

NSK

NSK Ltd.

FINANCIAL CONFERENCE

Consolidated Business Results
for the Second Quarter
ended September 30, 2023



Change & Go Beyond

November 2, 2023

Cautionary Statement 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 the forward-looking statements.

Note : This document is an English translation of material written initially in Japanese.
In the case of any differences, the original Japanese version takes precedence.

Copyright NSK Ltd. All Rights Reserved.

- 1. Consolidated Business Results
for the Six Months Ended September 30, 2023**
- 2. Revised Consolidated Business Forecast
for the Year Ending March 31, 2024**
- 3. Progress of Mid-Term Plan 2026**

(Supplementary Information)

1. Consolidated Business Results for the Six Months Ended September 30, 2023

2. Revised Consolidated Business Forecast for the Year Ending March 31, 2024

3. Progress of Mid-Term Plan 2026

(Supplementary Information)

Key Points - Consolidated Business Results for FY2023 H1

✓ FY2023 H1 Actual (Continuing operations)

Industrial: Adjustment phase continued. Economic slowdown in China.

Automotive: Production volume gradually recovering from semiconductor shortages.

- » Sales ¥386.7 bn YOY +¥0.1%
- » Operating income ¥11.1 bn YOY -¥43.3%

✓ Downward Revision of Consolidated Business Forecast for the Year Ending March 31, 2024

- » Sales ¥800.0 bn Vs. July forecast -¥8.0 bn
- » Operating income ¥30.0 bn Vs. July forecast -¥14.0 bn

✓ Established steering business as equity-method affiliate (August 2023)

✓ Shareholder Returns

- » Interim dividend: ¥15 per share
 Full year dividend: ¥30 per share (Unchanged)
- » Share buyback: ¥21.7 bn / 25 million shares (May/June 2023)
- » Canceled 51 million treasury shares (August 2023)

Summary of Consolidated Business Results for FY2023 H1

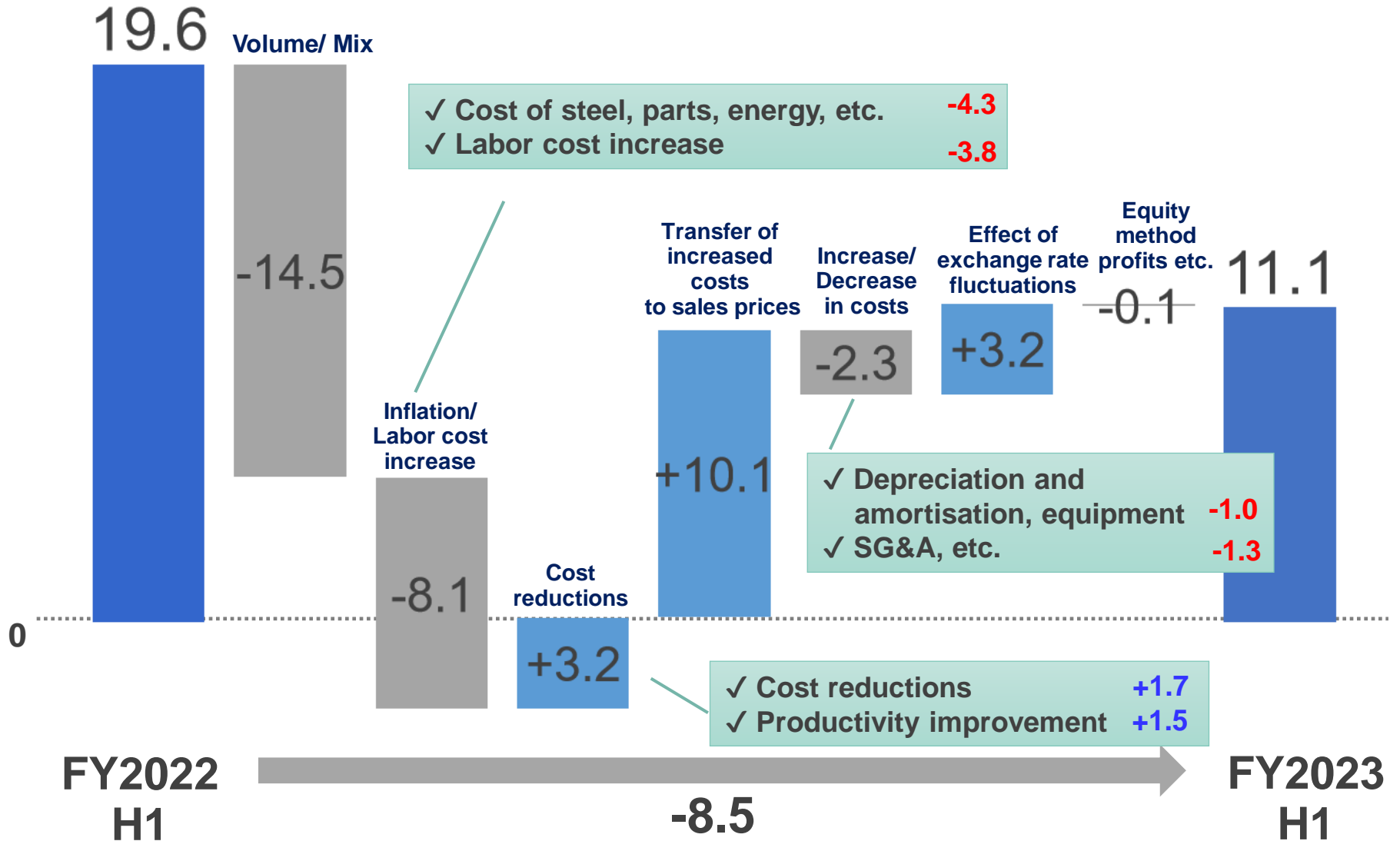
- ✓ YOY sales remained flat even with automotive sales up, depreciation of the Yen, and transferring increasing costs to sales prices. Real volume declined excluding currency impact and cost transfer.
- ✓ Sales and profits below forecast due to lower demand in industrial machinery. H1 net income from continuing and discontinued operations totaled 0.7 billion yen, -5.3 bn yen vs. July forecast.

	(Billions of yen)	FY2022	FY2023	Increase/ Decrease YOY (Effect of exchange rate fluctuations)	Difference YOY	FY2023	vs. July Forecast	
		H1 Actual	H1 Actual			H1 Forecast	Increase/ Decrease	Difference
Continuing operations	Sales	386.2	386.7	+0.5 +11.0	+0.1%	392.0	-5.3	-1.4%
	Segment income*	20.8	11.4	-9.4 +2.3	-45.0%	15.0	-3.6	-23.7%
	(%)	5.4%	3.0%			3.8%		
	Operating income	19.6	11.1	-8.5 +3.2	-43.3%	14.0	-2.9	-20.5%
	(%)	5.1%	2.9%			3.6%		
	Income before income taxes	19.1	10.5	-8.6	-44.9%	13.0	-2.5	-19.0%
	Net income attributable to owners of the parent	10.6	5.7	-4.9	-46.0%	-	-	-
Continuing and discontinued operations	Net income attributable to owners of the parent	6.0	0.7	-5.4	-89.1%	6.0	-5.3	-89.0%
	(Ex. rate: 1USD=)	134.0	141.0	+7.0	+5.2%	125.0	+16.0	+12.8%
	(" 1EUR=)	138.7	153.4	+14.7	+10.6%	140.0	+13.4	+9.6%
	(" 1CNY=)	19.9	19.8	-0.1	-0.7%	19.0	+0.8	+3.9%

*Segment Income : Operating income before deduction of other operating income/loss (exchange rate fluctuation gain/loss, etc.)

Operating Income: Factors Behind Change (FY2022 H1 ⇒ FY2023 H1) (Continuing operations)

(Billions of yen)

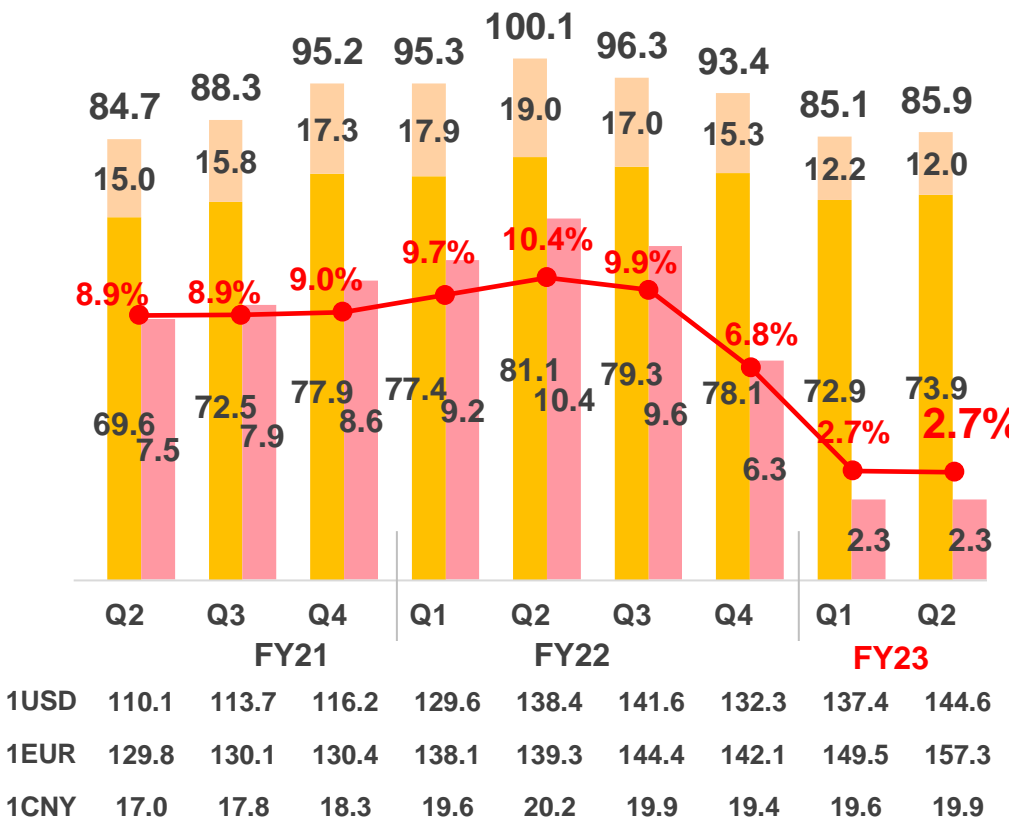


Industrial Machinery Business

(Billions of yen)

	FY2022 H1 Actual	FY2023 H1 Actual	Increase/Decrease YOY (Effect of exchange rate fluctuations) +5.5	Difference YOY (Excluding effect of exchange rate fluctuations) -15.3%
Sales	195.4	171.0	-24.4	-12.5%
Industrial Machinery	158.5	146.8	-11.7	-7.4%
Bearings	36.9	24.2	-12.7	-34.4%
Precision Machinery and Parts	19.6	4.6	-15.0	-76.6%
Segment income (%)	10.0%	2.7%		
(Ex. rate: 1USD=)	134.0	141.0	+7.0	+5.2%
(" 1EUR=)	138.7	153.4	+14.7	+10.6%
(" 1CNY=)	19.9	19.8	-0.1	-0.7%

■ Sales (Ind BRG) ■ Sales (Precision) ■ S.I. ● S.I.(%)



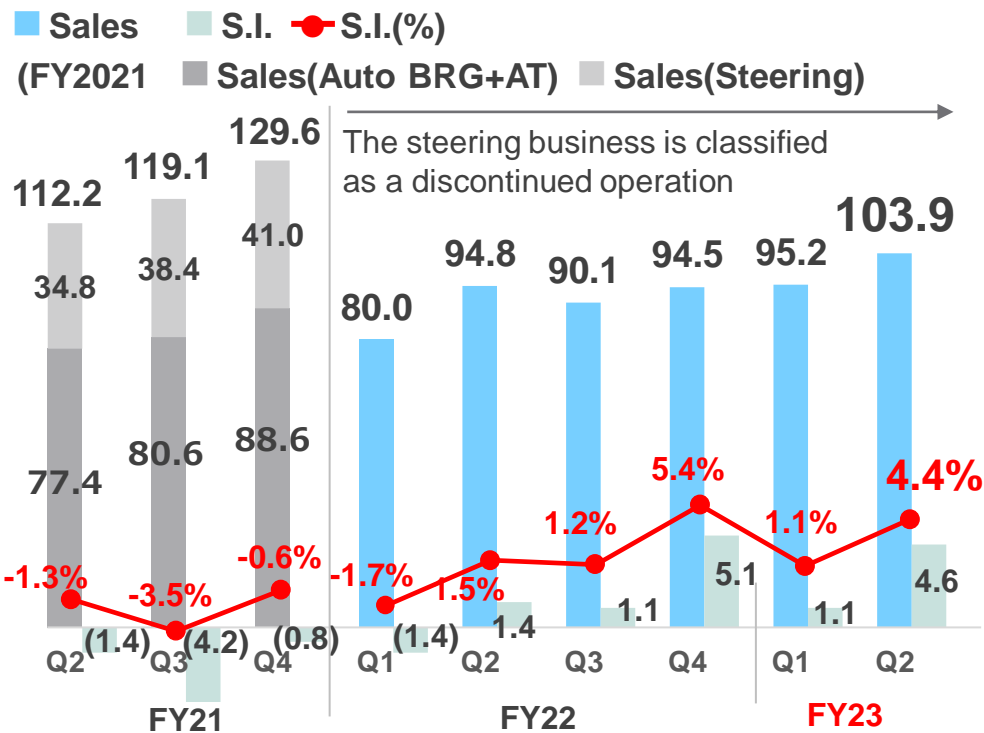
- ✓ H1 sales and profits down YOY mainly due to lower sales in machine tools, semiconductor manufacturing equipment, and E&E.
- ✓ Q2 sales and segment income ratio flat at Q1 level.
 - Sales for machine tools declined vs. Q1, and profitability of precision machinery products declined.
 - Sales for semiconductor manufacturing equipment and E&E remained flat from Q1.

Automotive Business

(Billions of yen)	FY2022 H1 Actual	FY2023 H1 Actual	Increase/Decrease YOY (Effect of exchange rate fluctuations)	Difference YOY (Excluding effect of exchange rate fluctuations)
Sales	174.8	199.1	+24.4 +5.2	+13.9% +11.0%
Segment income (%)	0.1 0.0%	5.7 2.8%	+5.6	—
(Ex. rate: 1USD=)	134.0	141.0	+7.0	+5.2%
(" 1EUR=)	138.7	153.4	+14.7	+10.6%
(" 1CNY=)	19.9	19.8	-0.1	-0.7%

Previously we disclosed sales separately under the categories of "Automotive Bearings" and "Automotive Components".

Due to the classification of the steering business as a discontinued operation, we will disclose sales under the category of the "Automotive Business".



1USD	110.1	113.7	116.2	129.6	138.4	141.6	132.3	137.4	144.6
1EUR	129.8	130.1	130.4	138.1	139.3	144.4	142.1	149.5	157.3
1CNY	17.0	17.8	18.3	19.6	20.2	19.9	19.4	19.6	19.9

✓ Global automotive production volume:

FY2023 H1 actual: 45 million vehicles (+10% YOY) **Based on IHS Markit*

✓ Sales and profits increased YOY in H1, and from Q1 to Q2

1. Consolidated Business Results
for the Six Months Ended September 30, 2023

**2. Revised Consolidated Business Forecast
for the Year Ending March 31, 2024**

3. Progress of Mid-Term Plan 2026

(Supplementary Information)

Consolidated Business Forecast for the Year Ending March 31, 2024

✓ Revised downward from July forecast

■ Key Points of Revision

» Industrial Machinery: Sluggish China market to continue in H2

» Automotive: Production volume exceeding initial expectation

Full year global automotive production volume: 89 million vehicles (Originally 86 million)

» H2 exchange rate assumptions: USD ¥140, EUR ¥150, CNY ¥19

		FY2023 Forecast as of July	FY2023 Revised Forecast	vs. July Forecast		FY2022 Full year Actual	YOY Difference
				Increase/ Decrease (Effect of exchange rate fluctuations)	Difference		
Continuing operations	Sales	808.0	800.0	-8.0 +28.0	-1.0%	776.8	+23.2 +20.0
	Segment income*	46.0	31.5	-14.5	-31.5%	44.3	-12.8
	(%)	5.7%	3.9%	+7.0		5.7%	+4.0
	Operating income	44.0	30.0	-14.0	-31.8%	43.8	-13.8
	(%)	5.4%	3.8%	+7.0		5.6%	+4.0
	Income before income taxes	42.0	28.5	-13.5	-32.1%	43.3	-14.8
Continuing and discontinued operations	Net income attributable to owners of the parent	25.5	14.0	-11.5	-45.1%	18.4	-4.4
	(Ex. rate: 1USD=)	128.1	140.5	+12.4	+9.7%	135.5	+5.0
	(" 1EUR=)	142.4	151.7	+9.3	+6.5%	141.0	+10.7
	(" 1CNY=)	19.1	19.4	+0.2	+1.2%	19.8	-0.4

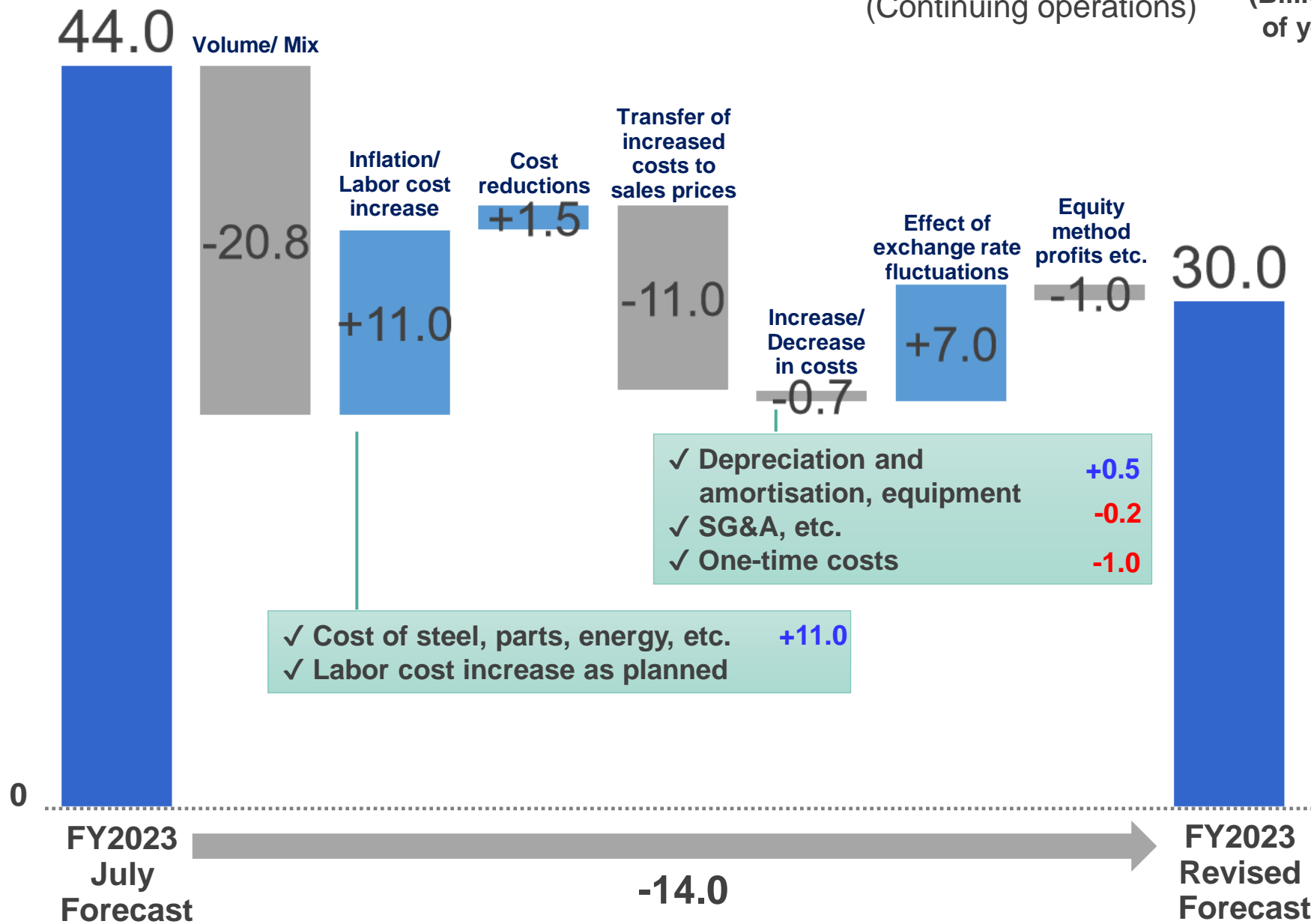
* Segment Income : Operating income before deduction of other operating income/loss (exchange rate fluctuation gain/loss, etc.)

Operating Income: Factors Behind Change

(FY2023 July Forecast ⇒ FY2023 Revised Forecast)

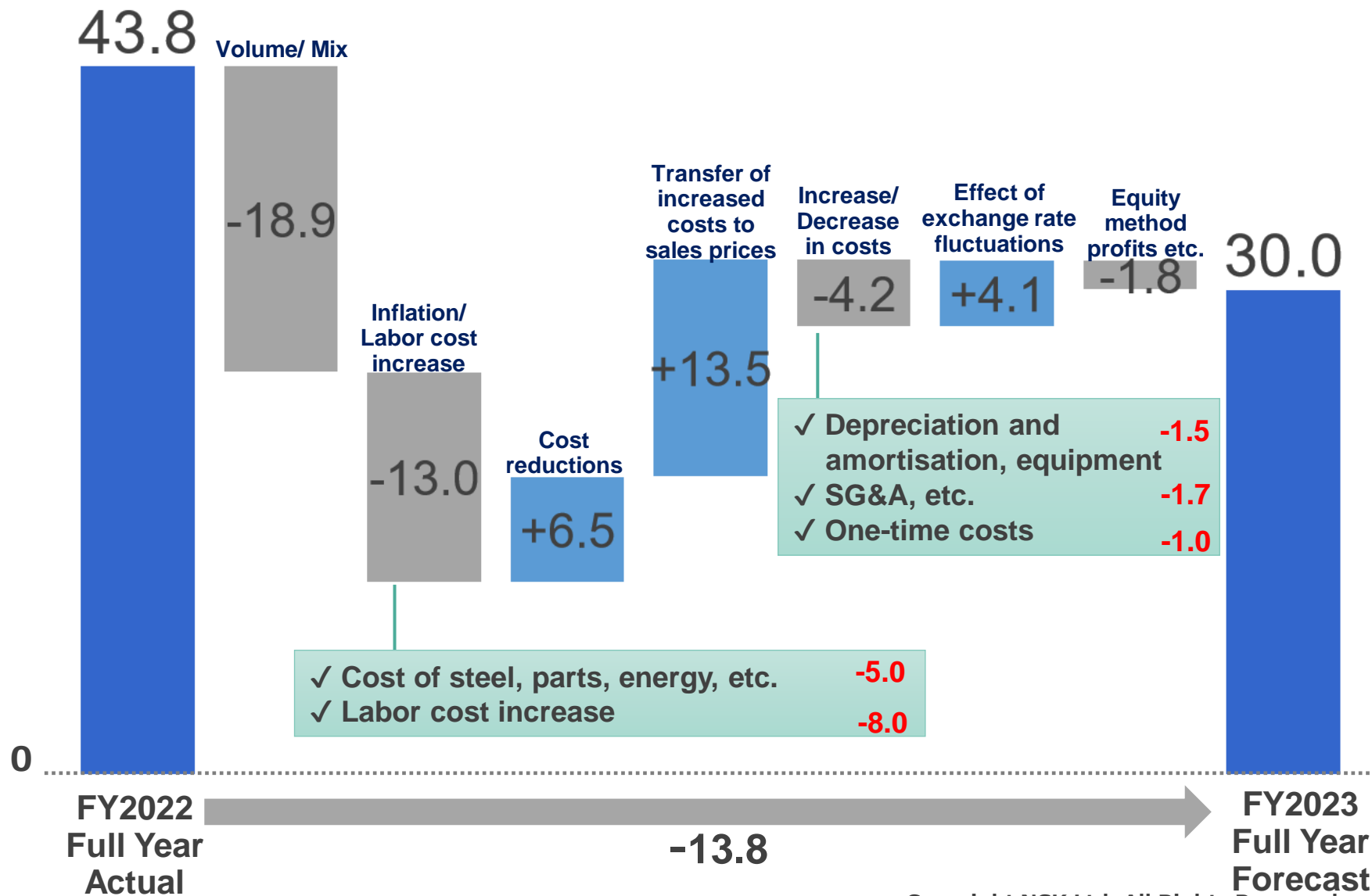
(Continuing operations)

(Billions of yen)



Operating Income: Factors Behind Change

(FY2022 Full Year Actual ⇒ FY2023 Full Year Forecast)



Consolidated Business Forecast by Business Segment

Industrial Machinery Business

- Demand for machine tools and semiconductor manufacturing equipment remain flat at the H1 level
- Higher sales and sales and profits in H2 vs. H1 due to review of production and sales expansion

(Billions of yen)	FY2023 Forecast as of July	FY2023 H1 Actual	FY2023 H2 Forecast	FY2023 Revised Forecast	Increase/Decrease	vs. July Forecast (Effect of exchange rate fluctuations)	Difference	FY2022 Full year Actual
Sales	377.5	171.0	181.5	352.5	-25.0	+15.5	-6.6%	385.1
Industrial Machinery Bearings	319.0	146.8	154.7	301.5	-17.5		-5.5%	315.9
Precision Machinery and Parts	58.5	24.2	26.8	51.0	-7.5		-12.8%	69.2
Segment income	27.5	4.6	7.9	12.5	-15.0	+5.0	-54.5%	35.5
(%)	7.3%	2.7%	4.4%	3.5%				9.2%

Automotive Business

- H2 segment income ratio of 5% due to improved profitability from increased volume and transfer of increasing costs to sales prices against a backdrop of recovery in global automobile production volume

(Billions of yen)	FY2023 Forecast as of July	FY2023 H1 Actual	FY2023 H2 Forecast	FY2023 Revised Forecast	Increase/Decrease	vs. July Forecast (Effect of exchange rate fluctuations)	Difference	FY2022 Full year Actual
Sales	398.0	199.1	214.9	414.0	+16.0	+12.5	+4.0%	359.4
Segment income	16.0	5.7	10.8	16.5	+0.5	+2.0	+3.1%	6.3
(%)	4.0%	2.8%	5.0%	4.0%				1.8%

1. Consolidated Business Results
for the Six Months Ended September 30, 2023

2. Revised Consolidated Business Forecast
for the Year Ending March 31, 2024

3. Progress of Mid-Term Plan 2026

(Supplementary Information)

✓ Progress of Mid-Term Plan 2026 (MTP2026)

- » Established steering business joint venture with JIS
- » Making steps toward portfolio transformation
(Expanding industrial sales, EV sales, and new products)
- » Industrial Machinery: Expansion progressed as planned in the first year of MTP2026 (FY22), but we currently face a continued adjustment phase due to the slowdown of the Chinese economy.
- » Automotive: Recovery of automotive production volume was lagging behind MTP2026 assumptions, but we expect return to the 90 million vehicle level in the current fiscal year. Business performance is expected to continue to improve.

Profitability Indicators

	FY21 Actual	FY22 Actual	FY23 Forecast	FY26 Goal
Operating income	3.4%	5.6%	3.8%	10.0%
ROE	2.8%	3.0%	2% ~	10.0%

The steering business is classified as a discontinued operation

Responding to changes in business environment and addressing management tasks to achieve FY26 targets from FY23 forecast


Progress of Mid-Term Plan 2026

Mid-Term Initiatives Toward 10% ROE and Higher PBR

✓ Growth with Profitability – Industrial Machinery Business

MTP2026 Strategy

- » Growth in high profitability areas, sales expansion in aftermarket and precision machinery and parts
- » Expand sales by differentiating products in electrification, automation, and environment

Performance	FY22 Actual	FY23 Forecast		FY26 Target
Sales	¥385.1 bn	¥352.5 bn	Segment income + 9.5%/+¥46.0 bn 	¥450.0 bn
Segment income	¥35.5 bn	¥12.5 bn		¥58.5 bn
Segment income (%)	9.2%	3.5%		13.0%

Objectives

- » Economic recovery and sales expansion
- » Strengthen supply capacity
- » Structural Reorganization
- » Reform E&E

Initiatives/Impact (Operating income)

- » Volume/mix and cost reductions +¥42.0 bn
 - Tie-ups and M&A to expand product lineup
 - Establish product lifecycle management business model and expand sales in Europe and the Americas
- » Structural Reorganization +¥4.0 bn
 - Reform E&E business, particularly in Europe
 - Expand production capacity in the U.S.
- » Improve productivity, reduce costs to absorb labor cost increase
 - Digital transformation and ultra-stabilization of production

Progress of Mid-Term Plan 2026

Mid-Term Initiatives Toward 10% ROE and Higher PBR

✓ Growth with Profitability – Automotive Business

MTP2026 Strategy

- » Cover the decrease in demand for ICE by increasing market share and selling new products
- » Improve profitability by securing high share of EV orders and orders for high profitability products

Performance	FY22 Actual	FY23 Forecast		FY26 Target
Sales	¥359.4 bn	¥414.0 bn		¥410.0 bn
Segment income	¥6.3 bn	¥16.5 bn	Segment income + 3.0%/+¥12.0 bn →	¥28.5 bn
Segment income (%)	1.8%	4.0%		7.0%

Objectives

- » Increase share in EV
- » Expand sales of ball screws for electro-hydraulic brakes and new products
- » Transform customer portfolio

Initiatives/Impact (Operating income)

- » Volume/mix +¥10.0 bn
 - Expanding sales of bearings for eAxles, hub bearings, ball screws for electro-hydraulic brakes; On track to meet MTP goal of +¥120.0 bn
 - Transform business portfolio in China (non-Japanese customer) FY21 40% → FY26 65%
- » Structural Reorganization +¥2.0 bn
 - Focus on ICE products, particularly in Europe and Americas
- » Improve productivity, reduce costs to absorb labor cost increase
 - Digital transformation and ultra-stabilization of production

Progress of Mid-Term Plan 2026

Mid-Term Initiatives Toward 10% ROE and Higher PBR

Bearings & Beyond to Drive Portfolio Transformation and Change & Go Beyond to Create New Products Fulfilling Increasingly Sophisticated Market Needs

- ✓ Grow New Products in New Fields
- ✓ Tie-ups and alliances

FY26 Sales Target

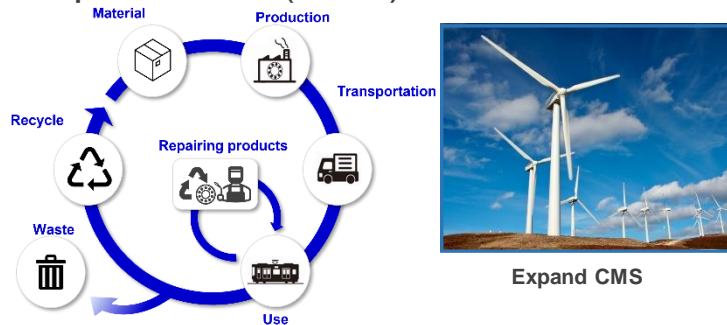
¥50 bn

FY26

Post2026

Contribute to circular society and environment

» Expand PLM (CMS) model



» Renewable energy, products that reduce waste



Bioplastic Cage



Overmolded Bearing and Conductive Brush Set
Electric Erosion Resistant Products



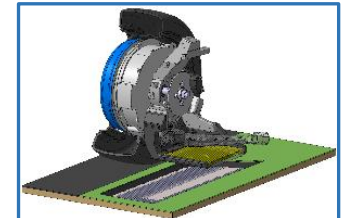
Filter for Preventing Food Oil Degradation

Expand in control and transmission system product areas

» EV, electrification

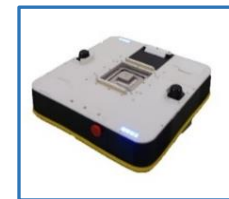


Ball Screws for Electric-Hydraulic Brakes



Third Gen In-Wheel Motor with Wireless In-Motion Power Transfer

» Medical, robots



Transport Assist Robot



Active Casters

✓ Mid-Term Plan Policy

Continue Policy of Stable Shareholder Returns

- Dividend payout ratio: 30~50%

- Total return ratio: Approx. 50%

Cumulative total over five-year MTP period

- Buybacks: Flexibly implemented

✓ Progress

» FY22 Actual

Dividend ¥30/share
Payout ratio 83.6%

» FY23 Plan

Full year dividend ¥30/share
Payout ratio 105%
Share buyback implemented ¥21.7bn
Cancellation of treasury stock 51 mil. shares

Supplementary Information

Supplementary Information : ESG Management and Enhancement of Managerial Resources



✓ ESG Management

”Create”

Reduce CO₂ emissions from business activities (Scope1 + 2 compared to FY17)

FY2022 -43.6%
(FY26 target: -50%)

Environment

”Utilize”

Reduce CO₂ emissions through utilization of our products

FY2022
2.288 million tons
(FY26 target: 3 million tons)

Issued Sustainability Linked Bonds in September 2023

Society

Published NSK Human Rights Policy in October 2022

Governance

Abolished takeover defenses in May 2023

✓ Enhancement of Managerial Resources

Engage information technology in all areas

- Commenced DX talent development program (More than 50% progress toward target of 5,000 employees trained)
- Promote renewal of core business systems (IT infrastructure)

Ultra-stable production

- Promote initiatives to achieve 1.5x productivity
FY22 result: 12% progress vs FY26 target

Utilization of a diverse workforce

- Diversity ratio* FY2022 13% (FY26 target: 15%)
- Strengthen collaboration with the Tokyo Institute of Technology in the area of tribology

Supplementary Information :

Financial Results by Business Segment

Due to the classification of the steering business as a discontinued operation in FY23 Q1, the figures back to FY2022 have been retroactively updated to show as continuing operations excluding the steering business. Income from the equity in the joint venture with JIS, which was established on August 1, 2023, is included in the segment income of the automotive business from FY23 Q2.

(Billions of yen)		FY2022					FY2023			YOY		FY2023 Forecast	
		Q1	Q2	H1	H2	Full year	Q1	Q2	H1	Increase/ Decrease	Difference	H2	Full year
Total	Sales	183.5	202.8	386.2	390.5	776.8	188.2	198.4	386.7	+0.5	+0.1%	413.3	800.0
	Segment income	8.8	12.0	20.8	23.5	44.3	3.8	7.6	11.4	-9.4	-45.0%	20.1	31.5
	(%)	4.8%	5.9%	5.4%	6.0%	5.7%	2.0%	3.8%	3.0%			4.9%	3.9%
	Operating income	8.4	11.2	19.6	24.2	43.8	4.1	7.0	11.1	-8.5	-43.3%	18.9	30.0
	(%)	4.6%	5.5%	5.1%	6.2%	5.6%	2.2%	3.5%	2.9%			4.6%	3.8%
Industrial Machinery Business	Sales	95.3	100.1	195.4	189.7	385.1	85.1	85.9	171.0	-24.4	-12.5%	181.5	352.5
	Industrial Machinery Bearings	77.4	81.1	158.5	157.4	315.9	72.9	73.9	146.8	-11.7	-7.4%	154.7	301.5
	Precision Machinery and Parts	17.9	19.0	36.9	32.3	69.2	12.2	12.0	24.2	-12.7	-34.4%	26.8	51.0
	Segment income	9.2	10.4	19.6	15.9	35.5	2.3	2.3	4.6	-15.0	-76.6%	7.9	12.5
	(%)	9.7%	10.4%	10.0%	8.4%	9.2%	2.7%	2.7%	2.7%			4.4%	3.5%
Automotive Business	Sales	80.0	94.8	174.8	184.6	359.4	95.2	103.9	199.1	+24.4	+13.9%	214.9	414.0
	Segment income	-1.4	1.4	0.1	6.3	6.3	1.1	4.6	5.7	+5.6	—	10.8	16.5
	(%)	-1.7%	1.5%	0.0%	3.4%	1.8%	1.1%	4.4%	2.8%			5.0%	4.0%
Others	Sales	14.7	14.4	29.1	29.9	59.0	16.7	16.0	32.7	+3.6	+12.3%	34.8	67.5
	Segment income	0.8	0.2	1.0	1.2	2.2	0.7	0.7	1.4	+0.4	+42.3%	1.1	2.5
	(%)	5.5%	1.1%	3.3%	4.0%	3.7%	4.1%	4.4%	4.2%			3.2%	3.7%
Eliminations (sales)		-6.5	-6.6	-13.1	-13.6	-26.7	-8.7	-7.5	-16.2	-3.1	—	-17.8	-34.0
Other operating income and expenses /Adjustments		-0.3	-0.7	-1.1	0.9	-0.2	0.1	-0.6	-0.5	+0.5	—	-1.0	-1.5

Supplementary Information :

Sales by Customer Location

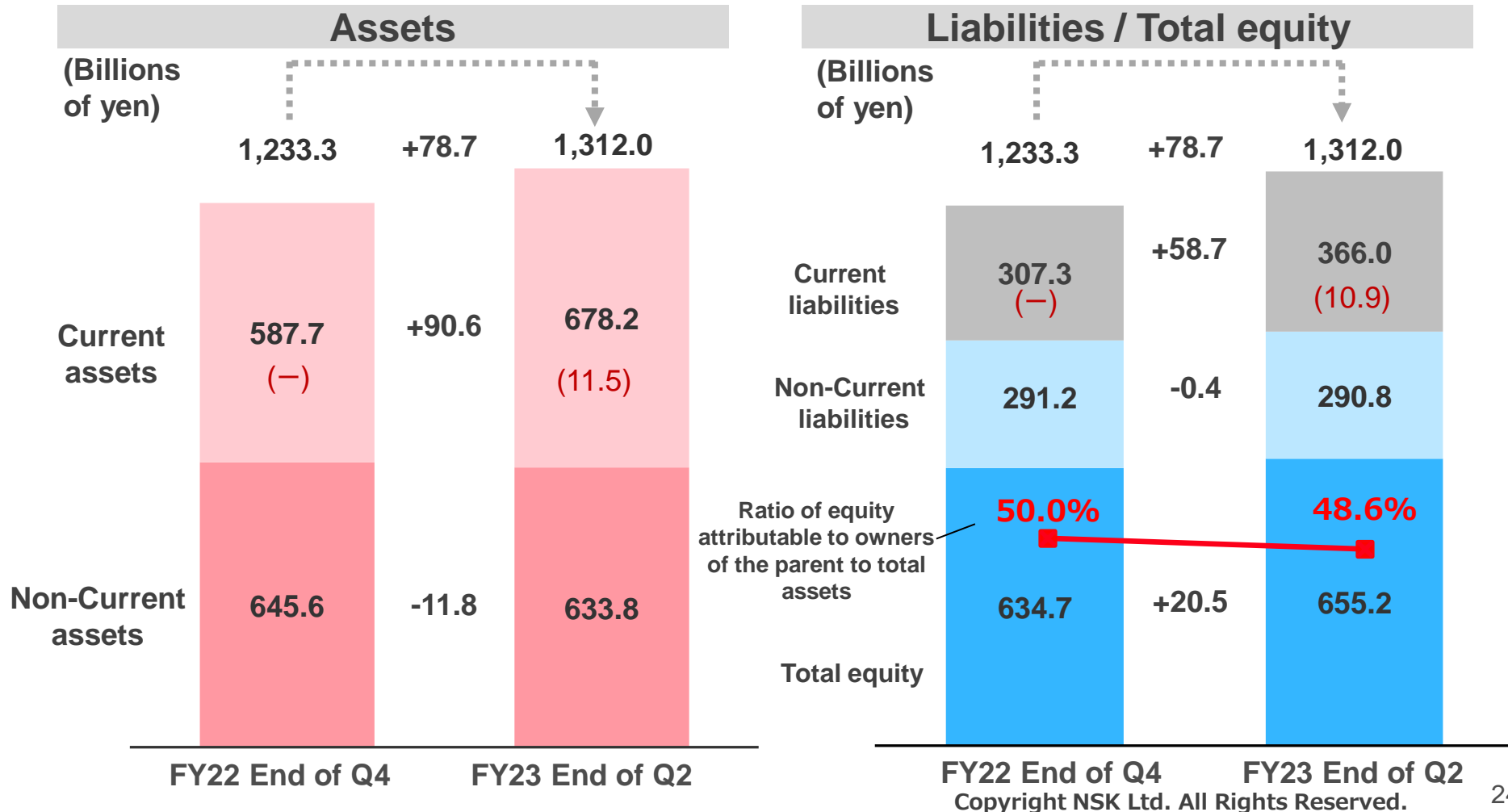
Due to the classification of the steering business as a discontinued operation in FY23 Q1, the figures back to FY2022 have been retroactively updated to show as continuing operations excluding the steering business. Income from the equity in the joint venture with JIS, which was established on August 1, 2023, is included in the segment income of the automotive business from FY23 Q2.

(Billions of yen)	FY2022						FY2023			YOY	
	Q1	Q2	H1	Q3	Q4	Full year	Q1 Actual	Q2 Actual	H1 Actual	Increase/Decrease	Difference
Sales	183.5	202.8	386.2	194.6	195.9	776.8	188.2	198.4	386.7	+0.5	+0.1%
Japan	65.6	68.3	133.9	65.0	69.3	268.2	66.0	70.3	136.3	+2.4	+1.8%
Non-Japan	117.8	134.5	252.3	129.6	126.6	508.5	122.2	128.1	250.4	-2.0	-0.8%
(Non-Japan Ratio)	64.2%	66.3%	65.3%	66.6%	64.6%	65.5%	64.9%	64.6%	64.7%		
The Americas	29.1	33.4	62.6	33.5	34.8	130.8	33.4	35.0	68.4	+5.8	+9.3%
Europe	24.6	24.7	49.3	25.2	29.2	103.7	27.0	25.2	52.2	+2.9	+6.0%
China	37.2	48.0	85.2	42.9	35.0	163.2	35.5	39.5	75.0	-10.2	-12.0%
Other Asia	26.8	28.4	55.3	28.1	27.6	110.9	26.4	28.4	54.8	-0.5	-0.9%
Ex. Rate											
1USD	129.6	138.4	134.0	141.6	132.3	135.5	137.4	144.6	141.0	+7.0	+5.2%
1EUR	138.1	139.3	138.7	144.4	142.1	141.0	149.5	157.3	153.4	+14.7	+10.6%
1CNY	19.6	20.2	19.9	19.9	19.4	19.8	19.6	19.9	19.8	-0.1	-0.7%

Supplementary Information: Consolidated Balance Sheet

Due to the classification of the steering business as a discontinued operation in FY23 Q1, the assets and liabilities of the discontinued operation are shown in parentheses as "Assets and liabilities related to disposal group classified as held for sale". The Company established a joint venture with JIS on August 1, 2023, and plans to transfer certain companies separately at a later date with respect to the above assets and liabilities.

Ex. Rate	FY22 End of Q4	FY23 End of Q2
1USD	133.5	149.6
1EUR	145.7	158.0
1CNY	19.4	20.5

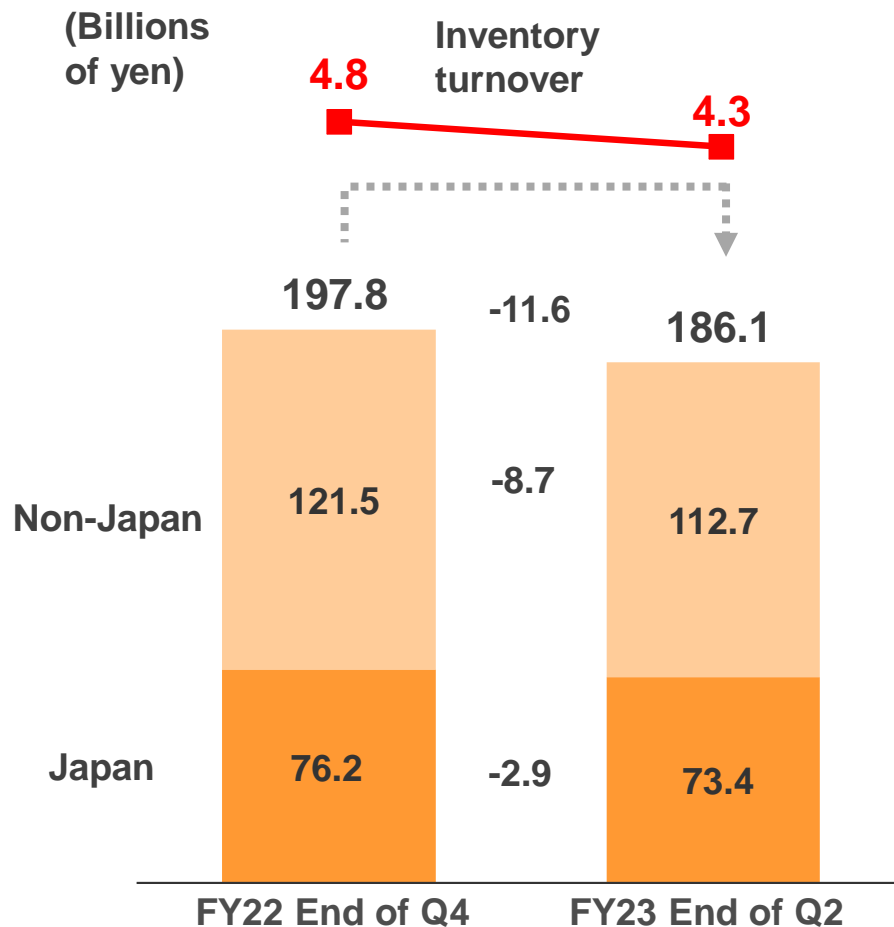


Supplementary Information: Inventories / Interest-Bearing Debt

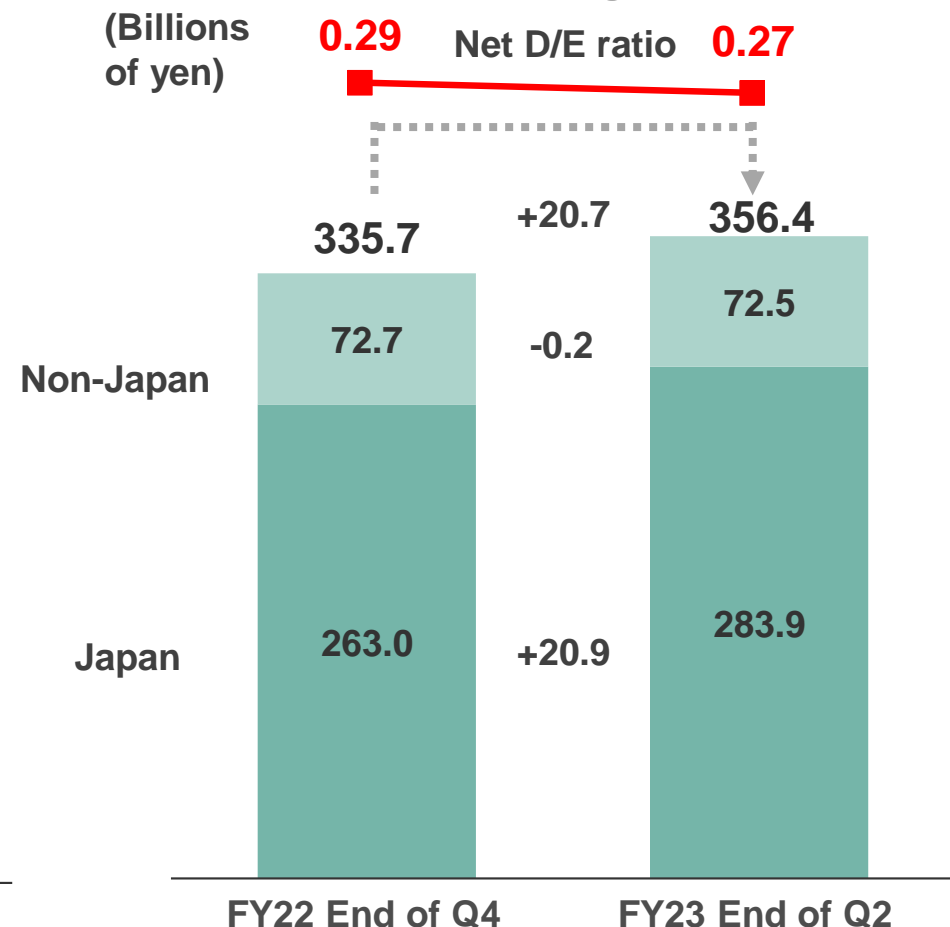
Due to the classification of the steering business as a discontinued operation in FY23 Q1, the figures for FY23 excludes the steering business. Net D/E ratio includes the steering business.

Ex. Rate	FY22 End of Q4	FY23 End of Q2
1USD	133.5	149.6
1EUR	145.7	158.0
1CNY	19.4	20.5

Inventories



Interest-bearing debt



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

Due to the classification of the steering business as a discontinued operation in FY23 Q1, the figures back to FY2022 have been retroactively updated to show as continuing operations excluding the steering business.

(Billions of yen)	FY2022	FY2023		
	Full year Actual	Q1 Actual	Q2 Actual	Full year Forecast
Capital Expenditures	54.1	9.9	15.2	60.0
Capital Expenditures (excluding lease)	48.4	9.5	13.8	55.0
Depreciation and Amortisation	50.1	12.8	13.3	52.0
Depreciation and Amortisation (excluding lease)	45.3	11.5	12.0	47.0
R&D Expenses (on a statutory basis)	15.4	3.6	3.9	17.0
(Ref.) R&D Expenses (on a managerial basis)	25.9	6.4	6.6	27.0



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.