CEO Message

Viewing change in the business environment as opportunities for renewed growth, we will work diligently to carve out our future by continuing to challenge ourselves.

Akitoshi Ichii
President and CEO

A. Ichii

Our growth trajectory and future outlook

I joined NSK in 1986 when sales were around ¥200 billion. Thereafter, sales exceeded ¥500 billion in 2000 and hit the ¥1 trillion mark in 2017. As I look back, this upswing in sales from the 1980s to the 1990s occurred during a period when the catchphrase “Japan as No. 1” was a topic of vibrant debate. This period also coincided with a dramatic surge in Japan’s automobile production and the rapid globalization of domestic manufacturing in the industrial machinery sector, focusing largely on home appliances. In addition to the shift from manual to automatic transmissions, the development and release of a variety of new products, including high-performance engines and wheel hub units helped spur a pickup in demand in the automotive market. The 1980s to the 1990s was also a time when Japan’s home appliance manufacturers dominated the world stage with a steady stream of enhancements in such appliances as refrigerators and air conditioners. The widespread use of NSK’s products mirrored this rapid industrial growth and as the NSK brand became increasingly integrated into people’s daily lives the Company’s business scale expanded. However, with each peak, the business environment inevitably succumbs to a trough. Buffeted by the financial crisis in Asia in 1997 and the collapse of the IT bubble in the early 2000s, NSK was forced to undertake structural reforms, including restructuring. Despite these difficulties and the subsequent hurdles imposed by the Lehman Shock in 2008, NSK persevered and continued to expand its global business. Over the final decade of the 20th century and after entering the new millennium, NSK became a hive of activity. Among a host of initiatives, the Company acquired U.K.-based UPI Ltd. and FLT Iskra S.A. headquartered in Poland and

Going out, acquiring information, and returning to the fold to put the expertise gained to good use in the field. While pursuing innovation and improvements in earnest, NSK is committed to helping resolve social issues.

included its joint venture with Torrington Company (U.S.) in its scope of consolidation as a wholly owned subsidiary. We also adopted a localization approach in emerging markets. Quick to establish a local subsidiary and technology center in China, where market growth was anticipated, we set up a joint venture in India. Building on the expansion of our global business and the evolution of our business base through the development of new products that successfully addressed advances in technology, we hit the ¥1 trillion sales mark in the fiscal year ended March 31, 2018.

Despite this positive trend, NSK's sales have exhibited signs of subdued growth since the outbreak of COVID-19 in 2019. Moreover, conditions surrounding the future have become increasingly difficult to predict over the post-pandemic period owing to such supply chain issues as the shortage of semiconductors, the impact of U.S. tariff policies, and restrictions on the export of rare metals as well as divisions throughout the international community stemming from a variety of factors, including tension between the U.S. and China and conflicts in Europe and the Middle East. Historically, our business model has entailed growth through a virtuous cycle, which includes leveraging the market's expansion to drive improvements in productivity and reductions in costs, thereby fueling increases in sales volume. However, we believe this model alone is insufficient in the current climate of uncertain market growth. Over and above efforts aimed at addressing each economic cycle, we recognize the importance of restructuring our organization in an agile and flexible manner and improving our earnings structure by promoting pricing strategies. As part of this effort, we implemented a raft of improvement measures in a bid to put in place an earnings structure capable of adapting to changes in sales volumes in FY2024. At the same time, we worked to restructure production in Europe, where the Group incurred persistent losses, and consolidated production of internal combustion engine (ICE)–related products, where demand is projected to decline going forward.

From a growth perspective, bearings represent a mature market. In contrast, the performance of customers' end-products, including automobiles, machine tools, and semiconductor manufacturing equipment that incorporate NSK components, continues to advance. As such, the level of technical demands placed on our products—such as high efficiency, reliability, compactness, quiet operation, and high speed—continues to rise. By consistently meeting customers' needs, NSK's technological expertise has continued to improve. In this manner, I am confident that we will continue to expand our contribution in the advanced machinery sector as well as new growth markets, including robotics.

Making the most of the technologies, expertise, product development capabilities, and global customer base that it has built up and fine-tuned over the years, NSK takes pride in its efforts to anticipate technological needs across a diverse range of industries. In light of this understanding, we have increased sales of a variety of products, including ball screws and precision bearings, and overcome a raft of issues by undertaking structural reforms as and when required and responding flexibly to changes in our external environment. Amid dramatic changes in technologies and the external environment in which the Company operates, NSK will continue to fully embrace this mindset while taking on each new challenge.

NSK's history of accumulating value ＼P.2
Review of Past Mid-Term Management Plans and Positioning of MTP2026 ＼P.20

Evaluation by the capital markets

Amid uncertainty surrounding the market's recovery, NSK's PBR has remained below 1 given the recent downturn in its share price. To address this grave issue, we have placed the utmost importance on improving profitability. From a return on capital perspective, and as far as the cost of shareholders' capital and expectations of shareholders and investors are concerned, we are implementing a series of profitability improvement measures while targeting an ROE of at least 8%.

In specific terms, we are first looking to reform our portfolio. In the Industrial Machinery Business, this entails allocating resources to areas that exhibit relatively high profitability, including machine tools, semiconductors, and the aftermarket. Our goal is to lift the ratio of Industrial Machinery Business sales to total sales through a variety of

measures. This includes introducing differentiated products and expanding sales channels. In the Automotive Business, we are working to address the trend toward electrification, strengthen efforts to boost sales to customer in China and the Americas, and develop and release new products. As sales volumes continue to stall and costs rise due to inflation, we are reviewing our sales pricing policy and negotiating with customers to pass on inflation costs to selling prices. As a means to improve profitability that is removed from sales volumes, we have initiated structural reforms and the reorganization of production in Europe, where markets are experiencing a prolonged downturn.

Turning to efforts aimed at improving efficiency, we are undertaking growth investments while providing stable shareholder returns. In addition to considering M&As, we are working to improve the efficiency of such fixed assets as equipment and promoting digitalization and automation to lift labor productivity per employee to the next level. By reforming our business portfolio, revising sales prices to appropriate levels, reorganizing production primarily in Europe, and utilizing digital technologies among a host of other measures, we are working to improve profitability and the efficiency of assets while promoting a "Bearings & Beyond Glossary" approach to secure growth accompanied by sustainable profits. Progress of MTP2026 ＼P.21 Manufacturing Capital ＼PP.30–31

"Bearings & Beyond" and our future business model

Under the "Bearings & Beyond" banner of our current MTP2026, we are strengthening our business foundation in a bid to secure sustainable growth. Through our "Bearings," we are enhancing the added value of existing products by pursuing tribology technologies cultivated over more than 100 years. Looking "Beyond," we are expanding our efforts in new growth domains by providing new value that employs our portfolio of core technologies.

NSK's goal as far as "Bearings" are concerned is to maximize performance requirements within mechanical systems. Our traditional business model was based on a virtuous cycle—to design better products, secure business by resolving technological issues, increase sales volumes thereby lifting profit margins, and ultimately increasing earnings. However, this model calls into question our ability to secure future growth. We now believe that the ability to propose new added value is of far greater importance. For example, one solution to minimizing torque is to reduce the amount of lubricant used such as grease and oils. Yet, this runs the risk of abrasion burn, which in turn shortens the operating life of machinery. To address machine performance concerns and to reduce adverse impacts on the environment, there is a critical need to find the optimal solution not only for bearings but also for systems and units. Moreover, I believe that the need for lightweight and compact products as well as the ability to withstand increasingly harsh operating conditions will continue to grow. To solve the issue of these functional trade-offs and to address new needs, NSK employs a mastery of the science of tribology to push designs to their absolute limits. In this manner, we theoretically determine how much usage will ultimately cause failure and guarantee this limit point. Here, NSK's strengths lie in its ability to put forward study results based on hypotheses that take into consideration such factors as bearing size, rolling elements, the type of grease used, and monitoring cycles at the design stage. Against this backdrop, NSK's technologies help address issues under extraordinary environmental conditions. This includes products that contribute to the electrification of automobiles and the sophistication of machine tools as well as bearings for liquid hydrogen pumps.

As it looks "Beyond," NSK promotes the integration and systemization of bearings and peripheral components, moving beyond the traditional selling of products model to also embrace a selling of services business approach. To provide services across the entire product life cycle, for example, we are working toward a new business model that combines Product Lifecycle Management (PLM Glossary), which enables the monitoring of product conditions to determine remaining service life with the parts repair business, or so-called Maintenance, Repair/Replacement, and Operation (MRO Glossary). By combining such technologies as condition monitoring and predictive maintenance, we facilitate replacement before a breakdown occurs and deliver new value to customers in the form of improved equipment operating efficiency and stable quality. As previously mentioned, this represents the transition from a selling of products model to a selling of services business that contributes to comprehensive, stable equipment operations and increased productivity, all of which is possible through the fusion of NSK's intellectual tribology technology capital and empirical engineering.

Just as the development of home appliances and the automotive industry created and expanded markets, new opportunities that require NSK's element technologies are emerging of late in such fields as electrification, automation, and humanoid robots. With each opportunity, we are launching new high-performance products, including miniaturized actuators Glossary and bearings as well as ball screws for electric brakes. Moreover, we are providing new value through the integration and systemization of peripheral components and building a business model that delivers continuous value as opposed to selling products outright by combining condition monitoring and remaining life diagnosis technology with MRO.

NSK is much more than a manufacturer of precision-engineered machine components. Through its "Bearings & Beyond" initiatives, the Company is working to further enhance the NSK brand by broadening the scope of its operations through the provision of new value. As emerging nations raise their technological capabilities and quality standards resulting in a downturn in the competitive advantage that Japanese manufacturing historically enjoyed, we will target growth that outstrips our competitors based on our "Bearings & Beyond" approach. Far more than just bearing design, NSK possesses abundant expertise in such underlying materials as special steels and lubricants. We have garnered the trust of the market by proposing solutions that enhance the reliability and efficiency of not just the product itself, but the entire customer unit into which the product is integrated. Demand for this expertise is also growing in new fields, including robotics and drones. By leveraging our technologies and services that help enhance customers' productivity and quality and providing new value that supports the stable operation of equipment and infrastructure, we are contributing to society while working to drive the market forward as an industry leader.

NSK's Future ＼P.4 Business Strategy Strategy and Progress of the Industrial Machinery Business ＼PP.22–23
Business Strategy Strategy and Progress of the Automotive Business ＼PP.24–25 Intellectual Capital ＼PP.28–29

The core values we hold dear and our commitment to sustainability

Guided by its Corporate Philosophy, NSK is committed to becoming a company that is needed, trusted, and relied upon by society. In line with this commitment, we have positioned safety, quality, the environment, and compliance as our core values. On this basis, we are working to foster a workplace culture that is unburdened by past customs and precedents and that embraces the need to collectively change conventional wisdom and to verbalize the importance of "doing the right thing." With this in mind, I am convinced that by deliberately focusing on safety, quality, the environment, and compliance—qualities that I am sure everyone can agree are important—and pursuing "better and truer things," we will ensure that our corporate culture is more desirable and robust.

For example, fostering a culture that prioritizes safety requires looking beyond a responsive approach that relies on guidance and instruction and developing into an interdependent and participative organization. I refer here to an organization and culture in which each member takes the initiative to consider "what is safety and what makes a good organization" and continues to improve through mutual encouragement. In this regard, NSK has put in place mechanisms and an environment through which to learn about safety through safety dojos (training facilities) and workshops. In doing so, we have worked to instill a culture grounded in safety. In recent years, we have broadened the scope of this learning and gained new insights that transcend our mechanisms, common knowledge, and boundaries through interaction with other companies. In similar fashion, pursuing quality inevitably leads to discussions not only about inspection automation but also issues relating to frontline operations and workplace environments. This includes how to improve the quality of upstream equipment and processes as well as design. I believe these endeavors contribute to fostering a culture of interdependence, where members carefully consider "what is the right thing to do" and act accordingly.

At the same time, contributing to a smooth and safe society and preserving the global environment are important themes that are enshrined in the NSK Corporate Philosophy. While levels of interest and efforts to address environmental issues differ between the U.S. and Europe, NSK's commitment is unwavering. Under our current Mid-Term Management Plan, we are working diligently to reduce CO_2 emissions during both the "creation" and "utilization" stages of our products. As far as our "creation" endeavors are concerned, we are advancing energy-saving initiatives at manufacturing sites while pursuing technological innovation and the use of renewable energy. As a result, we have achieved our FY2026 50% Scope 1 and 2 CO_2 emission reduction target ahead of schedule. Moving forward, we have initiated steps to achieve carbon neutrality for Scope 1 and 2 by FY2035, and Scope 3 by FY2050. With respect to our plants in particular, we are promoting such measures as carbon neutrality education. For example, we are working to continuously improve our daily operations by visualizing and managing our energy consumption and CO_2 emissions through digitalization by department. These endeavors are in fact the driving force behind NSK's manufacturing capabilities.

Turning to the "utilization" of NSK Group products by customers, our ability to deliver energy savings while reducing environmental impact are major distinguishing features. NSK contributes to the development of a circular society in a variety of ways. In addition to providing low-friction technologies that reduce energy loss in automobiles and machine tools, we help increase the operating rates of customers' equipment through PLM and condition monitoring. Other contributions include products and services used in wind power generation as well as hydrogen and other renewable energy. In the automotive field, fuel efficiency and highly efficient power transmission are especially sought after, while EV manufacturers are increasingly calling for low torque solutions. EVs employ heavy batteries, and as such reducing weight and increasing efficiency are of the utmost importance in extending driving range. NSK's technologies have the ability to address these demands. Sustainability ＼PP.40–47

Human resources strategy and brand building

Recognizing that "people" are critical to shaping our future, we have taken steps to clarify our human capital management policies. In line with these policies, we are building a company where a diverse range of people can come together and grow as well as a safe and healthy workplace where employees can go about their duties with peace of mind. We are focusing not only on upgrading and expanding our education and training programs but also on enhancing our personnel systems and workplace environment so that diverse human resources can thrive under our Mid-Term Management Plan. Here, we understand the importance of improving employee engagement while effectively using the results of annual employee surveys. NSK employees are often described as honest, dependable, and earnest. These traits form the cornerstones of our brand value. I refer here not only to our products but also the quality and reliability of their underlying technologies, production, and sales. Having said this, I do sense that we still lack the necessary energy to boldly take on risks and challenges and to generate surprise. Since assuming the position of president, I have worked diligently to ensure that we maintain our position as a leader in brand quality as well as the trust built by my predecessors. Energized by the slogan "Change & Go Beyond," I have also sought to practice and instill our action guidelines embodied in the catchphrase "Beyond Limits, Beyond Today" while challenging the status quo unshackled by conventional wisdom. To this end, I have communicated to employees the critical need to venture outside their immediate workplaces and to "observe, listen, and participate." I have also emphasized the importance of "seeing each task through to the end even if it is only 80% complete and taking on challenges by achieving set goals even if they are small." I am convinced that engaging in dialogue with customers, local communities, partner companies, universities, and end consumers sparks innovation

as well as improvements among employees. By continuing to pursue innovation and improvements with integrity, I am confident that we will garner even greater trust.

Thoughts on open innovation immediately fall on the development of technologies and products. We must not forget that innovation is also very much part and parcel of everyday operations as well as safety and work processes. As far as the core value of safety is concerned, sharing initiatives that began at one particular plant with other partner companies can help elevate safety standards across the board. I believe that building relationships where partners recognize the benefits that accrue from working with NSK through interaction of this kind will strengthen the NSK brand.

Turning to the acquisition and development of human resources, our policy is to recruit an equal number of new graduates and mid-career hires. As more people seek to advance their careers and participate in growth opportunities by joining a new company, the ability to recruit external candidates for leadership roles will inject fresh perspectives into our organization and foster mutual development. NSK is indeed experiencing a definitive change. In this regard, minor changes that might go unnoticed internally could appear significant to outsiders. Moreover, disparate ideas and values across workplaces and departments could ignite a chemical reaction. Taking all of the aforementioned into consideration, we are intentionally sharing efforts that help "set the future in motion" at each workplace throughout the Company as a whole.

While NSK's contributions might go unnoticed when it comes to finished products, operating efficiency will undoubtedly diminish without the Company's input. When employees venture outside, gather information, and return putting the knowledge gained to good use, this subsequent broadening of perspectives can lead to the creation of new markets. Efforts to fine-tune the NSK brand are therefore not limited to technological pursuits but also include the input of people. Human resources help hone our brand, which in turn attracts new talent. To ensure this virtuous cycle, we diligently practice our "Change & Go Beyond" principle. This is consistent with the value we place on going out to acquire new knowledge and expertise that we can bring back and apply to the Company. In this manner, NSK's future is shaped by the growth of each and every employee and our ability to overcome challenge. Human Capital PP.32–36

Expanding areas of contribution in light of our challenging spirit

As we look to the future, it is vitally important that we never give up and continue to take on new challenges. The world in which we operate is filled with uncertainty, and short-term risks tend to dominate. Against this backdrop, merely avoiding or responding to risks will not help set us apart. Rather, viewing risks as opportunities to evolve while maintaining a spirit that embraces each challenge is key to carving out our future. Through persistence and a commitment to tackle each hurdle, we can be assured of sustainable growth.

I am convinced that NSK's tribology technologies and products are essential for the future of industry and society. Advances in new technological fields, including robotics, automation, biomedicine, and agriculture represent opportunities for the Company's renewed growth. Under these circumstances, we must continue to deepen our tribology technologies and promote their increased application in each of the aforementioned fields. To date, we have routinely consulted with customers, developed products, and accumulated knowledge regarding material technologies as well as low-friction and long service life design on the back of our robust track record. To further expand this knowledge, it is important that we promote increased theoretical understanding and accelerate use in products using digital twin technologies. In this vein, efforts to expand these domains will help cultivate new core technologies that support our commitment to "Bearings & Beyond."

As one example, NSK established the NSK Tribology Collaborative Research Cluster (N-TRIBO) at the Suzukakedai Campus of the Institute of Science Tokyo (formerly the Tokyo Institute of Technology) in 2023. Over the ensuing period, we have collaborated with the Institute to further deepen our tribology expertise. At the same time, we are engaging in lubrication service life formula research to uncover optimal solutions that dramatically extend the service life of bearings and reduce energy loss. In addition, preparations are under way to broaden these industry-academia research initiatives to other tertiary institutions.

YouTube video: "The Future Created by NSK's Tribology Technology" ▶

NSK's strengths lie in its track record of resolutely promoting smooth and safe motion as well as energy savings through technologies built on the development and manufacture of bearings that enhance efficiency with respect to the movement of parts and fine-tuned through advances in industry and machinery. By enhancing our core technologies and expanding our operating domains, we are targeting growth in new markets through various measures, including efforts to contribute to the development of healthcare and agriculture as well as a robotics and circular society. Unshackled from conventional wisdom and restrictions, we are determined in our unwavering pursuit of "Bearings & Beyond." In this manner, we are dedicated to taking on challenges, enhancing our corporate value, and contributing to the resolution of social issues in a bid to secure growth going forward. As we work toward achieving our goals, we humbly ask for the continued support and understanding of all stakeholders.

NSK will propose new value and lead the market as an industry top runner by pursuing technology innovation and expanding into new growth domains.