

02 Value Co-Creation Story CEO Message

“Change & Go Beyond” is taking root with organic workplace initiatives

A. Ichii

Akitoshi Ichii
President and
Chief Executive Officer

1 Review of the First Year of Mid-Term Management Plan 2026

Looking back on FY2022, the first year of Mid-Term Management Plan 2026 (MTP2026), automobile production recovered more slowly than initially expected, and demand for machine tools and semiconductor manufacturing equipment in the Industrial Machinery Business stalled during the second half of the year. Conditions remained challenging, with inflation progressing at an accelerated pace and the zero-COVID policy in China also having an impact. On the other hand, I was pleased that we were able to increase both sales and income, mainly driven by progress in reflecting inflationary costs in sales prices and the effect of the yen's depreciation.

As an assumption when formulating MTP2026, we envisioned steady economic recovery and growth in the post-COVID era. Now, though, uncertainty about the future of the global economy is increasing, with the slowdown in the growth of the automobile market due to the shortage of semiconductors, the prolongation of the Russia-Ukraine conflict, continued high inflation, and the impact of the tightening of monetary policy in European and U.S. markets. Although movement restrictions and stagnation of logistics functions in China have been resolved with the relaxation of the zero-COVID policy, the recovery of economic activity has been delayed, and demand has not yet fully recovered. Against the backdrop of these factors, in FY2022 we saw the emergence of new issues that we had not anticipated when formulating MTP2026, such as reorganizing production due to delay in the recovery of sales volumes, revalidation of supply chains, and the review of sales price policies due to the effects of not only raw material costs but also soaring energy costs and rising labor costs.

▶ P.20 Review of Past Mid-Term Management Plans and MTP2026

▶ P.21 Progress on MTP2026

▶ PP.22–23 Business Strategy 1: Strategy and Progress of Industrial Machinery Business

▶ PP.24–25 Business Strategy 2: Strategy and Progress of Automotive Business

2 Initiatives for the Future

At the same time, even with these changes in the business environment, the future story of NSK's business remains unchanged. As a response to the decrease in the size of working populations due to declining birthrates and aging populations in developed countries and other countries such as China, the world in which humans coexist with robots is expected to expand, not only at production sites but also in the service sector, and electrification, automation, and condition monitoring technologies are expected to advance in areas such as manufacturing and general industry. In addition to existing products, NSK will contribute through the development of products that support electrification and automation, and further develop and deploy products and services that reduce energy loss and improve productivity. In line with the NSK Corporate Philosophy aim of creating a "safer, smoother society that helps protect the global environment," we must also revamp our infrastructure of facilities and equipment. We must not only simply replace aged and deteriorating infrastructure but also transform it to be more sophisticated and environmentally friendly. To enable safe and secure operation of infrastructure, NSK will provide even more highly reliable products, carry out condition monitoring (utilizing Condition Monitoring Systems, CMS), and perform machinery and equipment diagnostics. For products such as bearings and precision machinery, in addition to improving durability and reliability, we believe that supplying products that can be used safely for a longer period of time will lead to the creation of an ecosystem that allows products to complete their useful service lives within the ecosystem of infrastructure. In addition to short-term changes, we will continue to implement policies for the future.

▶ P.20 Mid- to Long-Term Growth Strategies and Resource Allocation

▶ P.21 Progress on MTP2026

Towards Growth with Profitability

In the Automotive Business, the electrification of automobiles is accelerating toward the realization of a carbon-neutral society, and we believe that about half of all automobiles produced in FY2026 will be electric vehicles (EVs and HEVs). Our high-speed, electric-erosion-resistant bearings for eAxles, low-torque wheel bearings, and ball screws for electro-hydraulic brake systems have been highly evaluated by the market, and we have been receiving orders for these products. We will continue to propose new and differentiated products to the market in this way to achieve growth and improve profitability.

At the same time, we believe that green transformation technologies for internal combustion engines fueled by hydrogen and synthetic fuels (called e-fuels) are also important as part of a diverse range of options to achieve carbon neutrality. Internal combustion engine technology is one of the most important, groundbreaking inventions in the history of modern civilization. We believe that NSK can propose many products as this technology is transformed for the next generation. We will continue to contribute in all areas, including internal combustion engines that utilize new fuels and electrification of vehicles.

Moving on to the Industrial Machinery Business, under MTP2026, we aim to increase the sales portfolio of the Industrial Machinery Business to 50% and are working to expand this business and improve the profitability of the NSK Group as a whole. NSK will shift its technology resources and enhance its supply capacity to cater to mid- to long-term growth markets and the advancement of technologies for equipment such as semiconductor manufacturing equipment and robots in areas such as the machine tools market, where NSK excels. Higher reliability and efficiency are also required due to the evolution of robots and innovations in production technologies. In this context, more precise service-life-prediction technologies are also essential, from the perspective that both hardware and software must meet customer expectations. For example, it is important to have condition monitoring



Combining tribology technology with digital technology allows us to make many proposals and create turnkey solutions

technologies that monitor and diagnose information on abnormalities in individual bearings and/or the machinery and equipment in which they are embedded. If we can diagnose how long bearings can be used in advance instead of simply replacing them on the spot due to a breakdown or end of service life, it is possible to carry out planned and more efficient maintenance, without the need for unscheduled downtime to replace bearings. Railcars undergo regular repairs, and this method will allow the period for regular repairs and parts replacements to be extended. In some cases, repairs and replacements can be avoided altogether. Based on these technologies, we aim to achieve growth in the aftermarket market segment by improving our services and establishing our business model for selling services such as condition monitoring.

Going forward, we will implement profitability measures in response to recent inflation and other changes in the business environment and transform our business portfolio with a focus on business, customers, and products by supporting electrification from a mid- to long-term perspective and proposing products and technologies that contribute to the environment and improving productivity, with the aim of building a stronger business base by facilitating growth accompanied by earnings.

▶PP.22–23 Business Strategy 1: Strategy and Progress of Industrial Machinery Business

▶PP.24–25 Business Strategy 2: Strategy and Progress of Automotive Business

▶PP.26–27 Business Strategy 3: Grow New Products

Fusing Tribology and Digital Technology

By combining NSK's tribology technologies with digital technologies, we believe that we will be able to not only improve the functionality of bearings and precision machinery products but also improve the performance of cars and drones, improve production efficiency in equipment, processing technologies, and overall systems; and make many proposals for achieving carbon neutrality. Technologies for the pursuit of low friction, low torque, and reduced weight to curb energy consumption and increase efficiency are common requirements for the creation of a carbon-neutral society. We are also engaged in efforts to develop new technologies, such as those that cater to demands for higher speeds and quieter operation associated with electrification, resistance to electric erosion in high-voltage environments, and higher durability of bearings exposed to hydrogen and other special environmental conditions. To respond to these increasingly sophisticated requirements with a sense of urgency, as part of MTP2026, NSK is engaged in development efforts by simulation using NSK Digital Twin technology. A digital twin is a virtual re-creation of reality in a virtual space, based on data. NSK's aim with NSK Digital Twin is to create solutions that tear down preconceptions and stereotypes through fusion with tribological technologies,

re-creating and exploring real-world phenomena, understanding their unseen essence in detail, and creating digital models of them.

For example, we have obtained a patent for an impedance technique that enables monitoring the thickness of an oil film between metals by passing an electric current through them. These technologies also include material technologies and remaining service life diagnosis technologies. Service life prediction by analyzing material structures is only possible with such fundamental technologies, and we believe that the reliability of this technology is important. We are also engaged in joint research with universities to broaden and deepen the field of tribological technologies. We will expand these collaborative efforts to other universities—including industry-academia and academia-academia collaborations—and seek to improve our fundamental technological capabilities (such as tribology technology) and develop NSK Digital Twin technologies.

▶PP.26–27 Business Strategy 3: Grow New Products

▶PP.32–33 Strengthening of Internal Capital: Intellectual Capital

Working toward Carbon Neutrality

With regard to the MTP2026 goal of promoting carbon neutrality, we aim not only to reduce CO₂ emissions by utilizing renewable energy but also to achieve energy conservation and technological innovation through various improvements. As of FY2022, our use of renewable energy is at 100% in Europe and 40% in Japan, and is progressing smoothly ahead of schedule.

We expect to achieve the FY2026 milestone of “50% reduction compared with FY2017,” and we believe that energy-saving activities, in particular, are important to achieve carbon neutrality for Scope 1 and 2 by FY2035. To accelerate energy conservation, we have launched finely tuned initiatives such as visualizing the energy used by each plant and reducing waste in equipment

waiting times. By using less energy, we can not only reduce CO₂ emissions but also reduce energy costs. Looking ahead, we will aim to create an ideal cycle and increase product competitiveness by utilizing this information to save energy and expand investments in renewable energy. We want to add value and differentiate by promoting our environmental contributions and initiatives.

To drive technological innovation, it is important to review the manufacturing processes for products from a new perspective. Development—including the development of production technologies—is necessary, and if production processes change then equipment, physical logistics, and approaches to on-site work may also have to change. During the MTP2026 period, we aim to build prototype production lines using new methods.

NSK products use a lot of steel as input material, but steelmakers are increasingly going carbon neutral and using steel produced in electric furnaces, which emit less CO₂ than blast furnaces. Many bearings are also used in steel mills. Contributing to the reduction of CO₂ emissions in the steel production process to reduce our carbon footprint by supplying bearings that are useful for environmental measures is another important initiative. We will also develop and market new high-value-added products such as bioplastic cages, biogreases, and seals ahead of our competitors.

We disclose Scope 3 CO₂ emissions as reference values, calculated using Ministry of the Environment and IEA coefficients, and are working to reduce them. In quantifying emissions in the future, we would like to visualize emissions based on industry standards and strengthen cooperation toward reducing CO₂ emissions throughout our entire supply chain.

We will achieve carbon neutrality in Scope 1 and 2 (our own emissions) by FY2035 and work to reduce Scope 3 CO₂ emissions, which include the upstream supply chain,

and contribute to the goal set by global society of net zero CO₂ emissions by FY2050.

▶PP.40–43 Environmental Management

Enhancement of Managerial Resources

As part of our efforts in “Enhancement of Managerial Resources,” which is one of our key management tasks for MTP2026, particular emphasis is placed on the development of ‘digital human resources.’ We launched this initiative based on the idea that if we aim to become a company that can sustainably transform its operations and business models using digital technologies, it is essential to develop human resources to support this transformation, and that this will lead to improvements in our competitiveness in five to ten years’ time.

Specifically, we launched our own original training program last year. In the first year, to raise company-wide awareness of digitalization, we rolled out a training program for Japan that combines e-learning and workshops on topics such as digital thinking. Around 60% of employees have already taken it. At the same time, we have also rolled out a training program for leaders, and have been running training sessions for myself and other members of senior management. In the future, we plan to roll out these programs not only in Japan but also globally. This year, we have taken it a step further and started practical training aimed at practical use of digital technology in the workplace. We believe that having employees utilize the training content in their own work as they learn it will drive digital improvements to business processes. In addition to theoretical study, it is important to have the experience of working on a theme, solving problems by actually applying digital solutions in their own workplace, and being able to make improvements. At the same time, we will also establish a system to support these kinds of bottom-up activities.

Through the Technology Division’s NSK Digital Twin initiatives and activities to visualize production at plants, which are being conducted as trials under MTP2026, we

hope not only to see improvements in development capabilities and productivity but also a gradual increase in the number of human resources who can gradually transform our business processes using digital technologies. While learning on the job, I would like employees to aim for a sense of satisfaction and improvement of their abilities.

▶PP.32–39 Strengthening Internal Capital: Intellectual Capital / Manufacturing Capital / Human Capital

Creating a Workplace Where Diverse Human Resources Can Play Active Roles

To improve the value of human capital, we believe that it is important to create a workplace environment that increases employee motivation and engagement, and to ensure open innovation and on-site activities in terms of employees themselves learning and growing by expanding their personal network. We will increase the number of work style options within the Company, utilize remote work, and provide support for achieving a Company. good work-life balance regardless of gender to enable various work styles. In MTP2026, we will also actively increase opportunities, particularly for interaction between plants and dialogues with people outside the Company.

NSK hopes that changing job types and workplaces through regular job rotation and relocation will provide opportunities for learning and growth through new encounters and experiences. In addition to increasing diversity of work styles, increasing the number of options for diverse career paths has become an important issue.

With regard to active participation of female employees, the ratio of women in managerial positions is around 10% globally and is a particular issue in Japan. First, we are engaged in activities to hire and increase the number of female employees, train them, and promote them to managerial positions. Looking at our results in new graduate recruitment, in recent years half of the new employees we have hired each year for administrative roles and 10% of those we have hired for technical roles are women. In addition to driving HR development in the

workplace after joining the Company, in Japan, we provide career advancement training to support the career development of female employees, with the aim of creating a pool of candidates for managerial positions. Environmental safety in the workplaces where we actually work is also important. In particular, we would like to start working on improving gender-free and comfortable working environments and facilities at production sites as a mid- to long-term issue.

▶ PP.36–39 Strengthening Internal Capital: Human Capital

3 Road to Achieving Double-Digit ROE

We regard initiatives with awareness of improving price-to-book ratio (PBR), which has been attracting attention recently, as one of our key management issues. We believe that the key points of these initiatives are profitability, capital efficiency, and building a foundation for sustainable growth. In terms of numerical targets, in MTP2026, we are working to achieve double-digit ROE as a management indicator for enhancing profitability and improving capital efficiency, which we would also like to link to improvements in PBR.

Enhancing Profitability

In enhancing profitability, we aim to steadily implement the portfolio reforms described in MTP2026 and achieve results. In FY2017, our portfolio had sales of ¥1 trillion, split 7:3 between the Automotive Business and the Industrial Machinery Business. In MTP2026, we aim to achieve business growth in a new form, with the goal of reforming our portfolio and thereby changing our earnings structure.

To achieve this, we will work to reform our portfolio

Steadily implement portfolio transformation to enhance profitability

along both the business, and customer/product axes. On the business axis, we will increase the ratio of the Industrial Machinery Business to account for 50% of sales. On the customer/product axis, we will focus on the high-profit zone in the Industrial Machinery Business and increase profits in the Automotive Business by developing new customers through electrification and replacing existing products with new products and projects. In the steering business, we have taken the first step toward the future with independent operation of the business in collaboration with other companies.

In terms of specific measures for each business, in the Industrial Machinery Business, we will focus on high-profitability segments and NSK's product capabilities to achieve growth and improve profitability. First, we will respond to needs for increasing the sophistication of processing technologies for the growth markets of robots, semiconductor manufacturing equipment, and machine tools. In this domain, we will make technical proposals that are one step ahead of competitors with NSK's expertise in precision bearings and precision machinery products. Improved profitability will also require increased sales in the aftermarket. As a new business, we intend to strengthen our technical services with CMS and PLM (Product Lifecycle Management) [Glossary](#) terminology and increase our market share by contributing to our

customers' productivity improvement and environmental load reduction. While quality and reliability are, of course, important for the expansion of our Industrial Machinery Business, we will steadily reallocate technical resources and improve supply capacity while stabilizing the supply chain and reducing costs.

Earnings in the E&E (Electrical & Electrification) business have been deteriorating recently due to a slowdown in the market for cooling fans for appliances, PCs, and data centers, and rising costs due to inflation. In addition to reducing fixed costs by optimizing production capacity and reorganizing production areas, mainly in Europe, we will work to increase the profitability of the Industrial Machinery Business as a whole by eliminating unprofitable products and improving profits.

In the Automotive Business, NSK will improve profitability as electrification progresses. The increasing electrification of the market represents a significant business opportunity for NSK, and we will work to increase market share and improve profitability with new NSK products and products that use new technologies. That is, by differentiating our technologies, we will win new projects with higher profit margins than the profitability of internal combustion engines. We aim to build partnerships with emerging high-end EV manufacturers by increasing the speed of development and aggressively proposing new

technologies to them. At present, we have accumulated orders in excess of 80% of the MTP2026 target.

In the steering business, we are also working toward the independence of our business and the implementation of partner strategies, as in our initial strategy. We will complete the structural reform of the steering business, achieve profitability by recovering the volume of sales on our own through new orders, stabilize our business base through collaboration with other companies and develop a growth strategy, and restart our search for partners for that purpose. In May 2023, we signed a joint venture agreement with JIS (Japan Industrial Solutions) and established a joint venture on August 1, 2023. Through this joint venture, we will simultaneously advance portfolio reforms, such as de-consolidation.

▶P.21 Progress on MTP2026

▶PP.22–23 Business Strategy 1: Strategy and Progress of the Industrial Machinery Business

▶PP.24–25 Business Strategy 2: Strategy and Progress of the Automotive Business

▶PP.26–27 Business Strategy 3: Grow New Products

Improving Capital Efficiency

We will work to improve ROE through a combination of enhancing profitability and improving capital efficiency as I described above.

Our capital policy under MTP2026 is to flexibly implement share buybacks with a dividend payout ratio of 30%–50% and a total return ratio of around 50%. In terms of results for FY2022, we paid an annual dividend of ¥30 per share, with a total return ratio of 83.6% and reduced cross-shareholdings. We bought back 25 million shares and canceled 51 million treasury shares. We will continue to operate flexibly while striking a balance between mid-term growth and returns.

In terms of capital efficiency, we believe that improving the equipment efficiency of NSK's fixed assets is also a key initiative. In MTP2026, we are engaging in activities with the target of achieving 1.5x productivity, utilizing digital technologies to achieve ultra-stable production. We regard these efforts as being able not only to improve

cost competitiveness by improving productivity but also to contribute to improving asset efficiency. For sustainable growth, it is important to make effective use of capital and invest in growth businesses. For enhancing our management resources such as technologies, production, and people through digitalization, and as one of the strategies for Bearings & Beyond, we aim to achieve mid- to long-term growth by utilizing them effectively for capital investments for the development and market launch of new products and as capital for M&A.

▶PP.28–31 Financial Strategy/Policy on Shareholder Returns

4 NSK's Strengths

NSK's strength is its track record of meeting society's expectations over the more than 100 years since its founding and the strong relationships of trust it has built up with its customers. These achievements and trusting relationships have been built while enhancing NSK's sales quality and manufacturing quality. Not only do we take pride in the fact that we are a top manufacturer in our industry, but we also listen sincerely to our customers and develop strong standing solutions, which have been well received by the market. However, we believe that we cannot continue to be a top manufacturer simply by meeting expectations as we have in the past. Our customers are changing, and it is important for us to exceed their expectations by proposing new methods and solutions that meet the needs of the new era.

We will work on MTP2026 to take on more new challenges and make changes that are in line with the times. We believe that the digital and environmental initiatives in strengthening management resources and the ultra-stabilization of production that we are introducing here will lead to efforts to exceed market and customer expectations in terms of quality and technology, and to contribute to society. On the business front, we will actively explore M&A and partnerships to expand the range

of NSK's technologies and products. The CMS business of Brüel & Kjær Vibro (BKV), which we acquired two years ago, has been added to our Industrial Machinery Business segment, and we have moved to promote synergies with existing products. In addition, although on a smaller scale, last year we acquired a company that reconditions bearings in the Americas, and we are using this as a starting point to build new customer relationships, such as expanding sales through MRO [Glossary](#) using CMS and making new proposals in the EV market, to strengthen our technical response capabilities in the global market and meet market demands. We will continue to increase the number of NSK fans through speedy response.

When I became President & CEO, I set a theme of Change & Go Beyond. I don't think it is something that will change easily during the first two years of my time as president, but as business visits resumed, I was able to actually feel that our employees themselves are starting to make statements and engage in initiatives with an awareness of "changing and going beyond" in various situations, and that they are starting to take action. I feel that my thoughts have been conveyed to them and that they are actually starting to move forward.

Change & Go Beyond is not just a phrase; a change in the way we work at manufacturing sites and offices, no matter how small, will contribute to the environment and make us feel safer and more secure. Moreover, as new technologies take shape in the form of products and services, Change & Go Beyond will become more concrete, and employees will feel that they can change on their own initiative. I hope that the challenge of various new approaches that are not bound by common sense or assumptions will spread and that this movement will lead to further developments.

NSK will continue to challenge new frontiers and advance toward high future-oriented goals, aiming to be a company that will continue to be needed, trusted, and relied upon by society for the next 100 and even 1,000 years. We look forward to your continued support.