotive Business	2.8%	0.9%	482.5 (-24%)
	ROE	10% or more	ROE exceeding cost of capital		10.4%	3.3%	0.1%
Profitability	Operating Income %	8% or more	Secure stable profitability				
Efficiency	ROE	10% or more	ROE exceeding cost of capital				
Financial Stability	Net D/E ratio Equity ratio	0.3 times 50%	Maintain an A-level credit rating	Maintained an A rating despite COVID-19			
Shareholder returns	Payout ratio Share buyback	30–50% ¥40/share or more	Continue stable dividends, Acquisition of treasury shares Agile capital policy	Continued stable dividend payments			
Capital expenditure	Capital expenditure	¥180bn/3yrs	Investment to underpin sustainable growth	Controlled investments according to business conditions ¥144.5bn/3yrs			
R&D	R&D Expenses	vs. Sales 3–4%	Continue developing technologies for further growth	Maintained at 3–4% (¥30bn/yr)			

MTP2026: Overall Image and Positioning

6th MTP

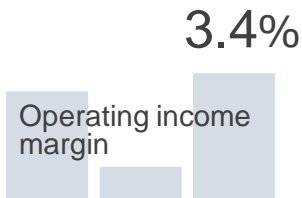
FY19-20-21

Build business base and strengthen resources in preparation for next growth phase

- Pursue new initiatives targeting growth
- Enhance managerial resources
- Contribute to environment and society

Changing business conditions

- Stagnating automotive market
- Carbon neutrality
- Supply chain risk actualizing
- Divided international community
- Costs increasing due to inflation



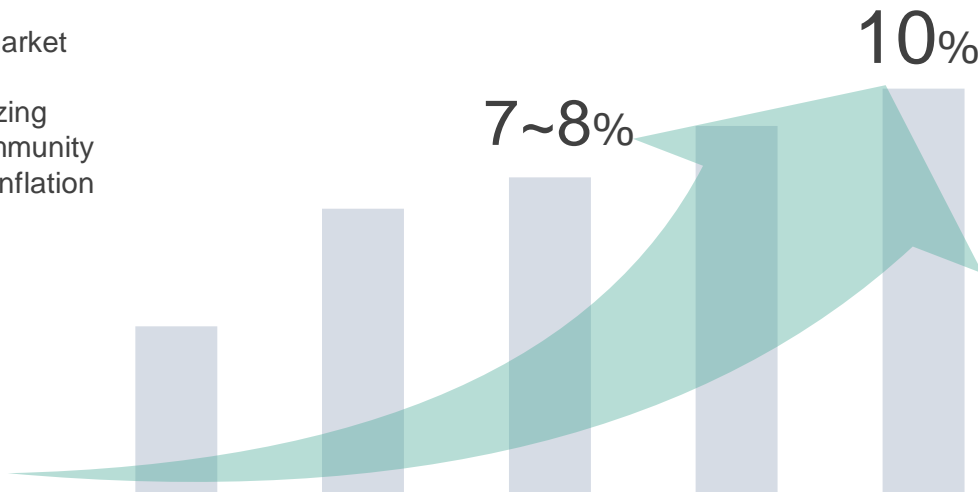
MTP2026

Rebuild corporate foundation for sustainable growth

FY22 — 24 — 26

"Change & Go Beyond" to become new type of trillion-yen company

Accelerate efforts to address management issues



Post2026

Continue exceling for next 100 or even 1,000 years

No.1 in quality and trust
Resolve social issues
Foster technological innovation

- Advances in electrification, automation, and IT
- Respond to electrification of automobiles
- Growing demand for semiconductors, and robots
- Global push to reduce environmental impact



New Type of Trillion-yen Company

Portfolio reform; 10% operating margin; 10% ROE

MOTION & CONTROL™



» Portfolio reform Bearings & Beyond

① Expand Industrial Machinery business

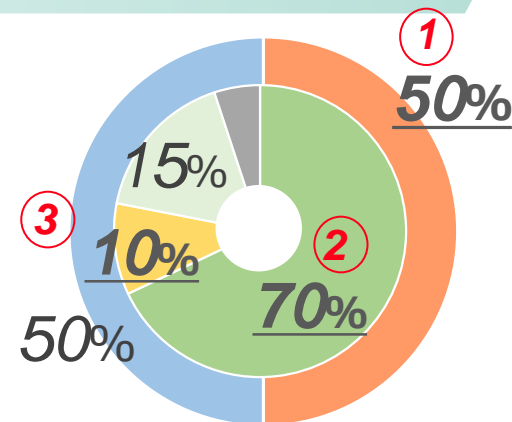
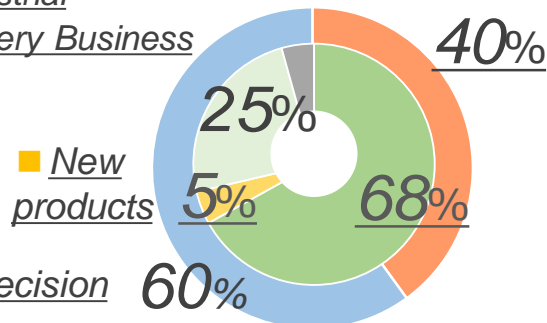
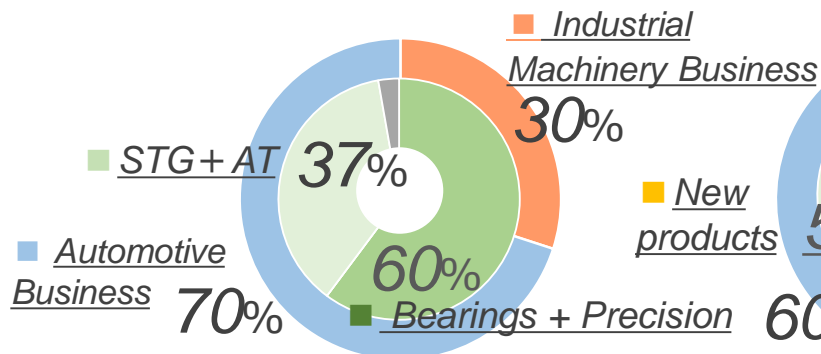
② Deploy bearings + precision machinery to drive earnings

③ Grow new products

FY17
Sales: ¥1 trillion

MTP2026
Sales: ¥1 trillion

Post2026



» KPIs

FY21

FY26

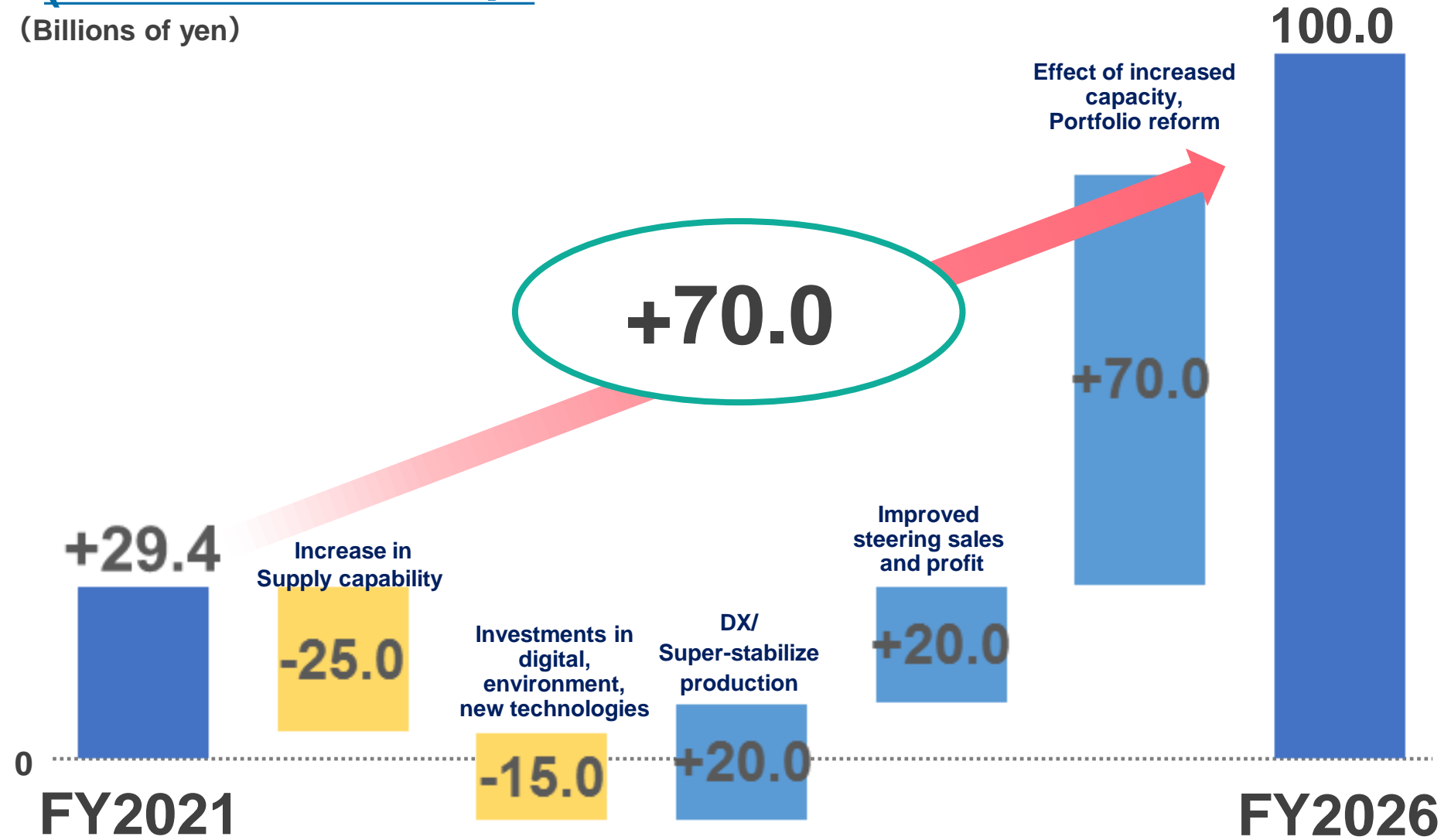
FY21→26

		FY21	FY26	FY21→26
Growth	Sales/ Growth ratio	¥865.2 billion	¥1 trillion or more	CAGR +5%/year
	Operating income margin	¥29.4 billion (3.4%)	¥100.0 billion (10%)	+¥70.0 billion +6.6 points
Efficiency	ROE	2.8%	10%	+7.2 points
	ROIC	1.9%	8%	+6.1 points
Financial Stability	Net D/E ratio	0.3 times	0.4 times or less	Maintain an A-level credit rating
	Equity Ratio	50.0%	50%	

FY26 forex rates
→ Using average
FY21 rates:
USD ¥112
EUR ¥131
CNY ¥17.5

MTP2026 Operating Income: Factor Behind Changes (FY2021 ⇒ FY2026)

(Billions of yen)



Assumption: Labor cost increases will offset by improved productivity, and inflation of purchasing cost will be absorbed by passing on to selling prices and cutting costs.

We aim to be a needed and trusted company that contributes to the development of a sustainable society by creating new value through the fusion of tribology and information technology

ESG Management

Be needed, trusted, and relied upon by society

- ✓ Promote carbon neutrality
 - » FY26 -50% compared to FY17 (Scope 1, 2)
- ✓ Create better working environments
 - » Continue to be certified as outstanding health and productivity management organization on the “White 500” list of the top-performing 500 companies

Create new value



Operational excellence

Enhancement of Managerial Resources

Enhance our managerial resources with the power of IT and continuously transform our business

- ✓ Engage information technology in all areas
 - ✓ Super-stabilize production
 - ✓ Develop and support diverse career paths
- » 1.5x productivity

Growth with Profitability

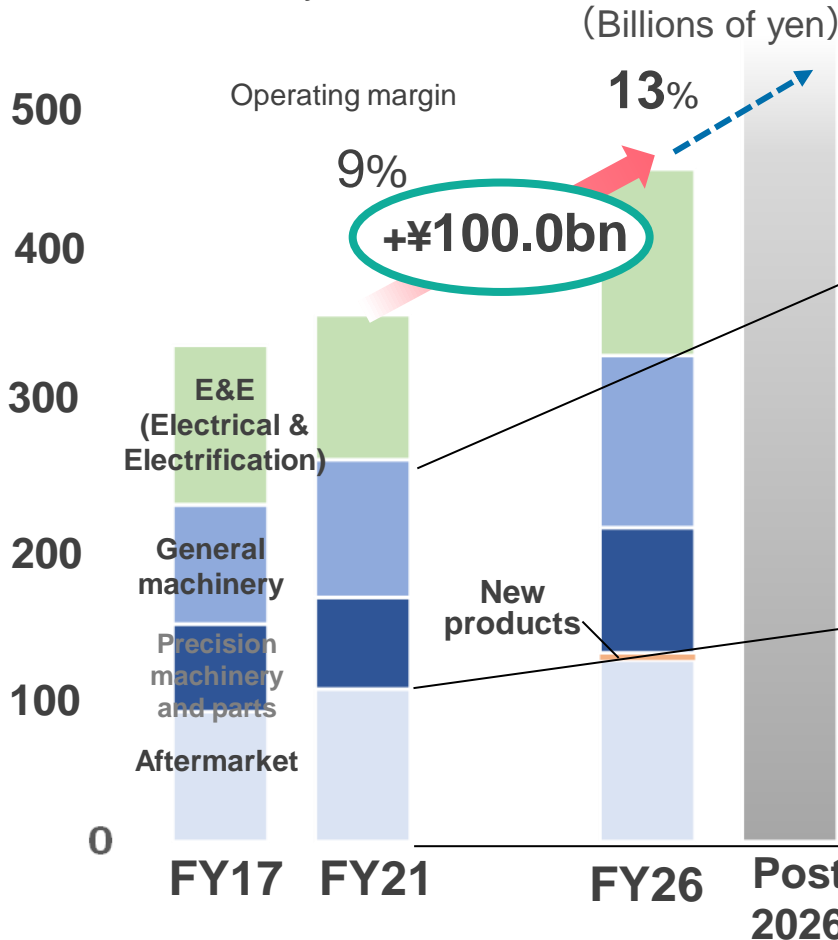
Establish business foundation for sustainable growth even in changing business conditions

- ✓ Bearings & Beyond
 - » Expand industrial machinery business
 - » Deploy bearings + precision machinery to drive earnings
 - » Grow new products
- ✓ Restructure steering business
- ✓ Pursue alliances and M&A

> Expand Industrial Machinery Business

- Aim to capture expanding market demand in electrification, automation, digitalization
- Strengthen supply capabilities and enhance technical services system
- >> FY26 targets: Sales of **¥450.0 billion**; operating margin of **13%**

Industrial Machinery Business: Growth vision



Business growth initiatives by sector

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

+¥30.0 billion

- » High-accuracy, low noise
- » Increase capacity, establish new production sites

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

+¥30.0 billion

- » High-speed, high-accuracy, reliability
- » Reinforce supply capacity and develop new products

3. Wind turbines • railways • energy transition

+¥10.0 billion

- » Durability, reliability, high-speed
- » Increase supply capacity in Shenyang and Toyama

4. Transform business model to increase sales

+¥25.0 billion

- » Deploy CMS and reconditioning to establish PLM model

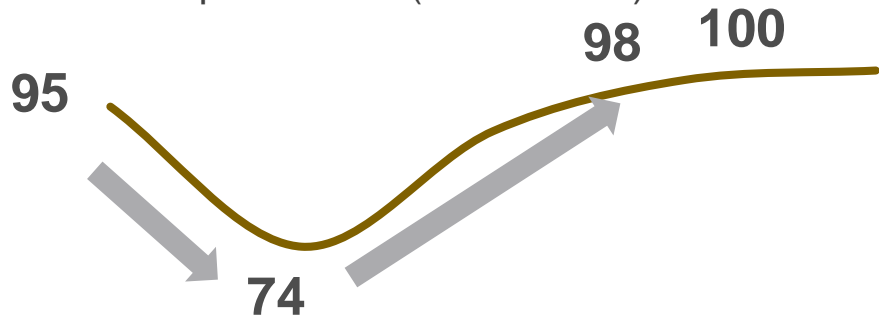
※ PLM: Product lifecycle management

Growth with Profitability – Automotive Bearings Business

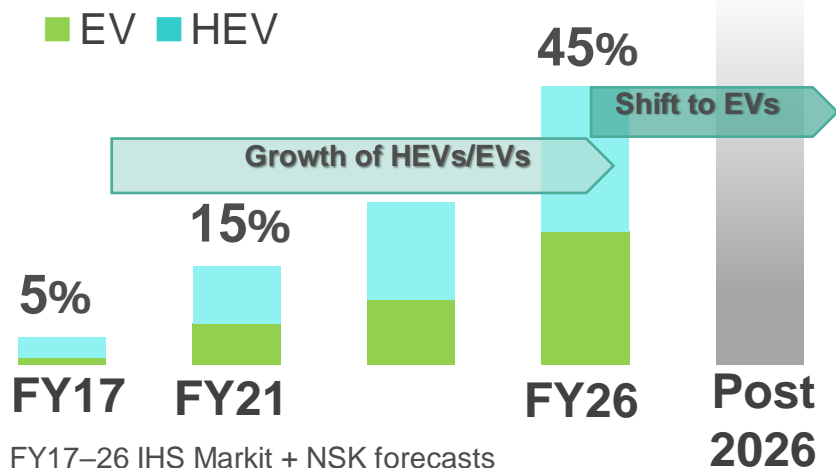
> Respond to electrification of automobiles

- Achieve increase in EV-related sales in excess of decline in ICE-related sales and thus surpass prior peak
- Aim to achieve high market share in products related to low torque, high-speed rotation, and lightweight, and expand introduction of new products for future business.
- » FY26 targets: Sales of **¥340.0 billion**; operating margin of **8%**

Automobile production (million units)



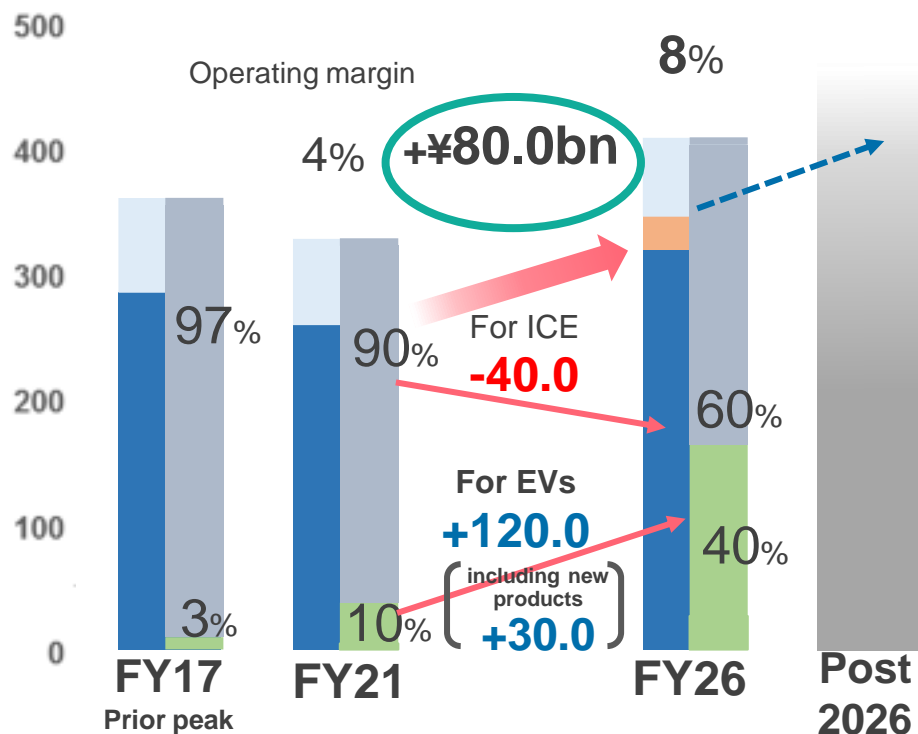
Electric vehicle ratio



FY17–26 IHS Markit + NSK forecasts

Automotive bearings: Sales growth vision (Billions of yen)

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



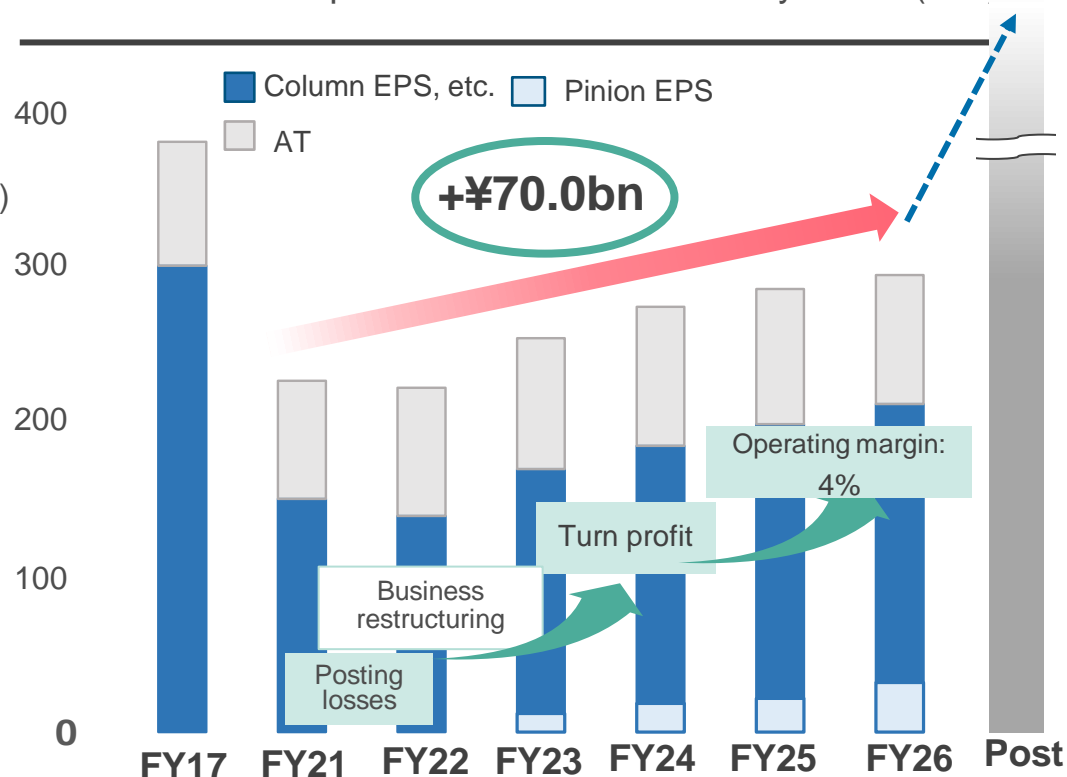
> Restructure steering business and pursue alliances/M&As

- Restore production volume and profitability through structural reform of steering business; **return to profitability in FY23 (2nd half); achieve operating margin of 4% in FY26**
- Utilize alliances and M&A to grow business with profitability
- » FY26 targets: Sales of **¥290.0 billion**; operating margin of **4%**

Measures to recover the steering business

- ✓ Increase number of orders
 - » Pinion-type EPS
 - Roll out of EPS for MEB (EPS for VW's EV)
 - » Column-type EPS
 - Leverage compact, lightweight and quietness to achieve differentiation
- ✓ Reform business
 1. Reorganize production sites
 2. Reassign personnel
- ✓ Pursue alliances/M&As
 - » Secure production scales
 - » Strengthen competitiveness by deploying full lineup of products

Automotive components business: Recovery vision (¥bn)



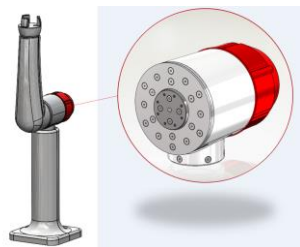
Growth with Profitability – Grow New Products

■ Industrial Machinery Business

Spread of automation, electrification, and predictive maintenance technologies

Acceleration of energy transition

Actuators for robots



Active casters

Service/mobility/transport robots, etc.

"Broaden CMS"
Synergies with BKV



Expand hydrogen-related businesses

Sales target:
¥50.0 billion

Increase sales of industrial actuators

Expand sales of ball screws for electric-hydraulic brake systems:
10 million units/ year



FY26

Post 2026

Traction drive speed reducer
Non-contact torque sensor

■ Automotive Business

Spread of HEVs/EVs

Shift to EVs

Improved EV driving performance

ESG Management – Promoting Carbon Neutrality

- Build a carbon-neutral society through “Create and Utilize” approach
- New target:

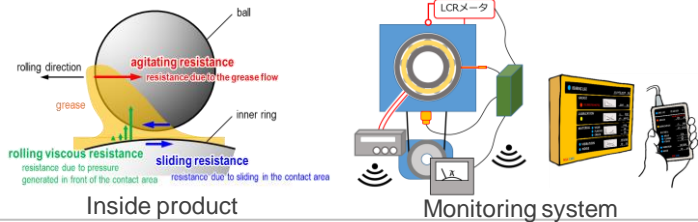
- Achieve Scope 1+2 -50% compared to FY2017 by FY2026
- Achieve Scope 1+2 carbon neutrality by FY2035



Environmental contribution by using “tribology”

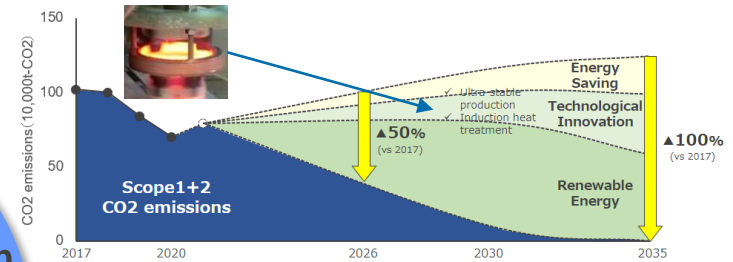
Advanced tribology tech = higher energy savings
E.g. Developed “Electrical Impedance Method*” to visualize the inside of bearings

*Received Outstanding Paper Award from Japanese Society of Tribologists
⇒ Contributing to lower torque by making the oil film as thin as possible



Reduce CO₂ emissions from business activities

Reduce CO₂ emissions from business activities in three ways: energy saving, technological innovation, and renewable energy adoption

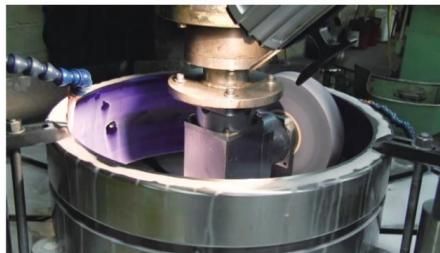


Environmental contribution by utilizing CMS/Reconditioning

Improve reliability and conserve resources by diagnosing product life expectancy, using condition monitoring systems (CMSs), and conducting repairs



Wireless vibration monitoring machine



Reworking the surface of bearings so they can be reused

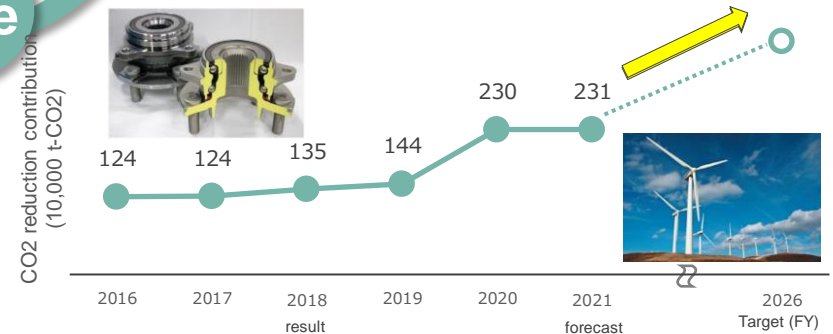
Customer Support

Utilize

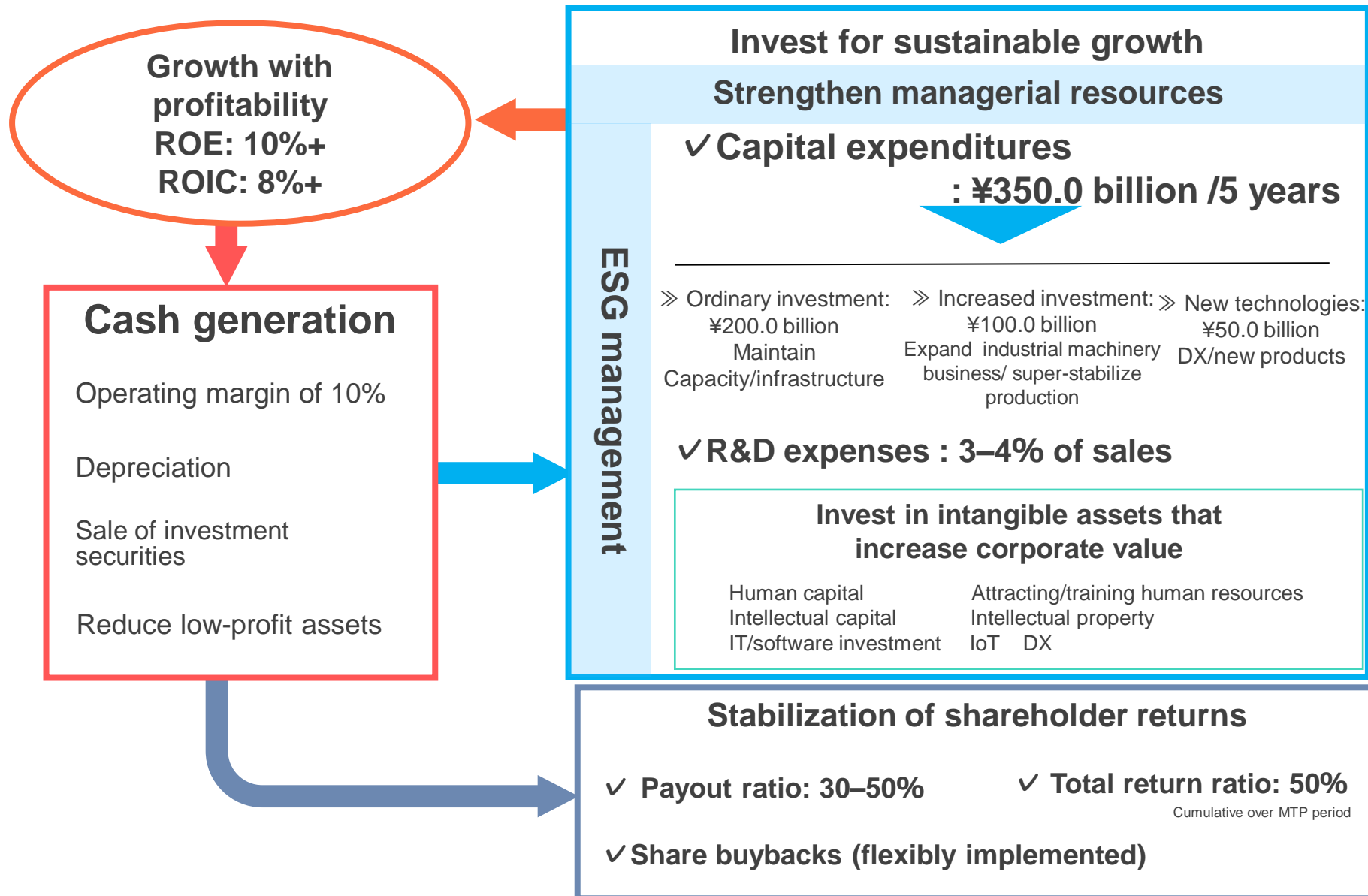
Product

Benefit the environment through our products

Help reduce society-wide CO₂ emissions by offering environmentally friendly products

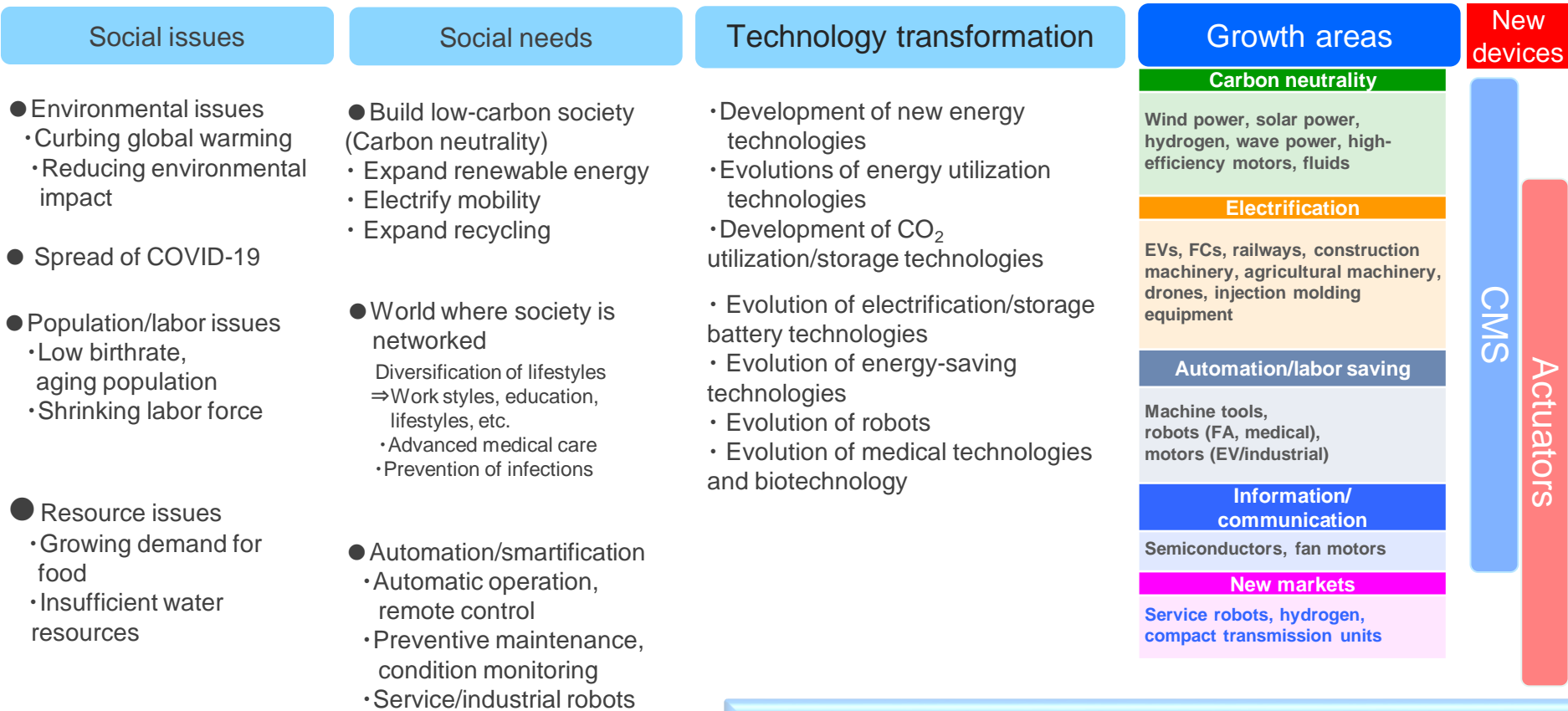


■ Contributing to creating a sustainable society while continuously growing corporate value



(Supplementary Information)

- Aiming for expansion in growth areas such as electrification, automation, digitalization, and carbon neutrality as changes in social issues bring about transformation of social needs and technologies



Basic technologies that drive industrial transformation

- High-speed, large-capacity communication infrastructure
- Digital technologies
- IoT AI/big data and 5G (→ 6G)

DX (Digital Transformation)



- Use information technology effectively to further strengthen quality, technology, and operational capabilities (sources of NSK's competitiveness) and transform our profit structure

NSK's strengths



Quality and technology

- ❑ Market performance and technical information accumulated over 100 years
- ❑ Responsive to customer needs thanks to experience and knowledge of sales, engineering, and production personnel
- ❑ Exceptional equipment development capabilities, as well as on-site equipment usage and maintenance capabilities amassed over many years



Operational capability

- ❑ Long-standing relationships of trust with customers and accumulated customer information
- ❑ Strong sales capabilities backed by global network
- ❑ Continuous improvement of production sites (production innovation activities)
- ❑ Production control with high-level SPI management

**Further reinforce NSK's strengths with the power of digital
(Formalize, streamline, expedite)**

✓ Super-stabilize production

✓ Bearings & Beyond

✓ Revamp infrastructural systems

Growth with Profitability, Enhancement of Managerial Resources, ESG Management –Human Capital–

ESG Management

Enhancement of Managerial Resources

Growth with Profitability

“Change & Go Beyond” : Human resource development to realize management tasks in MTP2026

Provide comfortable working environments

Develop and support diverse career choices

Provide spaces (organizations) where employees can grow

Recruit/promote diverse human resources

- Diversity and inclusion (gender, nationality career, age, religion etc.)
FY26 Japan 15% (35% excluding Japan's production dept.)
- Remain in Nadeshiko Brand list

Deploy human resources to achieve each initiative

- Enhance education, promote carbon neutrality and DX, expand industrial machinery business, support automobile electrification, improve productivity, enhance product development capability and quality

Maximize human capital value

Promote work-style reforms

- Work from home, flexible leave systems, child and family care leave
- Remain in White 500 list of corporations with excellent health management policies

Nurture digital human resources

- Train 5000 employees in Japan at the first stage and all employees globally in the end
- Develop digital skill of 1200 leaders

Activate communication and emphasize employee engagement

Continue stabilization of shareholder returns

6th MTP

- **Payout ratio 30-50%**
¥ 40 per share and more (during 6th MTP)

- **Acquisition of treasury shares,
Agile capital policy**

Total return ratio (3yrs): Approx.50%

MTP2026

- **Payout ratio 30-50%**
- **Total return ratio: approx. 50%**
(Cumulative over MTP2026 period)
- **Share buybacks
flexibly implemented**

Expand total shareholder's return through implementing stable and continuous dividend and improving corporate value



Mission Statement

NSK contributes to a safer, smoother society and helps protect the global environment through its innovative technology integrating Motion & Control TM. 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.