

NSK

NSK Ltd.

Mid-Term Plan 2026 Progress & New Targets



Change & Go Beyond

May 15, 2024

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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MTP2026 Progress on Key Management Tasks

We aim to be a needed and trusted company that contributes to the development of a sustainable society by creating new value through the fusion of tribology and information technology

ESG Management

Four Core Values to be needed, trusted, and relied upon by society

- ✓ Promote carbon neutrality
- ✓ Create better working environments

Current progress exceeds plan

On track for -52% CO₂ emissions (compared to FY17; Scope1, 2)

- ✓ Engage information technology in all areas
- ✓ Super-stabilization of production
- ✓ Develop and support diverse career paths

Create new value



Enhancement of Managerial Resources

Enhance our managerial resources with the power of IT and continuously transform our business



Progressing as planned

Promoting activities to increase productivity by 1.5x

Growth with Profitability

Establish business foundation for sustainable growth even in changing business conditions

- ✓ Bearings & Beyond
- ✓ Restructure steering business
- ✓ Pursue alliances and M&A

Behind schedule

Deterioration of business environment

MTP2026 Change in Business Environment

- ✓ Continued sluggish demand against backdrop of rising interest rates in many countries and a slowdown in the Chinese economy.
- ✓ Global inflation including energy and labor costs.

Industrial Machinery: Demand adjustment continued through the second half of the period despite record-breaking performance in FY22. Delay in recovery.

Automotive: Global automotive production volume is down from the assumptions made when the mid-term plan was formulated.

Steering: Joint venture with JIS established in August 2023. Became an equity method affiliate.

| Market Assumptions | MTP2026 Outlook at time of formulation | | At End of FY23 | |
|---|--|----------|----------------|----------|
| | FY23 | FY26 | FY23 | FY26 |
| Machine tool related orders (NSK forecast based on JAMA data) | ¥1.8 tn | ¥2.0 tn | ¥1.5 tn | ¥1.7 tn |
| Semiconductor manufacturing equipment demand (NSK forecast based on SEMI and Gartner data) | \$110 bn | \$130 bn | \$100 bn | \$120 bn |
| Global automotive production forecast (million vehicles, NSK forecast) | 92 | 98 | 90 | 92 |

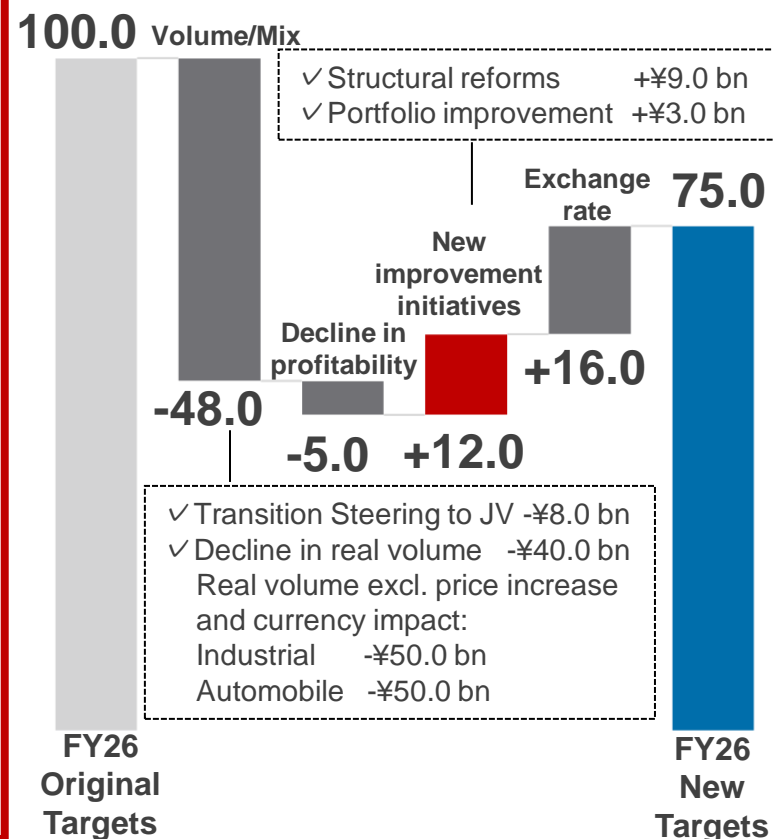
MTP2026: New Targets 1

✓ Targets Revised Down: Sales ¥900.0 bn, Operating income ¥75.0 bn (8%) and 8% ROE

- New targets exclude sales and profits of Steering Business
- Maintained sales targets in Industrial and Automotive
- Adjusted Industrial operating income target to reflect decline in real volume;
Maintained Automotive operating income target (excluding Steering)

| | Original Targets | New Targets |
|---------------------------------|------------------|-------------|
| Sales | Over ¥1 tn | ¥900.0 bn |
| Industrial Machinery | ¥450.0 bn | ¥450.0 bn |
| Automotive (excluding Steering) | ¥410.0 bn | ¥410.0 bn |
| Steering | ¥220.0 bn | — |
| Operating Income | ¥100.0 bn | ¥75.0 bn |
| Operating Income % | 10% | 8% |
| Industrial Machinery | 13% | 10% |
| Automotive (excluding Steering) | 7% | 7% |
| Steering | 4% | — |
| ROE | 10% | 8% |
| ROIC | 8% | 6% |
| Net D/E Ratio | Below 0.4x | Below 0.4x |
| Forex Assumption | USD ¥112 | USD ¥140 |

Factors behind change in operating income (Billions of yen)



MTP2026: New Targets 2

✓ 4% CAGR from FY23 to FY26.

✓ Increased operating income ratio and ROE through growth and expansion and improved structure.

10%

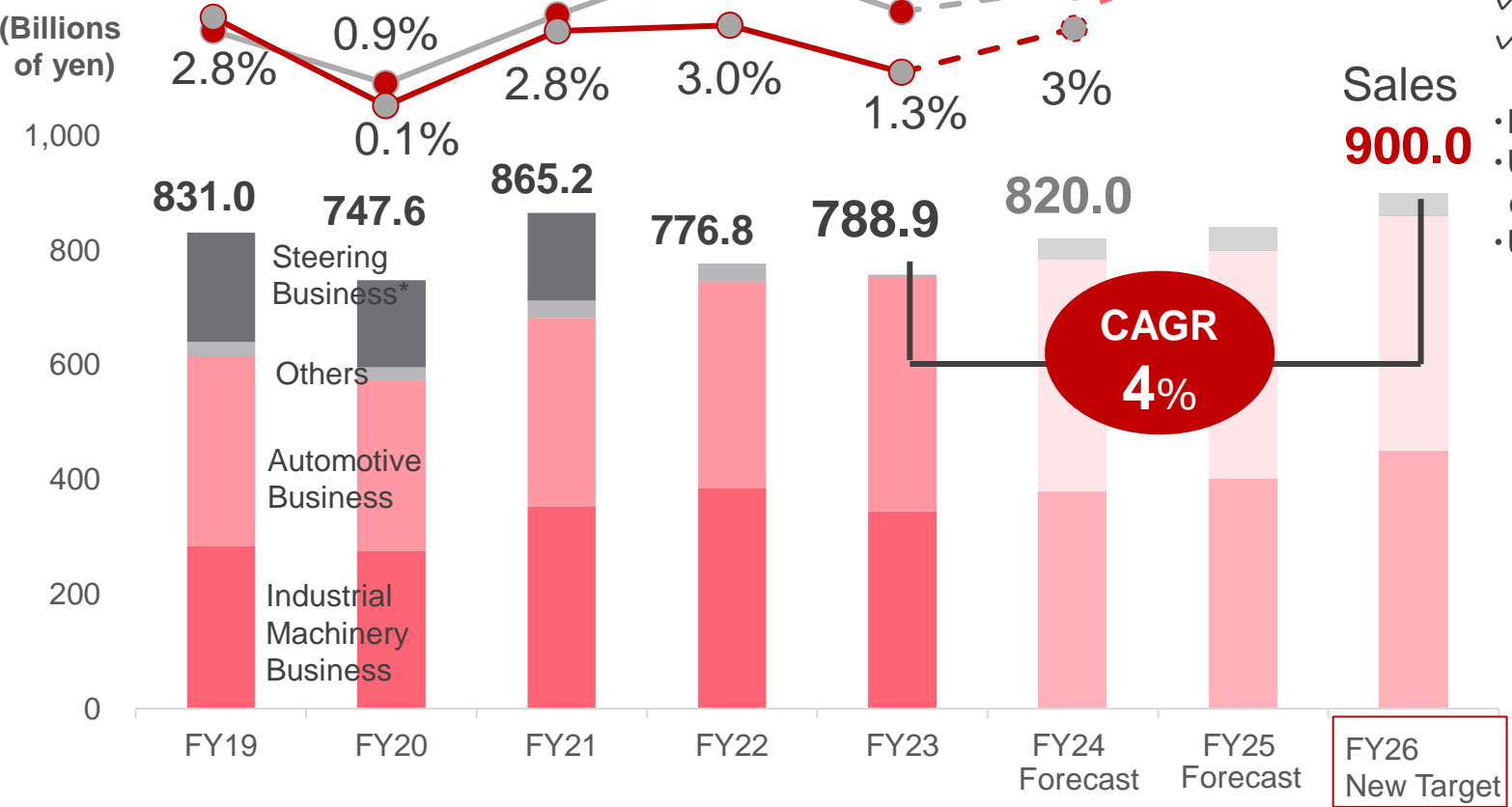
Operating Income (%) **8%**

ROE

- ✓ Growth
- ✓ Steady improvement
- DX driving efficiency
- Ultra-Stabilization of Production
- Unit cost reductions

Sales **900.0**

CAGR 4%



The 6th MTP

MTP2026

*For consistency reflects the impact of steering business as joint venture from FY22 onward.

Management Policy for Second Half of MTP2026 (FY24-FY26)

FY24-26 Goal

Aim to strengthen business foundation through sales growth and portfolio reform to recover from deterioration in profitability due to change in business environment

Management Policy

- ✓ Continue initiatives toward Three Key Management Tasks
- ✓ Profitability improvement is top priority
- ✓ Maintain investment in human resources, environment, DX

Three Key Management Tasks

Growth with Profitability
ESG Management
Enhance Managerial Resources

Growth

Structural Improvement

Initiatives (New Initiatives)

- ✓ Business portfolio reform
 - » Expand Industrial Machinery
 - » Secure share in EV
 - » New products to market
- ✓ Ultra-stabilization of production
- ✓ DX driving efficiency
- ✓ Unit cost reductions, transfer labor cost increases to sales prices
- ✓ **Execute structural reform/production reorganization**

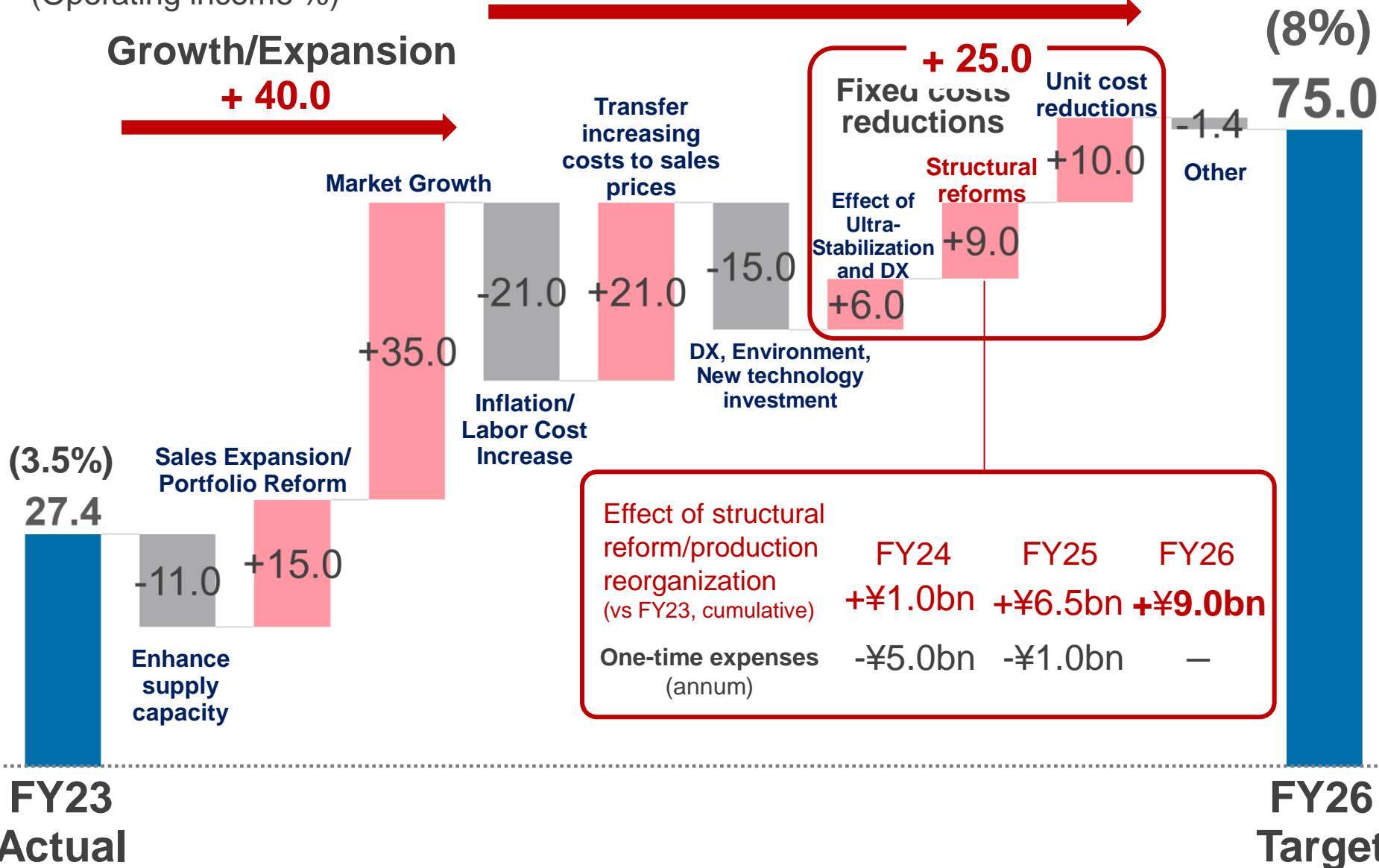
FY23 → FY26 Profitability Improvement Roadmap

Operating income (Billions of yen)
(Operating income %)

Structural reforms

Growth/Expansion

+ 40.0



| | FY24 | FY25 | FY26 |
|---|---------|---------|---------|
| Effect of structural reform/production reorganization (vs FY23, cumulative) | +¥1.0bn | +¥6.5bn | +¥9.0bn |
| One-time expenses (annum) | -¥5.0bn | -¥1.0bn | — |

Challenges: Industrial Machinery Business 1

- ✓ Although lower demand than forecast, continue strategy to expand in electrification, automation, digitalization, and environment.
- ✓ E&E declined with market deterioration and inflation; restructured production to rebuild profitability.

» Change in business environment

Electrification, automation, etc.
expanding capital investment demand

- China slowdown
- Prolonged inventory adjustments

» Risks/Opportunities

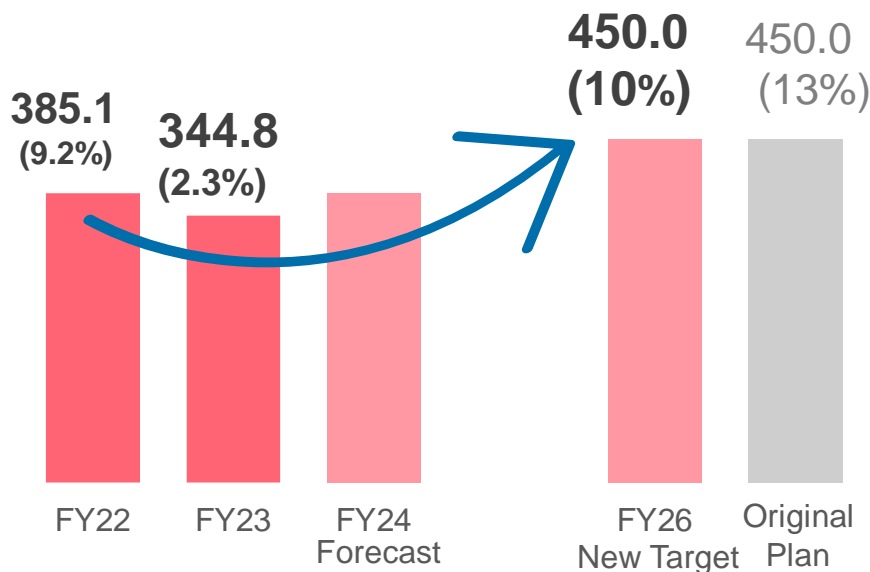
- Prolonged China slump
- Rise of Chinese competitors

- Expand in markets benefiting from NSK technology
 - Semiconductor, machine tools, robots, railway, etc.
- New growth markets such as new energy

» Challenges to Address

- Growth/Expansion
 - Strengthen supply capacity
 - AM sales expansion/ Enter new sectors
- Profitability improvement
 - Production reorganization of E&E

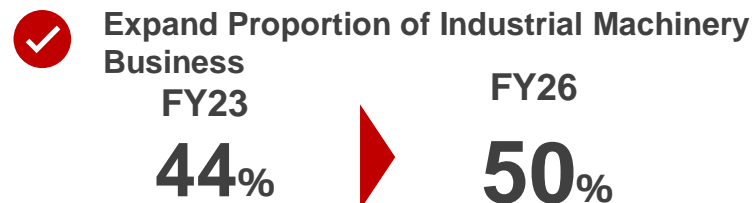
✓ Sales (Billions of yen) (Segment Income %)



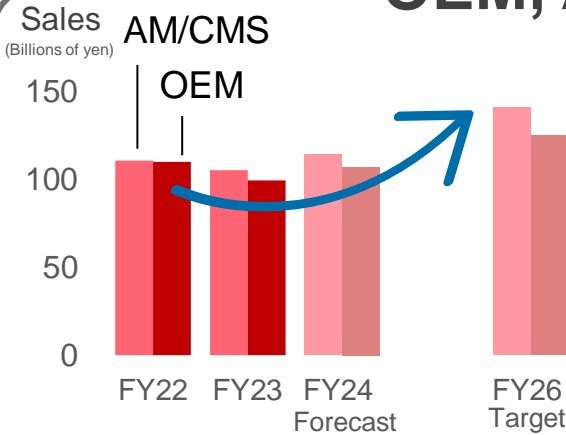
FY26 Target

| | |
|----------------|-----------|
| Sales | ¥450.0 bn |
| Segment income | 10% |

Operating income target lowered from initial 13% but improved to 10% due to market recovery + sales expansion effects and improved profitability.



OEM, AM/CMS



✓ AM EU/US Sales Expansion

Americas

Collaboration with key distributors
Wind turbine bearing repair business acquisition

Europe

Expand business in Eastern Europe



✓ OEM Product Differentiation

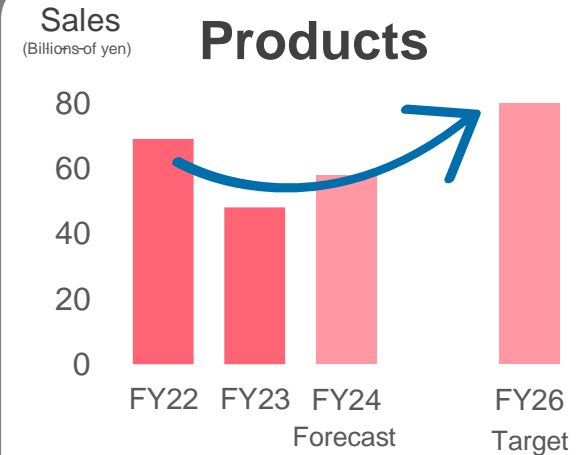
Machine tools/robots/wind power/
railway/new energy

- Support for Sophisticated Machine Tools
- Longer service life in special environments

↔ ✓ Expand CMS Sector

- Pharmaceuticals / Steel / Paper
- Plug & Play Solutions to Market

Precision Products



✓ Growth with Profitability

- Technology differentiation in growth markets
Semiconductor/rechargeable battery related
- Supply capacity and quick delivery
Commercial/general machinery

✓ New Products / Entry into new business areas

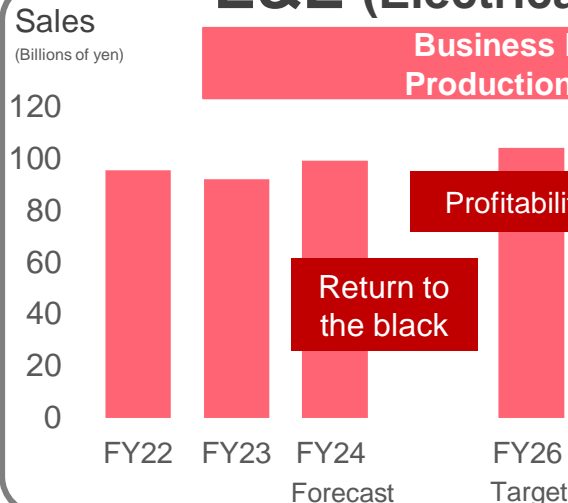
- Service robots
- Industrial actuators

Active Caster “PalGo”



E&E (Electrical & Electrification)

Business Reform through Production Reorganization



✓ Completion of global production reorganization

Production transfer and consolidation in Japan, U.S.A. and Asia

- Europe Structural Reforms
- Utilize bases to expand AM sales in North America

Challenges: Automotive Business

- ✓ Reviewed automotive production assumptions against plan (98 million units → 92 million units).
- ✓ Continued to expand sales for EV. Restructured ICE product production due to contraction.

» Change in business environment

- Recovery of Automotive Production volume (98 mil vehicle/yr)
- Acceleration of electrification

» Risks/Opportunities

- Increased price competition
- Accelerating development speed

» Challenges to Address

■ Growth/Expansion

- EV sales expansion to drive profitability and growth
- Technology differentiation: Electric erosion/high durability/low torque/quiet operation
- Develop new products ahead of competitors
- Market new products and increase development speed (Strengthen local R&D for China market)

■ Profitability Improvement

- ICE product production reorganization

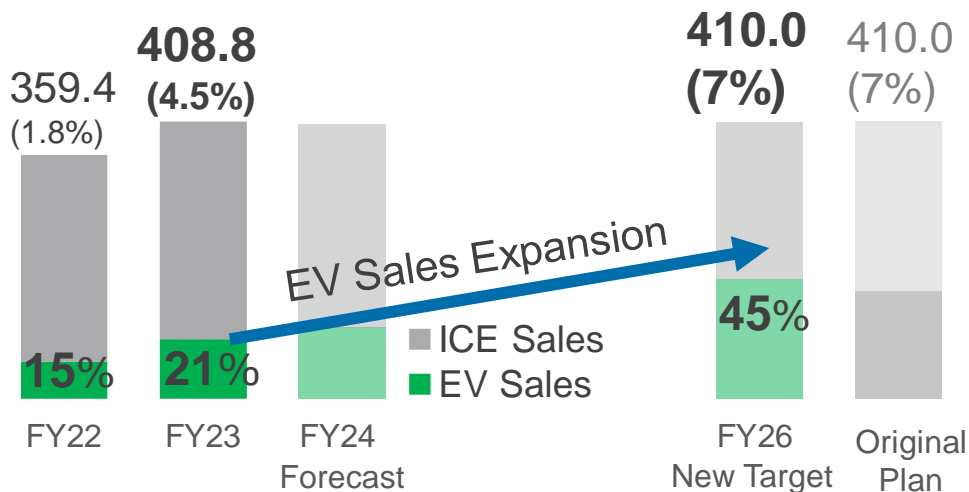
- China slowdown
- Stagnation of volume (92 mil vehicles/yr)

- EV increasing opportunities for new customer acquisition and new product proposals

✓ Sales (billions of yen) (Segment income)

Automotive Production Volume (millions of vehicles) NSK forecast

82 > 90 > 90 >>> 92 98
 BEV+HEV proportion (28%) (33%) (56%) (40%)



FY26 Target

Sales **¥410.0 bn**
 Segment Income **7%**

Aim to achieve 7% operating income through sales expansion for EV and profit improvement measures.

✓ Portfolio Reform

- Increase market share by winning orders for high value-added products
- Growth of electric brake ball screw business to ¥30bn
- Expansion of non-Japanese customers

Ref: Bearing demand (NSK forecast)
 ICE 100 : BEV 80 : HEV 110

MTP2026 Basic Policy on Financial Strategy

Growth with Profitability

Cash Generation

¥400.0 bn-500.0 bn / 5 years

Operating income 8%
Depreciation and amortization
Cross-shareholdings
Other (Reduction of low profit assets)

Investment for Sustainable Growth

Enhance Managerial Resources

✓ Capital Expenditure **¥280.0 bn / 5 years**

Remaining 3 years:
¥180.0 bn

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| | | |
|------------------------------------|---|---|
| » Ordinary Investment ¥160.0 bn | » Expansion Investment ¥70.0 bn Expand Industrial/ Capacity/ Ultra Stabilization of Maintenance Production | » New Technology ¥50.0 bn DX/New Products |
|------------------------------------|---|---|

✓ Technology costs **3-4% / Sales**

✓ Investment Improving Corporate Value

Investment in Human Resources, DX, M&A, Other

Continue Stable Shareholder Returns

✓ Dividend payout ratio 30-50%

¥100.0 bn- / 5 years

✓ DOE 2.5% set as lower limit for each period

✓ Share buybacks (implemented flexibly)

Grow New Products - Bearings & Beyond -

- ✓ Increase the added value of No. 1 products by advancing core technologies.
- ✓ Grow new products and create new value by expanding application of core technologies.

Drive x Control

Contribute to safe, secure society

✓ Co-bots

• Transport Assist Robot

From March 2024:
In operation at Shonan
Kamakura General Hospital



✓ Pursue Medical and Biotech

- Precision Control Manipulator



✓ Contribute to electrification

- Ball screws for electric-hydraulic brake systems



New Products
Goal: ¥50.0 bn

80%
Progress
toward goal

Open Innovation

M&A

Core Technologies

Tribology
Materials
Numerical Analysis
Mechatronics

No.1 Products



Ball bearings
Precision bearings
Precision ball screws
Auto bearings

Change & Go Beyond

Products x Services

Contribute to circular/recycling society

✓ Resource and energy savings

- Establish PLM business model
OEM Orders, Failure & Lifetime Diagnosis by CMS, Bearing repair/reconditioning, AM orders

✓ Conserve global environment

- Oil degradation suppression filter



✓ Renewable energy

- Respond to needs in special environments such as hydrogen energy

Initiatives to Enhance Corporate Value

✓ Achieve profitable growth through Bearings & Beyond, DX, and Change & Go Beyond and foster a corporate culture that supports this growth.

| | | MTP2026 | FY30 Post2026 | ✓ Industrial ✓ Precision ✓ Mobility |
|--|-------------------------------------|---|--|---|
| Bearings & Beyond Deepen and expand application of core technologies | Portfolio Reform | Ind. 5 : 5 Auto ✓ Competitive edge through technology differentiation | Ind. 6 : 4 Auto | Sustainable Growth Profitability Stability Cost Reductions Capital Efficiency |
| | Expand Industrial and No.1 Products | Precision Machinery Parts ¥80.0 bn | Precision Machinery Parts ¥100.0 bn | |
| | PLM/AM/Services | ¥130.0 bn | ¥150.0 bn | |
| | New Products | ¥50.0 bn | ¥75.0 bn | |
| DX Pursue No. 1 Quality and Trust | Ultra-stable production | 1.2x Productivity | 1.5x Productivity | |
| | NSK Digital Twin | » -10% Labor | » -20% Labor | |
| | Core Systems | » ¥6.0 bn/year | » ¥12.0 bn/year | |
| Change & Go Beyond Challenge high future-oriented goals | Diversity | • Introduction of role-based HR system / mid-career hiring • Foster development of digital human resources / Tie-ups with universities • Town hall meetings | | |
| | Human Resource Development | | | |
| | Engagement | | | |
| Targets | Operating Income | 8% | 10% | |
| | ROE / ROIC | 8% / 6% | 10% / 8% | |

Materiality Addressed in MTP2026

Connection of 3 Key Management Tasks and Materiality

| Corporate Philosophy | Core values | Material topics | MTP2026 Three key management issues | SDGs (related goals) |
|---|--|---|---|----------------------|
| <p>Contribution to a safer, smoother society</p> | <p>Safety Quality Environment Compliance</p> | 1. Pursue product safety and reliability | ESG management | |
| | | 2. Create value by integrating tribology and digital technologies | <p>Enhancement of managerial resources</p> <p>Growth with profitability</p> | |
| <p>Help to protect the global environment</p> | | 3. Contribute to the establishment of a carbon-neutral society | ESG management | |
| | | 4. Contribute to the establishment of a sound material-cycle society (conserve and recycle resources) | ESG management | |
| <p>Work across national boundaries to improve relationships between people throughout the world</p> | | 5. Respect fundamental rights at work | ESG management | |
| | | 6. Build a corporate culture of honesty, fairness, and trust | ESG management | |
| | | 7. Maximize the value of human capital | <p>Enhancement of managerial resources</p> <p>ESG management</p> | |
| | | 8. Implement sustainable supply chain management | <p>Enhancement of managerial resources</p> <p>ESG management</p> | |
| | | 9. Promote regional economic development | Growth with profitability | |

(Supplementary Information)

Ref. ESG Management, Enhancing Management Resources



✓ ESG Management

Environment

“Create” Reduce CO₂ Emissions of business activities
(Scope1+2 VS. FY17)

FY23 Outlook - 52%
(FY26 Goal -50%)

“Utilize” Reduce CO₂ Emissions of customers from product benefits

FY23 Outlook 2.5 mil tons
(FY26 Goal 3.0 mil tons)

Issued Sustainability Linked Bonds (September 2023)

Social

Disclosure of human rights policy (October 2022), White 500 certification for 7 consecutive years, thorough compliance training (engineer ethics, quality, etc.)

Governance

Abolished takeover defense measures (May 2023)

✓ Enhancing Managerial Resources

Creating an environment for digitalization

- DX human resources development program underway (More than 80% progress against target of 5,000 trainees)
- Promoting renewal of core systems

Ultra-stabilization of production

- Promoting activities aimed at 1.5 times productivity 43% of target lines have started as of FY23

Utilization of diverse human resources and knowledge

- Diversity ratio* FY23: 12% (FY26 target: 15%)
- Strengthen collaboration with Tokyo Institute of Technology on tribology technology

*Women, foreign nationals, mid-career hires; Excluding steering business from FY23.

✓ Key NSK Products as EV Market Expands

eAxle Bearings

Sales Expansion



Ceramic balls

Overmolded bearings

Conductive Brush Set

Hub Unit Bearings

Sales Expansion



Ball Screws for Electric-Hydraulic Brake Systems

New



Technology/ Market Needs

- Electric erosion problem due to adopting higher voltage/output motors
- High-speed rotation/low friction

- Longer driving range
- Battery increases weight, demands higher durability

- Demand increase driven by regulatory requirements
- Small/high capacity
- Highly responsive/control

NSK's Strengths

- Comprehensively meet diverse needs in electric erosion/high-speed/low friction

- Low friction with high durability
- » Gen 3 tapered hub unit bearing

- NSK proprietary manufacturing technology enables small and light design
- Ball screw type systems offer superior response/control

Continue Stable Shareholder Returns

MTP2026 Current Status

- Dividend payout ratio 30-50%
- Total Return approx. 50%
(MTP2026 cumulative)
- Share buybacks implemented flexibly

MTP2026 (FY24-26) Changes

- Dividend payout ratio: 30-50%
- DOE with lower limit of about 2.5%
(DOE: Dividend on equity attributable to owners of the parent)
- Share buybacks (flexibly implemented)

FY22-23 Results

- Stable dividends: Continued ¥30/year
- Share buybacks: ¥21.7 bn

Increase TSR (Total Stock Return) by providing stable and continuous dividends and improving corporate value



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.