



FINANCIAL CONFERENCE

Consolidated Business Results
for the First Quarter ended June 30, 2021

NSK Ltd.

August 2, 2021
Senior Executive Vice President,
CFO
Saimon Nogami

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 the primary version.

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First of all, I would like to provide you with an overview of our consolidated business results for the first quarter ended June 30, 2021. I only have about five slides, and I would like to spend most of our time together in response to any questions you may have.

Summary of Consolidated Business Results for FY2021 Q1



(Billions of yen)	FY2020	FY2021		
	Q1 Actual	Q1 Actual	Increase/ Decrease YOY	Difference YOY
Sales	128.9	213.5	+84.6	+65.6%
Operating income	-12.9	9.2	+22.1	—
(%)	(-10.0%)	(4.3%)		
Income before income taxes	-12.5	9.5	+22.0	—
Net income attributable to owners of the parent	-9.7	4.8	+14.5	—
(Ex. rate: 1USD=)	107.6	109.5	+1.9	+1.7%
(" 1EUR=)	118.5	132.0	+13.5	+11.4%
(" 1CNY=)	15.2	17.0	+1.8	+11.8%

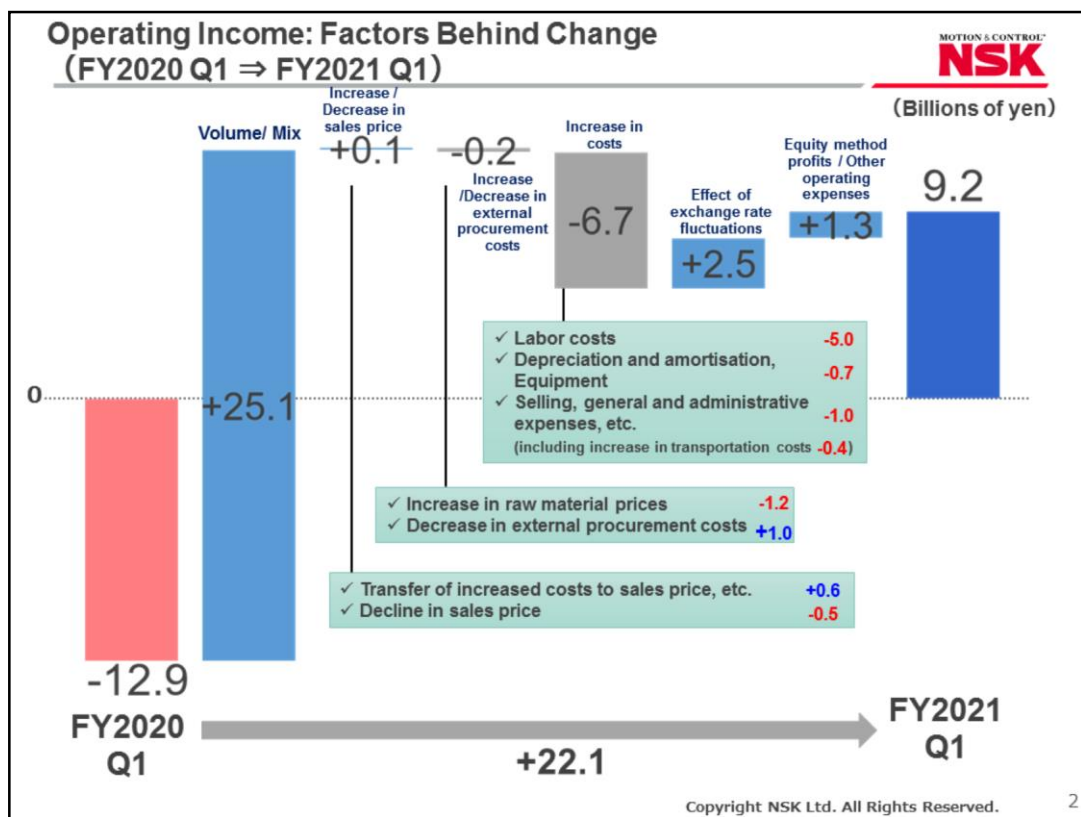
- **Recovered from the impact of COVID-19.**
Sales and operating income substantially increased primarily driven by the Automotive Business.
- **Results assisted by the depreciation of the Japanese yen.**

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This slide shows a summary of our first-quarter consolidated business results. We recorded sales of ¥213.5 billion with ¥9.2 billion in operating income, and an OPM of 4.3%, while achieving positive figures in the other profit categories. Sales increased ¥84.6 billion year on year, and operating income increased ¥22.1 billion year on year. I would like to give you a brief overview of the industrial machinery business and the automotive business separately later.

As stated in the comment on the slide, the trend of depreciation in the value of the yen was a factor that assisted business results. The impact of exchange rates on sales was around ¥9.5 billion, and around ¥2.5 billion on operating income.



The second slide shows the factors behind the change in operating income. First, a major factor is the ¥25.1 billion increase in operating income due to volume/mix. Increase in sales, excluding foreign exchange rates and changes in sales prices, is estimated to be approximately ¥75.0 billion, and the effect of the increase in operating income calculated based on this is approximately ¥30.0 billion. On the other hand, there is also a slight deterioration in the mix, due in part to the mix in the Automotive and Industrial Machinery businesses, as well as the regional mix. In addition, we estimate a negative impact of around ¥2.5 billion from inventory valuation, including unrealized gains on inventory and other factors.

As for changes in procurement costs, as I explained at the beginning of the fiscal year, we had factored an increase in raw material prices, mainly for steel materials, into our forecasts. We have recognized these rising raw material prices have started to push costs up, to the tune of around ¥1.2 billion over the past three months. On the other hand, we have achieved reductions of around ¥1.0 billion in external procurement costs, bringing the total impact to -¥0.2 billion.

In terms of changes in sales price, the decline in sales price was around ¥0.5 billion. On the other hand, although the comment on the slide states transfer of increased costs to sales price, not only increased raw material costs, but also price increases in response to market conditions, mainly in the Industrial Machinery Business, were transferred to sales prices, amounting to around ¥0.6 billion. These factors combined generated an impact on profit of around ¥0.1 billion. As it has only been three months, we have not seen a significant increase or decrease. However, although the increase in raw material prices was expected to be around ¥6.0 billion for the year, judging from current business conditions, we need to be prepared for further increases. We have not revised our business forecasts to factor in the transfer of increased costs to sales prices in light of this yet, but these factors can be described as a major focus in our business activities.

Moving on to increase in costs. Costs increased by around ¥6.7 billion year on year. The biggest factor was the ¥5.0 billion increase in labor costs. Other factors were increases of ¥0.7 billion in depreciation and amortisation, and equipment, and around ¥1.0 billion in selling, general and administrative expenses. This amount included a ¥0.4 billion increase in transportation costs. Roughly ¥3.5 billion of the increase in labor costs came in from subsidies received from government, etc., so the difference between the two figures is the increase. Consequently, the outstanding difference of ¥1.5 billion corresponds to the increase in labor costs in a like-for-like comparison.

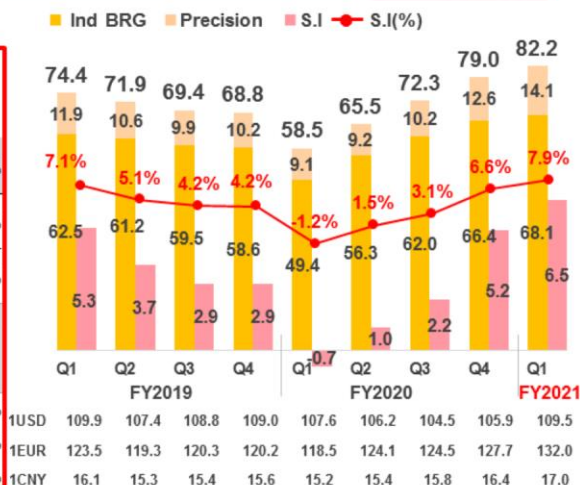
As I stated on the first slide, exchange rates had a positive impact on profit of around ¥2.5 billion, resulting in total operating income of ¥9.2 billion, including equity method profits and other operating expenses.

Industrial Machinery Business



(Billions of yen)

	FY2020 Q1 Actual	FY2021 Q1 Actual	Increase/ Decrease YOY	Difference YOY
Sales	58.5	82.2	+23.7	+40.6%
Industrial Machinery Bearings	49.4	68.1	+18.8	+38.0%
Precision Machinery and Parts	9.1	14.1	+5.0	+54.8%
Segment income	-0.7	6.5	+7.2	—
(%)	(-1.2%)	(7.9%)		
(Ex. rate: 1USD=)	107.6	109.5	+1.9	+1.7%
(" 1EUR=)	118.5	132.0	+13.5	+11.4%
(" 1CNY=)	15.2	17.0	+1.8	+11.8%



● Sales and profits continued to recover from Q2 FY2020 onwards.

Machine tools: Sales for EMS in China remained strong, recovery in capital investment related to automotive production.

Semiconductors: Sales remained strong due to robust market demand.

Electrical equipment: Stay-at-home demand for items such as home appliances and power tools remained robust.

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Slide 3 shows the industrial machinery business. Sales were ¥82.2 billion with sales of ¥68.1 billion for industrial machinery bearings and ¥14.1 billion for precision machinery and parts, up 40.6% year on year for the segment overall. Segment income was ¥6.5 billion, up ¥7.2 billion year on year

Looking at the subsectors within the industrial machinery business, machine tool and semiconductor manufacturing equipment-related capital investment is currently booming. Starting with semiconductor manufacturing equipment, machine tool orders have also subsequently continued to grow. In addition to investment in Japan, overseas investment in China is also rising at present. Initially, it was thought that China EMS investment was driving capital investment. However, it now appears that enthusiasm for capital investment is returning in a wide range of sectors, including automotive-related sectors.

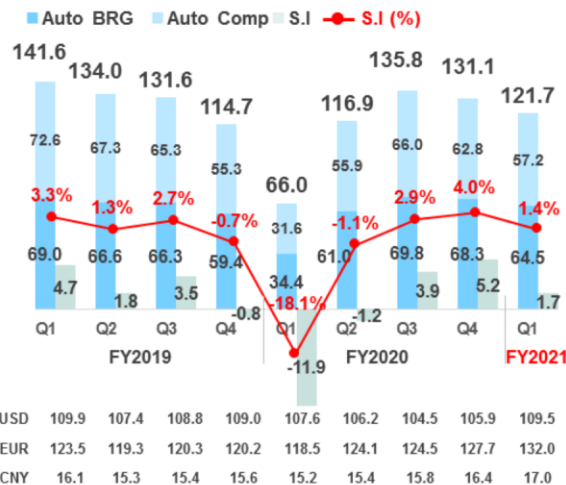
The graph to the right of the table shows quarterly changes in sales as well as segment income and segment income margin. The figures on the far right are the current figures, which are ¥82.2 billion in sales, with margin of 7.9%. As you can see, there has been a cyclical trend over the past 24 months, as well as a drop, given the big impact of COVID-19 in the same period of the previous fiscal year. However, we view the quarterly business scale of ¥82.2 billion recorded in Q1 as an indication that the economy is recovering reasonably well.

Automotive Business



(Billions of yen)

	FY2020 Q1 Actual	FY2021 Q1 Actual	Increase/ Decrease YOY	Difference YOY
Sales	66.0	121.7	+55.8	+84.5%
Automotive Bearings	34.4	64.5	+30.2	+87.8%
Automotive Components	31.6	57.2	+25.6	+81.0%
Segment income (%)	-11.9 (-18.1%)	1.7 (1.4%)	+13.6	—
(Ex. rate: 1USD=)	107.6	109.5	+1.9	+1.7%
(" 1EUR=)	118.5	132.0	+13.5	+11.4%
(" 1CNY=)	15.2	17.0	+1.8	+11.8%



- Demand recovered from COVID-19 impact and sales increased significantly. +85% YOY (excluding exchange rate effects: +77%)
Global automotive production volume: +49% YOY
Japanese car manufacturers: +71% YOY
- Both sales and profits decreased compared to Q4 FY2020 due to the effect of semiconductor shortages.

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Slide 4 shows the automotive business. Sales were ¥121.7 billion with a breakdown of ¥64.5 billion for automotive bearings and ¥57.2 billion for automotive components. As a result, segment income was ¥1.7 billion, achieving a return to profitability. Sales for the automotive business overall increased by 84.5% year on year. In terms of the breakdown, both automotive bearings and automotive components increased sales by over 80% year on year, recording a rebound.

There are a few comments on the bottom of the slide, but looking at the recent global automotive production trends, production for the current April to June period was around 18.8 million units, according to research by NSK. This is a 49% increase year on year. Looking more closely at the breakdown, the figure at Japanese OEMs, which are major customers of NSK, was up 71%. From a global perspective, this indicates that Japanese OEMs are emerging from the situation quickly and entering a growth phase. Looking at our business results based on this, both automotive bearings and automotive components recorded sales growth that exceeded the market trend at 87.8% and 81%, respectively.

On the other hand, semiconductor shortages also had an impact. I think it is easier to understand visually if you look at the chart to the right of the table, but sales for the first quarter of the current fiscal year have declined to ¥121.7 billion from ¥131.1 billion in the most recent fourth quarter. This indicates production by automotive manufacturers has decreased precisely because of the semiconductor shortage. We estimate production may have declined by around 2.2 million units in the first quarter based on our understanding. When I spoke with you at the beginning of the fiscal year, we expected about 1.0 million units might be affected by semiconductor shortages in the first quarter, and there has been a decrease in sales that corresponds to the difference between these figures.

Consolidated Business Forecast for the Year Ending March 31, 2022



The forecast and the dividend plan announced on May 11th, 2021 remain unchanged

- ✓ Sales: 860.0 billion Operating Income: 53.0 billion (Including gain on transfer of land: 9.7 billion)
Exchange rate assumptions: USD ¥106, EUR ¥124, CNY ¥15.7
- ✓ Dividend: ¥25 per share
(Interim dividend: ¥10 per share, Second half dividend: ¥15 per share)

● Industrial Machinery Business

- ▶ Expect to see continued robust demand, primarily for machine tools.
▶ Will continue to strengthen supply capabilities including increasing the number of staff and capitalize on sales opportunities.

● Automotive Business

- ▶ Production cutbacks caused by semiconductor shortages had larger impact than expected. Will carefully watch for recovery trend and manage production and inventory accordingly.

● Growing risk of cost increases for raw materials and transportation, etc.

- ▶ Costs are increasing more than forecast assumptions. Will minimize impact of cost increases through additional negotiation to transfer costs to sales prices, and by improving plant productivity.

● Risk of COVID-19 rebound in Japan and overseas

- ▶ Infection status in the ASEAN region must be carefully monitored.
▶ Will continue to implement thorough infection prevention measures.

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The final slide provides a very brief summary of the current situation. We believe we are not yet at the point of revising the consolidated business forecast for the fiscal year ending March 31, 2022, which we published when we announced our business results on May 11. Assuming there is no change, we have also decided to maintain the dividend at ¥25 per share for the time being. There are a few comments on the slide about current business conditions and trends for the industrial machinery business and the automotive business, but I think these are summarized in the points I made earlier. In the third comment, cost increases for raw materials and transportation, etc., are expected to push costs up, but I would like to provide you with answers on this later during the Q&A time as needed. In addition, the COVID-19 pandemic is currently spreading again, starting in Southeast Asia. We feel this risk is increasing. NSK experienced some suspension of operations due to the impact of lockdowns in Southeast Asia during the period, including E&E's Malaysian production facility for miniature ball bearings. Production is currently recovering, but some of the effect on lower sales and profit is included in the consolidated business results for the first quarter.

This ends my summary of the financial results for the three-month period. Thank you very much.

(Supplementary Information)

Supplementary Information : Financial Results by Business Segment

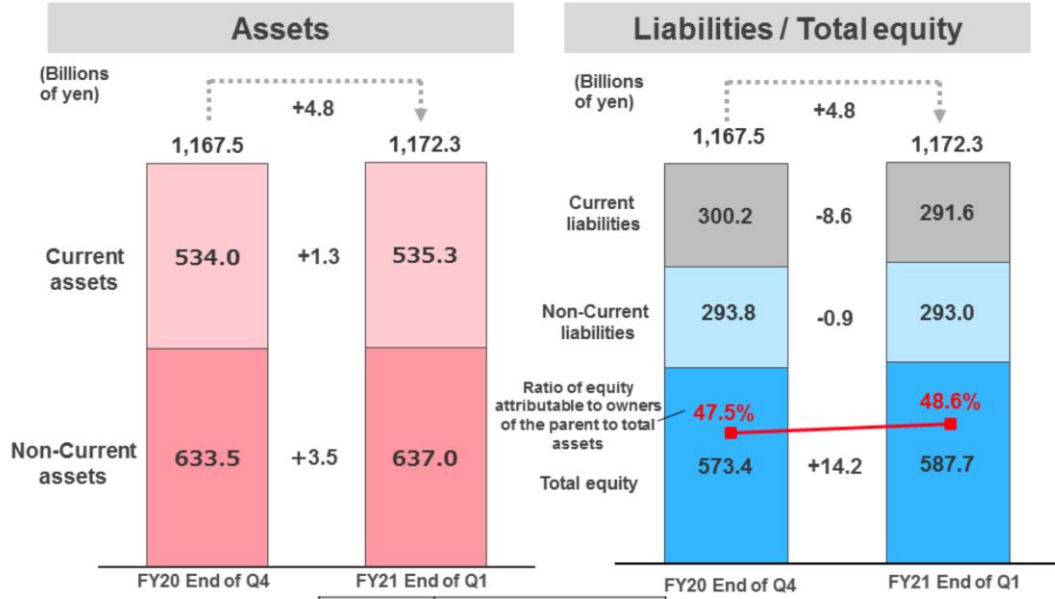
(Billions of yen)		FY2020	FY2021			FY2021 FCST		
		Q1	Q1	Increase / Decrease	Difference	1st half	2nd half	Full year
Total	Sales	128.9	213.5	+84.6	+65.6%	425.0	435.0	860.0
	Segment Income	-12.5	9.3	+21.9	—	18.5	25.5	44.0
	(%)	(-9.7%)	(4.4%)			(4.4%)	(5.9%)	(5.1%)
	Operating Income	-12.9	9.2	+22.1	—	18.0	35.0	53.0
	(%)	(-10.0%)	(4.3%)			(4.2%)	(8.0%)	(6.2%)
Industrial Machinery Business	Sales	58.5	82.2	+23.7	+40.6%	153.0	159.0	312.0
	Industrial Machinery Bearings	49.4	68.1	+18.8	+38.0%	127.0	132.0	259.0
	Precision Machinery and Parts	9.1	14.1	+5.0	+54.8%	26.0	27.0	53.0
	Segment Income	-0.7	6.5	+7.2	—	12.0	15.0	27.0
	(%)	(-1.2%)	(7.9%)			(7.8%)	(9.4%)	(8.7%)
Automotive Business	Sales	66.0	121.7	+55.8	+84.5%	257.0	263.0	520.0
	Automotive Bearings	34.4	64.5	+30.2	+87.8%	135.0	140.0	275.0
	Automotive Components	31.6	57.2	+25.6	+81.0%	122.0	123.0	245.0
	Segment Income	-11.9	1.7	+13.6	—	5.0	9.0	14.0
	(%)	(-18.1%)	(1.4%)			(1.9%)	(3.4%)	(2.7%)
Others	Sales	8.8	15.2	+6.3	+71.7%	26.5	26.5	53.0
	Segment Income	0.0	1.0	+1.0	—	1.5	1.5	3.0
	(%)	(0.1%)	(6.9%)			(5.7%)	(5.7%)	(5.7%)
Eliminations (sales)		-4.4	-5.6	-1.3	—	-11.5	-13.5	-25.0
Other operating income and expenses (adjustments)		-0.3	-0.1	+0.2	—	-0.5	9.5	9.0

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Supplementary Information :
Sales by Customer Location

(Billions of yen)	FY2020 Q1	FY2021 Q1	Increase/ Decrease	Difference
Sales	128.9	213.5	+84.6	+65.6%
Japan	46.7	80.2	+33.5	+71.7%
Non-Japan	82.2	133.2	+51.1	+62.2%
(Non-Japan Ratio)	(63.7%)	(62.4%)		
The Americas	15.3	30.6	+15.3	+100.3%
Europe	14.9	27.7	+12.9	+86.4%
China	37.7	44.1	+6.4	+17.0%
Other Asia	14.3	30.8	+16.5	+115.1%
Ex. Rate				
1USD	107.6	109.5	+1.9	+1.7%
1EUR	118.5	132.0	+13.5	+11.4%
1CNY	15.2	17.0	+1.8	+11.8%

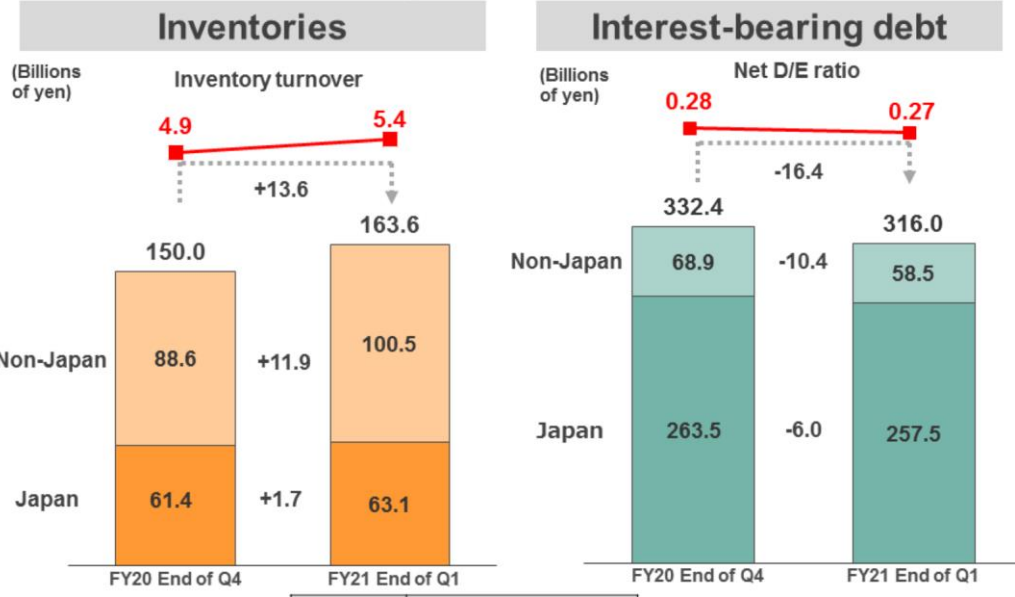
Supplementary Information: Consolidated Balance Sheet



Ex. Rate	FY20 End of Q4	FY21 End of Q1
1USD	110.7	110.6
1EUR	129.8	131.6
1CNY	16.9	17.1

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Supplementary Information: Inventories / Interest-Bearing Debt



Ex. Rate	FY20 End of Q4	FY21 End of Q1
1USD	110.7	110.6
1EUR	129.8	131.6
1CNY	16.9	17.1

**Supplementary Information : Capital Expenditures,
Depreciation and Amortisation, R&D Expenses**

(Billions of yen)	FY2020	FY2021	
	Full year Act	Q1 Act	Full year FCT
Capital Expenditures	37.3	5.2	51.0
Capital Expenditures (excluding lease)	34.1	4.6	51.0
Depreciation and Amortisation	54.5	13.9	55.0
Depreciation and Amortisation (excluding lease)	50.0	12.8	50.5
R&D Expenses (on a statutory basis)	16.8	4.4	17.0
(Ref.) R&D Expenses (on a managerial basis)	28.6	7.4	30.0



Mission Statement

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

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