Progress on Strategies for 2026

NSK has raised "the establishment of a corporate foundation for sustainable growth" as its vision for 2026, the 110th anniversary of the Company’s founding. NSK has also positioned the 6th Mid-Term Management Plan (6th MTP) as the first three years for realizing this vision, has put in place the target of "building a business base and strengthening resources in preparation for the next growth phase," and is promoting a variety of initiatives.

The following is a retrospective look at the past 10 years of Mid-Term Management Plans, from the 3rd to the 5th. (Note: Mid-Term Management Plan is abbreviated as MTP)

### The 3rd MTP
- Year to March 31, 2010-Year to March 31, 2013
- **Positioning of Vision**
  - Reorganizing business foundation toward net sales of ¥1 trillion
  - Establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion
  - Continue measures to become No. 1 in total quality
- **Business Strategies**
  - Increase presence in emerging markets
  - Expand environmental, infrastructure, and resource businesses
  - Respond to technological innovation
  - Proactive sales strategy (strength proposal-based sales capabilities)
  - Reorganize global production sites
  - Accelerate new product development
- **Challenges and Countermeasures**
  - Decline in profitability levels due to the extremely high value of the yen and inadequate responses to changes in the business environment, including extreme fluctuations in demand
  - Decrease in the Industrial Machinery Business sales ratio
  - Strengthening of the compliance system to restore trust and prevent any recurrence following the cartel incident

### The 4th MTP
- Year to March 31, 2014-Year to March 31, 2016
- **Positioning of Vision**
  - Establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion
  - Establish corporate fundamentals appropriate for a company with sales of ¥1 trillion
  - The 100th anniversary of NSK’s foundation
  - Continue to implement basic strategies (focus on capabilities in emerging countries, global management)
- **Business Strategies**
  - Increase presence in emerging markets
  - Expand environmental, infrastructure, and resource businesses
  - Respond to technological innovation
  - Proactive sales strategy (strength proposal-based sales capabilities)
  - Reorganize global production sites
  - Accelerate new product development
- **Challenges and Countermeasures**
  - Continue to build our foundation as a company with ¥1 trillion in sales
  - Establish profitability not greatly affected by business cycles or fluctuations in the amounts of raw materials or exchange rates
  - Promote new products and development in new areas

### The 5th MTP
- Year to March 31, 2017-Year to March 31, 2019
- **Positioning of Vision**
  - Launching New Chapter
  - Two Pillars of the Plan
  - Industrial Machinery Business
  - Automotive Business
- **Business Strategies**
  - Increase sales and profitability in the Automotive Business and assisting by an underlying weakness in yen exchange rates, the Company achieved all its numerical targets, including those for sales and profit, a year ahead of schedule in the second year of the fourth MTP. The Company also improved on the targets in the MTP’s final fiscal year. Significant growth was recorded in the Chinese business and in the EPS business in particular.
  - With regard to profitability, the Company achieved an operating income margin of 10.0% in the fiscal year ended March 2015 and maintained a high level of 9.7% in the final fiscal year. In contrast, sales and profitability in the Industrial Machinery Business were on a declining trend, buffeted by the slowdown in global economic growth, including the deceleration in China.
  - We also worked to evolve the management structure and strengthen and enhance compliance.

Under an environment of robust demand, the Industrial Machinery Business achieved the powertrain business growth during the fiscal year ended March 2018, the second year of the MTP, and the Company achieved sales of ¥1 trillion as targeted. Both operating income and net income achieved new record highs. We also strengthened shareholder returns that led to a total return ratio of 5.7% over the three years. However, due to a downturn in the economic cycle starting in the second half of the fiscal year ended March 2019, the final year of the MTP, and the impact of the U.S.-China trade friction, the business environment deteriorated. Full-year performance during the final year of the MTP experienced a year-on-year decline in sales and profits, which resulted in failure to achieve the MTP targets.

**Challenges and Countermeasures**

- Decline in profitability levels due to the extremely high value of the yen and inadequate responses to changes in the business environment, including extreme fluctuations in demand
- Decrease in the Industrial Machinery Business sales ratio
- Strengthening of the compliance system to restore trust and prevent any recurrence following the cartel incident

By the end of the 5th MTP, NSK had achieved the vision of "building a business base and strengthening resources in preparation for the next growth phase." The Company set out to continue building its foundation for sustainable growth through the 6th MTP, focusing on operational excellence, constant pursuit of competitiveness, innovation and challenge, and reorganization and creation of new value.
Three Initiatives

1. New initiatives targeting growth
   Grow by delivering value that meets the needs of a future society
   1. Expand NSK core products in the growth segments of electrification, automation, environment, and IoT
   2. Grow by commercializing new products in growth segments
   3. Expand the product lineup for and restart growth in the EPS business
   4. Utilize M&A and strategic alliances

2. Enhance managerial resources
   1. Evolve personnel development
   2. Evolve manufacturing (Monozukuri)
   3. Evolve technology development
   4. Utilize digital technology

3. Contribute to the environment and society
   Address environmental and societal issues by strengthening managerial resources and NSK’s core values + corporate governance

Three key management tasks

Business growth and profitability
- Balance investment in future growth with shareholder returns under a stable financial structure
- Personnel, Technology, Organization, and Information

Utilization of robust managerial resources
- Safety, Quality, Compliance, and Environment
- Corporate governance

ESG management

Collaborative Value with Stakeholders

Environmental contribution
- Low friction, high efficiency, improvement of transmission efficiency
- Contribution to an advanced technological society

Realization of a more prosperous society
- Growth of a wide range of industries
- Advancement of a mobility society

Improvement of shareholder value
- NSK’s Seven Key SDGs

NSK Core Values

Safety, Quality, Compliance, Environment

Operational excellence
Constant pursuit of competitiveness

New initiatives targeting growth
Enhance managerial resources
Contribute to the environment and society

Outcomes

Evidences of progress on the Collaborative Value Creation Process

- Vision for 2026
- Special Feature
- Foundation Supporting Sustainability

Strategies and Performance

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