

Strengthening Internal Capital: Human Capital



We will vitalize NSK's organization with diverse knowledge, experiences, and perspectives in order to Change & Go Beyond.

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We are currently facing a number of environmental changes. First, the operating environment surrounding the NSK Group is evolving rapidly including trends toward carbon neutrality, electrification, automation, and digital transformation (DX). Second, the employment environment is shifting. The labor market is becoming increasingly fluid, and we expect this to translate into greater labor mobility within the NSK Group. In addition, the recent shift of younger people away from the manufacturing industry is increasing competition for vital talent. This means it is imperative that we increase our ability to attract the right type of talent in a timely manner. Finally, values are shifting. The experience of the COVID-19 pandemic drastically changed the way many people view work style and lifestyle. The way people approach their careers is also diversifying, with a greater desire for a self-driven career path. The correlation between personal growth, self-realization, and corporate growth is becoming stronger, and the relationship between employees and companies is becoming more equal, with employees having a greater say in how they shape their careers.

Recognizing these changes, the NSK Group's MTP2026

tackles three key management issues: “growth with profitability,” “enhancement of managerial resources,” and “ESG management.” In doing so, we seek to realize our corporate philosophy while simultaneously helping to address societal challenges and achieve sustainable growth. To enhance our managerial resources, one of our principal initiatives is to maximize the value of our human capital. To implement our management strategies quickly and effectively, it is essential that we link them to human resources strategies with clearly defined KPIs. We will maximize the value of our human capital by focusing on three key goals. Namely, we aim to enable every member of our diverse workforce to make the most of their individuality, continue to expand their potential, and achieve personal growth.

Goal

① A company that attracts diverse human resources

The key driver of our human resources strategy is diversity. We seek to harness the knowledge, experience, and perspectives of our diverse human resources and synergize their unique talent to vitalize the organization and Change & Go Beyond. As the NSK Group's products are used across a wide range of industries, a diverse workforce will prove a defining strength due to the ability to generate a broad range of knowledge and ideas that can deliver solutions for our customers. To further expand our diversity, we will redouble our efforts to recruit talent from outside the Company. Bringing together a range of experiences in addition to diverse gender, gender identity/orientation, age, nationality, lifestyle, values, and other attributes will help us break through conventional ways of thinking, with different perspectives driving innovation. We aspire to be a company that attracts people who can enjoy working in this environment and use the experience to grow as individuals.

Goal

② A company where diverse human resources can develop and grow their skills and abilities

One initiative we are embarking on to achieve this goal is

reforming our personnel system. We are currently working to introduce a role-based personnel system, initially for managerial positions. Clarifying the roles, responsibilities, and competencies required for each post will allow employees to envision and map out their own career path and take self-driven steps toward their personal growth. Clarifying each role within the Company will also allow us to present a clear offer for external hires and internal job appointments.

We also emphasize the importance of job rotation to gain experience and foster growth. Our objective for job rotations is to provide maximum opportunities to take on new challenges from the early stages of an employee's career, enabling them to enhance their value and skills through a range of experiences. This “value” includes not only the experience and skills gained through different types of work but also developing foresight and the ability to view issues from a bird's eye perspective.

Goal

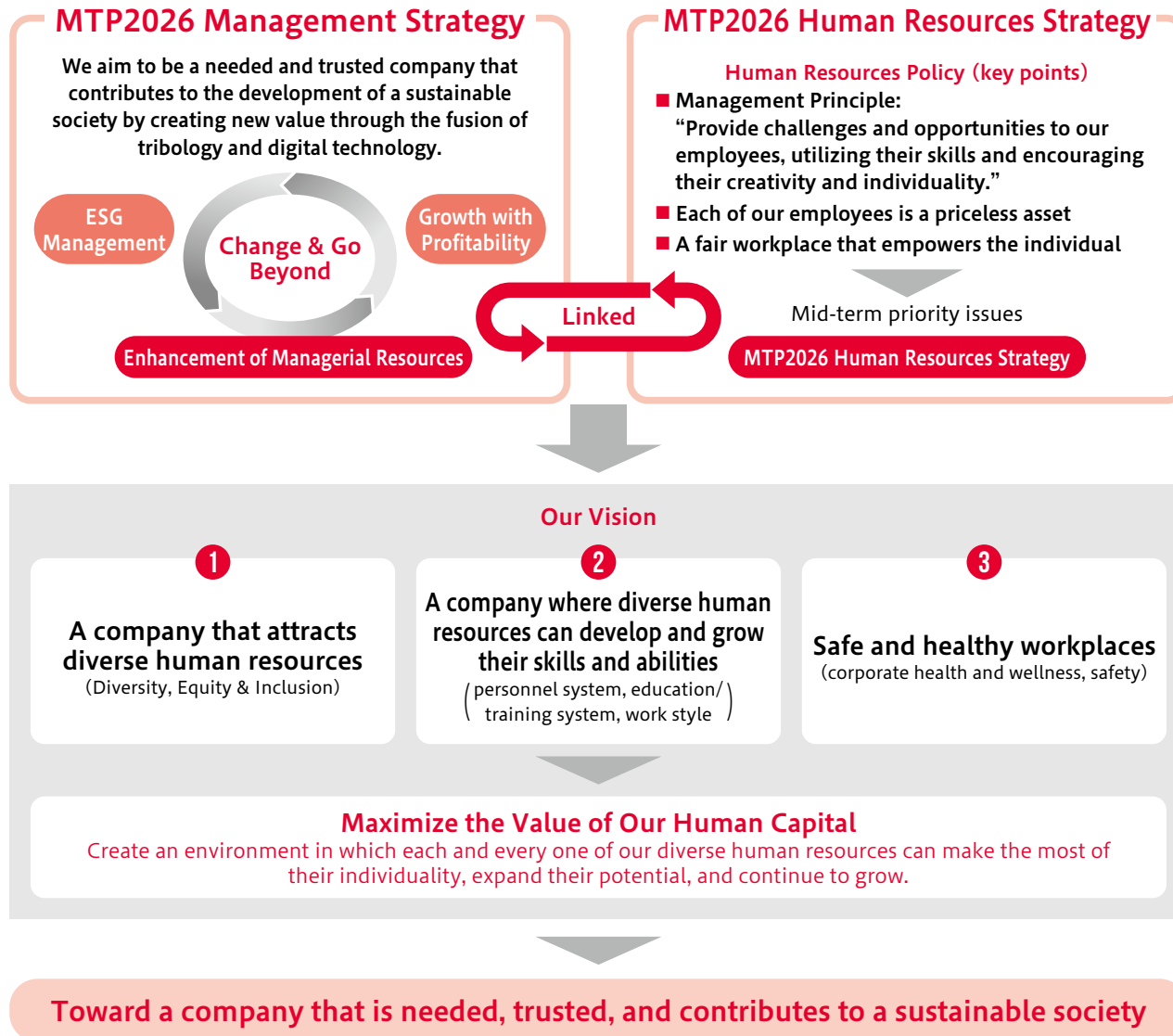
③ Safe and healthy workplaces

The physical and mental health of our employees underpins all our business activities. In FY2022, we reviewed and disclosed our Health and Wellness Management Strategy Map. By visualizing KPIs for the effectiveness of our health and wellness initiatives and how they are linked to NSK's management goals, we will work to further increase the effectiveness of our programs. We believe that a healthy, safe, and secure workplace creates an atmosphere conducive to open communication, which in turn produces a positive and vibrant working environment.

Going forward, the NSK Group will accelerate its efforts to achieve these three goals in order to evolve into a company that attracts diverse human resources and provides an environment that encourages synergy and innovation, which will generate the power needed to propel the organization forward. Doing so will enable each and every employee to maximize their full potential, while continuing to grow.

NSK's Goal for Human Capital Management

The NSK Group is currently working towards MTP2026, which spans the five-year period from FY2022 to FY2026. As technology and society continue to evolve, we will broaden the perspective of our initiatives and continue to Change & Go Beyond to achieve our ambitious goals, with the aim of being a company that is needed, trusted, and relied upon by society.



Examples of Initiatives

Goal

① A company that attracts diverse human resources

Diversity as a driving force of the organization

NSK regards diversity as a source of competitiveness. In particular, we have identified the diversification of our management team and career advancement for women as key management issues and are working to develop female managers/managerial candidates.

In Japan during FY2022, NSK revised its action plan according to The Act on Promotion of Women's Participation and Advancement in the Workplace, and set a target of increasing the number of women in managerial positions and managerial candidate positions to 100 by FY2024 (including major group companies).

As one measure to foster an environment in which women can play an active role, we have launched an initiative in which younger female employees interview women holding key positions across NSK's business sites, compiling the discussion into articles that are published and distributed throughout the Company to raise awareness of women's career development.



In-house publication featuring interviews with women in key positions

We also continue to work on LGBTQ+ inclusiveness to promote understanding and empathy for hidden diversity. Our efforts were awarded Gold in the PRIDE Index 2022, which evaluates companies' LGBTQ+ initiatives.



Goal 2 A company where diverse human resources can develop and grow their skills and abilities

I Developing Future Management Candidates

We regard the period of young employee development as an important phase for developing the next generation of management candidates. As such, we have created a career development program that rotates young employees to give them career experience as an early development measure and produce a strong talent pool of future management candidates. From 2019, we added an assistant manager course to our NSK Management College, with the goal of encouraging young talent to develop a corporate management perspective from an earlier stage.

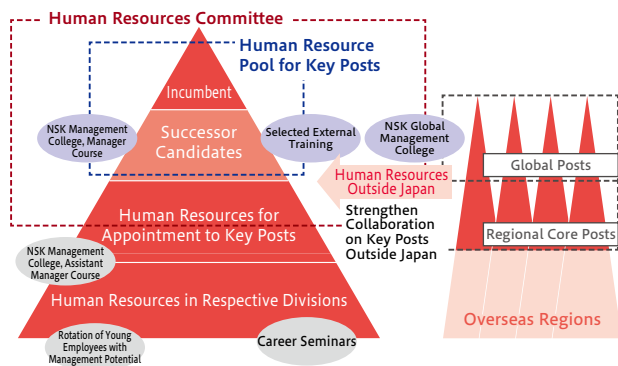
Regarding appointments to key management positions, the Human Resources Committee serves as the top-level body that approves succession plans for management personnel and human resources investment plans. By clarifying the definition of key posts (talent profiles), we implement globally coordinated succession planning and strategically select and appoint management talent

I Development of Digital (DX) Talent

Amid rapid changes in the business environment, NSK defines digital transformation (DX) as a corporate transformation that goes beyond simply introducing digital and IT tools, but instead reshapes the Company's business approach at a fundamental level. In this regard, we are pursuing DX with a view to transforming our business portfolio and profit structure. It is therefore essential to develop digital talent who can play a central role in promoting DX, and the Digital Transformation Division Headquarters, created in April 2022, is taking the lead in rolling out a company-wide digital talent development program. We are in the process of deploying a training program that fosters a digitally-oriented mindset, with the aim of delivering training to 5,000 employees. To date, 3,000 employees have taken part in the course. In addition, we

regardless of age, gender, or nationality, including for management personnel outside Japan. We also conduct talent management by utilizing IT systems to monitor our positions and human resources in real time.

■ Goals for Development of Management Candidates



have implemented a leadership-level training course in how to utilize digital technology, and to date approximately 1,000 manager-level staff have completed the course.

Moreover, as practical training in digital technology, we are developing digital talent through company-wide training, offering programs utilizing IoT on the manufacturing shop floor, as well as Python and other programming skills, basic data analysis, how to use collaboration tools, citizen development, self-service BI utilization, and other programs.



Goal 3 Safe and healthy workplaces

I Corporate Health and Wellness Management (Promoting mental and physical health)

NSK has been certified as an Outstanding Health and Productivity Management Organization (White 500) in Japan for six successive years. In FY2022, we reviewed and disclosed the NSK Health and Wellness Management Strategy Map, which visualizes the link between health initiatives and our key management issues, based on our belief that employee health is the foundation that supports MTP2026. In addition, we are stepping up our efforts by reviewing the NSK Basic Policy on Health and Wellness (Employee Wellness Declaration), the three pillars of health initiatives, the promotion structure, and other items. (For more information on NSK's Corporate Health and Wellness initiatives, refer to the QR link at the bottom of this page.) We are continuing to place priority on the mental and physical health of our employees and their families through a variety of initiatives, including e-learning to raise awareness of health issues, online health fairs, briefings for managers to explain how to interpret and follow-up the results of stress checks in their organizations, and promoting participation in No Smoking Days.



Health and wellness e-learning

Please see our website for more information.



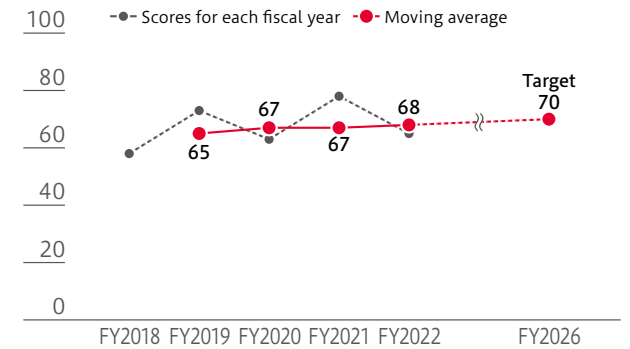
Employee Engagement Survey

Starting in FY2018, we have conducted biennial employee engagement surveys on a global basis. In FY2022, surveys were conducted in Japan and China. Compared to the previous survey results, scores improved for 89% of questions in Japan and for 100% of questions in China. The survey in Japan was sent to more than 16,000 employees (including those of Group companies), with a response rate of 93%. The total number of written responses to open-ended questions totaled around 20,000. This represented a high response rate, with the survey provider commenting that this trend was very positive as it indicates that NSK employees are willing to communicate their opinions to the Company. We will strive to link this employee feedback to further improvements.

To track the progress of our three goals for human capital

management, we have established KPIs and targets for all our initiatives, including measures to address issues identified from the survey results. We believe that our aim of maximizing the value of our human capital can be achieved by accumulating the results of each of these initiatives, and we have positioned the employee engagement score obtained from this survey as a composite measure of our performance. We have also established and begun implementing the NSK Engagement Index, a proprietary index consisting of questions from the engagement survey that are particularly correlated to NSK's goals for employee engagement, as an indicator that more directly expresses the results of each initiative. We are currently studying tracking the NSK Engagement Index as a global score in the future.

Engagement Score



The survey is conducted every two years in all regions, with the regions conducting the survey differing from year to year. The moving average is a weighted average score calculated by combining the survey results from the past two years.

Maximizing the Value of Our Human Capital: Key Metrics and Targets

We have set metrics and targets that are particularly strongly correlated to our three goals for human capital management.

Key Issues and Initiatives	Key Metrics	Key Metrics		
		Scope**	FY2022 Results	FY2026 Target
● Promoting Diversity, Equity, and Inclusion (creating an organization and culture that is inclusive of diverse human resources/values)	● Employee diversity ratio (gender, nationality, mid-career hires)	Japan	13%	15%
	● Ratio of female managers*1	Global	12.5%	Higher than current level
● Support for balancing work and personal life (e.g., childcare, nursing care, medical treatment)	● Percentage of male employees taking childcare leave	Japan	72.6%*2	70% or higher (FY2024)
● Introduction/operation of new personnel system	● Introduction/operation of role-based personnel system (managerial level)	Japan	Creation of RD*3	Promote understanding of system and improve operations
● Promoting succession planning	● Localization rate for key global posts Glossary	Global	73%	Maintain at 70% or higher
● Reviewing training curriculum and developing a digital-based education and training system	● Education and training hours per employee	Global	21 hours	Increase by 20%
	● Developing digital human resources	Japan	Approx. 2,700	Develop specialists through company-wide theoretical and practical training
			Approx. 1,000	
● Corporate Health and Wellness	● Certification as Outstanding Health & Productivity Management Organization (White 500)	Japan	Certification	Maintain certification
● Fostering a "look across" culture of mutual safety awareness	● Lost-time injury frequency rate	Global	0.38	0.10

A company that attracts diverse human resources

A company where diverse human resources can develop and grow their skills and abilities

Safe and healthy workplaces

Maximize the value of our human capital
Global engagement score (target)
70

*1 Percentage of women among managerial positions *2 Calculated based on the Company's standard (leave taken within one year from the date of birth)
*3 Role description (clarifies the role of the position and required competencies) *4 Excludes some group companies

Please see our website for more information. ▶

