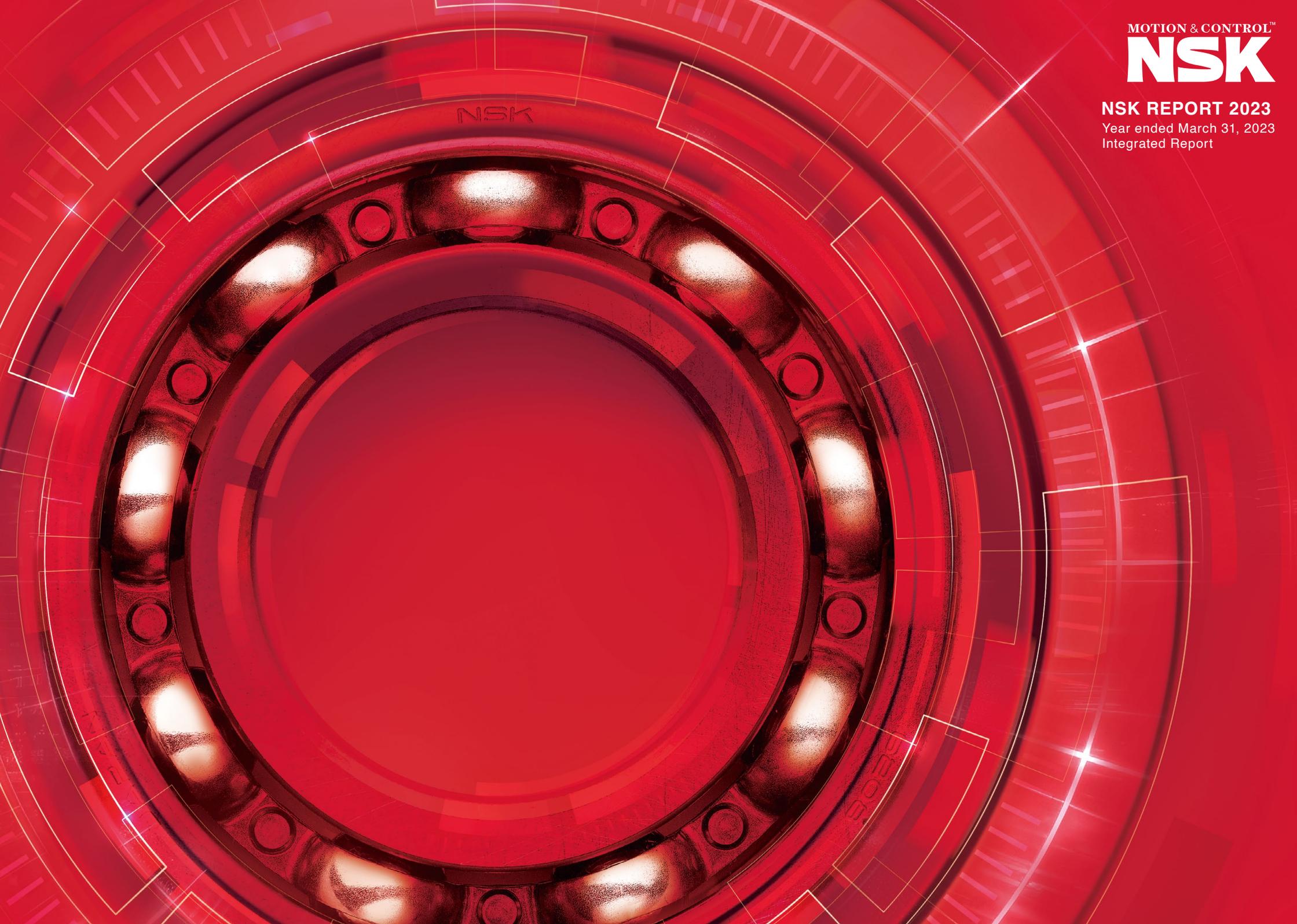


MOTION & CONTROL™

NSK

NSK REPORT 2023

Year ended March 31, 2023
Integrated Report





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Editorial Policy

The NSK Report 2023 is designed to provide readers with a deeper understanding of how the Company works with stakeholders to create collaborative value that meets the expectations of the world over the medium- to long-term based on its Motion & Control™ concept, and of the processes that will achieve both social contribution and corporate development.

In putting together this Report, we referred to the International Integrated Reporting Framework recommended by the IFRS Foundation and the Guidance for Collaborative Value Creation formulated by Japan's Ministry of Economy, Trade, and Industry.



Disclosure Framework

NSK Report 2023

Sustainability Information
 Sustainability Website ▶

Financial Information
 Information for Investors ▶

▶ Details

This Report provides a concise summary of all information deemed important in the Group's efforts to create collaborative value. For more information about the NSK Group's products and business, please refer to the Company's website.

Period of Coverage

FY2022 (April 1, 2022, to March 31, 2023)

Notes:
 1. Certain activities before FY2021 and after FY2023 are included.
 2. For the purposes of this report, actual data includes the steering business, which is a discontinued operation (excluding data for certain automotive operations).

Organizations Covered

NSK Ltd. and NSK Group companies
 (NSK Group companies include consolidated subsidiaries, non-consolidated subsidiaries, and affiliated companies.)

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Disclaimer

Statements made in this integrated report with respect to plans, strategies, and future performance that are not historical facts are forward-looking statements. NSK cautions that several factors could cause actual results to differ materially from those discussed in forward-looking statements. This document is an English translation of NSK Report 2023 dated September 29, 2023, that was originally prepared in the Japanese language, and it is provided for convenience purposes only. Therefore, this document does not include any event that has occurred, or has been found to have occurred, on or after September 29, 2023. NSK makes no representation or warranty that this document is a complete or accurate translation of the original Japanese text, and it is not intended to be relied upon. If there is a discrepancy between the Japanese and English versions, the Japanese version shall prevail. This document is not intended and should not be construed as an inducement to purchase or sell stock in NSK.

Glossary Legend

- Explanation of terms on the same page.
- Explanation of terms outlined in the Glossary on pages 80-81.

Thoughts on the cover of this report



NSK is committed to take on the challenges to Change & Go Beyond. NSK Report 2023 was created with Change & Go Beyond as the keyword.

The cover of NSK Report 2023 expresses Bearings & Beyond, indicating NSK's founding business, bearings, and our businesses going beyond. The cover design also expresses the passion and dynamism of each and every one of our employees, who aim to achieve further development and contribution to society through the fusion of digital and tribological technologies.



01 Introduction NSK Founding Spirit



Headquarters and plant of NSK in the early Showa period (circa 1930)

NSK was established in 1916 as Japan's first manufacturer of bearings in Osaki-cho, Ebara-gun, Tokyo (the site of its current headquarters: Osaki, Shinagawa-ku, Tokyo). In the more than 100 years since then, we have been challenging ourselves to develop innovative technologies, contributing to the reduction of energy loss and supporting the development of industries globally through the expansion of our overseas business. Times change, but what has remained consistent is the attitude of "contributing to society through our products and technologies." It is this attitude that has supported our growth.

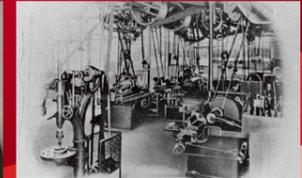
1916

It All Started Here: NSK's Founding Spirit - The Thoughts of Takehiko Yamaguchi, Founder

NSK's founder, Takehiko Yamaguchi, became acutely aware of the difference in technological standards between the Japanese machinery industry and those in Europe and the United States when he traveled to those regions for technical research. He subsequently decided to devote himself to the development of the Japanese precision machinery industry, introducing machinery and technologies from overseas. In 1914, with the aim of domestically manufacturing precision machinery parts, Nippon Seiko Limited Partnership Company was established and several engineers with outstanding mechanical skills were invited to join the company to begin research and development. At a time when there was no such thing as a single specialized machine for manufacturing bearings, we went through a process of trial and error, making full use of the general-purpose machines we had at hand and developing our own equipment based on information from literature and other sources. The following year, in 1915, a prototype bearing was completed, and mass production began in 1916. NSK Ltd. was established at the same time. After the establishment of the company, we conducted joint research with steel manufacturers to improve the quality of materials, attempted to produce steel material domestically, and sought to make bearings in various shapes. This enabled us to produce bearings with 187 model numbers two years after the establishment of the company. The passion poured into the establishment of this untapped bearing industry is the frontier spirit that NSK was founded with.



Takehiko Yamaguchi



Polishing line that we had in our headquarters plant circa 1921

Events where NSK's frontier spirit was demonstrated

Although the expressions have changed with the times, NSK's founding spirit has been passed down to subsequent generations.

1958

Industry-first entry to the U.S. market

In the late 1950s, the United States was the core of the global automotive industry and demand for bearings was about 10 times greater than the Japanese market. At the time, the world's leading overseas bearing manufacturers were competing in the U.S. market, and for Japanese manufacturers entering the U.S. market was a long-held dream. Against this backdrop, NSK entered the market in 1958 when it signed a 15-year long-term export, sales, and technical cooperation agreement with Hoover International Inc., a U.S. bearing manufacturer. Subsequently, Japanese bearing manufacturers

signed export contracts with local bearing manufacturers, as NSK had set an example. Since then, we have been expanding our business locations globally and promoting production in optimal locations.



Signing of contract with Hoover International Inc. of the U.S.

1999

World's first development of half-toroidal continuously variable transmission (CVT)

In response to the important issue of increasing the efficiency of automobiles, we began working in the late 1970s on the development of a continuously variable transmission that does not use gears. One by one, we overcame barriers such as the development of lubricating oil that transmits power while preventing metal contact friction under the harsh environment of high temperature and high pressure, and the development of the highest purity steel material with no impurities that could cause cracking, and succeeded in the world's first practical application of a half-toroidal CVT. Currently, it is being adopted and considered for use in aircraft generators and other applications.



Half-toroidal CVT (continuously variable transmission)

2019

New area development of filter for preventing edible oil degradation

NSK is working in new areas to develop unprecedented products. For example, we interviewed customers in fields with which we had little contact in the past, searched for their needs, and developed a filter to control degradation of edible oil. The starting point of the project was an employee's idea to create something new by utilizing the technology to prevent oxidative deterioration of lubricants that NSK has been using daily. This new product is expected to reduce the workload of food manufacturing plants and contribute to the global environment by reducing oil degradation.



Edible oil deterioration control filter

1991

NSK's Mission Statement

MOTION & CONTROL™

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.

2016

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.

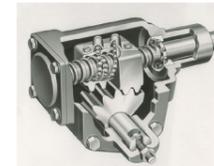
MTP2026

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 digital technology.

1958

Japan's first development and mass production of ball screw type manual steering systems

We began developing steering gears in the mid-1950s and succeeded in prototype and mass production of ball screw type manual steering systems for automobiles in 1958. This was a first in Japan and second in the world, following a U.S. automaker. Applying this technology, in 1959, the Company developed Japan's first precision ball screw for machine tools. Since then, ball screws have become an integral part of machine tools as a major drive component.



Ball screw type manual steering systems



Ball screws for machine tools

2021

World's first development of biomass plastic cage for rolling bearings

We have developed the world's first cage made of 100% plant-derived plastic (biomass plastic). Leveraging NSK's know-how cultivated over the past 100 years, this product was created from a new perspective of contributing to the environment from the aspect of materials, showing the frontier spirit of the Company. To achieve carbon neutrality, we will continue to develop environmentally friendly products such as retaining pieces for ball screws made from biomass plastic.



Biomass plastic cage



Biomass plastic retaining piece NSK S1™.

Post 2026

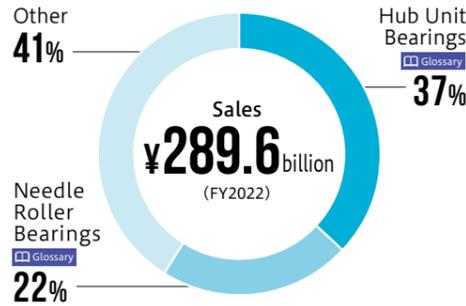
Keep in motion for 100 or even 1,000 years

01 Introduction NSK's Business Portfolio

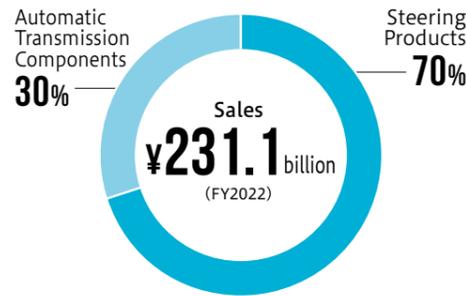
Automotive Business

This segment provides various types of bearings, automotive transmission products, electric power steering, ball screws for electric brakes, and other automotive components that are used in automobiles. Amid the accelerating innovation in automobile technologies, such as power source diversification and automotive driving, the Company is advancing the development of new technologies and products, creating new value, and working on valuable proposals.

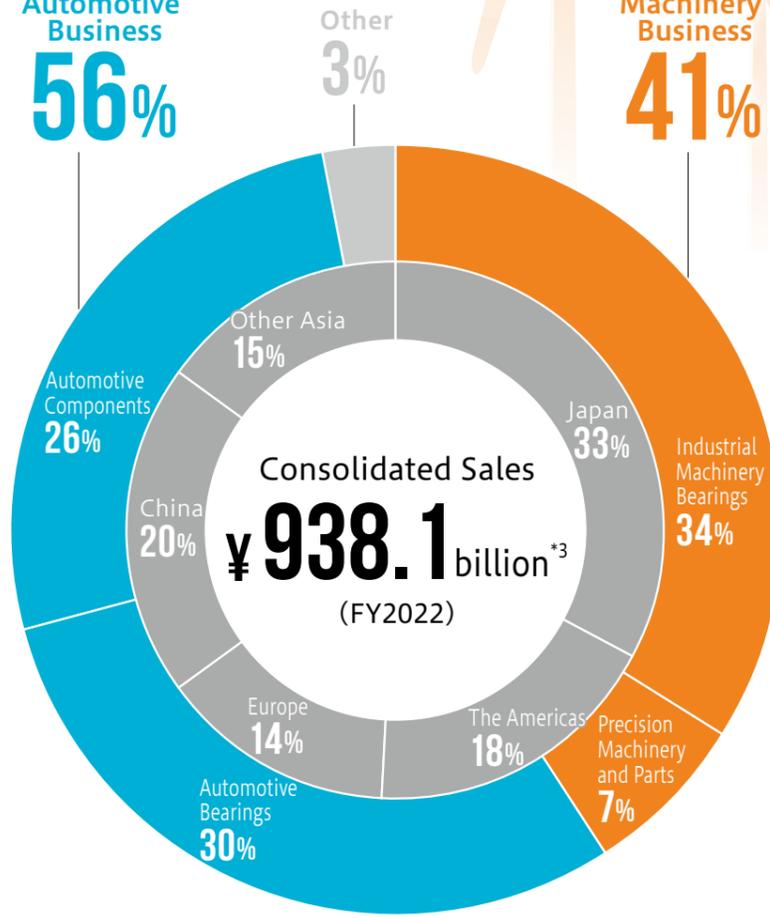
Automotive Bearings



Automotive Components



Automotive Business
56%

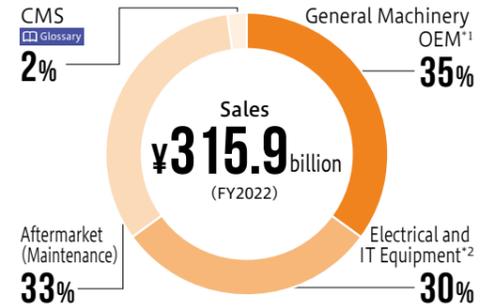


*3 Data includes the steering business.

Industrial Machinery Business

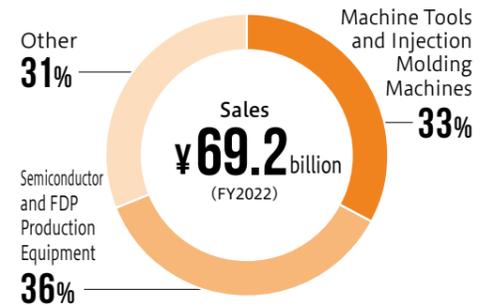
This business segment provides a variety of industrial machinery bearing types, ranging in size from miniature bearings to extra-large bearings, to meet a wide range of demands in all industries. Meanwhile, precision machinery and parts comprise such linear motion products as ball screws and linear guides as well as mechatronics parts, including Megatorque Motor™, which play a key role in machine tools and semiconductor production equipment that requires precision positioning.

Industrial Machinery Bearings

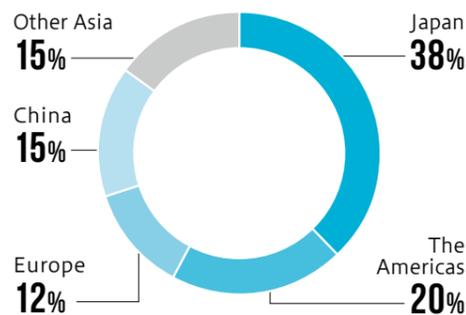


*1 Machine tools, industrial robots, wind turbines, train cars, mining and construction machinery, pumps and compressors, steelmaking facilities, etc.
*2 Home appliances, in-vehicle motors, etc.

Precision Components



Sales Breakdown by Region (FY2022)



Foundation

1916

Bearings Market Share

Share in Japan **NO.1** Global share **NO.3**
Bearing sales (including industrial machinery and automotive use)

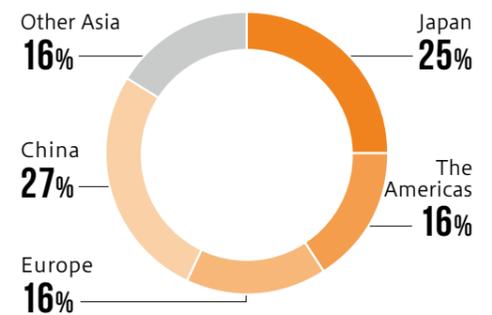
Number of Global Sites

31 countries and regions worldwide
More than **200** locations
Including 67 production sites
(As of March 31, 2023)

Number of Employees

29,882 (consolidated)
(As of March 31, 2023)

Sales Breakdown by Region (FY2022)



Customers	<ul style="list-style-type: none"> Global automobile manufacturers Global automotive component manufacturers
Features of Customers and NSK Business	<ul style="list-style-type: none"> Essential need to enter the development field as a development supplier in line with the introduction of models or full model change by automobile manufacturers. Development suppliers are generally also responsible for supplying mass-produced products and preparing for mass production in line with the new model launch schedule. Changes in the competitive environment due to mergers and acquisitions in the automotive industry and the emergence of new EV manufacturers. In the race for advanced technology development, in light of such factors as the accelerating trend toward EVs, automated driving, and the development of internal combustion engines that use new fuels, the ability to put forward technological proposals is indispensable.
NSK's Competitive Advantages	<ul style="list-style-type: none"> Diverse business relationships and customer base as an independent manufacturer with automakers and first-tier automotive components manufacturers built up over many years Supply system in areas of demand (robust supply chain system based on local production for local consumption), ability to meet global demand from each of the sales and technology perspectives Developmental capabilities and technical expertise critical to addressing the shift to EVs and increasingly advanced automobile functionality (Four Core Technologies plus One; trend toward reductions in both size and weight, lower torque, and lower friction, and electric erosion resistance) Ball screw technologies cultivated through industrial machinery

Customers	<ul style="list-style-type: none"> Primarily Japanese and other global machinery and equipment manufacturers, distributors, and sales outlets Numerous customers, a wide range of products
Features of Customers and NSK Business	<ul style="list-style-type: none"> Products for use in general machinery are characterized by a large volume of product types in low volumes, whereas products for electrical and IT equipment are primarily mass-produced (mass production of standardized products). Products for general machinery and the aftermarket include bearings as well as precision machinery and parts of varying sizes with different lead times. The aftermarket mainly consists of demand from end users of general machinery for maintenance and repair of facilities and equipment. It also includes sales of standardized products through distributors. In partnership with distributors, it is important to avoid lost opportunities by maintaining appropriate inventory levels to ensure immediate delivery.
NSK's Competitive Advantages	<ul style="list-style-type: none"> Extensive product lineup as a comprehensive bearing manufacturer Technological capabilities based on our Four Core Technologies plus One Strengths in precision technology, including precision bearings and precision ball screws Accumulated expertise in customer needs and technology for a wide range of industries and applications Technological capabilities and production control methods cultivated in the Automotive Business Manufacturing, supply, and technical support capabilities based on a global network framework

01 Introduction NSK Supporting Society

NSK is creating value to support society everywhere in the world. A vast array of NSK products centered on bearings continue to excel in every industry, ranging from home appliances, automobiles, communication base stations, and other items that support people's daily lives to machine tools, robotics, and wind turbines. NSK products will continue to support a society that is safe, secure, comfortable, and environmentally friendly.

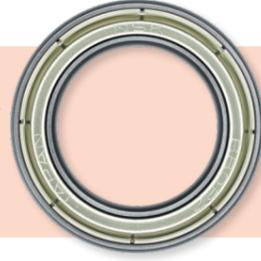
Data Centers

Contributing to energy savings and improved reliability of 5G base stations and data centers
High-performance ball bearings for cooling fan motors ▶



Drones

Contributing to stable flight and greater reliability
High corrosion resistance, rust prevention, low torque ball bearings ▶



Satellites

Contributing to long-term stable operations in the special environment of space
Bearings for satellite attitude control ▶



Machine Tools

Contributing to higher precision and productivity in parts machining
NSK Linear Guides™ roller guide RA series ▶



▲ High durability precision ball screws



▲ NSK super precision bearings

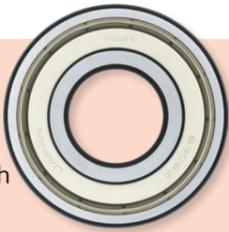
Railways

Contributing to safe, secure, comfortable, and environmentally friendly means of transportation
Low-maintenance high-reliability gearbox bearings ▶



Home Appliances

Contributing to a comfortable life that is friendly to people and the environment
Drum-supporting bearings for high load capacity washing machines ▶



Medical Equipment

Contributing to people's health and peace of mind as well as advanced medical care
Dental handpiece bearings ▶



▲ Monocarrier™
[Glossary](#)



Automobiles

Contributing to improved safety, comfort, and environmental performance



▲ Double-row angular contact ball bearings with inner and outer mounting flange (HUB III for driven wheels)



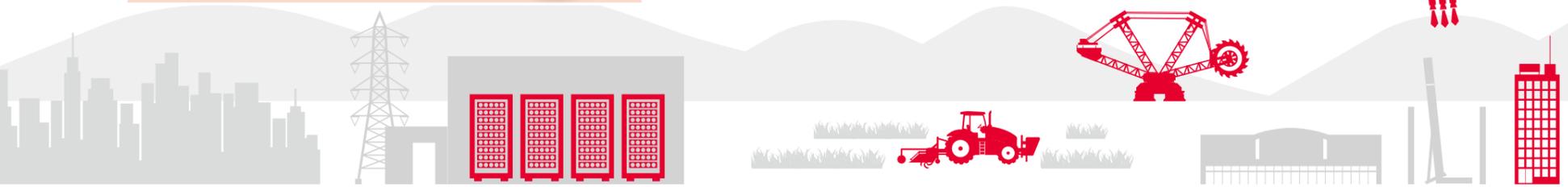
▲ High-speed rotating ball bearings for electric vehicle drive motors



▲ Ball screws for electric-hydraulic brake systems

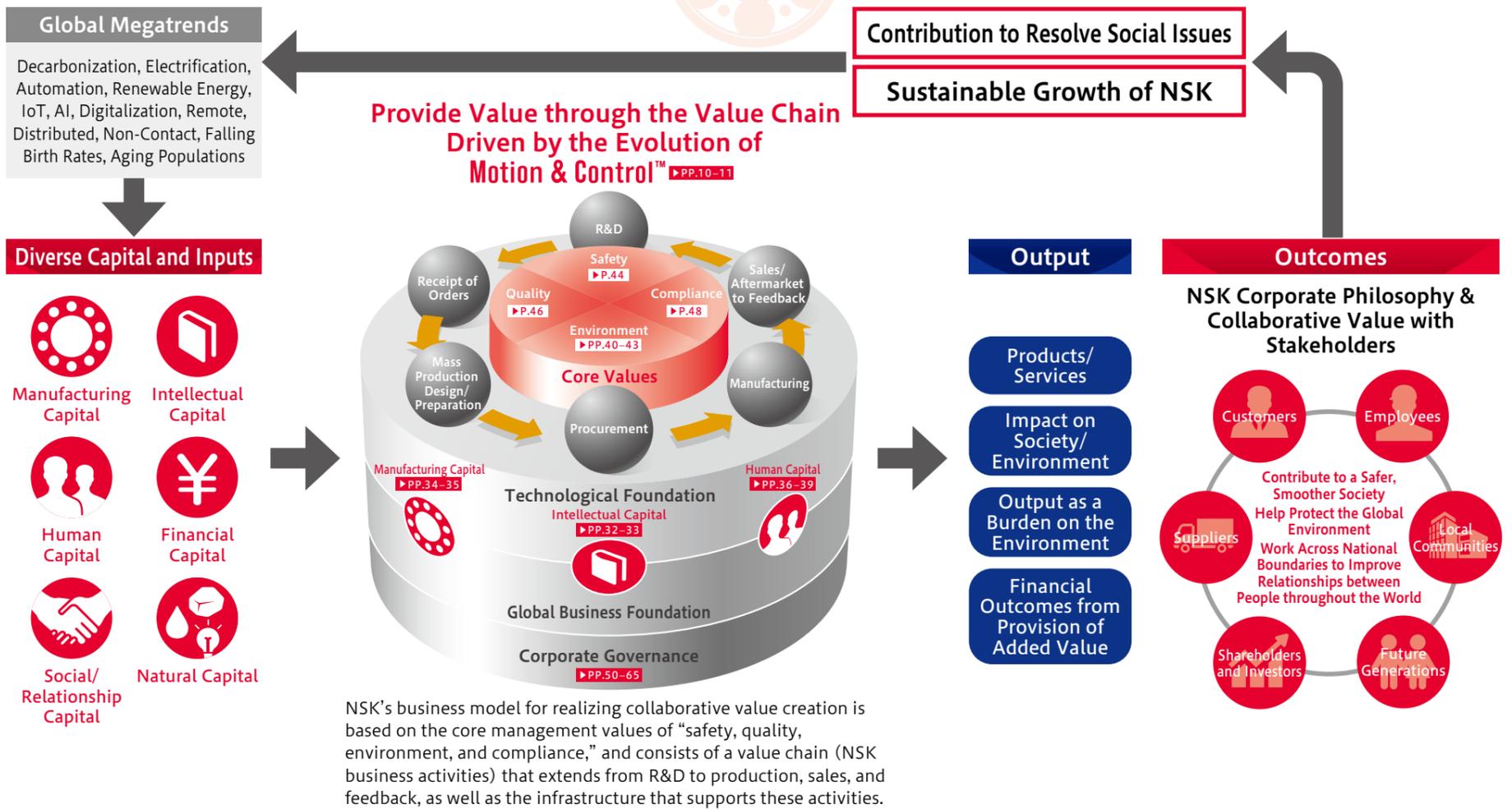
Wind Turbines

Contributing to the protection of the global environment through the stable operation of wind turbines
Integrated cylindrical roller bearings ▶



The business environment encompassing NSK is continuously changing. Guided by the NSK corporate philosophy, the Company aims to balance its contributions to resolving social issues with its sustainable growth as a company by continuing to create collaborative value with stakeholders throughout the value chain. This effort will rely on effectively and efficiently utilizing a diverse range of capital while capturing global megatrends and the direction of progress.

Corporate Philosophy — NSK Vision 2026 —



Diverse Capital and Inputs

- Manufacturing Capital**
 - Raw materials: Steel, greases, and oils, externally procured components
 - Global production sites, manufacturing facilities
 - Production sites (plants) Japan: **20** Overseas: **47**
 - Process set-ups, process controls
- Intellectual Capital**
 - 100 years of accumulated know-how
 - Four Core Technologies plus One
 - Knowledge/expertise in specialist fields
 - R&D Centers More than **20** locations in **11** countries
 - Number of patents **6,306**
- Human Capital**
 - Highly qualified engineers, skilled workforce, sales personnel, globally minded talent
 - Technology-related expenses **¥30.8** billion
 - Ratio of new employees with science backgrounds (annual average over the past five years) **82.8%**
 - Number of employees worldwide (consolidated) **29,882**
 - Seminars on balancing work and caregiving (Japan) Total **29** times Participants **1,929**
 - Corporate governance structure (Three Committees system, global compliance framework)
 - Japan Management College Total number of graduates over 20 terms (including graduates of the former Management School) **416**
 - Global Management College
 - Total number of graduates over 10 terms: **124**
 - Number of regions: Graduates from **21** countries
- Financial Capital**
 - Capital, interest-bearing debt, cash reserves
 - Total equity **¥634.7** billion
 - Interest-bearing debt **¥335.7** billion
 - Cash and cash equivalents **¥160.1** billion
- Social/Relationship Capital**
 - Relationships of trust with external parties (customers, distributors, sales outlets, users, suppliers, local communities)
 - R&D structures with external parties
 - Globally recognized and trusted NSK brand
 - Customer access points Number of customer inquiries to NSK salespeople **3,014** cases/year
 - Number of product and service page views on corporate website **2.74** million/year
- Natural Capital**
 - Minerals (e.g., iron ore, coal), water, energy
 - Energy input (per year) **6,873** TJ

(As of March 31, 2023)

Output

- Products/Services**
 - Industrial Machinery Bearings
 - Precision Machinery and Parts
 - Automotive Bearings
 - Automotive Components
 - Maintenance & Repair, Aftermarket Services
 - Condition Monitoring Technology
- Impact on Society/Environment**
 - Reduction of investment resource/energy usage through improved production processes
 - Promotion of human resource Diversity, Equity & Inclusion
 - Improvement of compliance awareness
 - Compliance with varying regulations in each country (e.g., avoiding use of conflict minerals)
- Output as a Burden on the Environment**
 - Greenhouse gases (GHG), industrial waste, water discharge
- Financial Outcomes from Provision of Added Value**
 - Cash generation
 - Improvement in ROE
 - Shareholder returns
 - Internal reserves for investment in growth

Outcomes

- Customers**
 - No. 3 global market share in bearings
 - Development of environmentally friendly products **243** products (cumulative total)
- Employees**
 - Diversity**
 - Employee diversity ratio (Japan) (gender, nationality, career recruitment) **13%**
 - Ratio of female managers (global) **12.5%**
 - Number of women among managers/managerial candidates (Japan) **88**
 - Lost-worktime injury frequency rate (global) **0.38**
 - Support for a work-life balance: Percentage of employees taking childcare leave¹
 - Women **100%** Men **72.6%**
 - Ratio of Japan/global management college graduates among executives **76%**
- Suppliers**
 - Human rights due diligence
- Local Communities**
 - Amount of CO₂ emissions avoided during use of NSK products² **2.29** million t-CO₂ (2.27 million t-CO₂ in the previous fiscal year)
- Shareholders and Investors**
 - Annual dividend **¥30** per share
 - Payout ratio **83.6%**
 - TSR over the past 10 years **4.0%** on an annualized basis, **47.8%** on a cumulative basis
- Future Generations**
 - GHG emissions **43.6%** decrease (compared with FY2017)

*1 Based on NSK criteria *2 Figures revised following recalculation

Each activity in the value chain shown in the collaborative value creation model strengthens NSK's business activities by effectively utilizing various forms of capital and leveraging NSK's unique strengths.

In this section, we showcase the key capital inputs into each activity, NSK's strengths, and the tasks that are being addressed with the aim of further deepening the value chain.



R&D

Based on our Four Core Technologies plus One, which comprise tribology, materials, numerical simulation, and mechatronics plus manufacturing engineering technologies, NSK's R&D activities in fundamental research, advanced development, application development, and manufacturing engineering lead to the further development of existing technologies as well as the creation of new products, technologies, and businesses.

Receipt of Orders

Having worked together to ascertain customer needs and social needs, the sales and technology divisions then make technical proposals and demonstrations that culminate in the receipt of orders. For global products, the sales divisions coordinate with the relevant sites in other countries.

Mass Production Design/Preparation

Mass production design entails the design of large-lot products delivered to customers. Mass production includes both newly designed products and standardized products that do not require new designs. Mass production preparation involves the setting up of processes and production equipment at plants after specifications have been finalized. In many cases, customer approval is required for product specifications, equipment, and processes.

02 Value Co-Creation Story

03 Mid-to-Long-Term Growth Strategy and Resource Allocation

04 Sustainability

05 Corporate Governance

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Human	<ul style="list-style-type: none"> Systematic education programs and unique educational institutions, including the NSK Institute of Technology (NIT) Glossary, for training and enhancing technical staff <small>Reference: Number of participants in NIT (FY2022) 495</small> High ability to respond to technical issues based on the depth of technical human resources and the accumulation of technology based on knowledge and experience 	<ul style="list-style-type: none"> Establishment and promotion of proactive R&D themes for rapid technological changes (e.g., electrification, automation, IoT, environment) Training and retention of engineers to hand down and evolve the Four Core Technologies plus One ▶PP.32-33 	Manufacturing	<ul style="list-style-type: none"> NSK's global development and supply capabilities help to win a variety of orders (e.g., orders for newly developed, improved, and existing/standard products). 	<ul style="list-style-type: none"> Proposals for supply from optimal locations that leverage global production sites ▶P.35 	Manufacturing	<ul style="list-style-type: none"> Lowering of mass production costs by NSK developing its own, specialized production equipment 	<ul style="list-style-type: none"> Utilization of core assets (capitalized differentiation technology) aimed at streamlining Equipment and process settings to achieve stable mass production quality and reduced workload
Intellectual	<ul style="list-style-type: none"> Global structure and network for R&D centers 	<ul style="list-style-type: none"> Improvement of development and evaluation efficiency by utilization of digital twin technology ▶P.33 Improvement of "plus One = manufacturing engineering" that emphasizes and optimizes quality from the development stage Development of technologies and products to help protect the global environment and contribute to help reduce CO₂ emissions ▶PP.42-43 	Human	<ul style="list-style-type: none"> Global Account Managers (GAMs) Glossary and Key Account Managers (KAMs) Glossary work together. 	<ul style="list-style-type: none"> Based on changing customer and social needs, improvement in the level of proposal capabilities utilizing existing and newly developed technologies ▶PP.26-27 Maintaining relationships of trust and proposal/provision of value/services in new styles that go beyond conventional methods 	Human	<ul style="list-style-type: none"> Having a framework in place to manage the entire process, from order receipt to the mass production launch, NSK performs detailed inspection and confirmation of specifications, quality, and cost at each process milestone (NPDS). Glossary ▶P.46 Design quality is a key factor in manufacturing quality. Accurately understanding the specifications required by customers and reflecting them in product design improves product development, design proposals, and project management. 	<ul style="list-style-type: none"> Ascertainment of the required quality level of markets (end users) and reflection of such in products ▶P.46 Installation of mass production equipment that helps protect the global environment and contributes to help reduce CO₂ emissions ▶PP.40-43
Social/Relationship	<ul style="list-style-type: none"> System to quickly obtain product and technology needs and work on development based on close relationships with customers Reflection of feedback in product development through collaboration and joint development with customers, suppliers, external research institutes, and others (e.g., steel materials, grease, motors, and electronic control units [ECUs]) 	<ul style="list-style-type: none"> Further utilization of open innovation ▶P.33 	Intellectual	<ul style="list-style-type: none"> NSK engineers and sales representatives communicate closely with customers, and internal systems support those communications. 		Human		
Financial	<ul style="list-style-type: none"> Technology-related investment for growth (3%-4% of sales) Stable financial base 	<ul style="list-style-type: none"> Strengthening existing product capabilities, expanding new products and new businesses ▶PP.26-27 	Social/Relationship	<ul style="list-style-type: none"> NSK focuses on high-quality, environmentally friendly products that are trusted by customers. 		Intellectual		<ul style="list-style-type: none"> Improvement of development and evaluations

Procurement

Based on the specifications determined by the development and design departments, activities to procure the raw materials/components used in products, production facilities, sub-materials, and the like. The Company realizes high-level QCD and stable procurement through fair, impartial, transparent, and socially and environmentally friendly transactions with its suppliers.

Manufacturing

The manufacture of products takes place at the NSK Group's manufacturing plants. A wide range of business collaborators, including in manufacturing, quality assurance, manufacturing engineering/equipment management, production control, plant accounting, and general affairs work, is necessary to ensure stringent management concerning quality, cost, and delivery (QCD). Both the Industrial Machinery Business and the Automotive Business maintain their own manufacturing plants.

Sales/Aftermarket to Feedback

Sales activities span the delivery of products to customers and distributors, inspection and acceptance of the delivered products, and final recording of the sale. Aftermarket services entail the maintenance and repair of equipment and machinery for customers and end users. Feedback from customers is reflected in production plan reviews, product improvements, and the development of new products.

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06 Data Section

Key Capital	Utilization of Capital/Creation of NSK's Strengths	Tasks Being Addressed to Deepen the Value Chain	Key Capital	Utilization of Capital/Creation of NSK's Strengths	Tasks Being Addressed to Deepen the Value Chain	Key Capital	Utilization of Capital/Creation of NSK's Strengths	Tasks Being Addressed to Deepen the Value Chain
Social/Relationship	<ul style="list-style-type: none"> In the event of a natural disaster, has in place a system to quickly ascertain the damage status and supplier problems and take the necessary measures in cooperation with them Promotes CSR activities throughout the supply chain toward the realization of a sustainable society 	<ul style="list-style-type: none"> Stable procurement (ensuring the flexibility of supply, strengthening the effectiveness of supply chain BCP) Support for improving CSR management throughout the supply chain ▶P.45 	Human	<ul style="list-style-type: none"> Excellent equipment development capabilities as well as on-site and maintenance capabilities to facilitate use of that equipment for many years Promoting "Production Innovation (APS) activities" at each plant, continuously implementing improvement efforts in workplace processes The NSK Manufacturing Education and Training Center Glossary provides hands-on training to engineers from plants around the world with the aim of passing down technical skills and improving technical capabilities. 	<ul style="list-style-type: none"> Training and retention of human resources to hand down and evolve monozukuri, creation of a comfortable workplace ▶P.34 	Human	<ul style="list-style-type: none"> NSK aims to maintain appropriate levels of inventory and undertakes strict inventory controls with advanced SPI management. Glossary 	<ul style="list-style-type: none"> Ongoing strengthening of efforts to reduce the environmental impact of logistics Building of a supply chain
Intellectual	<ul style="list-style-type: none"> Achieves a high level of QCD through continuous improvement activities and joint development in collaboration with suppliers 	<ul style="list-style-type: none"> Optimization of the supplier portfolio (thorough collaboration and competitive principles) 	Intellectual	<ul style="list-style-type: none"> As mother plants Glossary, some of the plants both in Japan and overseas have established support systems, such as for launching overseas plants and addressing measures for various tasks. Efforts for the building of smart factories Glossary and next-generation lines Development of a facility management system and a smart system for facility maintenance (PM-AI) 	<ul style="list-style-type: none"> NSK's innovative monozukuri that combines on-site capabilities and digital technology Ultra-stable production (visualizing operating conditions, creating lines that are always in operation) ▶P.34 Introduction of a mechanism for sharing production technology and know-how (PM-AI) at each global plant 	Intellectual	<ul style="list-style-type: none"> Feedback is used to improve products and propose solutions with new technologies. NSK offers advanced analysis capabilities and accumulated technologies from its access to a wide range of data fields, such as for defects and damage at customers and end users. 	<ul style="list-style-type: none"> Design and development that leverages customer and market field data
Human	<ul style="list-style-type: none"> A structure that enables in-house development and manufacturing as well as the procurement of facilities and equipment from within the Group Strengthening its tolerance to foreign exchange rate fluctuations by expanding the localization of procurement 	<ul style="list-style-type: none"> Ensuring the awareness of reducing environmental impact throughout the value chain (appropriate management of environmentally hazardous substances, global warming countermeasures) 	Manufacturing	<ul style="list-style-type: none"> Operating 20 plants in Japan and 47 plants overseas; possesses a production system able to meet global demand in a timely manner 	<ul style="list-style-type: none"> Strengthening the effectiveness of BCP in production (strengthening building and equipment tolerance, improving complementary supply capacity) ▶P.49 	Social/Relationship	<ul style="list-style-type: none"> NSK responds quickly and meticulously through its global sales network. NSK maintains strong relationships with its distributors and sales outlets as well as its extensive network. In addition to responding to repair and maintenance demand for other companies' products, NSK leverages its advanced network to respond quickly to occasional demand outside of routine maintenance. 	<ul style="list-style-type: none"> Further improvement in customer satisfaction (strengthening of channel management, cultivating of specialists)
Social/Relationship	<ul style="list-style-type: none"> Encouragement of supplier BCP activities 	<ul style="list-style-type: none"> Strengthening the effectiveness of supply chain BCP 	Social/Relationship	<ul style="list-style-type: none"> Maintaining and strengthening good and strong relationships with suppliers and local communities 	<ul style="list-style-type: none"> Shift to production equipment and processes that help protect the global environment and reduce CO₂ emissions ▶PP.42-43 	Social/Relationship		

02 Value Co-Creation Story

Creating Collaborative Value with Stakeholders

Guided by its corporate philosophy, NSK aims to create collaborative value together with its stakeholders to realize a more sustainable society. Our goals are to help resolve social issues while achieving sustainable growth as a company by collaborating with each stakeholder to create value that is attuned to their expectations and interests.

Corporate Philosophy — NSK Vision 2026 —

Relationships with Stakeholders	Stakeholder Expectations and Interests	Engagement Channels	Meaningful Collaborative Value between Stakeholders and NSK
 <p>Customers</p> <p>NSK's customers and sales destinations encompass the machine manufacturers, auto and automotive components makers, distributors, and sales outlets that purchase our products directly, as well as the end users who utilize our products in the various machines produced by direct customers.</p>	<ul style="list-style-type: none"> ● Q: Quality—Offer high-quality products and high-quality services ● C: Cost—Use appropriate pricing ● D: Delivery—Ensure stability in delivery, supply chain management, and strict adherence to laws and regulations ● D: Development—Leverage technology innovation, find solutions to issues, develop partners, and develop products and technologies that contribute to the environment ● S: Service—Support customers at our global sites in each region with reliability, security, and troubleshooting ● M: Management—Provide management 	<ul style="list-style-type: none"> ● Everyday sales activities ● Technological exchanges ● Exhibitions ● Joint research/joint development, etc. 	<p>Values (outcomes) Examples No. 3 global market share in bearings, environmentally friendly products, amount of CO₂ emissions avoided during use of NSK products.</p> <p>For Further Collaborative Value Creation</p> <ul style="list-style-type: none"> ● Creating and proposing new collaborative value from an end-user perspective ▶ P.26-27 ● Developing proposals for supply from optimal locations that leverage global production sites ▶ P.35 <p>Related capital categories Social/Relationship</p> 
 <p>Employees</p> <p>NSK's advanced technologies, as well as world-class products and services, are created by employees working all over the world. While respecting the individuality and potential of all employees, we are working to promote internal dialogue and to invigorate interaction with external stakeholders.</p>	<ul style="list-style-type: none"> ● Offering engaging workplaces (respect of fundamental rights at work, equal opportunity, creating safe and inspiring workplaces, and health and productivity management) ● Leveraging a diverse workforce, Diversity, Equity & Inclusion, work-life balance, and flexibility with work styles ● Providing opportunities for growth, self-development, and educational opportunities 	<ul style="list-style-type: none"> ● Manager/team dialogue ● Objective-based management, performance review systems ● Employee engagement survey ● Internal financial results briefings ● Training, self-improvement seminars, etc. 	<p>Values (outcomes) Examples Environmentally friendly products, lost-time injury frequency rate, diversity (e.g., Percentage of employees taking childcare leave), ratio of Japan/Global Management College graduates among executives.</p> <p>For Further Collaborative Value Creation</p> <ul style="list-style-type: none"> ● Increasing opportunities for dialogue with management, enhancing two-way communication ● Reviewing systems to achieve more diverse work styles ● Improving activities based on the results of employee engagement surveys ▶ P.39 ● Further enhancing educational and training programs ● Nurturing digital human resources ▶ P.38 <p>Related capital categories Human Intellectual</p> 
 <p>Suppliers</p> <p>NSK's businesses, which reach all corners of the globe, as well as their competitiveness, are underpinned by the reliable supply of raw materials and components from suppliers around the world.</p>	<ul style="list-style-type: none"> ● Offering reliable transactions that are proper, fair, and transparent ● Utilizing transactions that consider society and the environment ● Engaging in joint development (e.g., materials, components, grease) that is mutually beneficial ● Implementing initiatives to enhance quality ● Promoting CSR activities throughout the supply chain ● Collaborating when disasters occur 	<ul style="list-style-type: none"> ● Daily procurement activities ● Procurement Policy Briefings ● NSK Supplier CSR Guidelines. 	<p>Values (outcomes) Examples Reduce environmental risk (environmentally harmful substance countermeasures), reduce human rights risk.</p> <p>For Further Collaborative Value Creation</p> <ul style="list-style-type: none"> ● Enhancing the level of CSR management throughout the supply chain toward realizing a sustainable society ▶ P.45 <p>Related capital categories Social/Relationship Natural</p> 
 <p>Local Communities</p> <p>NSK's global business depends on building harmonious relationships with local communities and fulfilling our corporate responsibility to contribute to the development of those communities.</p>	<ul style="list-style-type: none"> ● Striving for mutual harmony and benefit with communities ● Contributing to the creation of employment/regional development ● Preserving the global environment and the local environment ● Reducing environmental impact (curbing emissions from business activities) ● Considering noise reduction ● Ensuring safe operations 	<ul style="list-style-type: none"> ● Activities to contribute to local communities (e.g., donation drives, cleanup activities) ● Cooperating in community events (e.g., plant festivals), welfare programs, etc. 	<p>Values (outcomes) Examples Environmentally harmful substance countermeasures, environmentally friendly products, amount of CO₂ emissions avoided during use of NSK products, resource/energy conservation.</p> <p>For Further Collaborative Value Creation</p> <ul style="list-style-type: none"> ● Increasing the opportunities for exchange to promote an understanding of safety and security and raise the degree of trust ● Engaging in ample activities to contribute to communities ▶ P.40-41 <p>Related capital categories Social/Relationship Natural</p> 
 <p>Shareholders and Investors</p> <p>As providers of financial capital, shareholders and investors play a critical role in supporting NSK's growth and monitoring company management.</p>	<ul style="list-style-type: none"> ● Improving corporate value ● Maintaining proper stock prices ● Realizing shareholder returns that exceed capital costs ● Providing information in a proper, fair, and timely manner, and having sincere dialogue ● Proactively taking initiatives and making disclosures for global social issues, and CSR/ESG 	<ul style="list-style-type: none"> ● Shareholders' meetings ● Plant tours for shareholders ● Financial conferences ● Business briefings. 	<p>Values (outcomes) Examples TSR, diminishing share price volatility, ESG evaluations.</p> <p>For Further Collaborative Value Creation</p> <ul style="list-style-type: none"> ● Securing and raising understanding and agreement of capital market participants regarding management policy and strategy ● Expanding support of shareholders over the medium- to long-term, that contributes to the fair determination of share prices and realizing a balanced shareholder composition ● Ample engaging with shareholders and investors, and strengthening the tools to accomplish that ▶ P.82 ● Enhancing disclosure and heightening the appeal of efforts regarding CSR/ESG issues ▶ P.32-49, P.50-64 <p>Related capital categories Financial</p> 
 <p>Future Generations</p> <p>Realizing a safe and prosperous society that will last long into the future is indispensable not only for NSK but also for the growth and development of society overall. To support the healthy development of the next generation that will be responsible for future society, we conduct science classes, offer internships, and provide scholarships as efforts geared toward long-term growth.</p>	<ul style="list-style-type: none"> ● Passing down a safe society and an abundant natural environment ● Generating and providing opportunities for the growth of the next generation that will be responsible for the future ● Conveying the enjoyment and importance of monozukuri 	<ul style="list-style-type: none"> ● NSK Foundation for the Advancement of Mechatronics ● NSK Scholarship Foundation ● Science classes for children ● Materials for children (e.g., comic books, picture books, and introduction to technology) 	<p>Values (outcomes) Examples Environmentally friendly products, amount of CO₂ emissions avoided during use of NSK products, environmentally harmful substance countermeasures, resource/energy conservation.</p> <p>For Further Collaborative Value Creation</p> <ul style="list-style-type: none"> ● Ongoing implementation of support to nurture the next generation of human talent from a long-term standpoint ● Working through the NSK Scholarship Foundation to provide aid in the invigoration of the Asian region by supporting Asian exchange students and Japanese nationals who will play an active role on the international stage and contribute to the world <p>Related capital categories Social/Relationship Natural</p> 

NSK aims to contribute to the resolution of social issues while achieving sustainable growth as a company

“Change & Go Beyond” is taking root with organic workplace initiatives

A. Ichii

Akitoshi Ichii
President and
Chief Executive Officer



1 Review of the First Year of Mid-Term Management Plan 2026

Looking back on FY2022, the first year of Mid-Term Management Plan 2026 (MTP2026), automobile production recovered more slowly than initially expected, and demand for machine tools and semiconductor manufacturing equipment in the Industrial Machinery Business stalled during the second half of the year. Conditions remained challenging, with inflation progressing at an accelerated pace and the zero-COVID policy in China also having an impact. On the other hand, I was pleased that we were able to increase both sales and income, mainly driven by progress in reflecting inflationary costs in sales prices and the effect of the yen's depreciation.

As an assumption when formulating MTP2026, we envisioned steady economic recovery and growth in the post-COVID era. Now, though, uncertainty about the future of the global economy is increasing, with the slowdown in the growth of the automobile market due to the shortage of semiconductors, the prolongation of the Russia-Ukraine conflict, continued high inflation, and the impact of the tightening of monetary policy in European and U.S. markets. Although movement restrictions and stagnation of logistics functions in China have been resolved with the relaxation of the zero-COVID policy, the recovery of economic activity has been delayed, and demand has not yet fully recovered. Against the backdrop of these factors, in FY2022 we saw the emergence of new issues that we had not anticipated when formulating MTP2026, such as reorganizing production due to delay in the recovery of sales volumes, revalidation of supply chains, and the review of sales price policies due to the effects of not only raw material costs but also soaring energy costs and rising labor costs.

▶P.20 Review of Past Mid-Term Management Plans and MTP2026
▶P.21 Progress on MTP2026

▶PP.22–23 Business Strategy 1: Strategy and Progress of Industrial Machinery Business
▶PP.24–25 Business Strategy 2: Strategy and Progress of Automotive Business

2 Initiatives for the Future

At the same time, even with these changes in the business environment, the future story of NSK's business remains unchanged. As a response to the decrease in the size of working populations due to declining birthrates and aging populations in developed countries and other countries such as China, the world in which humans coexist with robots is expected to expand, not only at production sites but also in the service sector, and electrification, automation, and condition monitoring technologies are expected to advance in areas such as manufacturing and general industry. In addition to existing products, NSK will contribute through the development of products that support electrification and automation, and further develop and deploy products and services that reduce energy loss and improve productivity. In line with the NSK Corporate Philosophy aim of creating a “safer, smoother society that helps protect the global environment,” we must also revamp our infrastructure of facilities and equipment. We must not only simply replace aged and deteriorating infrastructure but also transform it to be more sophisticated and environmentally friendly. To enable safe and secure operation of infrastructure, NSK will provide even more highly reliable products, carry out condition monitoring (utilizing Condition Monitoring Systems, CMS), and perform machinery and equipment diagnostics. For products such as bearings and precision machinery, in addition to improving durability and reliability, we believe that supplying products that can be used safely for a longer period of time will lead to the creation of an ecosystem that allows products to complete their useful service lives within the ecosystem of infrastructure. In addition to short-term changes, we will continue to implement policies for the future.

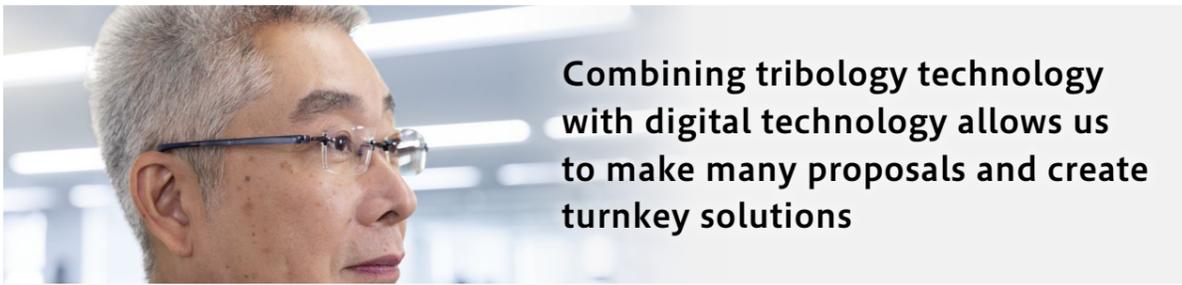
▶P.20 Mid- to Long-Term Growth Strategies and Resource Allocation
▶P.21 Progress on MTP2026

Towards Growth with Profitability

In the Automotive Business, the electrification of automobiles is accelerating toward the realization of a carbon-neutral society, and we believe that about half of all automobiles produced in FY2026 will be electric vehicles (EVs and HEVs). Our high-speed, electric-erosion-resistant bearings for eAxles, low-torque wheel bearings, and ball screws for electro-hydraulic brake systems have been highly evaluated by the market, and we have been receiving orders for these products. We will continue to propose new and differentiated products to the market in this way to achieve growth and improve profitability.

At the same time, we believe that green transformation technologies for internal combustion engines fueled by hydrogen and synthetic fuels (called e-fuels) are also important as part of a diverse range of options to achieve carbon neutrality. Internal combustion engine technology is one of the most important, groundbreaking inventions in the history of modern civilization. We believe that NSK can propose many products as this technology is transformed for the next generation. We will continue to contribute in all areas, including internal combustion engines that utilize new fuels and electrification of vehicles.

Moving on to the Industrial Machinery Business, under MTP2026, we aim to increase the sales portfolio of the Industrial Machinery Business to 50% and are working to expand this business and improve the profitability of the NSK Group as a whole. NSK will shift its technology resources and enhance its supply capacity to cater to mid- to long-term growth markets and the advancement of technologies for equipment such as semiconductor manufacturing equipment and robots in areas such as the machine tools market, where NSK excels. Higher reliability and efficiency are also required due to the evolution of robots and innovations in production technologies. In this context, more precise service-life-prediction technologies are also essential, from the perspective that both hardware and software must meet customer expectations. For example, it is important to have condition monitoring



Combining tribology technology with digital technology allows us to make many proposals and create turnkey solutions

technologies that monitor and diagnose information on abnormalities in individual bearings and/or the machinery and equipment in which they are embedded. If we can diagnose how long bearings can be used in advance instead of simply replacing them on the spot due to a breakdown or end of service life, it is possible to carry out planned and more efficient maintenance, without the need for unscheduled downtime to replace bearings. Railcars undergo regular repairs, and this method will allow the period for regular repairs and parts replacements to be extended. In some cases, repairs and replacements can be avoided altogether. Based on these technologies, we aim to achieve growth in the aftermarket market segment by improving our services and establishing our business model for selling services such as condition monitoring.

Going forward, we will implement profitability measures in response to recent inflation and other changes in the business environment and transform our business portfolio with a focus on business, customers, and products by supporting electrification from a medium- to long-term perspective and proposing products and technologies that contribute to the environment and improving productivity, with the aim of building a stronger business base by facilitating growth accompanied by earnings.

▶PP.22–23 Business Strategy 1: Strategy and Progress of Industrial Machinery Business

▶PP.24–25 Business Strategy 2: Strategy and Progress of Automotive Business

▶PP.26–27 Business Strategy 3: Grow New Products

waiting times. By using less energy, we can not only reduce CO₂ emissions but also reduce energy costs. Looking ahead, we will aim to create an ideal cycle and increase product competitiveness by utilizing this information to save energy and expand investments in renewable energy. We want to add value and differentiate by promoting our environmental contributions and initiatives.

To drive technological innovation, it is important to review the manufacturing processes for products from a new perspective. Development—including the development of production technologies—is necessary, and if production processes change then equipment, physical logistics, and approaches to on-site work may also have to change. During the MTP2026 period, we aim to build prototype production lines using new methods.

NSK products use a lot of steel as input material, but steelmakers are increasingly going carbon neutral and using steel produced in electric furnaces, which emit less CO₂ than blast furnaces. Many bearings are also used in steel mills. Contributing to the reduction of CO₂ emissions in the steel production process to reduce our carbon footprint by supplying bearings that are useful for environmental measures is another important initiative. We will also develop and market new high-value-added products such as bioplastic cages, biogreases, and seals ahead of our competitors.

We disclose Scope 3 CO₂ emissions as reference values, calculated using Ministry of the Environment and IEA coefficients, and are working to reduce them. In quantifying emissions in the future, we would like to visualize emissions based on industry standards and strengthen cooperation toward reducing CO₂ emissions throughout our entire supply chain.

We will achieve carbon neutrality in Scope 1 and 2 (our own emissions) by FY2035 and work to reduce Scope 3 CO₂ emissions, which include the upstream supply chain,

Fusing Tribology and Digital Technology

By combining NSK's tribology technologies with digital technologies, we believe that we will be able to not only improve the functionality of bearings and precision machinery products but also improve the performance of cars and drones, improve production efficiency in equipment, processing technologies, and overall systems; and make many proposals for achieving carbon neutrality. Technologies for the pursuit of low friction, low torque, and reduced weight to curb energy consumption and increase efficiency are common requirements for the creation of a carbon-neutral society. We are also engaged in efforts to develop new technologies, such as those that cater to demands for higher speeds and quieter operation associated with electrification, resistance to electric erosion in high-voltage environments, and higher durability of bearings exposed to hydrogen and other special environmental conditions. To respond to these increasingly sophisticated requirements with a sense of urgency, as part of MTP2026, NSK is engaged in development efforts by simulation using NSK Digital Twin technology. A digital twin is a virtual re-creation of reality in a virtual space, based on data. NSK's aim with NSK Digital Twin is to create solutions that tear down preconceptions and stereotypes through fusion with tribological technologies,

and contribute to the goal set by global society of net zero CO₂ emissions by FY2050.

▶PP.40–43 Environmental Management

Enhancement of Managerial Resources

As part of our efforts in “Enhancement of Managerial Resources,” which is one of our key management tasks for MTP2026, particular emphasis is placed on the development of ‘digital human resources.’ We launched this initiative based on the idea that if we aim to become a company that can sustainably transform its operations and business models using digital technologies, it is essential to develop human resources to support this transformation, and that this will lead to improvements in our competitiveness in five to ten years’ time.

Specifically, we launched our own original training program last year. In the first year, to raise company-wide awareness of digitalization, we rolled out a training program for Japan that combines e-learning and workshops on topics such as digital thinking. Around 60% of employees have already taken it. At the same time, we have also rolled out a training program for leaders, and have been running training sessions for myself and other members of senior management. In the future, we plan to roll out these programs not only in Japan but also globally. This year, we have taken it a step further and started practical training aimed at practical use of digital technology in the workplace. We believe that having employees utilize the training content in their own work as they learn it will drive digital improvements to business processes. In addition to theoretical study, it is important to have the experience of working on a theme, solving problems by actually applying digital solutions in their own workplace, and being able to make improvements. At the same time, we will also establish a system to support these kinds of bottom-up activities.

Through the Technology Division's NSK Digital Twin initiatives and activities to visualize production at plants, which are being conducted as trials under MTP2026, we

re-creating and exploring real-world phenomena, understanding their unseen essence in detail, and creating digital models of them.

For example, we have obtained a patent for an impedance technique that enables monitoring the thickness of an oil film between metals by passing an electric current through them. These technologies also include material technologies and remaining service life diagnosis technologies. Service life prediction by analyzing material structures is only possible with such fundamental technologies, and we believe that the reliability of this technology is important. We are also engaged in joint research with universities to broaden and deepen the field of tribological technologies. We will expand these collaborative efforts to other universities—including industry-academia and academia-academia collaborations—and seek to improve our fundamental technological capabilities (such as tribology technology) and develop NSK Digital Twin technologies.

▶PP.26–27 Business Strategy 3: Grow New Products

▶PP.32–33 Strengthening of Internal Capital: Intellectual Capital

Working toward Carbon Neutrality

With regard to the MTP2026 goal of promoting carbon neutrality, we aim not only to reduce CO₂ emissions by utilizing renewable energy but also to achieve energy conservation and technological innovation through various improvements. As of FY2022, our use of renewable energy is at 100% in Europe and 40% in Japan, and is progressing smoothly ahead of schedule.

We expect to achieve the FY2026 milestone of “50% reduction compared with FY2017,” and we believe that energy-saving activities, in particular, are important to achieve carbon neutrality for Scope 1 and 2 by FY2035. To accelerate energy conservation, we have launched finely tuned initiatives such as visualizing the energy used by each plant and reducing waste in equipment

hope not only to see improvements in development capabilities and productivity but also a gradual increase in the number of human resources who can gradually transform our business processes using digital technologies. While learning on the job, I would like employees to aim for a sense of satisfaction and improvement of their abilities.

▶PP.32–39 Strengthening Internal Capital: Intellectual Capital / Manufacturing Capital / Human Capital

Creating a Workplace Where Diverse Human Resources Can Play Active Roles

To improve the value of human capital, we believe that it is important to create a workplace environment that increases employee motivation and engagement, and to ensure open innovation and on-site activities in terms of employees themselves learning and growing by expanding their personal network. We will increase the number of work style options within the Company, utilize remote work, and provide support for achieving a Company. good work-life balance regardless of gender to enable various work styles. In MTP2026, we will also actively increase opportunities, particularly for interaction between plants and dialogues with people outside the Company.

NSK hopes that changing job types and workplaces through regular job rotation and relocation will provide opportunities for learning and growth through new encounters and experiences. In addition to increasing diversity of work styles, increasing the number of options for diverse career paths has become an important issue.

With regard to active participation of female employees, the ratio of women in managerial positions is around 10% globally and is a particular issue in Japan. First, we are engaged in activities to hire and increase the number of female employees, train them, and promote them to managerial positions. Looking at our results in new graduate recruitment, in recent years half of the new employees we have hired each year for administrative roles and 10% of those we have hired for technical roles are women. In addition to driving HR development in the

workplace after joining the Company, in Japan, we provide career advancement training to support the career development of female employees, with the aim of creating a pool of candidates for managerial positions. Environmental safety in the workplaces where we actually work is also important. In particular, we would like to start working on improving gender-free and comfortable working environments and facilities at production sites as a mid- to long-term issue.

▶PP.36–39 Strengthening Internal Capital: Human Capital

3 Road to Achieving Double-Digit ROE

We regard initiatives with awareness of improving price-to-book ratio (PBR), which has been attracting attention recently, as one of our key management issues. We believe that the key points of these initiatives are profitability, capital efficiency, and building a foundation for sustainable growth. In terms of numerical targets, in MTP2026, we are working to achieve double-digit ROE as a management indicator for enhancing profitability and improving capital efficiency, which we would also like to link to improvements in PBR.

Enhancing Profitability

In enhancing profitability, we aim to steadily implement the portfolio reforms described in MTP2026 and achieve results. In FY2017, our portfolio had sales of ¥1 trillion, split 7:3 between the Automotive Business and the Industrial Machinery Business. In MTP2026, we aim to achieve business growth in a new form, with the goal of reforming our portfolio and thereby changing our earnings structure.

To achieve this, we will work to reform our portfolio

technologies to them. At present, we have accumulated orders in excess of 80% of the MTP2026 target.

In the steering business, we are also working toward the independence of our business and the implementation of partner strategies, as in our initial strategy. We will complete the structural reform of the steering business, achieve profitability by recovering the volume of sales on our own through new orders, stabilize our business base through collaboration with other companies and develop a growth strategy, and restart our search for partners for that purpose. In May 2023, we signed a joint venture agreement with JIS (Japan Industrial Solutions) and established a joint venture on August 1, 2023. Through this joint venture, we will simultaneously advance portfolio reforms, such as de-consolidation.

▶P.21 Progress on MTP2026

▶PP.22–23 Business Strategy 1: Strategy and Progress of the Industrial Machinery Business

▶PP.24–25 Business Strategy 2: Strategy and Progress of the Automotive Business

▶PP.26–27 Business Strategy 3: Grow New Products

Improving Capital Efficiency

We will work to improve ROE through a combination of enhancing profitability and improving capital efficiency as I described above.

Our capital policy under MTP2026 is to flexibly implement share buybacks with a dividend payout ratio of 30%–50% and a total return ratio of around 50%. In terms of results for FY2022, we paid an annual dividend of ¥30 per share, with a total return ratio of 83.6% and reduced cross-shareholdings. We bought back 25 million shares and canceled 51 million treasury shares. We will continue to operate flexibly while striking a balance between mid-term growth and returns.

In terms of capital efficiency, we believe that improving the equipment efficiency of NSK's fixed assets is also a key initiative. In MTP2026, we are engaging in activities with the target of achieving 1.5x productivity, utilizing digital technologies to achieve ultra-stable production. We regard these efforts as being able not only to improve

Steadily implement portfolio transformation to enhance profitability

along both the business, and customer/product axes. On the business axis, we will increase the ratio of the Industrial Machinery Business to account for 50% of sales. On the customer/product axis, we will focus on the high-profit zone in the Industrial Machinery Business and increase profits in the Automotive Business by developing new customers through electrification and replacing existing products with new products and projects. In the steering business, we have taken the first step toward the future with independent operation of the business in collaboration with other companies.

In terms of specific measures for each business, in the Industrial Machinery Business, we will focus on high-profitability segments and NSK's product capabilities to achieve growth and improve profitability. First, we will respond to needs for increasing the sophistication of processing technologies for the growth markets of robots, semiconductor manufacturing equipment, and machine tools. In this domain, we will make technical proposals that are one step ahead of competitors with NSK's expertise in precision bearings and precision machinery products. Improved profitability will also require increased sales in the aftermarket. As a new business, we intend to strengthen our technical services with CMS and PLM (Product Lifecycle Management) [Glossary](#) terminology and increase our market share by contributing to our

cost competitiveness by improving productivity but also to contribute to improving asset efficiency. For sustainable growth, it is important to make effective use of capital and invest in growth businesses. For enhancing our management resources such as technologies, production, and people through digitalization, and as one of the strategies for Bearings & Beyond, we aim to achieve mid- to long-term growth by utilizing them effectively for capital investments for the development and market launch of new products and as capital for M&A.

▶PP.28–31 Financial Strategy/Policy on Shareholder Returns

4 NSK's Strengths

NSK's strength is its track record of meeting society's expectations over the more than 100 years since its founding and the strong relationships of trust it has built up with its customers. These achievements and trusting relationships have been built while enhancing NSK's sales quality and manufacturing quality. Not only do we take pride in the fact that we are a top manufacturer in our industry, but we also listen sincerely to our customers and develop strong standing solutions, which have been well received by the market. However, we believe that we cannot continue to be a top manufacturer simply by meeting expectations as we have in the past. Our customers are changing, and it is important for us to exceed their expectations by proposing new methods and solutions that meet the needs of the new era.

We will work on MTP2026 to take on more new challenges and make changes that are in line with the times. We believe that the digital and environmental initiatives in strengthening management resources and the ultra-stabilization of production that we are introducing here will lead to efforts to exceed market and customer expectations in terms of quality and technology, and to contribute to society. On the business front, we will actively explore M&A and partnerships to expand the range

customers' productivity improvement and environmental load reduction. While quality and reliability are, of course, important for the expansion of our Industrial Machinery Business, we will steadily reallocate technical resources and improve supply capacity while stabilizing the supply chain and reducing costs.

Earnings in the E&E (Electrical & Electrification) business have been deteriorating recently due to a slowdown in the market for cooling fans for appliances, PCs, and data centers, and rising costs due to inflation. In addition to reducing fixed costs by optimizing production capacity and reorganizing production areas, mainly in Europe, we will work to increase the profitability of the Industrial Machinery Business as a whole by eliminating unprofitable products and improving profits.

In the Automotive Business, NSK will improve profitability as electrification progresses. The increasing electrification of the market represents a significant business opportunity for NSK, and we will work to increase market share and improve profitability with new NSK products and products that use new technologies. That is, by differentiating our technologies, we will win new projects with higher profit margins than the profitability of internal combustion engines. We aim to build partnerships with emerging high-end EV manufacturers by increasing the speed of development and aggressively proposing new

of NSK's technologies and products. The CMS business of Brüel & Kjær Vibro (BKV), which we acquired two years ago, has been added to our Industrial Machinery Business segment, and we have moved to promote synergies with existing products. In addition, although on a smaller scale, last year we acquired a company that reconditions bearings in the Americas, and we are using this as a starting point to build new customer relationships, such as expanding sales through MRO [Glossary](#) using CMS and making new proposals in the EV market, to strengthen our technical response capabilities in the global market and meet market demands. We will continue to increase the number of NSK fans through speedy response.

When I became President & CEO, I set a theme of Change & Go Beyond. I don't think it is something that will change easily during the first two years of my time as president, but as business visits resumed, I was able to actually feel that our employees themselves are starting to make statements and engage in initiatives with an awareness of "changing and going beyond" in various situations, and that they are starting to take action. I feel that my thoughts have been conveyed to them and that they are actually starting to move forward.

Change & Go Beyond is not just a phrase; a change in the way we work at manufacturing sites and offices, no matter how small, will contribute to the environment and make us feel safer and more secure. Moreover, as new technologies take shape in the form of products and services, Change & Go Beyond will become more concrete, and employees will feel that they can change on their own initiative. I hope that the challenge of various new approaches that are not bound by common sense or assumptions will spread and that this movement will lead to further developments.

NSK will continue to challenge new frontiers and advance toward high future-oriented goals, aiming to be a company that will continue to be needed, trusted, and relied upon by society for the next 100 and even 1,000 years. We look forward to your continued support.

The 4th MTP

Establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion

Outline of the MTP

Growth with focus on profitability
Develop management capabilities to handle ¥1 trillion in sales volume

Looking Back

- Secured substantial growth in the China and steering businesses and achieved an operating income margin of 10%
- The Industrial Machinery Business stalled in the final fiscal year of the Mid-Term Management Plan owing to such factors as the slowdown of the Chinese economy
- Worked to evolve the global management structure while strengthening and enhancing compliance

Challenges and Countermeasures

- Continue to build our foundation as a company with ¥1 trillion in sales
- Establish a structure in which business performance is not significantly affected by various factors, including business cycles
- Promote new products and development in new areas

The 5th MTP

Embarking on a new chapter in evolution toward the next 100 years

Outline of the MTP

Operational excellence
Constant pursuit of competitiveness
Challenging innovation
Creation of new value

Looking Back

- Achieved sales of ¥1 trillion through growth in the powertrain [\[Glossary\]](#) business and a recovery in the Industrial Machinery Business
- Failed to achieve targets in the final fiscal year of the Mid-Term Management Plan due to a downturn in the economic cycle in the second half of FY2018 and the impact of U.S.-China trade friction
- Promoted the development and proposal of new technologies and products amid technological changes across various fields, including IoT and AI
- Steering business entered a transitional period

Challenges and Countermeasures

- Firmly achieve ¥1 trillion in sales and a double-digit operating income margin
- Restart growth in the steering business
- Improve productivity by leveraging ICT

The 6th MTP

Building the business base and strengthening resources in preparation for the next growth phase

Outline of the MTP

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

Looking Back

- Significant changes in the business environment attributable to such factors as COVID-19, rapid inflation impacting material and other prices, and disruptions to the supply chain
- The Industrial Machinery Business set new records on the back of growth in the semiconductor manufacturing equipment, machine tools, and robotics markets; however, failed to achieve a double-digit operating income margin; second consecutive fiscal year of losses in the Automotive Business
- Maintained an "A" credit rating due to financial stability

Challenges and Countermeasures

- Reflect cost increases due to inflation in selling prices
- Secure a recovery in profitability in the Automotive Business, mainly by returning the steering business to the black, and firmly achieving a double-digit operating income margin in the Industrial Machinery Business
- Carbon neutrality
- Enhancement of Managerial Resources

MTP2026

Rebuilding the corporate foundation for sustainable growth

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

- Promote carbon neutrality
- Create better working environments

Growth with Profitability

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

Enhancement of Managerial Resources

- Engage information technology in all areas
- Ultra-stable production
- Utilization of a diverse workforce

Post 2026

Keep in motion for the next 100 or even 1,000 years

No. 1 in quality and trust

Resolve social issues
Foster technological innovation

Electrification

Automation

Digitalization

Global push to reduce environmental impact

Performance Trends (The 4th MTP based on JP-GAAP, IFRS from the 5th MTP onward)

■ Sales (¥ Billions) ■ Sales targets (¥ Billions) ● Operating income margin (%) ● Operating income margin targets (%)

Fiscal Year	Sales (¥ Billions)	Sales targets (¥ Billions)	Operating income margin (%)	Operating income margin targets (%)
FY2013	871.7		7.8	
FY2014	974.9		10.0	
FY2015	940.0		9.1	
FY2016	975.3		9.7	
FY2017	949.2		6.9	
FY2018	1,020.3		9.6	
FY2019	1,000.0	991.4	8.0	10.0
FY2020	831.0		2.8	
FY2021	747.6		0.9	
FY2022	1,000.0		8.0	10.0 or more
FY2023			3.4	
FY2024				
FY2026				

Operating Income Margin 7%~8% → 10%

Changing Business Environment

NSK launched Mid-Term Management Plan 2026 (MTP) in FY2022. As far as its operating environment is concerned, business conditions throughout FY2022 changed dramatically. In addition to the slow recovery in global automobile production volumes owing to shortages in the supply of semiconductors, China experienced slower economic growth. Buffeted also by the growing friction between the United States and China attributable to nationalism, rising inflation in such areas as materials and energy, and steps by various countries to tighten monetary policies, concerns of an economic downturn continued to mount. Despite increased sales and improved profitability in the Industrial Machinery Business, demand entered an adjustment phase in the second half of FY2022. The Automotive Business was also impacted by the aforementioned slow recovery in automobile production volumes.

While NSK will review the underlying assumptions of MTP2026 in response to these changes in the business environment, the Company will continue to focus on achieving its initial KPIs and aim to enhance corporate value.

KPIs

		MTP2026 Target	FY2022 Results
Growth	Sales/Growth ratio (CAGR) Excluding the effects of exchange rate fluctuations	+5%	+0%
	Operating income margin*	10%	3.5% (5.6%)
Profitability	Industrial Machinery Business	13%	9.2%
	Automotive Business*	6% (7%)	-0.8% (1.8%)
Efficiency	ROE	10%	3.0%
	ROIC	8%	2.1%
Financial Stability	Net D/E ratio	0.4 times or less	0.29 times
Shareholder Returns	Total return ratio	Around 50%	83.6%

* Figures excluding the steering business are presented in parentheses.

Non-Financial Targets

Management	Target	Progress
ESG Management	Environment: "Create" Reduce CO ₂ emissions from business activities (Scope 1 + 2 compared with FY2017)	FY2022: -43.6% (actual) (FY2026 target: -50%)
	Environment: "Utilize" Reduce CO ₂ emissions through utilization of our products	FY2022: 2.288 million tons (actual) (FY2026 target: 3 million tons)
	Social: Published the NSK Human Rights Policy in October 2022	
Enhancement of Managerial Resources	Governance: Abolished takeover defenses	
	Engage information technology in all areas	Committed DX talent development program (More than 50% progress toward the target of 5,000 employees trained) Promote renewal of core business systems
	Ultra-stable production	Promote initiatives to achieve 1.5 times productivity FY2022 result: 12% progress vs. FY2026 target
	Utilization of a diverse workforce	Diversity ratio FY2022 result: 13% progress vs. FY2026 target of 15% Strengthen collaboration with the Tokyo Institute of Technology in the area of tribology

Continue operating a policy that sticks to achieving an ROE of 10% and enhancing corporate value

Growth with Profitability
Rebuild the business foundation to focus on bearings and precision products to achieve operating income above 10%

- Reflect inflation costs in sales prices
- Promote the improvement of asset efficiency and profitability on downwardly revised assumptions for market growth in E&E and global automobile production
 - Increase output through ultra-stable production
 - Reorganize production to improve productivity
- Promote portfolio reform of businesses/customers/products
 - Increase the Company-wide sales ratio of the Industrial Machinery Business to 50%
 - Develop new customers and expand sales in EVs
 - Steering business: Promote independent management and a new partnership strategy under the new company

Continue stabilization of shareholder returns

- Payout ratio: 30%–50%
- Total return ratio: Around 50%
- Share buybacks: Flexibly implemented



Progress of MTP2026

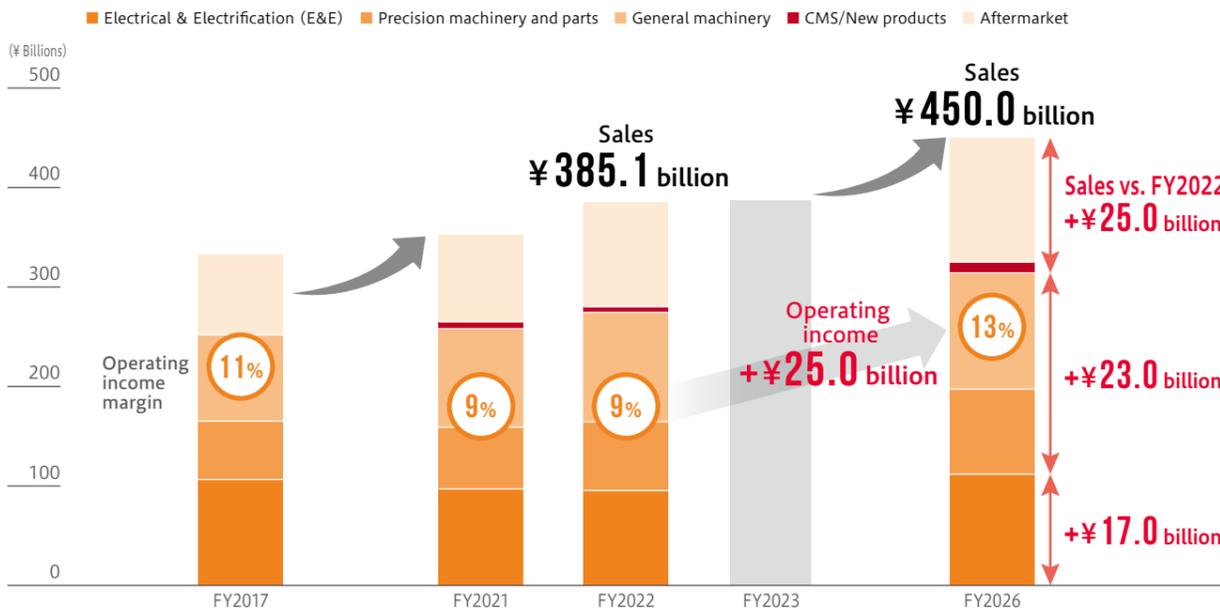
✓ Aim for an Industrial Machinery Business sales ratio of 50% by continuing strategies focusing on electrification, automation, and digitalization as well as the global push to reduce environmental impact.

✓ Strengthen supply capacity and enhance technical service systems.

FY2026 targets | Sales of **¥450.0 billion** / Operating income margin of **13%**

In its Industrial Machinery Business, NSK is targeting sales and an operating income margin of ¥450 billion and 13%, respectively, in FY2026. The electrification, automation, digitalization, and environmental markets are expected to expand going forward. Against this backdrop, NSK can be expected to reap the benefits of a growing stream of opportunities. By sector, we aim to expand sales over the mid to long term, focusing mainly on machine tools, robotics, and semiconductor manufacturing equipment. As far as the aftermarket is concerned, we will also work to expand sales, including use of Condition Monitoring Systems (CMS). NSK will expand in high-margin segments, including precision bearings and precision ball screws, areas in which the Company is especially strong, and improve profitability by increasing asset efficiency, including E&E business restructuring.

Industrial Machinery Business: Growth vision



Toward achieving the FY2026 targets

- ✓ **Expand in high-margin segments (Aftermarket, Precision)**
 - Aftermarket sales: Aim for **¥130.0 billion** in FY2026
 - Expand CMS: Synergy with Brüel & Kjær Vibro (BKV)
 - Machine tools, robots, and semiconductor manufacturing equipment
 - Secure **high-margin product orders** for multi-axis, high precision, and environmental technology
 - Increase supply capability by strengthening capacity
- ✓ **Improve profitability by increasing asset efficiency through E&E business restructuring**
 - **Reorganize production sites** globally, including pre-processing, starting from Europe
 - Maximize utilization of existing capacity
 - Improve productivity and **withdraw from unprofitable products**
- ✓ **Firm stance on transferring increased costs/inflation to sales prices**

A Look Back at the Business Conditions for FY2022 and the Forecast for FY2023

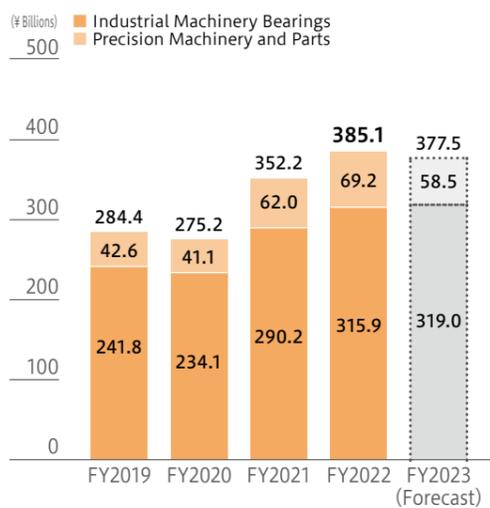
In the first half of FY2022, capital expenditures continued to be robust due to strong demand from the semiconductor industry, electrification, and automation related sectors. Sales increased compared with the previous fiscal year as a result of efforts to pass on inflation costs to selling prices and the positive impact of foreign currency exchange rate fluctuations.

Looking at the Company's results by geographic breakdown, demand in Japan and the Americas increased, especially in the aftermarket and semiconductor equipment sectors. In Europe, sales increased owing to strong sales in the aftermarket and machine tools sectors. In China, although COVID-19 related lockdowns took a toll on production activity, which stalled, sales increased on the back of the increase in demand in the machine tools sector and the positive impact of foreign currency exchange rate fluctuations.

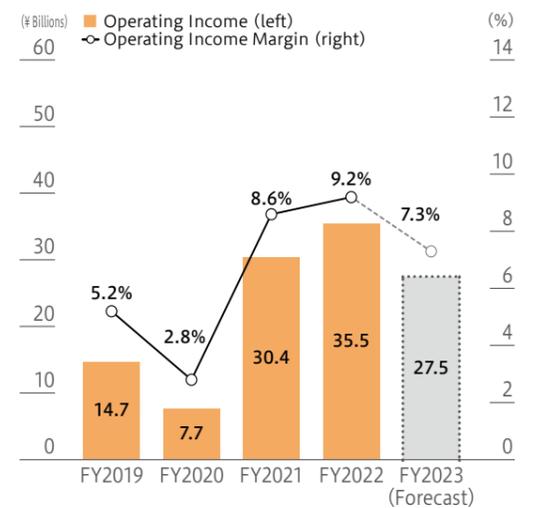
As a result, sales in the Industrial Machinery Business totaled ¥385.10 billion (year-on-year increase of 9.3%) and operating income came in at ¥35.54 billion (year-on-year increase of 17.1%)

In this business, the Company will work to strengthen supply capabilities and enhance the technical services system to absorb the increase in demand from the electrification, automation, digitalization, and environment-related markets, for which growth is anticipated. Moreover, the Company aims to expand the Industrial Machinery Business by promoting the development and market introduction of condition monitoring systems (CMS), actuators [Glossary](#), and other new value-added products.

Sales Trends



Operating Income/Operating Income Margin



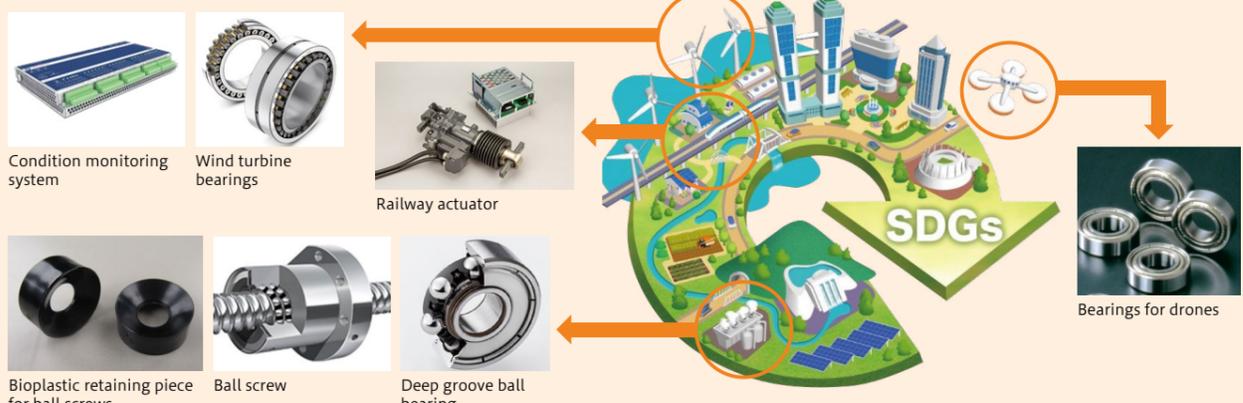
Note: Due to the establishment of CMSHQ, "Other" was transferred to the Industrial Machinery Business in FY2022. Accordingly, figures have been reclassified to align with the current segment organization from FY2021.

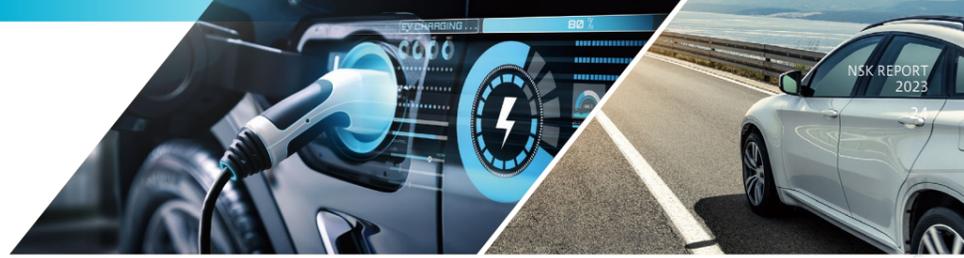
TOPICS

NSK products contribute to the realization of a sustainable society

NSK aims to realize a sustainable society while accurately grasping the needs of its customers and society.

NSK is consistently developing products and services that contribute to the realization of a recycling-oriented society that not only improves manufacturing (monozukuri) productivity through electrification and automation but also combines condition monitoring and predictive maintenance with repair and reuse, as well as carbon neutrality.

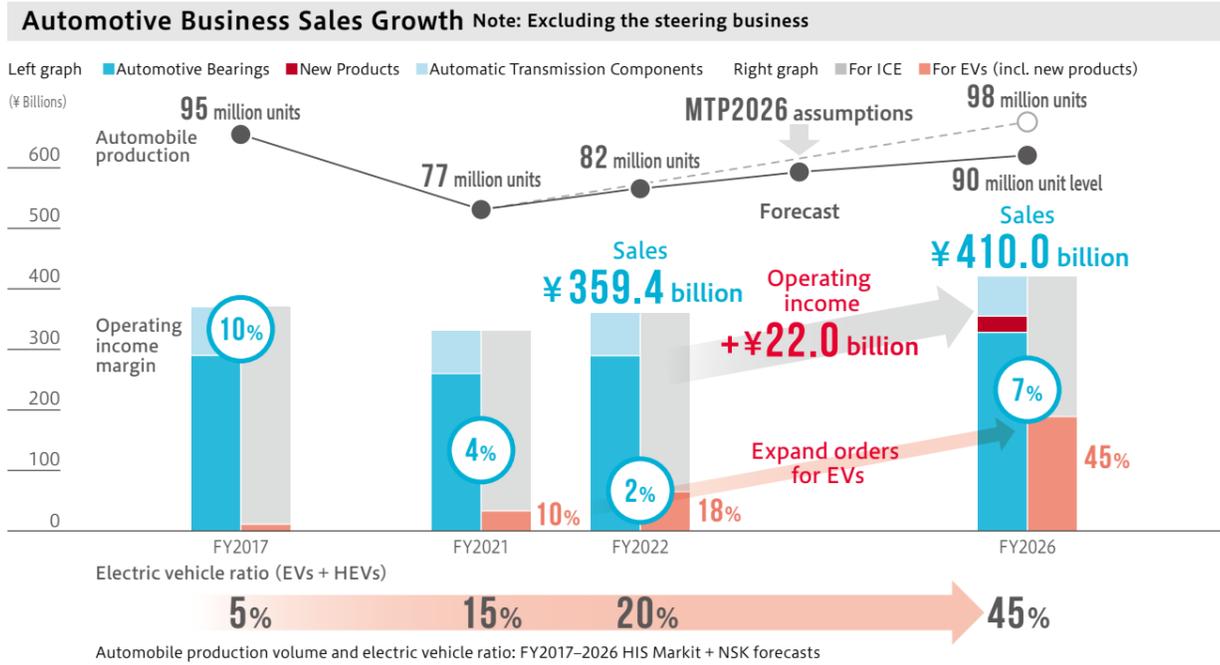




Progress of MTP2026

- ✔ Efforts to cultivate new EV customers and gain orders for electrification projects proceeding as planned
 - ✔ Accelerate production restructuring and revise automobile production volume assumptions in MTP2026
 - ✔ Joint venture with Japan Industrial Solutions III Investment Limited Partnership (JIS) established in the steering business
- FY2026 targets** | Sales of **¥410.0 billion** / Operating income margin of **7%**
Note: Excluding the steering business

In the Automotive Business, NSK is targeting sales of ¥410 billion and an operating income margin of 7% in FY2026 (Automotive Bearings + Automatic Transmission Components). Despite lowering our MTP2026 assumption for automobile production volumes from 98 million units to 90 million units, we are focusing on new high-margin orders for EV products in order to maintain our initial profit margin target. In addition, we will continue to improve the profitability of existing product businesses. For example, we will reorganize our production system for products that are expected to decrease in volume and will consider withdrawing from unprofitable products. In the steering business, we established a joint venture, Japan Industrial Solutions III Investment Limited Partnership (JIS), on August 1, 2023.



Toward achieving the MTP2026 targets

- ✔ **Expand sales**
 - Secured 80% of the new order plan of ¥90.0 billion for EVs by differentiating technologies
 - Expand supply capacity for bearings for eAxles
 - Bring to the market bearings for preventing electrical erosion
 - Strengthen R&D in China
 - Secure orders for new products
 - 70% of orders against the new products sales target of ¥30.0 billion
 - Orders for 10 million units of ball screws for electric-hydraulic brake systems and other initiatives
- ✔ **Improve profitability**
 - New high-margin orders
 - Reflect added value in the sales prices of EV products
 - Improve profitability of existing orders
 - Concentrate production of ICE products and use available equipment and space for the Industrial Machinery Business and new products
 - Withdraw from unprofitable products and transfer inflation costs to sales prices

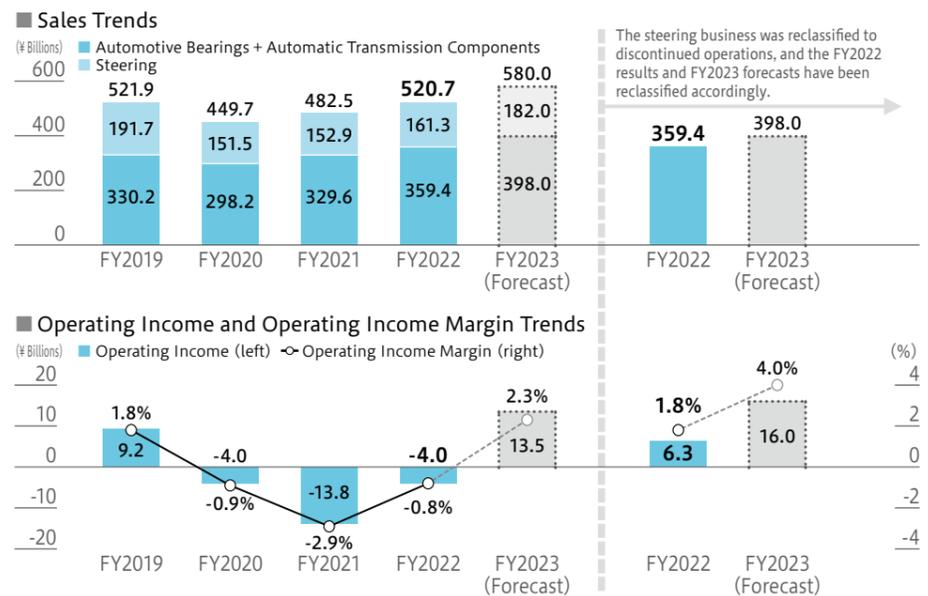
A Look Back at the Business Conditions for FY2022 and the Forecast for FY2023

Although the pace of recovery from the low level of production caused by semiconductor and component supply shortages in the previous fiscal year was slower than expected, sales increased year on year owing to efforts aimed at passing on inflation costs to selling prices and the positive impact of foreign currency exchange rate fluctuations.

Looking at the Company's results by geographic region, sales in Japan decreased compared with the previous fiscal year owing to the downturn in automotive production attributable to supply chain issues in China in the first half of the fiscal year. In the United States and Europe, sales increased on the back of a rebound from the decline that resulted from production constraints caused by semiconductor supply issues in the previous fiscal year. In China, sales declined owing to stagnant production. This was mainly due to the strict restrictions on economic activities as a result of the nation's zero-COVID policy. Sales remained sluggish even after these restrictions eased.

As a result, sales in the Automotive Business totaled ¥520.71 billion, a year-on-year increase of 7.9%. From a profit perspective, NSK incurred an operating loss of ¥3.95 billion in this business following an operating loss of ¥13.76 billion in the previous fiscal year.

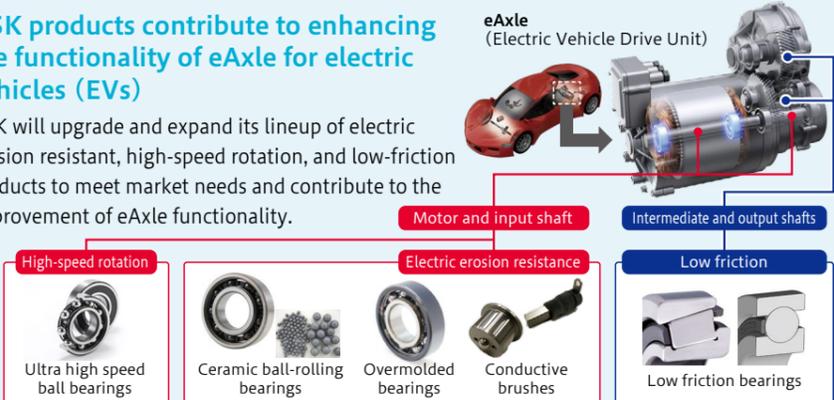
In this segment, we will strengthen our competitiveness by leveraging the low torque, high-speed rotation, and light weight technological capabilities possessed by the Group in response to the electrification of automobiles and aim to grow the business by working to expand new products for the future, including ball screws for electro-hydraulic brake systems. Moreover, under a new company, the steering business will promote further structural reforms to improve profitability and consider alliances with strategic partners.



TOPICS

NSK products contribute to enhancing the functionality of eAxle for electric vehicles (EVs)

NSK will upgrade and expand its lineup of electric erosion resistant, high-speed rotation, and low-friction products to meet market needs and contribute to the improvement of eAxle functionality.



Established a steering business joint venture

Terminated joint venture discussions with thyssenkrupp AG and signed a joint venture agreement with Japan Industrial Solutions III Investment Limited Partnership (JIS)

Change in the status of NSK Steering & Control, Inc., a subsidiary of the Company, to an equity-method affiliate on August 1, 2023 (shareholding ratio: NSK 49.9%, JIS 50.1%)

Purpose

Promote structural reform by delegating management leadership to JIS, which has experience and expertise in improving the management of several Japanese manufacturing companies, including automotive parts companies

- Promote further structural reform to improve profitability
- Promote independent operations
- Explore opportunities for alliances with strategic partners
- Strengthen the monitoring system



NSK has identified Bearings & Beyond as a key concept in MTP2026 and is working to expand new products and new businesses in addition to strengthening the product appeal of existing products. We are targeting sales of ¥50 billion by FY2026 through new products and services and are developing new business domains with new products and services that go beyond the category of bearings.



Creating New Products through a Process of Change & Go Beyond to Meet the Needs of an Increasingly Sophisticated Market

Realizing a Sustainable Mobility Society

In the automotive market, demand for automobile bearings is expected to decline as the shift to EVs accelerates. Amid the growing innovation in automobile technologies, we are placing considerable emphasis on the electrification of brake systems. Conventional brake systems use the engine intake's negative pressure to enhance brake pedal pressure force. Owing to the difficulties in using the engine's negative pressure however, progress is being made in the shift to electric systems in EVs and HEVs. In addition, the demand for electric brake systems is rapidly increasing due to the growing focus and need for automotive safety. NSK is expanding sales of the ball screws used in electro-hydraulic brake systems. Ball-screw-type systems provide outstanding responsiveness and allow the time between obstacle detection and brake application to be as short as possible. Our goal is to increase our global market share in ball-screw-type electro-hydraulic brake systems to more than 50% in FY2026. Accordingly, we will build and expand our global supply system in strategic locations.

One of the technical challenges that continues to impede the widespread use of EVs is electric erosion, where bearing performance deteriorates through the electrical discharge that occurs inside the bearing. To address this issue, we are expanding our lineup of electric erosion resistant products. NSK will continue to develop products and technologies that realize energy savings, safety, and comfort, and contribute to the realization of a sustainable mobility society.



Mock-up of eAxle also incorporating electric erosion resistant products

Addressing Automation, Labor Savings, Smart Technology, and Other Needs

NSK is working to expand sales by reforming its business model through not only the sale of products but also the sale of services. We are endeavoring to establish a bearing life-cycle cost management business that not only sells products but also deepens the connection with each customer's value chain, including subsequent equipment maintenance and repair, and even product disposal. To this end, we are focusing on the use of Condition Monitoring Systems (CMS) to improve productivity and provide reconditioning services, including the repair of bearings with minor damage.

Conceptual Diagram of the Product Life Cycle



Conserving resources by repairing and reusing products that would typically be discarded after use

In March 2021, NSK acquired Brüel & Kjær Vibro (BKV), one of the top 10 CMS businesses in the world. We will further expand our CMS business by combining BKV's outstanding human resources, customer base, technical capabilities, and trusted brand with NSK's expertise in bearings and precision machinery and parts.

We also contribute to a recycling-oriented society through our CMS business, which provides predictive maintenance for equipment and production lines, enabling equipment to be used to its limits while reducing unexpected production risks. We will create value through the fusion of tribology and digital technology to further strengthen our ability to address social needs, including automation, labor saving, and smart technology.



Remote monitoring and diagnostic services for wind power generation equipment

Supply of Technology to Emerging Fields

NSK is working to assist society by developing new service robot technology. As labor shortages become apparent across a wide range of industries, including logistics, welfare, and construction, and expectations surrounding the use of robots increase, it is vital that robots behave in a manner that is similar to humans for people and robots to work together. Therefore, we have developed the NSK Active caster that enables smooth omnidirectional movement with a view to support human-robot coordination.

NSK is also entering the medical and biotechnology fields, where the market is expanding globally and expectations continue to mount. We are working to develop and launch technologies for motorized assistance robots as well as in the regenerative medicine and cellular therapy product field to enter new markets.

Aiming for a society where people and robots cooperate with each other and where people can live healthy and active lives, we will provide technology to new fields and expand our new businesses.



Active casters

03 Mid- to Long-Term Growth Strategies and Resource Allocation Financial Strategy/Policy on Shareholder Returns



Given the difficulties associated with predicting the future, it is important that we respond flexibly to changes in the environment.

Keita Suzuki Director Representative Executive Officer, Executive Vice President, and CFO

Message from the New CFO

The business environment was more challenging than initially anticipated in FY2022, the first year of the Mid-Term Management Plan 2026 (MTP2026). In addition to ongoing supply chain issues, including shortages in the supply of semiconductors, this challenging environment was due to a variety of factors, including disruptions stemming from the zero-COVID policy adopted in China, the prolonged conflict between Russia and Ukraine, and rising material and energy costs. Given the difficulties associated with predicting the future against the backdrop of a rapidly changing and unstable environment, I recognize the critical need to respond even more quickly and appropriately to this change.

Looking to our corporate philosophy, as a key message we raise the importance of being both responsive and creative. NSK's responsive capabilities stem from the

Company's agility, smoothness, tenacity, flexibility, and high level of technology as well as the beliefs that it holds together with employees. NSK's creative approach expresses its stance toward its goals and mission as a company to create value, grow, and contribute on a continuous basis. In this rapidly changing environment, NSK will work in unison to demonstrate its strengths, flexibility, and adaptability.

A company's significance lies in its ability to solve the social issues facing people and the planet through its economic activities. Put another way, profitability is critical to a company achieving its vision. My role as CFO is to address changes in the business environment and to steer the Company toward achieving the goals set forth in MTP2026. At the same time, I am committed to contributing to the development of society together with stakeholders and aim to continuously increase our corporate value.

Looking Back at Financial Results in FY2022, the First Year of MTP2026

NSK maintained its sound financial structure in FY2022 on the back of a year-on-year increase in sales and profit. Despite the growing impact of higher levels of inflation and the upswing in material, energy, and logistics costs, these positive results were largely due to trends in foreign currency exchange rates, most notably depreciation in the value of the yen, and successful efforts to transfer the

impact of inflation to sales prices. Turning to the MTP2026 ROE KPI, however, NSK's 3% in FY2022 fell well short of the 10% target. With this in mind, we will promote portfolio reform focusing on efforts to increase the share of the Industrial Machinery Business while working diligently to pass on the effects of inflation to selling prices. At the same time, we will engage in activities aimed at improving asset efficiency through a variety of measures, including efforts to increase output through the super-stabilization of production.

As far as shareholder returns are concerned, we have set our annual dividend at ¥30 per share in FY2022, up ¥5 from the ¥25 per share paid in FY2021, after comprehensively taking into account such factors as the increase in sales and profit as well as the future business environment. As a result, the Company's payout ratio and total return ratio came in at 83.6%, exceeding the MTP2026 target of 50%.

In financing activities, NSK procured a total of ¥43 billion after issuing corporate bonds on two occasions. This initiative was geared toward securing stable funds at low interest in anticipation of future capital needs and took into account concerns of an economic recession due to tightening of monetary policy by the central banks of various countries.

Moreover, we continued to promote the reduction of cross-shareholdings in FY2022 and sold a portion of shares contributed to the Company's retirement benefit trust.

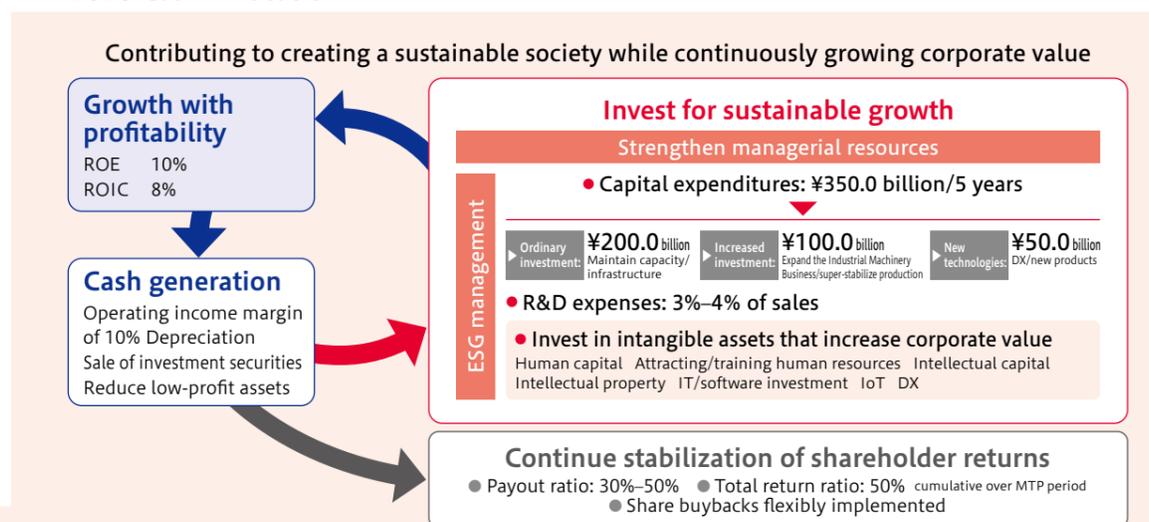
Financial Strategy Basic Policy	Management Indicators	Mid-Term Management Plan Targets	FY2022 Results	Evaluation and Comments
Maintenance of Financial Stability	Net D/E ratio	0.4 times or less	0.29 times	Maintained a sound financial structure
Growth with Profitability	ROE	10%	3.0%	Continued to operate with a focus on achieving an ROE and ROIC of 10% and 8%, respectively
	ROIC	8%	2.1%	
Stabilization of Shareholder Returns	Payout ratio	30%–50%	83.6%	Dividend ¥30 per share Continued stabilization of shareholder returns
	Total return ratio	50%	83.6%	

MTP2026 Financial Strategy/Policy on Shareholder Returns Overview

To contribute to the creation of a sustainable society while continuously growing corporate value, the fundamental financial strategy policy under MTP2026 is to continue to allocate funds for the investment necessary for our sustainable growth and for the stable return of profits to our shareholders. The policy will be carried out by achieving growth with profitability and generating cash, under a stable financial structure. We are committed to achieving the KPIs set forth in MTP2026, including a 10% ROE, which exceeds our cost of capital. We believe that continuing to achieve these targets over the medium to long term will lead to increased shareholder value.

The flexible buyback of shares is another option in providing shareholder returns. Between May and June 2023, the Company repurchased 25 million shares (approximately ¥22 billion) of treasury stock. In addition, NSK cancelled roughly 51 million shares of treasury stock in August.

MTP2026 Cash Allocation



Maintenance of Financial Stability

The maintenance of financial stability is a prerequisite in supporting NSK's sustainable growth and in its ability to withstand the effects of economic fluctuations. Including the equity ratio, the net D/E ratio, and liquidity on hand, the indicators that denote the financial health of the Group remain sound. [▶ P.66 Financial Highlights](#)

By targeting a net D/E ratio of 0.4 times or less under MTP2026, the Company will secure a stable financial base while working on the flexible and effective utilization of interest-bearing debt.

Rating and Investment Information, Inc. (R&I)	A
Japan Credit Rating Agency, Ltd. (JCR)	A+

Growth with Profitability

Sustainably achieving "Growth with Profitability" is essential for generating cash flows and making capital expenditures and R&D investments to achieve sustainable growth; making various investments, including in the human capital necessary for ESG management; and for paying a stable return to shareholders. The Group has set an ROE target of 10%, which exceeds the cost of capital (roughly 8%–9%) as estimated based on past share trends, business characteristics, and the current state of the stock market. Having also adopted an ROIC of 8% as one of our management targets, we will work to reduce low-profit assets and improve asset efficiency.

Stabilization of Shareholder Returns

One of NSK's core management policies is the stabilization of shareholder returns. Under MTP2026, NSK has established a dividend payout ratio target of 30%–50%, and it remains our policy to pay stable and continuous dividends to our shareholders. We also recognize the acquisition of treasury stock is one of the options for an agile capital policy. We continue to look at implementing this option in an appropriate and flexible manner, while taking into consideration such factors as our cash position and stock market trends. Our aim is to achieve a cumulative total return ratio of 50%, which includes dividends and share buybacks, over the period of MTP2026.

Continue Stabilization of Shareholder Returns

- MTP2026**
- Payout ratio: 30%–50%
- Total return ratio: Around 50% (cumulative over the MTP2026 period)
- Share buybacks (flexibly implemented)

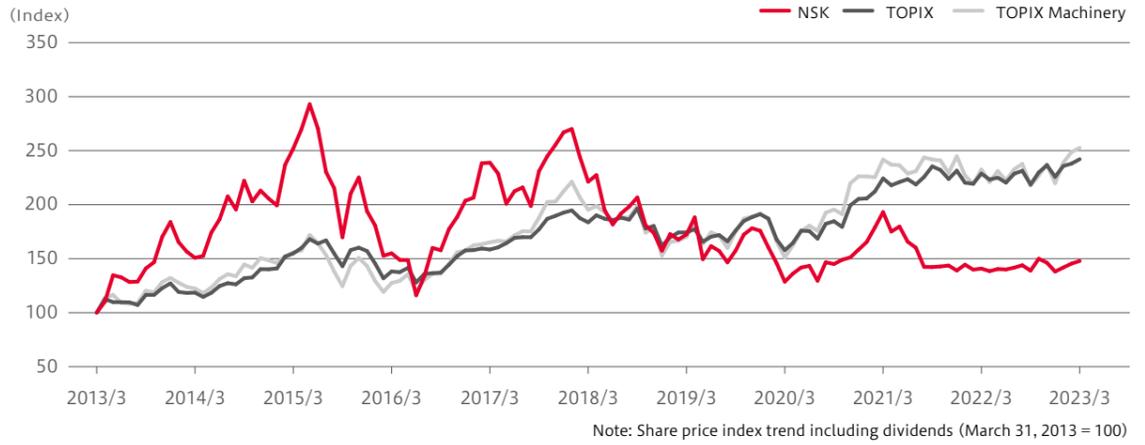
Expand total shareholders' return by implementing stable and continuous dividends and improving corporate value

NSK's Share Price Trend (10-year period)

Looking at performance trends over the past 10 years, NSK's share price has continued to underperform TOPIX and TOPIX Machinery since 2019. Since the pandemic, global automobile production volumes have failed to recover as expected owing to ongoing supply chain issues. Coupled with the decline in steering business sales and the sharp upswing in material and other costs, NSK has experienced a downturn in profitability. Buffeted by these factors, NSK's stock price has confronted difficulties in breaking out of the ¥700 to ¥900 range, representing a price book-value ratio (PBR) below 1.

The stock price is based on various factors beyond just the Company's performance, such as market trends and the state of the economy. We believe that increasing profitability through an operating income margin of 10% or more; continuing to stabilize shareholder returns, including share buybacks; and improving capital efficiency to achieve a 10% ROE will lead to a positive evaluation by the stock market.

■ NSK's Share Price Trend (10-year period)



Note: Share price index trend including dividends (March 31, 2013 = 100)

■ Share Price Trend by Fiscal Year

Fiscal Year	High (Yen)	Low (Yen)	Fiscal Year-End (Yen)	Volatility*
2013	1,360	646	1,062	45.7%
2014	1,815	1,023	1,758	32.6%
2015	2,120	910	1,030	39.0%
2016	1,739	691	1,592	44.3%
2017	1,916	1,261	1,426	28.5%
2018	1,488	885	1,037	26.1%
2019	1,208	579	694	33.7%
2020	1,202	581	1,135	43.2%
2021	1,141	630	736	30.6%
2022	803	680	756	23.6%

* Volatility refers to the standard deviation annualized rate based on the daily closing price.

■ TSR

Investment Period	1 Year	3 Years		5 Years		10 Years	
	Cumulative/Annual Rate	Cumulative	Annual Rate	Cumulative	Annual Rate	Cumulative	Annual Rate
NSK	6.8%	19.7%	6.2%	-36.8%	-8.8%	47.8%	4.0%
TOPIX	5.8%	53.4%	15.3%	31.8%	5.7%	142.1%	9.2%
TOPIX Machinery	8.6%	67.1%	18.7%	29.3%	5.3%	152.6%	9.7%

Notes: 1. TSR (Total Shareholder Return): Total return on investment including capital gains and dividends
 2. Each index includes dividends.
 3. Annual rate based on the geometric mean
 4. Compiled by NSK from Quick Factset data

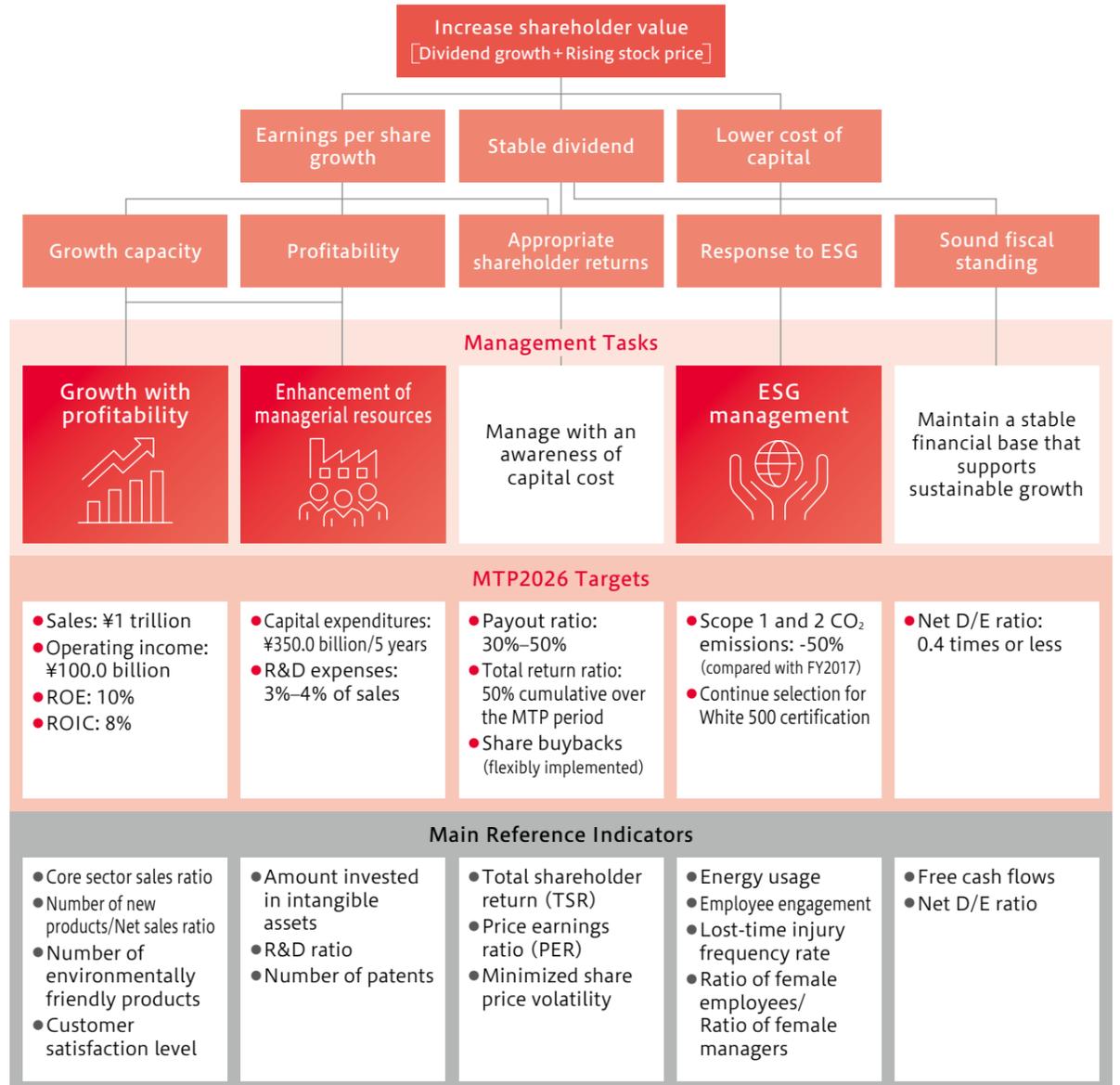
NSK Financial Logic Tree

Showing how the NSK Group's management tasks and management strategies will lead to increased shareholder value, the NSK financial logic tree is a diagram based on the connections between the numerical targets of MTP2026 and related indicators.

From a financial perspective, dividends and share price growth form part of the factors that bring about increases in shareholder value, and these outcomes can be verified using long-term TSR. Because the share price generally fluctuates depending on the level of the cost of capital, stably incorporating an appropriate cost of capital into the market price should reduce the risk of stock price fluctuations.

One of NSK's core management policies is the stabilization of shareholder returns. While able to pay stable and continuous dividends to shareholders even during the COVID-19 pandemic, our TSR has unfortunately fallen below TOPIX and TOPIX Machinery over the past 10 years, in similar fashion to the previously mentioned stock price trends. With the main factor being the decline in profitability, we believe that raising ROE to 10% under MTP2026 will lead to an increase in TSR, and to higher shareholder value over the medium to long term. The key to achieving "Growth with Profitability" is portfolio reform. Moreover, we will continue to promote various initiatives, including the reduction of cross-shareholdings, to generate additional cash, which we will use to invest in enhancing managerial resources and ESG management for sustainable growth. Through these means, we will create a virtuous cycle that will allow us to continuously provide stable shareholder returns.

In light of the growing importance of ESG in recent years, we are incorporating management strategies and numerical targets for advancing ESG management in the Company's logic tree. We believe that promoting ESG management and reducing capital costs will lead to increased shareholder value. From a financial perspective, we are also expanding our financing options related to our sustainability strategy.



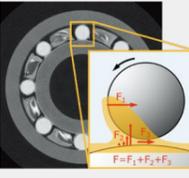
NSK's Four Core Technologies + Manufacturing Engineering

NSK has relentlessly pursued innovative technologies and focused on improving quality to contribute to a safer, smoother society and to protect the global environment, in line with its corporate philosophy. NSK leads the world in the product fields of bearings, automotive components, and precision machinery and parts. Its technological foundation consists of tribology, materials, numerical simulation, and mechatronics, which are NSK's Four Core Technologies, and manufacturing engineering which gives them shape. Our goal is to be a company that is needed, trusted, and relied upon by society. To this end, we will continue to contribute to the creation of a sustainable and more prosperous society and protect the global environment by saving energy and reducing CO₂ emissions while creating and supplying high-performance and highly functional products to the market in a timely manner.

Four Core Technologies + 1

Studying, Clarifying, and Controlling Friction Tribology

Tribology is the study of friction and wear of contact surfaces in relative motion, such as rotating parts that endure enormous forces with a thin oil film. Severe operating conditions are mitigated through lubrication and surface treatments, resulting in superior performance for applications requiring low friction, high-speed rotation, quiet operation, or enhanced durability.



Friction on the bearing's ball surface

Unrelenting Pursuit of Performance Durability and Reliability Materials

Materials research and development affects nearly every aspect of product performance. We are constantly pursuing cost and productivity while meeting ever-evolving demands for improved functionality, durability, and reliability through technologies that utilize metals, polymers, and ceramics with optimized material composition and heat treatment conditions.



Bearings utilizing ceramics and resins

Giving Shape to Four Core Technologies Manufacturing Engineering

Contributing to the environment and heightening safety and security through our Four Core Technologies requires something to breathe life into these technologies. In addition, it is essential to consistently manufacture products with high quality. NSK tackles these issues by applying smart technology to its equipment, utilizing IoT, and optimizing its overall production framework while it works to realize the creation of smart factories that economize on space, save on energy, and reduce labor requirements.

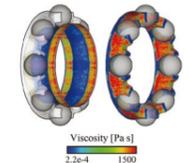


Cheonan Plant in South Korea

FOUR Core Technologies **+1**

Reproducing Phenomena in Virtual Space and Predicting Performance Numerical Simulation

In the past, accuracy and reliability in product development were achieved with experience-based design and longer testing periods. NSK's simulation technology allows virtual validation to accelerate design and production. Extreme conditions or innovative designs that defy previous expectations can also be evaluated and analyzed.



Example of bearing grease flow analysis

Technology That Supports People for a Convenient, Safe, and Comfortable Future Mechatronics

Mechatronics integrates machine element technology with control technology. By combining bearings, ball screws, and linear guides, together with motors, sensors, and computers, greater mechanical functionality is elicited with computer control. This technology enables new functions and performance in a range of industrial machinery, automotive, and biomedicine applications. It also contributes to greater reliability, as well as to convenience and safety in daily life.



Active Caster

Unleashing the Creativity of Engineers to Create Out-of-the-Box Solutions

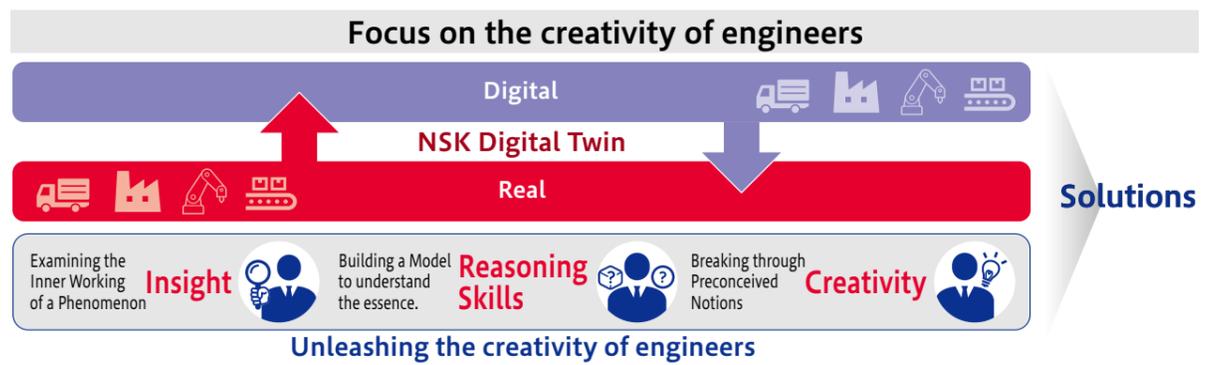
NSK is committed to NSK Digital Twin, which provides new value to society by maximizing the use of digital technology. In contrast to a conventional digital twin, which reproduces and analyzes real-world phenomena in a virtual space based on data, NSK Digital Twin is also a problem-solving framework focused on enhancing the creativity of engineers. NSK Digital Twin serves to better ascertain the essence of a phenomenon and grasp it in detail through a process of reproduction and analysis in order to deduce the underlying mechanism and model it digitally to understand the essence of what we cannot see. Through these means, progress can be made toward creating new out-of-the-box solutions.

NSK developed approximately 150 projects in FY2021 and more than 250 projects in FY2022, promoted processing improvements, and developed products that respond to rapidly advancing technological innovations such as electrification and automation. For high-speed

rotary ball bearings for automobiles, dmn, which is an indication of rotational performance, improved from 800,000 to more than 2,000,000. The development of this product would have taken 20 years in the past, but the NSK Digital Twin concept made it possible in only two

years.

NSK will continue to hone tribology through the concept of NSK Digital Twin to provide new value and to solve technological issues in a manner unbound by convention or precedent.



Creating New Value through Co-Creation

In research and development, we are working to enhance the commercial strength of existing products and expand new products and businesses under the Bearings & Beyond initiative in MTP2026. Against the backdrop of rapid global technological innovation, NSK is actively participating in joint projects with universities and other companies to accelerate technological innovation through open innovation.

In March 2023, we signed an agreement with the Tokyo Institute of Technology to establish a research center. The goal is to put in place a system and research environment that enables continuous innovative technology development by combining the strengths of both entities. We will also work to develop human resources capable of promoting advanced fundamental research.

As part of our efforts to expand new products and businesses, and in similar fashion to FY2021, we participated in a Kanagawa prefectural government project to implement

robotic technology in hospitals to help prevent the spread of COVID-19 in FY2022 and conducted field tests using our transport assist robot to move patients on stretchers. In addition, NSK has initiated collaboration with Cyfuse Biomedical K.K., a leader in the field of regenerative medicine, which is attracting worldwide attention, in the development of new technologies in the field of regenerative medicine and cellular therapy products, in an effort to accelerate the practical application and sophistication of regenerative medicine.

Through these open innovation efforts, NSK will promote technological innovations that provide new value to society by integrating the diverse knowledge, technologies, and human resources of leading-edge research institutions and different industries in Japan and overseas.



Monitoring a transport assist robot in a hospital

Protecting Technology and Contributing to Business Development

Intellectual property activities are essential in developing a business and ensuring profitability.

We consider business, technology, and intellectual property in an integrated manner. Rather than focusing solely on the number of patents, we place considerable emphasis on securing high-quality patent rights that will contribute to future business operations through collaboration between the technology and intellectual property departments. At the same time, we recognize patent information as big data and visualize the data to contribute not only to a patent strategy but also to technology development strategy and even to business strategy.

Drawing on the many registered patents we hold as management resources, we will acquire patent rights that support NSK's global business development, protect NSK's technologies for the future, and contribute to the development of the Company's business.

03 Mid- to Long-Term Growth Strategies and Resource Allocation

Strengthening Internal Capital: Manufacturing Capital

To enhance its managerial resources, NSK will utilize the power of IT and create a foundation that will continue to bring about business transformation under MTP2026. We will proactively utilize digital technology in quality and monozukuri (manufacturing), as well as the development of the human resources that support them.

In manufacturing, we are promoting measures aimed at enhancing ultra-stable production, strengthening global production, and responding to the production of new products. Through these measures, we will build a robust structure that is resilient to fluctuations in both demand and the times, which will in turn lead to sustainable growth. Utilizing digital technology, measures to enhance ultra-stable production in particular embody our efforts to take up the challenge of engaging in new monozukuri. Here, we will endeavor to establish production lines that are always in operation and never produce defects while building production sites that better address customers' needs. NSK will continue to pursue new manufacturing methods to achieve higher quality with a 50% increase in productivity.

In addition to the conventional methodology of *san-gen shugi* (the three actuals of actual workplace, actual product, and actual reality), we will secure further improvements utilizing digital technology.

Developing the next generation of monozukuri human resources

NSK has long been committed to maximizing the capabilities of its equipment and people through various measures, including continuous improvement production innovation (APS) activities, the development of better equipment, and the strengthening of its on-site and maintenance capabilities to ensure that equipment is used effectively over the long term. Currently, we are taking these efforts to the next level by combining our APS activities with digital technology. Through the efforts of cross-departmental teams to identify waste and make thoroughgoing improvements, we are also developing the next generation of manufacturing personnel who will take on the challenge of pushing forward the process of Change & Go Beyond at production sites.



Workplace APS activities: Utilizing digital technology to share the status of production (issues) in the field in real time and implement improvements.

Digital technologies that contribute to more dynamic improvements

Digitalizing the knowledge of all employees using PM-Ai

PM-Ai is a facility management system that carefully maintains and manages equipment to achieve a safe, quality, and efficient plant. Currently, we have introduced PM-Ai at more than 10 plants in Japan and overseas. We have created a database of improvements, maintenance records, history of failures, and countermeasures, and are engaging in management using AI. By utilizing PM-Ai, we have digitalized our know-how of manufacturing good products. This in turn is contributing to the transfer of knowledge and the skills of workers beyond the plant floor.



Sharing with maintenance staff details of malfunctioning equipment



Communicating with remote maintenance personnel after receiving data on the status of malfunctioning equipment

In addition,

Efforts to optimize production

We are conducting simulations of production processes and establishing a centralized management system for global facility capacity.

Efforts to enhance management through remote monitoring

NSK is taking on new challenges in the manufacturing field, including a system to visualize the operating status of equipment and product quality.

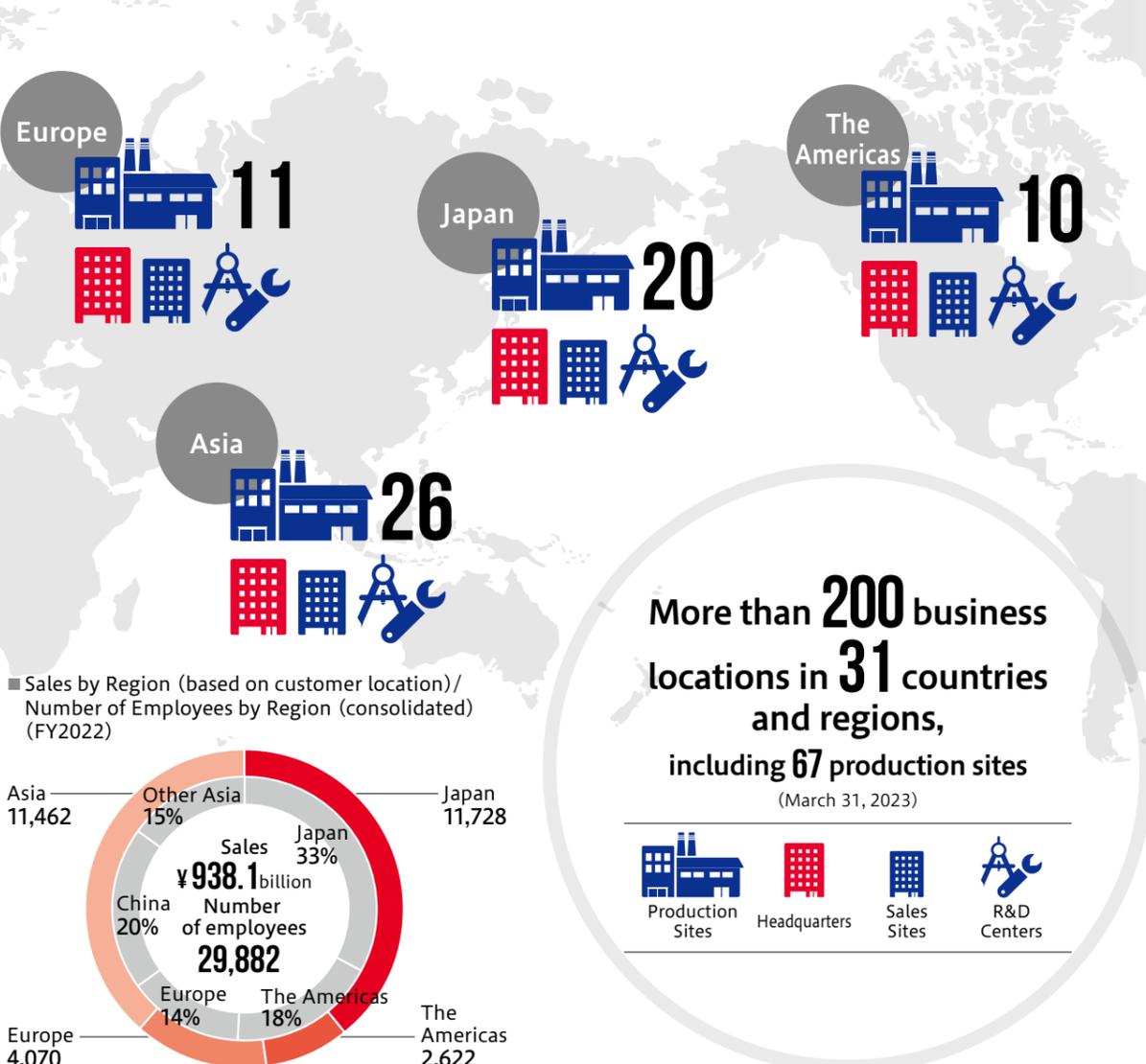
We aim to improve quality and productivity; realize safer, more secure, and more environmentally friendly plants; and create more engaging manufacturing facilities.

Production innovation activities (Advanced Production System (APS))

NSK has long been engaged in production innovation activities in a bid to enhance its competitiveness and develop employees. We are seeking to shorten lead times, reduce in-process inventory, improve productivity and quality, and increase competitiveness through efficient production. By leveraging frontline workplace ideas and teamwork, putting forward improvement proposals, and sharing best practices within the Company, we are helping employees improve their skills and accumulating know-how.

Expanding Our Global Business Network

NSK maintains more than 200 business locations in 31 countries and regions. (As of March 31, 2023)
We promote production in optimal locations by utilizing our 67 production sites spread around the world.

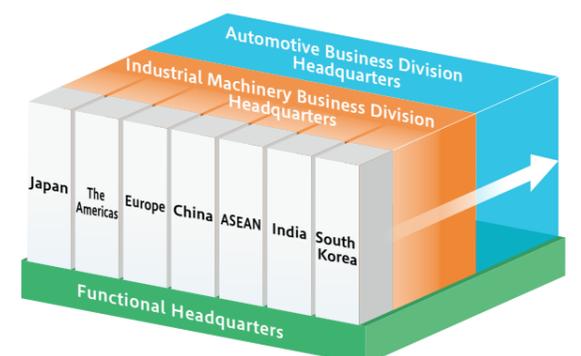


Production in optimal locations utilizing our global supply capabilities

NSK is a pioneer in the Japanese manufacturing industry having long advanced overseas expansion. Having commenced overseas exports in 1948 and overseas production in such countries as Brazil, the United States, and the United Kingdom in the 1970s, the Company regards these operations as the basis of its overseas business through locally manufactured products. In addition to expanding its product lineup mainly in the electrical and automobile sectors from the 1980s, the Company established production sites in various countries throughout Asia, including China, against the backdrop of emerging market economic development at the start of the 1990s. Since then, we have expanded our business in emerging countries and established business relationships with a wide range of customers in Japan and overseas, and put forward supply proposals from optimal locations using our global production sites.

Foundation to support global expansion

Underpinned by the two Industrial Machinery and Automotive business axes, NSK employs a matrix-type organizational structure supported by regional headquarters that execute operations in each region and functional headquarters that buoy business in a cross-sectional manner from a functional standpoint.



Note: Individual sites are divided by the regions they have a presence in: Japan, The Americas, Europe, China, ASEAN, India, and South Korea.

03 Mid- to Long-Term Growth Strategies and Resource Allocation Strengthening Internal Capital: Human Capital



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

Hidenori Oka Executive Officer, Senior Vice President, Head of Human Resources & General Affairs Division HQ

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.

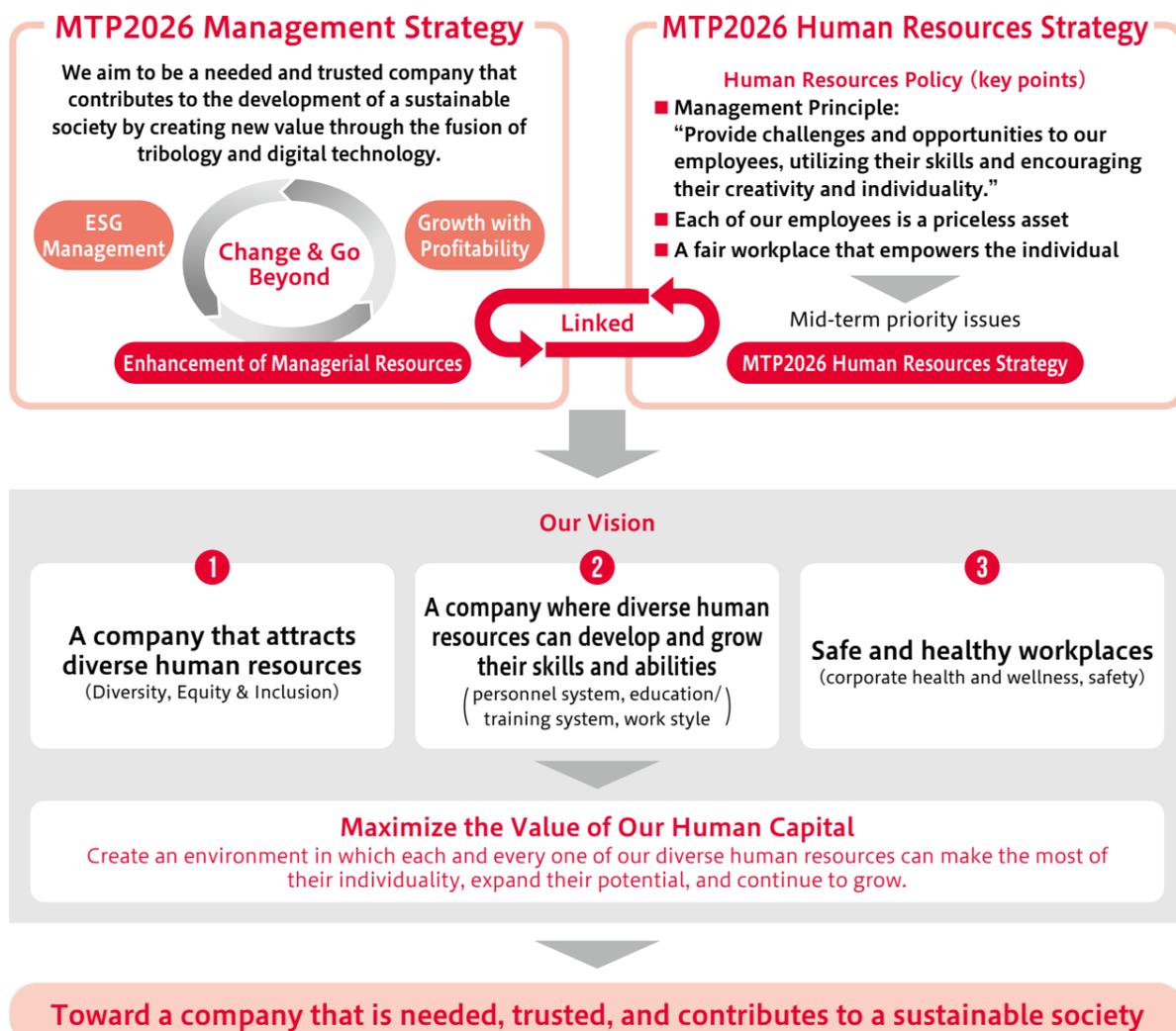
Goal
③ Safe and healthy workplaces

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

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.

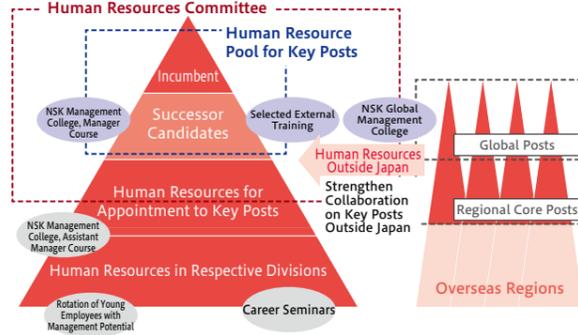
Regarding appointments to key management positions, the Human Resources Committee serves as the top-level body that approves succession plans for management personnel and human resources investment plans. By clarifying the definition of key posts (talent profiles), we implement globally coordinated succession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

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.



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.

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	Scope* 4</th <th>FY2022 Results</th> <th>FY2026 Target</th>	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	● Number of participants in basic digital talent development program	Japan	Approx. 2,700	Develop specialists through company-wide theoretical and practical training
	● Number of participants in intermediate digital talent development program		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

*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

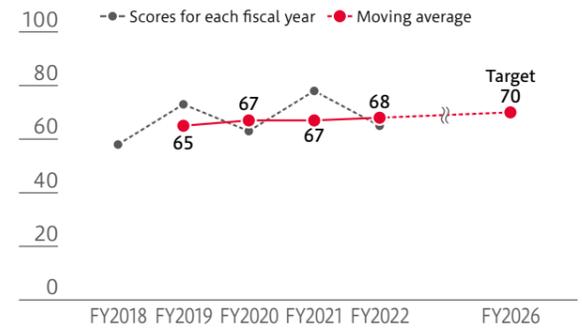
Goal 3 Safe and healthy workplaces

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.



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.

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

Please see our website for more information.

NSK Environmental Policy and Environmental Code of Conduct

A sense of crisis is growing over the advance of global warming and climate change, depletion of resources, chemical pollution of air and water, and loss of biodiversity. All of humanity faces the challenge of learning to live sustainably while protecting the global environment. The NSK Group established the NSK Environmental Policy to reflect its commitment across all of its business operations to help protect the global environment, as stated in the NSK Mission Statement. In line with this policy, we strive to develop products and services that help reduce environmental impact, and we work to reduce the impact of our own operations and throughout our value chain.

NSK Environmental Policy	NSK Environmental Code of Conduct
<p>NSK is determined to contribute to a safer, smoother society and help protect the global environment through its innovative technology integrating Motion & Control™, as declared in the NSK Mission Statement. The entire NSK Group works hard to achieve this mission by setting its own ambitious goals. The Group continues to take on the challenge of maximizing the environmentally protective benefits of its products and minimizing the environmental impact of its business activities.</p> <p>Living up to our aspiration to Change & Go Beyond, we work hard to achieve our goal of net-zero environmental impact and create the kind of new value that will drive the green society of the future. We are committed to growing sustainably and continuing to be needed, trusted and relied upon by society.</p> <p>1. Contributing to the Establishment of a Carbon-Neutral Society</p> <p>We help societies around the world to minimize energy loss by developing advanced technologies in the field of tribology (friction control and lubrication) and constantly improving our products and services. We seek to leverage our technological innovations to make our business carbon-neutral and achieve net-zero greenhouse gas emissions.</p> <p>2. Contributing to the Establishment of a Sound Material-Cycle Society</p> <p>We help build a sound material-cycle society that makes the most of the benefits of recycling by developing environmentally friendly products and producing them with as few natural resources and as little energy as possible.</p> <p>3. Contributing to the Establishment of an Environmentally Symbiotic Society</p> <p>We work hard to prevent pollution and minimize environmental impact throughout the supply chain to help build an environmentally symbiotic society.</p>	<p>All the officers and employees of the NSK Group are expected to fulfill the NSK Environmental Policy by ensuring their actions are always in accordance with the provisions of the NSK Environmental Code of Conduct.</p> <p>1. Ensuring Environmental Compliance</p> <p>We always adhere to relevant environmental laws and regulations in the countries and regions where we operate. We assess the effect of our business activities on the environment and set our own standards and policies, while striving to prevent any pollution of air, water, or soil and minimizing negative environmental impact.</p> <p>2. Fighting Global Warming and Climate Change</p> <p>We deliver products and services that help reduce energy loss, contributing to even better energy efficiency. We minimize greenhouse gas emissions across every area of our corporate activities. In addition, we cooperate with our suppliers to minimize greenhouse gas emissions in the supply chain.</p> <p>3. Conserving Resources and Practicing Recycling Measures</p> <p>We use water efficiently and procure parts and raw materials with low environmental impact. We make every effort to reduce, reuse and recycle in our production operations, while minimizing both resource inputs and waste.</p> <p>4. Developing and Popularizing Environmentally Friendly Products</p> <p>We develop advanced technologies in the field of tribology (friction control and lubrication). We develop, produce, and provide environmentally friendly products that make the most of these technologies, thereby making the greatest possible contribution to environmental protection and social progress.</p> <p>5. Conserving Biodiversity</p> <p>We monitor the effect of our business activities on biodiversity, especially in the phases of research and development, procurement, and production. We mitigate the impact of these activities and work to protect biodiversity as a responsible member of the local communities where we operate.</p> <p>6. Reducing Use of Environmentally Harmful Substances</p> <p>We properly assess the environmental risks of any potentially harmful substances we must use, and whenever possible we switch to alternatives. We practice rigorous substance management at each phase of our operations, from development and design, to procurement, production, and distribution.</p> <p>7. Communicating with Stakeholders</p> <p>We disclose the progress of our environmental management efforts, and we seek to continually improve their effectiveness. We pursue good communication with our stakeholders, including government environmental agencies, local communities, customers, and suppliers.</p>
<p>Akitoshi Ichii President and Chief Executive Officer Established December 12, 1997 Revised November 15, 2021</p>	

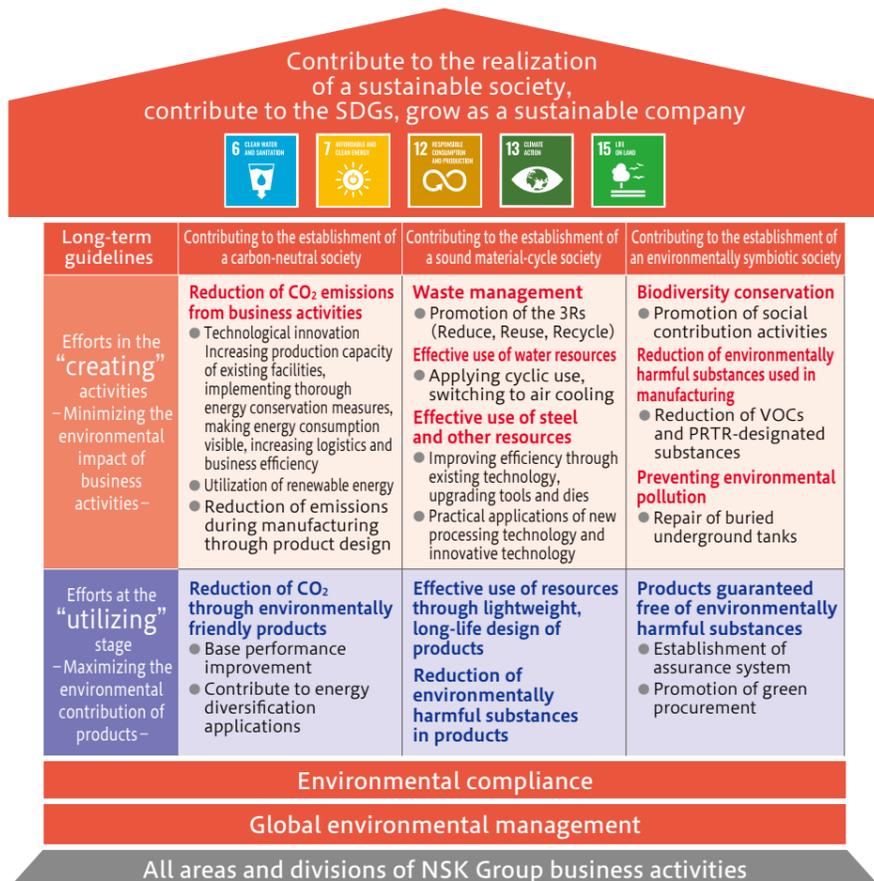
Please see our website for more information. ▶



Environmental Action Plan

NSK has established the Environmental Action Plan to promote ESG management, one of the key issues of MTP2026. Based on our global environmental management and environmental compliance, we set a “carbon-neutral society,” a “material-cycle society,” and an “environmentally symbiotic society,” as our vision, and we are promoting activities that aim to fulfill our role through minimizing the environmental footprint of our business activities and maximizing our contribution to the environment with our products. This is also linked to helping to achieve the SDGs.

NSK Environmental Action Plan



Please see our website for more information. ▶



Climate Change-Related Risks and Opportunities: Addressing the TCFD Recommendations

In January 2020, NSK expressed its support for the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures), and in line with the recommendations of the TCFD final report, NSK is working to identify risks and opportunities to its business activities due to climate change and to enhance its disclosure information, including reflection in management strategies and progress in response measures.

NSK has always recognized climate-related risks as risks of high importance, and all groups across business divisions and functional departments have been working to address them. Moreover, since FY2021, utilizing scenario analysis recommended by the TCFD, and assuming short-, mid-, and long-term changes in the business environment associated with climate change, we have been strengthening our efforts to analyze the impact of climate change on NSK’s activities and identify issues.

Risks and opportunities from climate change

With the aim of verifying the impact of climate change on NSK’s value chain and the effectiveness of its countermeasures, two scenario analyses were conducted for the period up to 2050: 1.5°C to 2°C and 4°C temperature rises. The analysis confirmed that NSK’s growth will come from proactively responding to market changes by strengthening development, production, and sales of products and services that contribute to energy conservation, while limiting the impact of stricter regulations aimed at building a carbon-neutral society.

NSK strategy

NSK has set long-term goals and is strengthening its efforts to reduce CO₂ emissions by focusing on reducing CO₂ emissions in its own business activities, and creating and contributing to CO₂ emissions reduction when its products and services are utilized by customers.

Please see our website for more information. ▶

Initiatives for Minimizing the Environmental Impact of Our Business Activities and Maximizing the Environmental Contribution of Our Products

NSK aims to contribute to a sustainable society throughout the entire life cycle of its products by minimizing the environmental impact of the “creating” stage and maximizing the environmental contribution of the “utilize” stage.

Efforts in the “creating” activities – Minimizing the environmental impact of business activities –

Development and design

Procurement

Manufacturing

Resource recycling

Logistics

Development of environmentally friendly products and technologies

NSK is developing environmentally friendly products and technologies in line with its Basic Policy for the Development of Environmentally Friendly Products. By making NSK products widely available to customers around the world, we aim to contribute to the advancement of machinery and the development of environmentally friendly industries, thereby reducing the environmental impact of society as a whole.

Basic Policy for the Development of Environmentally Friendly Products

To provide environmentally friendly products, we strive to develop products that minimize environmental impact throughout their life cycle, from research and development to design production, use, and disposal.

- Each product should contribute toward the energy and resource conservation of the machine in which it is installed.
- The amount of energy and resources required during product manufacturing should be minimal.
- Environmentally harmful substances should not be used in products or manufacturing processes.
- Products should contribute to the health and safety of end users by having low levels of vibration, noise, and dust emissions.

Environmentally Friendly Products

Development of the electrical impedance measurement method

NSK has developed an electrical impedance measurement method* that uses an electric circuit to simultaneously measure the oil film thickness and rupture rate in the bearing contact zone. This enables real-time monitoring of the lubrication condition inside the bearing, contributing to lower torque and longer service life. NSK will continue to deepen its tribology technology to achieve further energy savings.

Examples of Initiatives

▶ P.32 Strengthening Internal Capital: Intellectual Capital -Strengthening Technical Capabilities-

* Received Award from the Japanese Society of Tribologists Technology for our research

Revising Green Procurement Standards

The NSK Group Green Procurement Standards were revised in October 2022. We have asked our suppliers to understand NSK’s initiatives and to increase the level of their activities while strengthening cooperation. In addition, we have launched initiatives to reduce CO₂ emissions in Scope 3 (upstream).

Examples of Initiatives

▶ P.45 Supply Chain Management

Green Procurement Standards

Measures for energy conservation, global warming, and climate change

Through energy conservation, technological innovation, and conversion to renewable energy, NSK is implementing various measures to reduce Scope 1 + 2 CO₂ emissions by 50% from FY2017 levels by FY2026 and to achieve carbon neutrality of Scope 1 + 2 by FY2035. In FY2022, as the impact of the COVID-19 pandemic began to subside, production volume turned upward. However, we switched to CO₂ emission-free electricity and made steady progress with energy conservation activities, achieving a 43.6% reduction in CO₂ emissions compared to FY2017.

Major Initiatives

- Energy saving** : Air conditioners at plants have been replaced with air-cooled heat pumps, greatly improving energy efficiency.
- Technological innovation** : Promoting the development of new heat treatment technologies.
- Renewable energy** : Some plants in Japan have switched 100% of their electricity to effectively CO₂-free electricity, and NSK (CHINA) INVESTMENT CO., LTD., and NSK (CHINA) RESEARCH AND DEVELOPMENT CO., LTD., have achieved Scope 1 + 2 carbon neutrality.

CO₂ emissions

Examples of Initiatives

Accelerating the switch to renewable energy electricity

NSK completed the switchover to CO₂-free electricity at its main business locations in Europe in 2021, and switched to renewable energy electricity at some plants in Japan and Thailand in 2022. In addition, more than half of our plants in China have installed solar power generation equipment and are introducing their own dedicated power sources. In addition, NSK (CHINA) INVESTMENT CO., LTD., and NSK (CHINA) RESEARCH AND DEVELOPMENT CO., LTD., have achieved Scope 1 + 2 carbon neutrality through the achievement of effectively CO₂-free electricity and fuels. In this way, we are accelerating our initiatives for making our electricity consumption effectively CO₂-free in Asia as well.

Started power conversion using renewable energy for 100% of our electricity from some plants in Japan (Japanese language only)

Achieved carbon neutrality at the headquarters and R&D center in China

Photovoltaic power generation system installed on the roof of NSK (CHINA) RESEARCH AND DEVELOPMENT CO., LTD.

Resource recycling

By promoting the 3Rs (reduce, reuse, recycle) and making effective use of resources such as water, steel resources, and other minerals and resins, we aim to contribute to the creation of a recycling-oriented society. We also strive to prevent environmental pollution by properly disposing of waste.

With regard to the use of water, we have evaluated the location of the business site and the amount of water used, and have determined that the risk of limiting the use of water is low at this point in time. However, in light of the long-term risks, we are promoting measures that contribute to reducing water consumption.

Major Initiatives

- Reduce** : Reduce waste of steel and other materials by improving processing methods, tools, and dies.
- Reuse** : Promote recycling of water and repeated use of packaging and wrapping.
- Recycle** : Develop recycling routes, promote recycling of plastic containers, reduce waste sent to landfills.
- Proper disposal** : Advanced management through on-site checks of waste contractors and information systems, thoroughly observing related laws and regulations.

Changes in waste output per unit of sales

* The target is a 1% reduction from the previous fiscal year

Examples of Initiatives

Briquetting equipment installed in FY2022

Waste from grinding processes accounts for about 40% of the NSK Group’s waste. The NSK Group views the reduction and stable recycling of grinding waste as a particularly important issue and is taking the necessary measures.

To this end, we have installed equipment at our plants around the world to compress grinding debris, reduce the water content, and solidify it into briquettes to reduce weight and volume, enabling it to be recycled as a raw material for steelmaking.

Briquetting facility at the Peterlee plant (UK)

Reduction of waste in logistics

NSK is in the process of switching distribution pallets for loading and transporting products when making deliveries to customers, from wooden ones to plastics.

By switching to plastic pallets, the pallets are less prone to breakage and can be used for a longer period of time, significantly reducing the amount of wood used. They also have the advantage of not chipping and splintering during use. Furthermore, pallets that are no longer usable due to damage or deterioration can be recycled as raw materials for new resin products, thus providing excellent resource recycling.

Plastic pallet

Examples of Initiatives

Efforts at the “utilizing” stage – Maximizing the environmental contribution of products –

In addition to products that contribute to energy and resource conservation, we aim to maximize our customers’ environmental contribution at the “utilizing” stage by providing services such as condition monitoring systems that help maintain good equipment operation and repair of bearings with light damage.

Providing solutions throughout the product life cycle and contributing to the realization of a sustainable society

▶ P.27 Addressing Automation, Labor Savings, Smart Technology, and Other Needs

Contribution to CO₂ emissions reduction

Direct contribution*1:

Direct contribution to reducing CO₂ emissions through the performance of individual NSK products

High-speed rotating ball bearings for electric vehicle drive motors

Low friction hub unit bearings

Indirect contribution*2:

Indirect contribution to avoiding the emission of CO₂ by incorporating NSK products in customer equipment and facilities related to decarbonization or providing product repair and other services

Bearings for wind turbine generators

CO₂ Emission Reduction Contribution by Products*3

Fiscal Year	Direct Contributions (10,000 t-CO ₂ /year)	Indirect Contributions (10,000 t-CO ₂ /year)
FY 2016	76	48
FY 2017	63	61
FY 2018	53	83
FY 2019	70	75
FY 2020	100	125
FY 2021	71	156
FY 2022	77	152
FY 2026 (Target)	229	300

*1 Formula for calculating the amount of contribution: Amount of CO₂ emission reduction contribution per NSK product × sales volume × number of years of operation (Guideline for the reduction contribution quantification for bearing CO₂ emissions, The Japan Bearing Industry Association)

*2 Contribution calculation formula: CO₂ emissions avoided per unit × rate of contribution of NSK products × sales volume × years of operation

*3 The CO₂ emission reduction contribution in past fiscal years is reviewed based on the emission factor used to calculate the CO₂ emission reduction contribution from electricity consumption in FY2022.

Examples of Initiatives

World’s first establishment of highly accurate prediction technology for bearing life

Established a technology that uses ultrasonic inspection (Micro-UT method) to estimate the size and amount of minute non-metallic inclusions inside steel materials that affect bearing life and predict bearing life with high accuracy. This will enable customers to take advantage of the long-life performance of NSK bearings which is more effective at reducing CO₂ emissions than conventional fossil-based plastics.

Developed the world’s first biomass plastic retaining piece NSK S1™ for ball screws

Developed the world’s first 100% plant-derived biomass plastic retaining piece NSK S1™ for ball screws, expanding the use of biomass plastic, which is more effective at reducing CO₂ emissions than conventional fossil-based plastics.

Development of edible oil deterioration control filter

The edible oil deterioration control filter developed by NSK’s materials technology extends the life of cooking oil for deep frying and reduces the number of replacements, thereby contributing to resource conservation and water quality preservation through waste oil volume reduction.

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 03 Strategy and Resource Allocation
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04 Sustainability Safety Management

The NSK Group positions safety as one of its core values, a common value standard that is given the highest priority in management decisions and actions. We are pursuing a number of initiatives to ensure the safety of each and every employee and to enable all employees to act safely based on our safety philosophy.

NSK Group's Safety Philosophy
Safety takes precedence over everything else
Creating a safe, secure, and comfortable workplace

Acquisition of Health and Safety Management System Certification

Each of NSK's plants has obtained external certification for ISO 45001, the international standard for safety and health management systems. We are not satisfied with the status quo, but are constantly striving to improve our activities in order to enhance the level of safety.

NSK believes that the effectiveness of its management system can be enhanced by having each of its plants ISO 45001 certified and regularly audited by a third-party organization. By June 2023, 77 sites (29 in Japan and 48 outside of Japan) will be certified, and we plan to complete certification at all eligible sites in FY2023.

NSK Group Safety Initiatives

Foster, spread, and instill a culture of safety	Build "zero accident" workplaces	Put preventive and predictive technologies in place
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The NSK Group has three key safety policies.

As part of "Foster, spread, and instill a culture of safety," workshops are held for employees working at production sites to foster a mutually enlightening culture of safety. In addition, to encourage management to exercise felt leadership (leadership that is felt by employees), we have held core value workshops for executive management from FY2020.

As part of building "zero accident" workplaces, we are working to prevent serious accidents by reducing the risks of equipment and operations through STOP 6+2 activities and risk assessments. We also work to create a safe working environment for our business partners, such as outsourcing contractors and subcontractors.

In addition, we are promoting the "putting preventive and predictive technologies in place" for equipment to detect abnormal signs that could lead to disasters in advance and prevent major breakdowns.

External Recognition for Safety Activities

To improve safety levels, NSK focuses on risk assessment activities (identifying, prioritizing, and determining actions to be taken to address risks at work sites). We seek to acquire SA and SSA certifications to reduce the variation in knowledge and level among staff so that risk assessments can be conducted efficiently with correct knowledge. At the same time, we have reduced the number of accidents by promoting safety measures at our facilities. In recognition of these achievements in safety-related human resource development and the reduction of the number of occupational accidents, we received the Encouragement Award at the 8th Mukaidono Safety Award.*



Mukaidono Safety Award, Encouragement Award Ceremony

* Mukaidono Safety Award
 Managed by The Institute of Global Safety Promotion, this is one of the country's leading awards presented to individuals and organizations that have contributed to the maintenance, improvement, advancement, and dissemination of safety in the industrial sector.

STOP 6+2 Initiatives

STOP 6 is an initiative for occupational safety to prevent fatal and serious accidents. In the manufacturing industry, STOP 6 classifies accident causes and conducts key activities.

[STOP 1] Getting caught in or entangled in machinery	[STOP 4] Falling down or falling from a height
[STOP 2] Contact with heavy objects	[STOP 5] Electric shock
[STOP 3] Contact with vehicles	[STOP 6] Work with hot objects, accident caused by explosions

To these activities, NSK has added "oxygen deficiency and poisoning" and "prohibition of working alone" to its STOP 6+2 activities.

Definition

Please see our website for more information. ▶



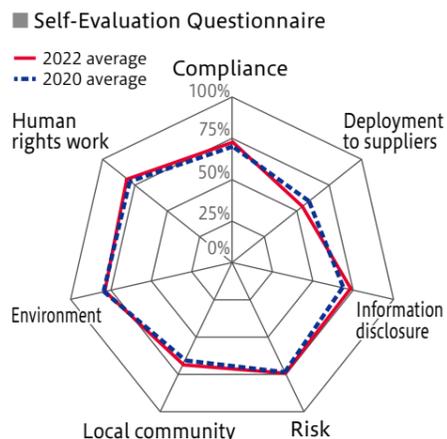
04 Sustainability Supply Chain Management

NSK's business is supported by many suppliers. NSK considers its suppliers to be indispensable business partners for NSK and aims for mutual development while building relationships of trust. Based on our basic philosophy of conducting fair and impartial procurement activities that are considerate of impacts on both society and the environment, we are engaged in efforts throughout our entire supply chain to help create a sustainable society.

NSK distributes the NSK Supplier CSR Guidelines to its approximately 1,700 global suppliers, requesting compliance initiatives such as adherence to competition and anti-bribery laws, human rights and labor initiatives such as the prohibition of child labor and forced labor and occupational health and safety, environmental initiatives such as reductions in CO₂ emissions, and community initiatives such as avoiding the use of conflict minerals.

Revised Supplier CSR Guidelines and Strengthened Initiatives

In June 2023, we held an online procurement policy briefing to explain the contents of our fully revised Supplier CSR Guidelines, as well as to seek responses to growing social demands for human rights, labor, and climate change countermeasures. We also conducted a biennial self-assessment survey in Japan, asking 500 suppliers to respond, and received responses from 90% of suppliers. The results of the survey were fed back to each company, and we asked them to take measures to address the issues identified, such as strengthening measures to prevent industrial accidents and improving the level of green procurement. We have begun to deploy CSR guidelines and feedback to overseas suppliers from each of our bases. Requirements for human rights and the environment in each region are becoming stricter, and we will work with our suppliers to raise their level of compliance.



Please see our website for more information. ▶



Respect for Human Rights

NSK aims to conduct business activities in accordance with its corporate philosophy and to remain a globally needed and trusted company. In accordance with the United Nations Guiding Principles on Business and Human Rights, we support and respect international norms such as the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, and fulfill our responsibility to respect the human rights of stakeholders involved in NSK's business activities.

Compliance with Human Rights Laws and Norms

To further clarify our commitment to conducting business activities with consideration for human rights in each country and region, we established the NSK Human Rights Policy in 2022. The NSK Code of Corporate Ethics also stipulates items to be observed regarding human rights and labor, such as the prohibition of discrimination, harassment, forced labor, and child labor, and proper management of working hours, and requires that all officers and employees thoroughly observe these rules.

Ascertaining and Mitigating Human Rights Risk

Items associated with human rights and labor, such as labor-related legal violations, discrimination, and harassment, are included in the risk assessments that are conducted annually at all NSK Group business sites. Based on the regional situation and trends in legal revisions, risk mitigation measures are taken for items judged to be of high importance.

To fulfill our responsibility to respect human rights not only in our own business activities but also in cooperation with our customers and suppliers, we identify and assess human rights risks and promote initiatives to prevent and mitigate human rights violations (human rights due diligence). In addition, the content of our human rights policy and corporate ethics rules is reflected in the NSK Supplier CSR Guidelines, and we request our suppliers to make efforts to address human rights and labor issues.

NSK Code of Corporate Ethics

The NSK Code of Corporate Ethics defines the universal principles that the Company and its officers and employees must observe in carrying out various corporate activities in accordance with the NSK Group's corporate philosophy system. With respect to human rights, the specific provisions are as follows:

14. Prohibition of discrimination, cultivation of a sound workplace
 Personnel must respect the rights of individuals and shall not unfairly discriminate on the basis of race, appearance, belief, gender, social status, lineage, ethnicity, nationality, age, marital status, physical disability, or other inappropriate reason. In addition, personnel must not engage in acts that are disturbing or threatening to others.

15. Respect for fundamental rights at work
 Personnel must not use forced or child labor. In addition, personnel must comply with all labor laws and respect fundamental rights at work.

Definition

Please see our website for more information. ▶



04 Sustainability Quality Management

Quality Vision

The NSK Group regards quality as one of its core values. We have also established Quality Assurance Vision 2026 as a goal to be realized by 2026, aiming to achieve “100% good products” with “services that put the customer first.” We will achieve Total Quality No. 1 through consistent and seamless quality improvement efforts in collaboration with our divisions.

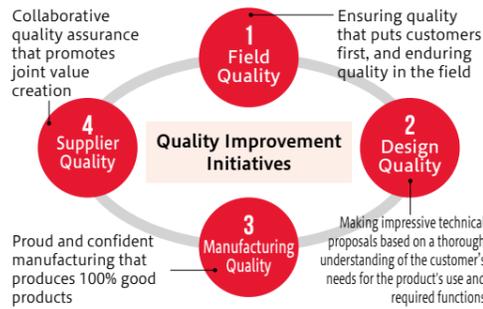
Three Pillars of NSK Quality Assurance



1. NSK Product Development System (NPDS)	To quickly transform new orders into reliable, stable production, we promote initiatives that incorporate quality into individual processes.
2. NSK Quality No. 1 (NQ1) Program	We work hard to realize stable production and ensure zero defects.
3. Human Resource Development	We promote human resource development to build a stronger foundation for quality systems.

Quality Improvement Activities to Ensure Product Safety

To ensure quality that puts customers first, and enduring quality in the field, the NSK Group strives to improve quality throughout the product process from design to suppliers, and manufacturing.



1 Field Quality

We will accurately identify the needs not only of customers who directly use NSK products but also seek understanding from the perspective of the end users who use the products in which NSK products are incorporated. Armed with that knowledge, we will propose products and services to customers that meet the quality requirements of society.

2 Design Quality

To mass-produce products that satisfy our customers for new projects, we globally deploy the NPDS quality control system, one of the three pillars of NSK’s quality assurance. We make sure that all concerns are resolved and quality is built in each process from product planning to development and design, prototyping, and mass production.

3 Manufacturing Quality

To provide society with products of the quality demanded by our customers, we are working on a quality approach that entails establishing a manufacturing process that emphasizes the 4Ms—Man, Machine, Material, and Method. We also provide quality education for all employees to continuously improve their awareness and knowledge.

4 Supplier Quality

High-quality parts, materials, and oils are essential for high-quality products. The NSK Group is taking steps to enhance quality based on relationships of trust with suppliers. The Quality Assurance Division Headquarters will take the lead in visualizing the quality of our suppliers’ products, planning improvement issues, and working on quality improvement activities in cooperation with factories that receive our suppliers’ products.

Under these four guidelines, we will work as one to realize the creation of quality. We have also acquired external audit certification for our quality management system to ensure that our quality activities are properly managed and operated in accordance with our policies.

Quality Management System

The NSK Group has obtained ISO 9001 and IATF 16949 certifications, the international standards for quality management systems, at its development, design, and manufacturing facilities. In addition, the effectiveness of our quality management system is verified through periodic third-party and internal audits, and when problems are found, appropriate corrective measures are taken to continually improve the level of our efforts.

Response to Product Defects

NSK provides customers with technical information and handling instructions to ensure the safe use of its products. We do our best to ensure quality, but in the unlikely event of a product or service defect, we will promptly inform the customer of the information, and all relevant departments will work together to take prompt and appropriate action to prevent the problem from spreading. We will also investigate the cause of the problem and prevent its recurrence.

Please see our website for more information. ▶



04 Sustainability Information Security

The use of digital technology is expanding across an increasingly wide range of fields. At the same time, the volume of information and data is also increasing dramatically with the forms in which it is held and used continuing to diversify. Against the backdrop of this business environment, in addition to the risks associated with the improper handling of information, there are growing concerns surrounding information leaks and the adverse effects on the supply chain due to increasingly sophisticated cyberattacks. Positioning information security management as one of its important management tasks, NSK is working to reduce a variety of risks while strengthening its response to relevant laws and regulations. Moreover, we are promoting initiatives for more robust mechanisms and organizational structures, such as network countermeasures, against increasingly sophisticated cyberattacks.

Information Security System

The NSK Group is enhancing its managerial resources and transforming its business through the power of digital technology. We established the Information Security Enhancement Office under the Digital Transformation Division HQ to enable the safe use of digital technology and to globally deploy information security enhancement measures that take into account the relationship between digital technology and cybersecurity. Moreover, information security-related risks are supervised under the Corporate Risk Management System. Information security is also discussed by the Board of Directors as an issue that concerns the Group as a whole. The Information Security Enhancement Office regularly holds global meetings, working in cooperation with information security management committees in Japan, the Americas, Europe, China, ASEAN and Oceania, India, and South Korea. NSK is working to improve the information security management level of the entire NSK Group, and to plan and implement information security measures.

Management and Operation of Rules and Regulations

NSK has established a basic information security policy and put in place subordinate rules and regulations. We review and expand this policy, as well as rules and regulations, in line with the enforcement and revision of statutory and regulatory requirements and changes in our operating environment. Moreover, we are working to ensure that information security rules and risk countermeasures are implemented throughout the organization via increased awareness, development, and education, as well as periodic checks on the status of their penetration.

Major Information Security-Related Regulations

NSK Group Basic Policy on Information Security	This policy sets out the objectives for the NSK Group’s information security (information security initiatives, handling of information assets, compliance with laws, regulations, and contracts, as well as education and continuous improvement).
NSK Group Information Security Management Standards	As the top information security directives in the NSK Group, these standards outline the principles for bringing the levels of information security management across the Group up to the same high standard.
NSK Group Information Security Procedural Standards	These rules stipulate measures to protect information assets, such as proper methods for handling information assets that need to be adopted across the NSK Group.

Information Security Initiatives

NSK has established a PDCA cycle for its information security management system, which includes periodic inventory and risk assessment of information assets and the formulation of plans for addressing and improving risk issues. As a result, we have acquired and maintain ISO/IEC 27001 certification, an international standard. In addition, based on demands from customers, we acquired TISAX certification, a security certification broadly adopted in Germany’s automobile industry, at nine locations in Europe, China, and Japan.

As part of our efforts against cyberattacks, we have put in place a security incident response system to reduce risk and minimize the impact of damage through swift action based on preparatory steps and detection. In addition, we have defined incident levels and set out response procedures. We have also conducted drills on the assumption that an incident has occurred as well as targeted threat e-mail training to all NSK Group employees using PCs in cooperation with the Systems Management departments of each region. Furthermore, security assessments are conducted by an external expert contractor for Internet public systems and internal critical systems. Given the growing risk of attacks against the supply chain in recent years, we are enhancing security systems at our plants and conducting information security inspections at business partners.

As far as the Company’s training and education endeavors are concerned, NSK is working to maintain and raise employee awareness toward information security through periodic e-Learning courses for employees in Japan and overseas. We are also conducting training by employee category, including officers and Systems Management Department members, as well as for employees entering the Company or personnel posted overseas.

Please see our website for more information. ▶



04 Sustainability Compliance

The NSK Group positions compliance as one of its core values. We aim to continue developing as a company that is trusted by international society and local communities by adhering to the laws and regulations of each country in our corporate activities around the world, and by taking actions based on high ethical standards as a corporate citizen.

Initiatives to Reduce Compliance Risks in Each Division

With the aim of reducing compliance risks in each division, the NSK Group conducts compliance training by department.

In sales departments, we have been conducting training on the themes of competition laws and keeping the cartel incident fresh in our memories since FY2012. In FY2022, training was held on the themes of the Antimonopoly Act and mismanagement of expenses. Looking back on the response to the cartel incident, we continued to implement the storytelling activities that began in FY2020 to pass on the facts and lessons learned. Employees from all sales divisions in Japan attended the course.

In production departments, training is conducted on the theme of preventing quality fraud such as data falsification. In FY2022, we conducted operator-level employee training at three production sites in Japan, and all employees attended the course.

In engineering departments, we conducted training on the themes of fostering engineering ethics and preventing quality fraud such as data falsification. In FY2022, employees from all technical departments in Japan attended the course.

Compliance Hotline (Whistleblowing System)

The NSK Group has made explicit in its internal rules that employees who learn of acts that violate or might violate the NSK Code of Corporate Ethics or compliance are to contact the compliance hotline made available in their regions and countries. The Group makes sure that employees are well informed about these hotlines. In some countries and regions, the hotline is available to suppliers, as well.

In Japan, we established hotline operational rules to ensure that the functioning of our system is in full compliance with Japan's Whistleblower Protection Act. We have also set up internal and external hotlines, which accept reports 24 hours a day. The system allows hotline users to remain anonymous, and rules are established to ensure they are protected from disadvantageous repercussions. Reported incidents are investigated by the Legal and Compliance Division Headquarters in Japan and by the local legal department outside Japan with the help of relevant departments as needed. If a compliance violation becomes apparent, corrective actions and recurrence prevention measures are quickly taken where needed.

We are working to ensure that employees are well informed about the compliance hotline. This is done by putting up posters about the compliance hotline and distributing

business card-sized cards containing the hotline contact information. By disclosing the number of reports and the status of measures taken in response to reported incidents through internal corporate communication tools, we are working to create a corporate culture that allows employees to use the system with peace of mind.

In FY2022, 143 reports were received globally.

Preventing Bribery

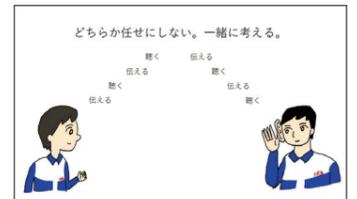
The NSK Group's Anti-Bribery Standards prohibit officers and employees not only from engaging in bribery but also from giving or receiving entertainment or gifts that deviate from publicly accepted norms. In principle, the provision of entertainment or gifts to any officer or employee of a public institution is prohibited. Based on the Anti-Bribery Standards, localized internal regulations have been established for Group companies worldwide, based on relevant anti-bribery laws. These are communicated through periodic training to prevent bribery.

NSK Corporate Philosophy Day

To revisit the lessons learned from past incidents, reconfirm the resolve of all NSK Group employees that no anticompetitive incident will ever occur again, and ensure that all employees review the Corporate Philosophy and make it their own code of conduct, July 26, the date of our on-site inspection by the Japan Fair Trade Commission, has been designated as "NSK Corporate Philosophy Day."

In FY2022, employees at our domestic and overseas bases watched videos titled "Message from the President," "Understanding Our Corporate Philosophy," and "A Look Back at the Cartel Incident." Thereafter, in Japan, a presentation in animated form was given on the importance of each individual communicating and listening to their thoughts and feelings in order to act in accordance with the Corporate Philosophy. Taking advantage of NSK Corporate Philosophy Day, group discussions were held at each workplace on the themes of "things that bother me" and "things I want to change," as an initiative to share their own thoughts.

Overseas, after a message from the management of local bases, each site held its own events that included lectures by outside experts and discussions on compliance.



Animation for NSK Corporate Philosophy Day

Please see our website for more information. ▶



04 Sustainability Business Continuity Management (BCM) -Initiatives to Strengthen Crisis Management and Business Continuity-

NSK's basic policy is to place the highest priority on ensuring the safety of human life. As the Company responds to disasters in collaboration with society, it works to prevent disruptions to essential operations. In the event of a suspension, NSK makes every effort to promptly resume operations. To shorten the time required to resume production, we have formulated a Business Continuity Plan (BCP) that includes thoroughgoing disaster mitigation measures to minimize damage at the time a disaster occurs and measures to shorten the recovery period. The BCP also includes steps to ensure sufficient inventories to meet our responsibility to supply products to customers for a period longer than required to resume production.

NSK Group Business Continuity Management System

We have established the permanent Crisis Management Committee under the direct control of the CEO. This Committee is charged with the responsibility of overseeing business continuity management initiatives. In this manner, we have put in place a system for directing and controlling preparations and contingency responses for such incidents as natural disasters, the outbreak of infectious diseases, major accidents, and other risks that might materialize. In addition, organizations have been established in each region outside Japan to oversee business continuity management. The Crisis Management Committee will work with these organizations to deal with risks when they emerge.

Conducting Self-Inspections of Business Continuity Management Systems as well as Crisis Management and BCPs

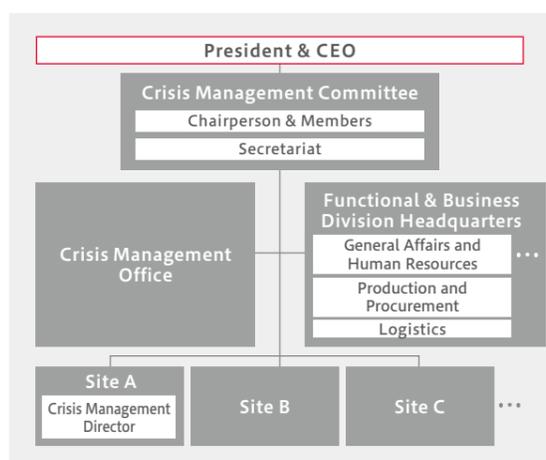
As far as its business continuity management systems are concerned, NSK has prepared inspection sheets based on the business continuity guidelines issued by the Cabinet Office of Japan. The Company conducts periodic self-inspections of headquarters functions and identifies issues in all regions in Japan and overseas. Moreover, we evaluate the current status of crisis management and BCP measures at each business site based on our own guidelines, and clarify issues so that we can respond promptly in the event of an emergency.

Strengthening Emergency Response and Business Continuity Measures through Training and Workshops

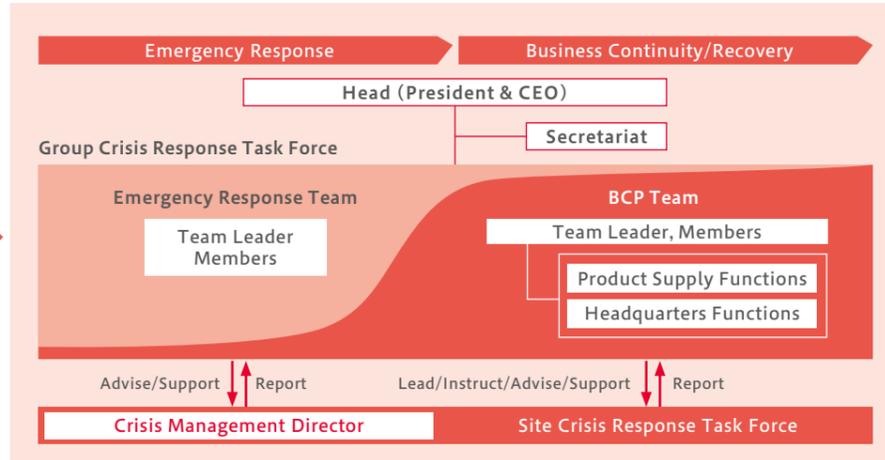
Utilizing our Fukushima Plant as a model case, we published a manual in FY2022 to shift away from a headquarters-led approach and encouraged bases to conduct training on an independent basis. In this manner, we are working to strengthen our emergency response capabilities. Plans are in place to conduct voluntary training at all bases in Japan in FY2023.

NSK believes it is important for divisions to formulate a business continuity countermeasures implementation plan that incorporates damage assumptions by business resources, including people, equipment, and infrastructure. In FY2023, we will hold workshops at key locations to improve the level of business continuity capabilities.

Normal Times



Emergencies



Please see our website for more information. ▶



05 Corporate Governance Director Dialogue



Junji Tsuda

Appointed as a director at NSK in June 2022 after serving as president and representative director of Yaskawa Electric Corporation. He serves as Chair of the Nomination Committee.

Mitsuhiro Nagahama

Appointed as a director at NSK in June 2020 after serving as vice-president of Mizuho Corporate Bank, Ltd. (now Mizuho Bank, Ltd.). He serves as Chair of the Compensation Committee and a member of the Audit Committee.

Sayoko Izumoto

Appointed as a director at NSK in June 2022, having extensive experience as a certified public accountant. She serves as Chair of the Audit Committee.

Saimon Nogami

Appointed as a director at NSK in June 2013. After serving as representative executive officer and senior executive vice president, he was elected Chair of the Board of Directors in June 2023.

NSK strives to improve its corporate governance system in order to achieve sustainable growth and increase corporate value in the mid to long term. We asked three outside directors and the chair of the Board of Directors to discuss the progress and challenges of the Mid-Term Management Plan (MTP2026) formulated in 2022 and explain how the Board of Directors will work to increase corporate value in the mid to long term.

01 Current state of NSK's Board of Directors

Mr. Nogami

In 2004, NSK became one of the first companies to transition to a Company with Three Committees system. Compared to when I was appointed as a director around 2013, I strongly feel that over the past four or five years in particular the Board of Directors has been able to have

more free and open discussions about the current state and future direction of management. I think there was a change in our directors' awareness of their responsibilities and accountability spurred on by the introduction of the Corporate Governance Code in 2015 and increasing demands from society. I think the outside directors also felt this shift. I also believe that the increase in the number of people with such an awareness who take on the responsibilities of becoming outside directors at NSK has had a significant effect on the way our Board of Directors operates.

As a result of this change, discussions are being held

on the direction in which we should take the Company based on a comprehensive view of NSK's position and actual capabilities in light of the strategic approaches being taken by companies and the state of the industry as a whole. For example, in budget discussions and the formulation of the Mid-Term Management Plan (MTP2026), the outside directors have been deeply involved in substantive discussions and have made quite strong suggestions.

02 Impressions of the past year since being appointed

Mr. Tsuda

What has surprised me in serving as an outside director for NSK over the past year is that, as a Company with Three Committees, there is a lot of authority on the executive side. For example, in the case of NSK's joint venture with JIS (Japan Industrial Solutions) in the steering business, after the Board of Directors made a resolution on the basic policy and strategic framework for MTP2026, we received a report on the joint venture as a concrete step in the structural reform of the steering business. This was not treated as a matter for resolution put before the Board of Directors, but as an executive action based on the approved strategy, where a swift decision was made by the executive side, and the details were reported to and discussed by the Board of Directors. I was really surprised—in a good way—that NSK has an organizational structure that enables the executive side to take responsibility and make decisions when circumstances require a change in tactics to drive the Company's strategy forward.

For the Board of Directors, it is important to monitor whether the executive side is progressing toward the targets set by the Board. In a company with an Audit and Supervisory Board, there are many proposals that should

be approved by the Board of Directors, some of which are difficult for the Board to decide upon. However, this is not the case for NSK, being a Company with Three Committees. The focus of NSK Board meetings is on discussing key mid- to long-term strategy rather than approval for executive proposals, making Board of Directors meetings very effective.

Ms. Izumoto

Speaking from my position as a member of the Audit Committee, I receive a greater amount of information than other outside directors because the Audit Committee meets on a monthly basis, which is more frequent than other committees. If we have any questions, the Internal Audit Department provides detailed explanations, and we receive necessary information in a timely manner. Considering things from my position as an outside director, there are times when I can't get quite the information I want unless I go and get it myself—but in the case of NSK, the Company answers my questions immediately and has been receptive to my proposals.

In addition, opportunities for us to visit production sites have gradually increased. After seeing only a little

bit of a plant, the other outside directors seem to have a good understanding of the shop floor and are able to ask pointed questions and make salient observations concerning site management. Coming from an accounting and auditing perspective, I am very impressed with the perceptive opinions of the other outside directors during these visits. In this sense, I feel that NSK's Board of Directors has a well-balanced makeup of outside directors with diverse backgrounds.

03 Diversity and roles of outside directors

Mr. Tsuda

I am a member of the Nomination Committee. NSK prepares a long list of candidates for the outside director selection process. I feel that the selection process is really excellent because not only does the list of outside director candidates emerge at quite an early stage, but it is also very clear what kind of candidates NSK is targeting.

In addition to further developing discussions by the Board of Directors, I would like us to be more aware of proactive governance.





We have made great progress in addressing the key issues of MTP2026. The most important challenges lie ahead of us.

Mr. Nogami

As a prerequisite for the appointment of outside directors, we have to consider the functions and roles of the Board, the size of the Board, and what composition of membership we should aim to achieve. At present, we try to structure the Board with two or three outside directors who are corporate managers or have corporate management experience from companies of a certain size and industry, as well as accounting professionals and people with management experience in capital and financial markets. Our outside directors serve for relatively short terms, but we decide who is most suitable for appointment next based on these prerequisites for the composition of the Board.

Mr. Nagahama

As NSK is a manufacturing company, we believe unequivocally that it is desirable for our outside directors to have experience in the management of manufacturing companies. On the other hand, the Corporate

Governance Code requires disclosure of our directors' skill matrix. The idea behind this is to encourage companies to appoint multiple directors with different experiences, knowledge, and areas of expertise to discuss the Company's management tasks from their own unique perspectives, and, by doing so, aim to improve the value of the Company in the mid to long term. This is the reason why we also appoint people outside of the manufacturing industry as outside directors.

Given that I come from the financial sector, it is natural for me to provide input on finance and finance-related issues, but the most important area where I should also contribute in terms of improving NSK's corporate value is the development of operational infrastructure. In particular, I believe that one of my key roles should be to strengthen and expand the governance framework on a global and Group-wide basis.

The foundational strategy of the Mid-Term Management Plan itself was basically created by those on the executive side. In response to this strategy,

plan designed to come after the seeds have already been sown, and I was relieved to confirm that things were proceeding under those conditions. However, it is necessary to make preparations for the next mid-term management plan during this five-year plan, which I believe presents a challenge for NSK. Although it is difficult to see what the future holds, I believe that major developments in the manufacturing industry occur on roughly a 50-year cycle. Therefore, we must envisage the direction of how the world is likely to change over the next 50 years, and how the world will look and be operating 10 years from now. We must begin development based on those projections now, or we won't be ready in time. In that respect, when I visited NSK's Fujisawa Technology Center and was shown that NSK has various profound technologies, I wanted to see more of how those technologies are being sown as seeds for the future. I feel that NSK has a lot of technology seeds to sow.

Ms. Izumoto

In my case, over the past year, I have conducted audits from the perspective of confirming how far MTP2026 has been incorporated into frontline operations, and whether employees are taking ownership of the plan. I am an outside director and was only in the first year of my appointment, so understanding the contents of the plan was my starting point. I also interviewed employees at several plants about whether the content of the plan was created by those on the front lines as opposed to a top-down perspective, and what kinds of discussions they had at their respective sites. When I listened to what they had to say, I realized that the plan was created by everyone, in a hands-on manner. In terms of the progress of the Mid-Term Management Plan, while there are some areas where things have not gone as expected due to the impact of the slowdown of the Chinese economy and the rise in prices for procuring materials and parts, I feel that everyone has a firm grasp of what they can achieve in line with the flow of MTP2026 and how much they can accomplish over the course of the next five years.

The keyword for MTP2026 is Change & Go Beyond,

and I believe that the human resources responsible for the next mid-term management plan after MTP2026 will change. It is natural in any company for someone in a certain position to be transferred to another role with another person coming in to take over for them. However, from what I have seen inside NSK over the past year, I feel that NSK is a company that manages to pass the baton in these personnel transfers to people who are able to truly deliberate the key issues facing the Company, and I think that this strength is part of the DNA of the organization. In other words, I feel that the Company's goals are not an uphill struggle because the direction of management and specific actions to be implemented to achieve those goals are being shared at each operational site.

Mr. Tsuda

The "Change" that President Ichii is talking about is a really difficult thing to accomplish. Depending on the case, I think there are two types of changes that might be required: changes to the Company's culture itself and changes to products or ways of working to adapt to the requirements of society. What I did at Yaskawa Electric was the former, so I had a really hard time.

outside directors from the manufacturing industry offer astute opinions and ask pointed questions that get to the essence of the plan from a manufacturing perspective, whereas I am more conscious of exploring the global and Group-wide governance framework, as an alternative perspective. Over the past year, since the launch of MTP2026, we have made significant progress in addressing key issues, including those concerning the steering business. The most important challenges lie ahead of us. To achieve the goals of MTP2026, I would like NSK to squarely address what it needs to create a governance framework that supports the Company's strategies and response to challenges, and how it can strengthen and expand that framework.

04 Follow up on progress and understanding of issues concerning MTP2026

Mr. Tsuda

When I was appointed as an outside director, I first needed to understand the positioning of MTP2026 since it had already been established. NSK is a BtoB company like Yaskawa Electric and has many customers in the same industries. The span of NSK's business with its customers is also long in the sense that NSK's products are incorporated into its customers' products. It takes three years from the time the customer chooses NSK to the time sales are actually made, but the development phase starts before that. In other words, if development does not begin before the start of MTP2026, sales for those orders will not make it in time to contribute to the plan. I was anxious when I first saw the contents of MTP2026, but when I listened to the ideas behind it, I understood that it was a

Mr. Nogami

For NSK, the concept of "Change" has many aspects and is filled with various sentiments, but one of its essential aspects is a sense of speed. This means further accelerating the cycle of identifying issues, discussing them together, and taking action. For example, for management and frontline issues, we believe that we will be able to overcome another barrier or two that we were unable to overcome before by aiming to repeat the improvement cycle 10 times instead of the three times we have ended up repeating it until now.

In terms of challenges and progress for MTP2026, the biggest challenge facing NSK when formulating the plan was how to envision the future of the electric power steering business, which had already started to put pressure on the Company's profitability. With the increasing demands for technological development and the necessity of establishing a global supply system in the dramatically changing automotive industry, the question was whether NSK should continue flying solo with the steering business or seek out another solution. After being thoroughly discussed on the executive side and even

The issue lies in the extent to which we can grasp the changes in society and the outlook for the future, and sow seeds for the future beyond MTP2026.





Further increasing productivity will lead to an increase in corporate value in the mid to long term.

this has not changed, but social demands and the work environment are changing day by day, and the speed of that change is accelerating. In this evolving environment, we will focus on establishing an optimal compensation system that supports new business strategies and contributes to increasing NSK's corporate value in the mid to long term.

05 Requirements for improving corporate value in the mid to long term

Ms. Izumoto

To increase corporate value in the mid to long term, I think it is necessary to further increase frontline productivity by leveraging the power of digital technologies. This will require substantial investment in the future. NSK has a truly long tradition of using its production equipment for a long period of time by keeping it well-maintained, with some machines at its plants being in operation for 30 to 40 years. Nevertheless, NSK must continue to increase productivity as Japan's population continues to decline.

The MTP2026 management tasks also properly highlight the ultra-stabilization of production, which consists of initiatives aimed at improving productivity. However, I think that this will be quite a tough challenge because NSK has manufacturing sites all around the world. The investments for this, which include digital technologies, require a substantial amount of cash, so I hope that President Ichii and the other executives will exercise strong leadership to steer management in the right direction.

Mr. Tsuda

Increasing productivity is a fundamental part of the manufacturing industry. Emerging countries looking to

further discussed by the Board of Directors, we decided to take a new leap forward by incorporating the carveout of the steering business into the MTP2026 strategy.

That being said, we are already in the midst of intensifying our discussions on how NSK should grow and what kind of company we should be following the steering business carveout. I hope that these discussions will lead to a solid increase in current business performance and expect that the increase in performance will lead to higher valuation from the stock market.

Mr. Nagahama

At the start of MTP2026, it was clear that the steering business was the most urgent key issue to be addressed, so I think it was a major achievement that we were able to carve out such a big path in a short period of time after starting MTP2026. I highly commend the efforts of the executive side.

As NSK seeks to achieve further growth based on its new

business portfolio for the remainder of the five-year plan, we must further deepen the level of our discussions and work decisively to implement essential measures. The main themes concerning the achievement of Growth with Profitability, one of the key management tasks in MTP2026, are making a full-scale response to the electrification of automobiles, expanding the Industrial Machinery Business, and strengthening our response to new products and new business areas across the organization. At the same time, the immediate challenges for NSK in terms of establishing the business infrastructure to support its ability to address these management tasks include enhancing the risk management system on a global and Group basis and deepening the level of the business management framework. Another key point will be to review and further enhance the director/officer compensation system. In last year's Integrated Report (NSK Report 2022), as chair of the Compensation Committee, I stated that NSK has an advanced and pioneering compensation system. My view of

catch up in the industry will introduce the latest machinery to start their businesses, so even a long-established company like NSK needs to invest a certain amount in order to remain competitive. When investing, financial standing can be an issue, but NSK has an adequate financial structure to make investments without any problems. I would like to see NSK leading the industry in productivity improvement investments.

It is important not only to look beyond MTP2026 to the next mid-term management plan but also to look further ahead to see how much NSK can achieve. When it comes to development, it's normal for nine out of 10 projects to end in failure. What we need to look at is how well proactive governance has been implemented in the Company's organization. In other words, we need to examine whether management is capable of pushing the Company forward. China is a threat among the countries that are catching up in the industry. Not only are Chinese companies successively upgrading their equipment but also their technical personnel work hard, and many of those personnel enjoy their jobs. I think that we need to work to ensure that Japan doesn't fall behind.

Mr. Nagahama

We need to focus on employee engagement. This means employee morale, loyalty to the company, and a proactive spirit and approach to taking on new initiatives. NSK has a good financial position and stable business conditions. All of its employees are sincere, honest, and reliable workers. In this age of change, it can make all the difference whether we put stability first and take the safe road, or go beyond to actively seek out the next opportunity. As Mr. Tsuda said, compared to the aggressiveness displayed by China, I feel that the employee engagement in Japanese companies is generally mild. I think it is important to revitalize the Company in a healthy and balanced manner by maintaining NSK's great corporate culture as it further increases engagement, for example, by leveraging certain competitive principles and expanding its risk tolerance framework.

06 Future evolution of corporate governance and expectations for outside directors

Mr. Nogami

NSK's Board of Directors, which has evolved and changed over the years, allows its members to not only freely and openly discuss our strategic direction from a broad perspective but also to deeply discuss individual elements of that strategic direction. I would like us to further develop these ideas in the future by continuing these discussions. I also believe that it is necessary to deepen the level of research into monitoring techniques, so that the Board's monitoring function can be even more effective than before. If I were to add further to that, I would also like us to be more aware of proactive governance as the Board of Directors. When the

executive side presents a proposal to take strategic measures for the future of NSK, of course we will hold them accountable for the actions outlined in the proposal, but I would also like the Board to be able to support the executive side by maintaining a comprehensive awareness of the risks involved. The support from the Board of Directors is very encouraging, and I would like to instill more of a healthy risk-taking mindset in the executive side going forward.

Finally, I would like to mention that I believe my appointment as the Chair of the Board of Directors in June 2023 has shown NSK's resolve in one respect. My appointment means that the position of chair of the Board is not necessarily held by a former company president after they have been appointed chairman of the NSK Group. I am fully prepared to take on the roles and responsibilities demanded of the chair of the Board, including the evaluation of the executive side.

Message from NSK's New Outside Director

Mikio Fujitsuka

Appointed as a director at NSK in June 2023 after serving as vice-president and representative director of Komatsu Ltd. He serves as a member of the Nomination Committee.



After more than 40 years of experience at a construction and mining machinery manufacturer, where I engaged in accounting, finance, and corporate planning operations, I have served as an outside officer at two manufacturing companies for the last four years. Based on my experience so far, I believe that the starting point for competitiveness in the manufacturing industry lies in three key frontline areas: (1) the development of new technologies and products, (2) enhancing the level of products through improved manufacturing techniques, and (3) interaction with customers through sales and support. For a company to grow, it is crucial to develop existing strengths and overcome weaknesses, and I intend to fulfill my role at NSK from this approach. As an outside director in a position slightly removed from the executive side, I aim to contribute to the enhancement of NSK's corporate value in a broad sense by checking whether NSK's understanding of sound judgment is in line with that of society, whether the policy of "Bad News First" is being thoroughly implemented, and whether risks are being addressed in a timely manner.

NSK's Approach

NSK believes that the establishment and maintenance of systems that ensure transparent, fair, and timely decision-making is essential to achieve sustainable growth and increase our mid- to long-term corporate value. To realize this objective, we are working to construct our corporate governance systems based on the following four guiding principles.

► Policy on Development of Corporate Governance Systems

1. To increase the efficiency and agility of management by proactively delegating decision-making on the execution of the operations from the Board of Directors to the Company's executive organizations.
2. To ensure that supervisory organizations have oversight of executive organizations by clearly separating the two.
3. To strengthen supervisory organizations' oversight of the executive organizations by ensuring cooperation between the two.
4. To improve the fairness of management by strengthening compliance systems.

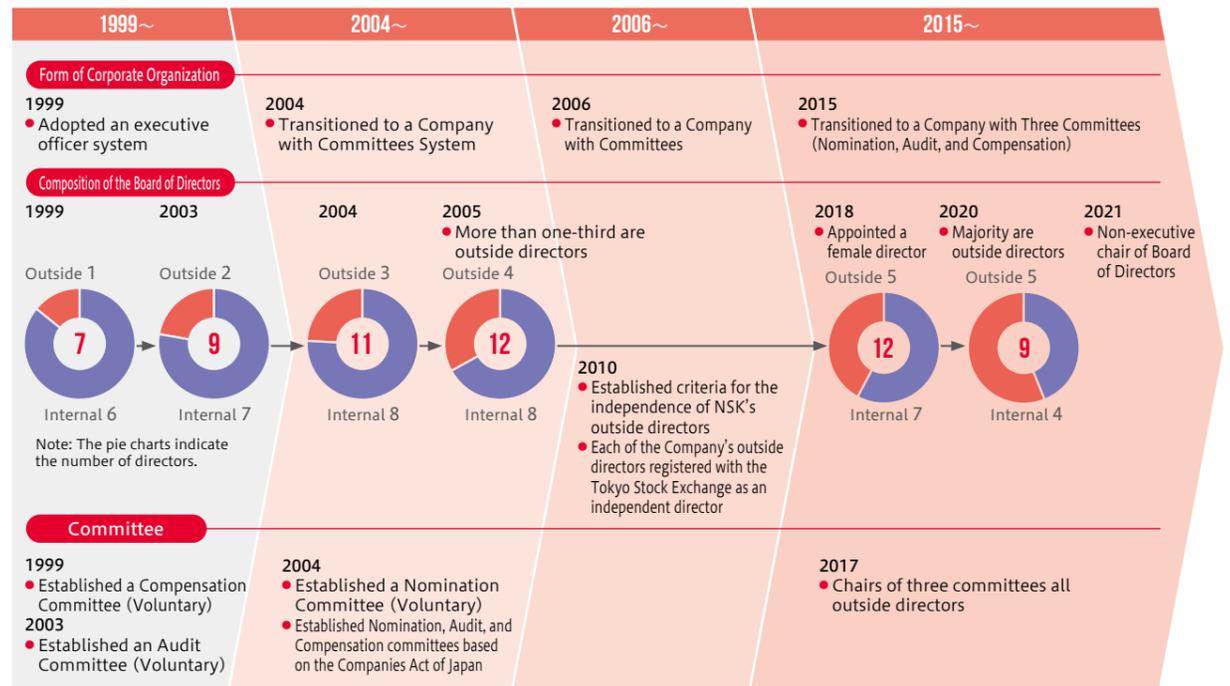
Corporate Governance Systems

Current Corporate Governance System

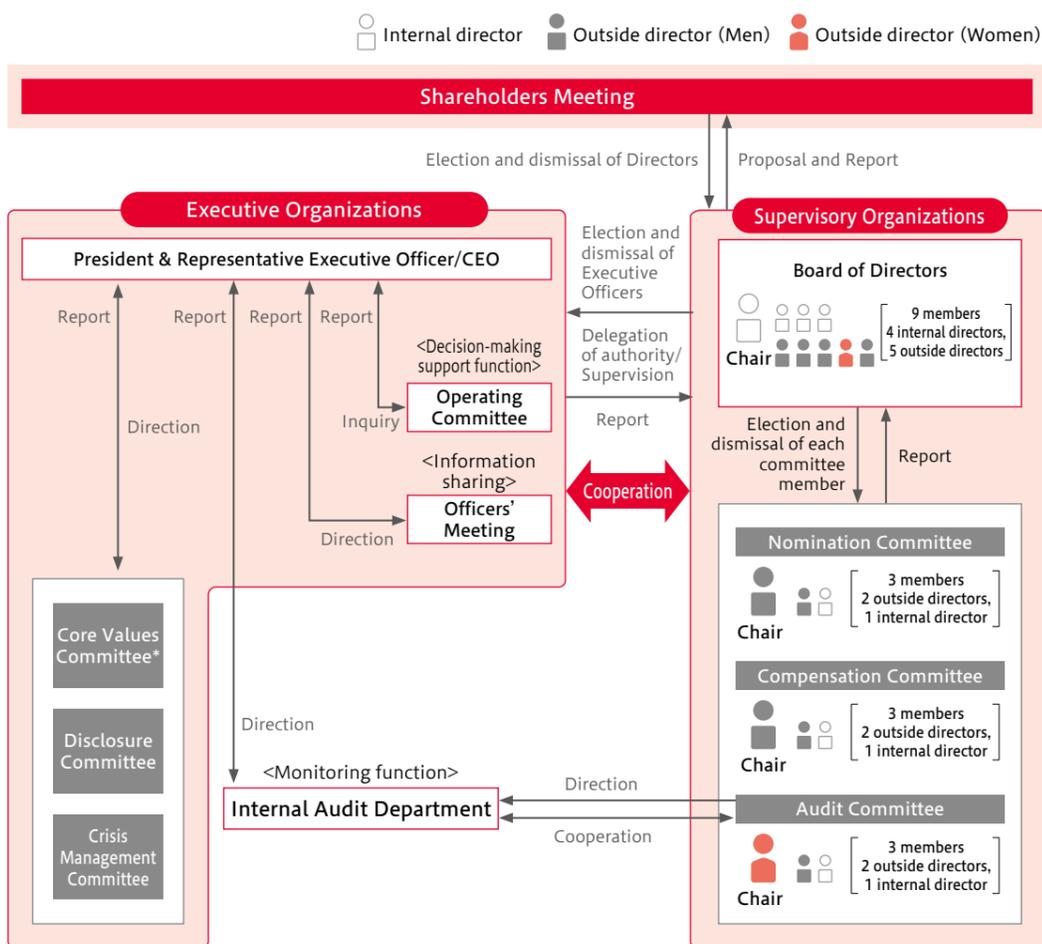
NSK has adopted a Company with Three Committees (Nomination, Audit, and Compensation) system as its form of corporate organization to better achieve the basic approach described on the left. NSK's Board of Directors determines basic management policies, with the aim of achieving the Group's sustainable growth and increasing mid- to long-term corporate value. The Board proactively delegates decision-making authority

regarding business execution to executive organizations, while supervising the status of implementation in an appropriate manner. The CEO has the ultimate authority and responsibility for all decision-making and operational executive functions delegated by the Board. Under the direction of the CEO, executive officers are responsible for executing their respective duties in accordance with their division of duties.

Changes to NSK's Corporate Governance Systems



NSK's Corporate Governance Structure (As of August 2023)



* Core Values Committee: The core values of Safety, Quality, Environment, and Compliance are common value standards that are given the highest priority in NSK's management decisions and actions. The Core Values Committee sets company-wide issues, makes recommendations for their resolution, and monitors progress through discussion of policies for promoting and strengthening core values and sharing of related risks.

Supervisory Organizations

Board of Directors Chair a non-executive director Objectives and Authority • Passes resolutions related to basic management policies (including delegation of deciding on the execution of the operations to executive officers) • Supervises the execution of duties by executive officers	Number of times convened in FY2022 10 Main Activities during FY2022 • Determined consolidated financial statements, appropriation of retained earnings, basic policy on the establishment of internal control systems, and the new executive system • Verified the rationality of cross-shareholdings held • Considered whether to continue anti-takeover measures • Considered the direction of disclosure based on the results of dialogue with institutional investors • Assessed the Board of Directors' effectiveness and acted on identified issues • Determined the policy on budget management • Monitored MTP2026
Nomination Committee Chair Outside director Objectives and Authority • Determines the content of proposals submitted to the Shareholders Meeting regarding the appointment or dismissal of directors	Number of times convened in FY2022 6 Main Activities during FY2022 • Considered and determined the composition of the Board of Directors (including the skill matrix) • Selected and determined FY2023 director candidates • Secured outside candidates
Compensation Committee Chair Outside director Objectives and Authority • Determines policies on the compensation of directors and executive officers • Determines the individual compensation provided to directors and executive officers, and other matters	Number of times convened in FY2022 4 Main Activities during FY2022 • Determined the policies on the compensation of officers and other matters • Determined the individual compensation provided to directors and executive officers, and other matters • Determined the FY2023 officer compensation system
Audit Committee Chair Outside director Objectives and Authority • Audits the duties of directors and executive officers and creates audit reports • Determines the content of proposals related to appointment or dismissal of the auditor, and other matters	Number of times convened in FY2022 14 Main Activities during FY2022 • Audited and provided suggestions on key management issues (e.g., specific measures and plans of MTP2026) • Assessed the auditor (including important matters to be discussed and the three-way audit system)

Composition of the Board of Directors

The Company believes that the Company's Board of Directors should be well versed in the Company's businesses and be capable of supervising important managerial judgments related to business execution, with the aim of enhancing the sustainable growth and mid- to long-term corporate value of the NSK Group. Career diversity in terms of expertise and business experience are considered to ensure that the Board maintains a well-balanced composition, considering the Company's mid- to long-term business strategy or managerial issues, and the size of the Board is considered to enhance the effectiveness of deliberations.

In appointing individual directors, in addition to selecting persons based on experience in business and management in general or experience in their area of expertise, high ethical standards in management and their insight into corporate governance are part of the selection criteria.

Board of Directors Skill Matrix/Composition of the Nomination, Audit, and Compensation Committees

Name	Outside Director	Date Appointed as Director	Experience and Expertise Expected				Nomination Committee	Audit Committee	Compensation Committee
			Business Management/ Top Management	Corporate Governance/ Internal Control	Global Business	Engineering/ Manufacturing			
Akitoshi Ichii		June 2017	●	●	●		○		
Keita Suzuki		June 2023		●	●		●	○	
Saimon Nogami		June 2013	●	●	●		●		
Kenichi Yamana		June 2021		●	●		●	○	
Mitsuhiro Nagahama	●	June 2020	●	●	●		●	◎	
Koichi Obara	●	June 2021	●	●	●	●		○	
Junji Tsuda	●	June 2022	●	●	●		◎		
Sayoko Izumoto	●	June 2022		●			●	◎	
Mikio Fujitsuka	●	June 2023	●	●	●		○		

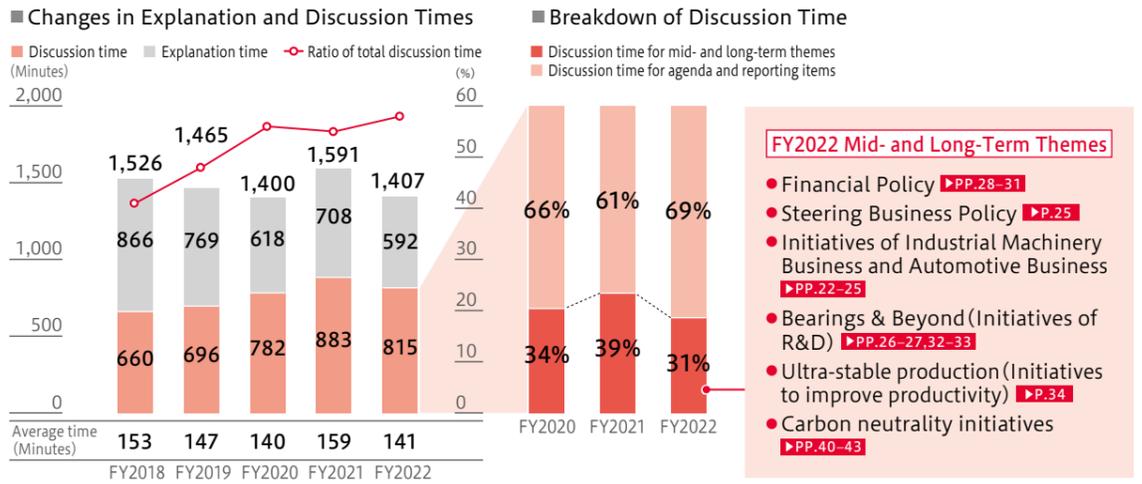
Initiatives to Further Enhance the Effectiveness of the Board of Directors

FY2022 Initiatives

NSK is engaged in efforts to enhance the effectiveness of the Board of Directors to ensure sustainable growth and greater mid- to long-term corporate value.

NSK's Board of Directors proactively delegates decisions regarding the execution of operations to the executive organizations, monitors the status of execution in an appropriate manner, and discusses themes related to mid- to long-term management issues and direction. To achieve active Board deliberations, the Company believes that it is important to provide information to directors in advance of the meeting. We provide information in an appropriate manner, including distributing materials to all directors in advance, and prior explanation by officers and the Board secretariat.

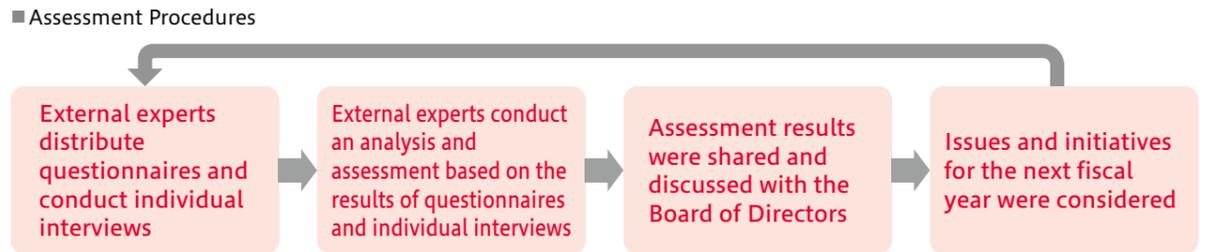
We will continue working to improve the Board's administration to ensure the Board of Directors becomes more effective.



Overview of and Procedures for the Board of Assessment of Board of Directors' Effectiveness Assessment

NSK conducts annual assessments of the effectiveness of its Board of Directors functions and has worked to further enhance performance every year since FY2015. To maintain the objectiveness of these assessments, NSK commissions external experts to conduct assessments based on the results of these questionnaires and individual interviews with all directors.

Assessments conducted based on the following procedures confirmed that the Board of Directors has improved its effectiveness in FY2022. In particular, the Board was highly evaluated for its enhanced monitoring functions in supporting the execution of the business, such as confirming the progress of MTP2026.



- Target: 9 directors
- Questionnaire items: ① Management strategies and risk management ② Composition of the Board of Directors ③ Role and processes of the Board of Directors ④ Meeting management ⑤ Stakeholder engagement ⑥ CEO succession planning ⑦ Committees (Nomination, Audit, and Compensation Committees) ⑧ Culture ⑨ Directors' contributions
- Individual interview: Individual interviews conducted by external experts for one hour each based on questionnaire results

FY2022 Initiatives in Response to FY2021 issues of Effectiveness Assessment

FY2021 Issues	FY2022 Initiatives
Reaffirmation of the Role of the Board of Directors and Monitoring	● After the formulation of MTP2026, the Board of Directors monitored the progress of important subjects from the perspective of supporting business execution.
Enhancement of mid- and long-term strategic discussion to enhance corporate value	● Agendas for Board of Directors meetings were narrowed down to the most important items, time for discussion was ensured by efficiently explaining agenda items, and strategic discussions were held utilizing the knowledge of each director.
Strengthening of the composition of the Board of Directors to support strategic discussions and monitoring	● Two outside directors were newly appointed to contribute to strategic discussions at Board of Directors' meetings by leveraging their experience and expertise in corporate management and accounting.
Separation of roles and functions between Chairperson of the Board of Directors and President & CEO	● The chairperson of the Board of Directors continued to be a non-executive director.
Promotion of opportunities for communication and business understanding among board members	● Two Board of Directors meetings were held at business sites other than NSK's headquarters, a practice that had been suspended due to the COVID-19 pandemic, and provided opportunities for outside directors to visit sites to promote business understanding ● Three meetings of outside directors were held to enhance communication

Future Initiatives in Response to FY2022 issues of Effectiveness Assessment

FY2022 Issues	Main Future Initiatives
Sharing roles of the Board of Directors amid business restructuring	● Share awareness of issues relevant to each director through outside director meetings, etc. ● Recognize the subjects on which the Board of Directors should take action
Thorough and complete monitoring of the Mid-Term Management Plan	● Coordinate with the executive side, based on shared understanding of monitoring granularity, frequency, methods, etc., as the Board of Directors ● Continue efforts to confirm progress and enhance strategic discussions that go beyond reporting and explanations
Further strengthening the contribution of outside directors	● Establish opportunities for periodic site visits to deepen understanding of NSK's business ● Enhance mechanisms, including meetings of outside directors, that lead to better communication among outside directors

Internal Control

Having stipulated its basic policy on the establishment of internal control systems, which forms its basic policy for the appropriate and effective functioning of global Group management and internal control functions, NSK is working to strengthen its Group-wide internal control systems. This basic policy consists of matters relating to the development of the systems necessary for ensuring that the NSK Group's operations are conducted in an appropriate manner and that executive officers comply with laws, regulations, and the Articles of Incorporation when performing their duties and matters necessary for the Audit Committee in the performance of its duties.

Based on this policy, executive officers establish the specific systems (covering the organization, personnel, decision-making, reporting, and auditing, as well as the internal rules and regulations that support them) while reporting on the status of those operations to the Board of Directors. Reporting directly to the CEO, the Internal Audit Department is responsible for conducting audits to determine the legality, adequacy, and efficiency, of operations and for the monitoring of business execution from a standpoint independent from the auditees.

The Audit Committee utilizes the internal control system to audit the performance of operations and conducts audits to ensure that the internal control system is constructed and operated in a satisfactory manner. The Internal Audit Department shall collaborate with the Audit Committee and provide support to audits conducted by the Audit Committee.

Response to Japan's Corporate Governance Code

NSK complies with all principles of the Corporate Governance Code and outlines its policies in the Corporate

Governance Report that it submits to Tokyo Stock Exchange, Inc. Please access the website below for NSK's corporate governance reports in English.



Cross-Shareholdings

Policy on Cross-Shareholdings

NSK aims to reduce the cross-holding of shares deemed to have little benefit in increasing mid- to long-term corporate value. Conversely, if we believe that there is a valid rationale for holding such shares, we will continue to do so. Regarding the appropriateness of cross-shareholdings, our executive organizations conduct quantitative and qualitative evaluations on an annual basis to determine whether each individual shareholding is delivering acceptable benefits in relation to our capital cost. The Board of Directors receives regular reports from the aforementioned executive organizations and studies the matter accordingly. We will sell any shareholdings for which we believe possession cannot be justified, taking into account stock prices and market trends.

Criteria for the Exercise of Voting Rights Concerning Cross-Shareholdings

NSK has defined specific criteria for the exercise of voting rights concerning cross-shareholdings. When exercising voting rights, we confirm that the proposal in question does not damage shareholder value and that it serves to improve the mid- to long-term corporate value of both NSK and the company in which the stake is held.

Number and Balance Sheet Amount of Shareholdings

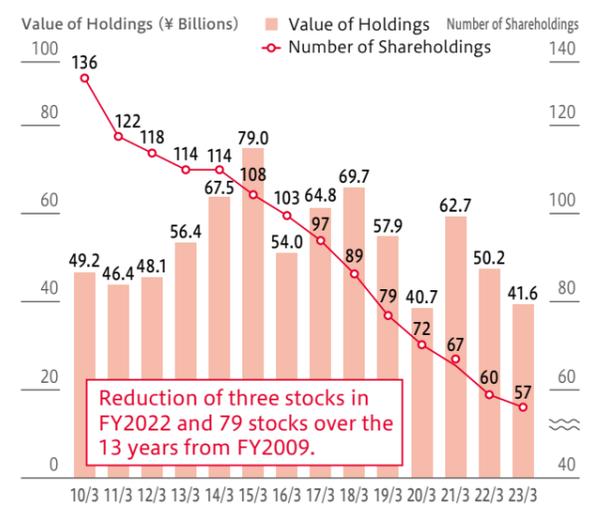
Type	As of March 31, 2022		As of March 31, 2023	
	Number of Holdings (Stocks)	Total Amount Recorded on the Balance Sheet (¥ Billions)	Number of Holdings (Stocks)	Total Amount Recorded on the Balance Sheet (¥ Billions)
Unlisted stocks	33	1.0	34	1.0
Stocks other than unlisted stocks	27	49.2	23	40.6
Total holdings	60	50.2	57	41.6
Holdings in NSK's retirement benefit trust	1	128.3	1	54.3
Total consolidated capital		637.5		634.7

Proportion of Cross-Shareholdings in Total Consolidated Capital

Excluding retirement benefit trust	7.9%	6.6%
Including retirement benefit trust	28.0%	15.1%

As a result of the steady reduction of cross-shareholdings and the sale of a portion of holdings in NSK's retirement benefit trust, the proportion of cross-shareholdings to total consolidated capital as of March 31, 2023, decreased to 6.6% excluding holdings in NSK's retirement benefit trust and to 15.1% including holdings in NSK's retirement benefit trust.

Trends in Cross-Shareholdings (Excluding Retirement Benefit Trust)



Directors/Officers' Compensation

Compensation for Directors and Executive Officers, Policy on Determining Compensation Amounts and Calculation Methods

As a Company with Three Committees (Nomination, Audit, and Compensation), NSK makes decisions on the structure of executive compensation, compensation levels, and individual compensation, etc., at meetings of the Compensation Committee chaired by an outside director, and based on advice from external consultants as well as objective information on compensation levels and trends at other companies.

The Company will determine compensation for director and executive officer positions separately. When a director also serves as an executive officer, the total of each respective compensation amount shall be paid. For directors who also serve as executive officers, stock-based compensation will not be provided for the director position.

1. Executive Officers' Compensation

The compensation package for executive officers consists of fixed basic compensation and performance-based compensation that fluctuates with performance. The Company generally sets a compensation ratio of roughly 4:6 of fixed compensation to performance-based compensation.

Executive Officer Compensation Package



1 Basic compensation

The amount of basic compensation is determined according to the title of the executive officer. Moreover, an additional amount will be paid to executive officers with representative rights.

2 Performance-based compensation

Performance-based compensation consists of short-term performance-based compensation and mid- to long-term performance-based stock compensation.

a. Short-term performance-based compensation

Short-term performance-based compensation is determined based on metrics consistent with management goals to increase profitability, raise the efficiency of shareholders' equity, and improve corporate value: metrics related to the operating income margin, ROE, cash flow, and ratio of new product sales to total sales, as well as an achievement target for ESG goals for CO₂ emission

reductions and safety and quality improvement. The individual's level of achievement in their designated job duties is also evaluated when determining the amount of compensation paid to each executive officer.

b. Mid- to long-term performance-based stock compensation

To further incentivize contributions to the sustainable improvement of corporate value, to ensure that executive officers share the interests of shareholders, and to further reinforce the link between executive officer compensation and the mid- to long-term stock price, the Company has introduced a performance-based stock compensation program using the Board Benefit Trust system. Through the system, points are fixed after three years based on a relative evaluation of the Company's total shareholder return (TSR) through a comparison with the TOPIX growth rate, the equivalent for which Company shares are then distributed upon retirement. However, for a certain portion of the above, NSK will compensate executive officers with the equivalent amount acquired by converting shares into cash.

2. Directors' Compensation

The compensation package for directors consists of fixed basic compensation and stock compensation that is variable compensation.

1 Basic compensation

Basic compensation is determined based on whether the director is an outside director or an internal director in addition to the director's role on the Board of Directors and the committees to which the director belongs.

2 Stock compensation

To further incentivize contributions to the sustainable improvement of corporate value and to ensure that directors share the interests of shareholders, the Company has introduced a stock compensation program using a Board Benefit Trust system. The system distributes Company shares upon retirement based on points allocated each fiscal year, of which separate amounts are given for outside and internal directors. However, for a certain portion of the above, the Company will compensate directors with the equivalent amount acquired by converting shares into cash. For directors who also serve as executive officers, stock-based compensation will not be provided for the director position.

3. Other

In addition, in the event a member of the management team

of another company such as a subsidiary or an affiliate, etc., assumes an executive officer position, compensation will be determined separately.

Compensation Total by Classification of Directors/Officers and Compensation Type and Number of Directors/Officers

Classification	Compensation, etc., Total (¥ Millions)	Basic Compensation		Short-Term Performance-Based Compensation		Stock Compensation	
		No. of Directors/Officers	Amount (¥ Millions)	No. of Directors/Officers	Amount (¥ Millions)	No. of Directors/Officers	Amount (¥ Millions)
Directors (internal)	143	4	121	—	—	2	22
Directors (outside)	86	7	72	—	—	7	14
Executive Officers	921	19	533	17	77	32	310

Notes: 1. The amount of compensation for directors and executive officers between April 1, 2022, and March 31, 2023. 2. Compensation (excluding stock compensation) for directors (internal) includes compensation for directors who also serve as executive officers. 3. The amount of performance-based salary is the planned amount to be paid on July 3, 2023, based on the results for the fiscal year ended March 31, 2023. For reference, the amount paid on July 1, 2022, based on the results for the fiscal year ended March 31, 2022, was ¥108 million. 4. The amount of stock compensation is the amount recorded as expenses for the current fiscal year. 5. Figures listed above are rounded down to the nearest one million yen.

Directors and Officers Receiving a Total of ¥100 Million or More in Consolidated Compensation

Name	Consolidated Compensation, etc., Total (¥ Millions)	Title	Company	Amount for Each Item of Consolidated Compensation, etc. (¥ Millions)			
				Basic Compensation	Short-Term Performance-Based Compensation	Stock Compensation	Retirement Benefit
Akitoshi Ichii	117	Director	NSK	8	—	—	—
		Executive officer	NSK	50	10	47	—
Guoping Yu	101	President	Consolidated Subsidiary NSK (CHINA) INVESTMENT CO., LTD.	82	16	2	—
Ulrich Nass	115	President	Consolidated Subsidiary NSK EUROPE LTD.	70	39	2	3
Brian Parsons	240	CEO	Consolidated subsidiary NSK Americas, Inc.	88	117	2	32

Notes: 1. The amount of compensation for directors and executive officers between April 1, 2022, and March 31, 2023. 2. Only individuals receiving ¥100 million or more in total compensation are listed.

NSK works to build a risk management system based on clearly stipulated fundamental principles aimed at effectively enabling global Group management and internal control functions. Every year, all the business sites perform their own risk assessment, classifying, analyzing, and evaluating risks in accordance with changes in the social environment, the frequency of risk occurrence, the size of impact, and other factors to identify risks that should be addressed. The Corporate Planning Division Headquarters and the Finance Division Headquarters coordinate with business and regional and functional headquarters regarding risks at each division and each business site, which are managed in accordance with prescribed reporting systems. While putting in place preventive measures, the Company devises steps to swiftly and appropriately act in the unfortunate event a risk is manifested, and then works to mitigate the impact.

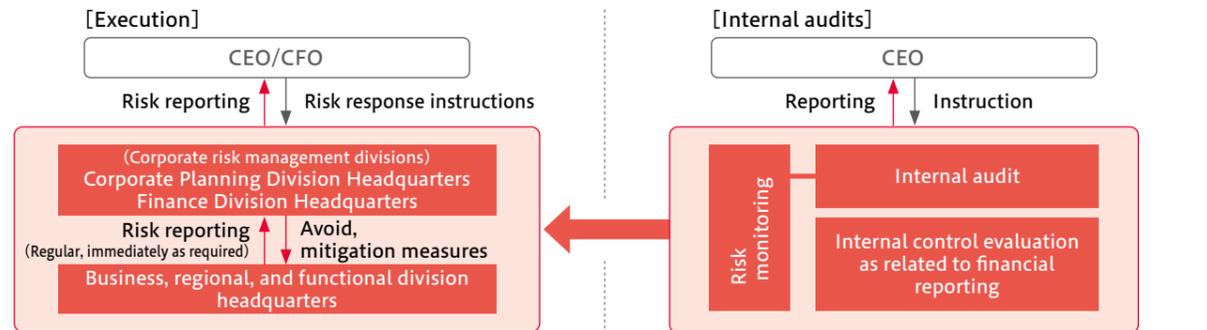
In addition, the internal audit division coordinates with the Audit Committee to monitor the tasks carried out by executive divisions, build an internal control system, and audit operational status.

As NSK's business activities spread to more areas, the range of anticipated risks widens. The Company has identified 10 types of representative risks deemed of high importance according to what they entail and likelihood of occurring, their degree of impact, and mitigation measures. Among the risks we present, the three types outlined in ①, ⑤, and ⑦ could lead to business opportunities for NSK, and we include details concerning these as well.

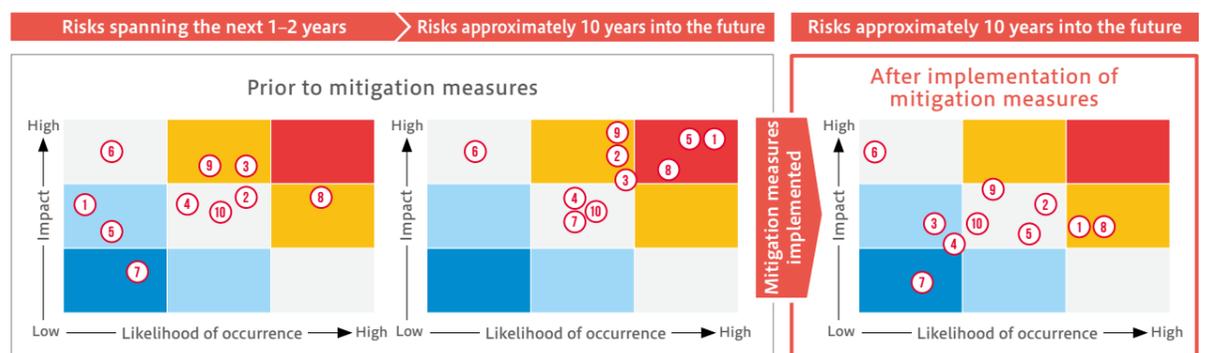
Risk Management Flow



Risk Management System



Risk Heat Map



Representative Risks and Mitigation Measures

Risk Types	Details of Representative Risks	Risk Mitigation Measures
① Risk associated with changes to technology innovation, and the market or competitive landscape	<ul style="list-style-type: none"> Risk of delayed product engineering response to market changes and customer technology demands brought on by technological innovation such as CASE and IoT Risk of being unable to respond to an increasingly competitive market populated by rival companies and new market entrants Risk of losing competitive advantage due to delayed digital transformation initiatives <p>Opportunity Create and expand new businesses through new products, technologies, and services ▶ PP.26-27</p>	<ul style="list-style-type: none"> Understand the needs through close relationships with a broad range of customers Continually allocate resources to develop new products and new technology Leverage open innovation and alliances Share objectives and monitor progress on initiatives in the Digital Transformation Committee ▶ P.33,P.38
② Risk related to local situations and dependency on a specific region	<ul style="list-style-type: none"> Risk of change in the economic environment of a specific region in which the Company conducts business and of the impact of falling into political instability Risk associated with a halt in operations on account of deteriorating public order, outbreaks of riots, terrorism, or conflicts Risk of business losses and declined earnings due to changes in the trade rules of individual countries Risk of being unable to use intellectual property such as results and data from research and development in other countries and regions due to the regulations of said countries and regions 	<ul style="list-style-type: none"> Expand and enhance a balanced presence in other regions Get an early grasp of information on dangers by strengthening the ability to gather information from each region Leverage and optimize the allocation of our global network based on the principle of local production and local procurement Create and implement an intellectual property rights acquisition scheme ▶ P.33,P.35
③ Risk associated with safety, prevention of fire and disaster, and pandemics	<ul style="list-style-type: none"> Risk of a major industrial accident occurring Risk of a halt in operations due to inadequate BCP measures to address fires or natural disasters such as earthquakes and flooding Risk of being unable to secure a comfortable and safe working environment in neighboring regions, or for employees Risk of decreased ability to accomplish objectives due to suspended operations and extended periods of movement restrictions caused by the outbreak of new infectious diseases 	<ul style="list-style-type: none"> Strengthen and nurture safety awareness, thoroughly educate and enlighten employees Share case studies from other locations introducing what went right and what went wrong Conduct simulations of anticipated scenarios, prepare disaster countermeasures, and formulate a business continuity plan Implement thorough measures to prevent infection and collaborate between business sites remotely by promoting remote work and online meetings and training ▶ P.34,P.44
④ Risk associated with quality	<ul style="list-style-type: none"> Risk of compensation claims due to significant quality defects Risk associated with insufficient response due to improper quality assurance system or quality control management Risk of spoofed, falsified quality data Risk of being unable to respond to increasing quality requirements from customers 	<ul style="list-style-type: none"> Secure high quality by strengthening process management aimed at enhancing design and product quality [Glossary] Realize zero defects through continued quality improvement activities Create a system to prevent data falsification and conduct thorough training Bolster recurrence prevention by leveraging the quality information system Ensure the execution of investments for quality improvement ▶ P.46
⑤ Risk concerning the environment	<ul style="list-style-type: none"> Risk of being unable to respond to changes in environment-related laws and systems or to evolving environment-related technologies and market needs Risk of a leak of environmentally harmful substances or overrun of emission standards Risk of lost business opportunities and damage to NSK's corporate value due to the inability to address the movement toward a post-carbon society <p>Opportunity Improve competitiveness in the market through environmentally friendly technologies ▶ PP.42-43</p>	<ul style="list-style-type: none"> Ascertain information on legislation and the needs of the market related to the environment to establish and implement an environmental response road map Thoroughly implement environmental accident prevention measures, promote the elimination of environmentally harmful substances, and strengthen the environmental assurance system Promote CO₂ emission reduction through activities such as energy conservation initiatives, the transformation of manufacturing, and renewable energy procurement ▶ PP.40-43
⑥ Risk with regard to compliance	<ul style="list-style-type: none"> Risk of violating laws and regulations due to employee carelessness or misunderstanding, etc. Risk of further losing the trust of society due to bearing responsibility for criminal, civil, and administrative acts associated with the above 	<ul style="list-style-type: none"> Undertake education on strict adherence to laws and regulations, and create a corporate culture and atmosphere interwoven with morals and manners Review compliance systems, policies, and related rules on an as needed basis to strengthen and improve them Promote specific measures related to strengthening compliance, and follow up to confirm the status of implementation ▶ P.48
⑦ Risk associated with human resources and labor	<ul style="list-style-type: none"> Risk of being unable to secure globally competent human resources, consequently hindering business expansion and execution of strategy Risk of impact on operations due to deteriorating labor relations Risk of delayed human resources and labor management response to the diversification of work styles <p>Opportunity Enhance competitiveness by promoting Diversity, Equity & Inclusion ▶ PP.36-37, P.39</p>	<ul style="list-style-type: none"> Strengthen and thoroughly implement human resource management policies such as leveraging a diverse workforce, building more engaging workplaces, and providing opportunities for growth Undertake measures to bolster engagement and systems, including support for females, the elderly, and the disabled to play an active role, and conduct employee awareness surveys and Employee Relations (ER) Create and implement human resources and labor management rules and standards corresponding to diverse work styles ▶ PP.36-39
⑧ Risk with regard to procurement	<ul style="list-style-type: none"> Risk of procurement of raw materials or components being hindered by dependency on a specific source of supply, occurrence of quality issues, insufficient supplier production capacity, tight global supply and demand balance, etc. Risk of impact from rising costs for raw materials or components Risk that CSR procurement initiatives will not make progress Risk of being unable to procure some parts and materials due to environmental changes and disasters 	<ul style="list-style-type: none"> Build a firm understanding of the Company's basic policy through its procurement policy briefings, NSK Supplier CSR Guidelines, procurement standards, use of the whistleblowing system, and other measures Cultivate and educate new suppliers based on high and increasingly sophisticated assessed purchasing capabilities Conduct supplier BCP inspections, as well as quality, environmental, and CSR audits, and support supplier improvement Ensure flexibility in procurement and carry out strategic inventory management to agilely respond to environmental changes ▶ P.45
⑨ Risk associated with information and communication technology (ICT)	<ul style="list-style-type: none"> Risk of decline in competitiveness due to delayed digitization of management resources Risk of decline in business efficiency due to loss of stability in the IT system that underpins business operations Risk of halt in operations or loss of trust from society on account of insufficient measures or lack of IT security to defend against cyberattacks and other external threats 	<ul style="list-style-type: none"> Reform and bolster IT system infrastructure and improve ICT literacy based on trends in digital technology Ensure stability through backup and redundancy of IT system infrastructure and standardized system support Build and strengthen a management structure relevant to cybersecurity risks and educate and enhance knowledge internally regarding information security, and acquire external certifications ▶ P.38,P.47
⑩ Risk related to finance	<ul style="list-style-type: none"> Risk relating to the collection of accounts receivable due to sales destination trust problems Risk of cost burden from problems that arise related to litigation concerning business activities Risk related to mistakes in accounting estimates and accounting procedures Risk related to finance brought on by changes in the external environment such as fluctuations in financial markets and revisions to laws in different countries concerning tax systems and other subject matter 	<ul style="list-style-type: none"> Identify issues early by ascertaining information from the risk reporting system in a timely manner, and respond to issues swiftly through close collaboration with the relevant divisions Perform Group management and increase effectiveness based on the internal control system ▶ P.60,P.62



Akitoshi Ichii

Director, Representative, President and Chief Executive Officer

N
Years as Director at NSK Ltd. 6
Company Shares Owned 74,161

Apr. 1986 Joined the Company
Dec. 2008 Deputy Head of Automotive Bearings Division HQ (Automotive Business Division HQ)
Jun. 2012 Head of Operations in India
Jun. 2015 Vice President, Deputy Head of Corporate Planning Division HQ
Jun. 2016 Head of Corporate Planning Division HQ, Responsible for Asia
Apr. 2017 Senior Vice President
Jun. 2017 Director (current)
Apr. 2019 Representative (current), Executive Vice President, President's Assistant, Responsible for Administrative Divisions, Responsible for IR Office
Jun. 2019 Member of the Compensation Committee
Apr. 2020 Responsible for Europe and the Americas
Apr. 2021 President and Chief Executive Officer (current)
Jun. 2021 Member of the Nomination Committee (current)



Keita Suzuki

Director, Representative, Executive Vice President, Chief Financial Officer
Head of Finance Division HQ

C
Years as Director at NSK Ltd. New appointment
Company Shares Owned 21,383

Apr. 1987 Joined the Company
Jun. 2015 Senior Manager of Group Financial Control Department (Finance Division HQ)
Apr. 2018 Executive Officer, Deputy Head of Finance Division HQ
Apr. 2019 Deputy Head of Corporate Planning Division HQ
Apr. 2020 Senior Vice President, Head of Finance Division HQ (current)
Apr. 2023 Representative, Executive Vice President, Chief Financial Officer (current)
Jun. 2023 Director (current), Member of the Compensation Committee (current)



Saimon Nogami

Director

Years as Director at NSK Ltd. 10
Company Shares Owned 68,800

Apr. 1984 Joined the Company
Feb. 2011 Deputy Head of Industrial Machinery Business Division HQ
Jun. 2011 Vice President
Jun. 2013 Director (current), Senior Vice President, Head of Corporate Planning Division HQ, Responsible for IR & CSR Offices
Jun. 2015 Representative, Executive Vice President, Member of the Compensation Committee, President's Assistant, Responsible for Administrative Divisions, Responsible for Asia, Head of Corporate Strategy Division HQ
Jun. 2017 Chief Financial Officer
Apr. 2019 Senior Executive Vice President
Jun. 2021 Member of the Compensation Committee



Kenichi Yamana

Director

A
Years as Director at NSK Ltd. 2
Company Shares Owned 21,979

Apr. 1986 Joined the Company
Jun. 2013 Head of Consolidated Accounting Department (Finance Division HQ)
Jun. 2015 Vice President, Deputy Head of Finance Division HQ, Deputy Head of IR & CSR Offices
Jun. 2016 Deputy Head of IR Office
Apr. 2018 Senior Vice President, Responsible for ASEAN Operations
Apr. 2021 Executive Advisor
Jun. 2021 Director (current), Member of the Audit Committee (current)



Mitsuhiro Nagahama

Outside Director
Independent Director

C ★ A
Years as Director at NSK Ltd. 3
Company Shares Owned 0

Apr. 1976 Joined Fuji Bank Limited. (current Mizuho Bank, Ltd.)
Mar. 2003 Executive Officer and General Manager of Otemachi Corporate Banking Division No. 6 and Otemachi Corporate Division No. 7 of Mizuho Corporate Bank, Ltd. (current Mizuho Bank, Ltd.)
Apr. 2005 Senior Executive Officer in Charge of Corporate Banking, Mizuho Corporate Bank, Ltd.
Mar. 2006 Senior Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd.
Apr. 2010 Deputy President and Deputy President-Executive Officer and Head of the Americas, Mizuho Corporate Bank, Ltd. (retired in April 2013)
Apr. 2013 Chairman of the Board of Mizuho Securities, Co., Ltd., and Mizuho Securities USA, Inc.
Apr. 2015 Advisor of Mizuho Securities, Co., Ltd. (retired in March 2020)
Jun. 2020 Director (current), Chair of the Compensation Committee (current), Member of the Audit Committee (current)
Significant concurrent positions outside the Company:
Outside Corporate Auditor of Kuraray, Co., Ltd.
Outside Director of Azbil Corporation



Koichi Obara

Outside Director
Independent Director

C
Years as Director at NSK Ltd. 2
Company Shares Owned 1,300

Apr. 1972 Joined Maeda Corporation
Nov. 2003 General Manager of Corporate Planning Department of Business Administration Division of Maeda Corporation
Jan. 2005 Executive Officer of Maeda Corporation
Jan. 2007 Deputy General Manager of Procurement Division of Maeda Corporation
Jun. 2007 Director of Maeda Corporation
Nov. 2007 General Manager of Procurement Division of Maeda Corporation
Jun. 2008 Managing Officer, General Manager of Business Administration Division of Maeda Corporation
Apr. 2009 President and Representative Director of Maeda Corporation
Apr. 2016 Chairman and Representative Director of Maeda Corporation
Apr. 2019 Senior Advisor and Representative Director of Maeda Corporation
Jun. 2019 Senior Advisor of Maeda Corporation
Apr. 2020 Senior Corporate Advisor of Maeda Corporation
Jun. 2021 Director (current), Member of the Compensation Committee (current)
Jul. 2021 Consultant of Maeda Corporation (current)
Significant concurrent positions outside the Company:
Consultant of Maeda Corporation



Junji Tsuda

Outside Director
Independent Director

N ★
Years as Director at NSK Ltd. 1
Company Shares Owned 1,000

Mar. 1976 Joined Yaskawa Electric Mfg. Co., Ltd. (current Yaskawa Electric Corporation)
Jun. 1998 Executive Vice President of Yaskawa Electric America, Inc.
Aug. 2003 Marketing Manager, Drives Division, Motion Control Division of Yaskawa Electric Corporation
Mar. 2004 General Manager, Drives Division, Motion Control Division of Yaskawa Electric Corporation
Jun. 2005 Director/Member of the Board, General Manager, Drives Division, Motion Control Division of Yaskawa Electric Corporation
Mar. 2006 Director/Member of the Board, General Manager, Drives Division of Yaskawa Electric Corporation
Mar. 2007 Director/Member of the Board, General Manager, Robotics Division of Yaskawa Electric Corporation
Jun. 2009 Managing Director/Member of the Board, General Manager, Robotics Division of Yaskawa Electric Corporation
Mar. 2010 President/Member of the Board (Representative Director) of Yaskawa Electric Corporation
Mar. 2013 Representative Director Chairman of the Board/President of Yaskawa Electric Corporation
Mar. 2016 Representative Director Chairman of the Board of Yaskawa Electric Corporation
Mar. 2022 Director of Yaskawa Electric Corporation
May 2022 Senior Advisor of Yaskawa Electric Corporation (current)
Jun. 2022 Director (current), Member of the Nomination Committee
Jun. 2023 Chair of the Nomination Committee (current)
Significant concurrent positions outside the Company:
Senior Advisor of Yaskawa Electric Corporation
Outside Director of TOTO LTD.
Member of the Board of Directors of Kyushu Electric Power Company, Incorporated



Sayoko Izumoto

Outside Director
Independent Director

A ★
Years as Director at NSK Ltd. 1
Company Shares Owned 0

Mar. 1976 Joined Tohmatsu Awoki & Co. (current Deloitte Touche Tohmatsu LLC)
Mar. 1979 Registered as a Certified Public Accountant
Jul. 1995 Partner, Tohmatsu & Co. (current Deloitte Touche Tohmatsu LLC)
Jan. 2015 Member, Information and Communications Council, Ministry of Internal Affairs and Communications
Jul. 2016 Retired Deloitte Touche Tohmatsu LLC
Aug. 2016 Established Izumoto Certified Public Accountant Office (current)
Apr. 2017 Member of Information Disclosure and Personal Information Protection Review Board, Ministry of Internal Affairs and Communications
Jun. 2022 Director (current), Chair of the Audit Committee (current)
Significant concurrent positions outside the Company:
External Audit and Supervisory Board Member of Freund Corporation



Mikio Fujitsuka

Director
(Outside Director,
Independent Director)

N
Years as Director at NSK Ltd. New appointment
Company Shares Owned 0

Apr. 1977 Joined Komatsu Ltd.
Jun. 2001 General Manager of Corporate Controlling Department of Komatsu Ltd.
Apr. 2005 Executive Officer of Komatsu Ltd.
Apr. 2008 Executive Officer, President of Global Retail Finance Business Division of Komatsu Ltd.
Feb. 2009 Executive Officer, General Manager of Corporate Planning Division, President of Global Retail Finance Business Division of Komatsu Ltd.
Apr. 2010 Senior Executive Officer of Komatsu Ltd.
Apr. 2011 CFO of Komatsu Ltd.
Jun. 2011 Director and Senior Executive Officer of Komatsu Ltd.
Apr. 2013 Director and Senior Executive Officer of Komatsu Ltd.
Apr. 2016 Executive Vice President and Representative Director of Komatsu Ltd.
Apr. 2019 Director of Komatsu Ltd. (retired in June 2019)
Jun. 2023 Director of NSK Ltd. (current), Member of the Nomination Committee (current)
Significant concurrent positions outside the Company:
Outside Director of Yamaha Corporation
Outside Corporate Auditor of Mitsui Chemical, Inc.

Executive Officers and Group Officers (As of August 1, 2023)

President and Chief Executive Officer

Akitoshi Ichii

Representative Executive Vice President

Keita Suzuki

Executive Vice Presidents

Tomoyuki Yoshikiyo
Hideki Ochiai
Hayato Omi

Senior Vice Presidents

Kunihiko Akashi
Guoping Yu
Susumu Ishikawa
Hiromichi Takemura
Tatsufumi Soda
Michio Ozaki
Hidenori Oka
Shinji Miyata
Naoki Goto
Tatsuki Murata

Vice Presidents

Tamami Murata
Ulrich Nass
Brian Parsons
Gen Murayama
Hideaki Hayami

Group Officers

Minoru Arai
Masami Shinomoto
Jong-Won Lee
Narihito Otake

Notes:

1. For such information as the reasons behind the appointments of each director and the independence of independent directors, please see the Notice of the FY2022 (the 162nd) Ordinary General Meeting of Shareholders of NSK and Independent Directors/Auditors Notifications.

Notice of the Ordinary General Meeting of Shareholders ▶



Independent Directors/Auditors Notifications (Japanese only) ▶



2. As of June 23, 2023 (number of the Company's shares owned as of March 31, 2023)

Financial Highlights

NSK Ltd. and Consolidated Subsidiaries

(# Millions)

(Year)		JP-GAAP			IFRS							
		FY2012	FY2013	FY2014	FY2015 ^{*1}	FY2016	FY2017	FY2018	FY2019 ^{*2}	FY2020	FY2021 ^{*3}	FY2022 ^{*6}
Financial Data	Sales	732,842	871,742	974,885	975,319	949,170	1,020,338	991,365	831,034	747,559	865,166	938,098
	[By segment]											
	Industrial Machinery Business	216,142	242,969	276,361	243,395	226,924	266,249	269,974	284,426	275,226	352,226	385,103
	Automotive Business	490,545	590,545	656,998	705,511	696,271	723,564	689,658	521,857	449,722	482,547	520,711
	Others/Adjustments	26,154	38,226	41,525	26,411	25,974	30,524	31,732	24,750	22,611	30,393	32,284
	[By region]											
	Japan	333,348	329,136	328,837	318,434	330,512	372,134	367,537	314,281	275,777	317,612	310,745
	(Based on customer location) The Americas	103,352	134,483	164,821	183,652	165,177	155,498	157,581	139,249	107,829	125,094	168,014
	Europe	102,667	124,590	133,752	131,830	121,920	137,856	130,127	110,075	94,800	111,890	130,076
	Asia (excluding Japan)	193,473	283,532	347,475	341,403	331,559	354,849	336,119	267,427	269,153	310,569	329,261
	China	91,442	167,239	210,237	204,361	201,185	212,097	194,994	148,525	166,660	182,036	184,458
	Other Asia	102,030	116,293	137,238	137,042	130,373	142,752	141,124	118,902	102,492	128,532	144,803
	Operating income	32,361	68,049	97,327	89,534	65,341	97,875	79,279	23,604	6,364	29,430	32,936
	Ordinary income	30,310	66,785	91,002	—	—	—	—	—	—	—	—
Net income attributable to owners of the parent	15,739	31,167	61,962	65,719	45,560	69,312	55,809	17,412	355	16,587	18,412	
Capital expenditures	48,025	45,448	49,197	54,996	58,602	68,788	81,102	54,927	37,303	52,311	62,085	
Depreciation and amortization	34,598	35,079	38,568	43,048	43,354	46,785	48,801	53,926	54,527	56,558	58,376	
R&D expenses	10,432	9,919	10,660	11,155	13,858	17,059	19,023	18,265	16,820	19,175	19,839	
Net cash provided by operating activities (A)	53,797	70,342	67,709	108,622	67,936	83,746	92,617	72,387	53,842	22,733	64,163	
Net cash used in investing activities (B)	(45,262)	(42,402)	(46,335)	(45,212)	(54,243)	(53,001)	(72,673)	(39,784)	(51,096)	(19,973)	(48,778)	
Free cash flows (A) + (B)	8,534	27,940	21,374	63,410	13,692	30,744	19,943	32,602	2,745	2,759	15,384	
Dividends paid	5,943	8,650	15,161	18,425	20,174	21,245	20,737	15,550	10,367	12,958	15,638	
Acquisition of treasury shares	—	—	—	—	14,999	—	19,999	—	—	—	—	
Total equity attributable to owners of the parent (Shareholders' equity)	319,286	359,201	456,046	454,661	461,350	537,175	536,676	505,505	554,516	617,800	616,213	
Total assets	882,547	1,000,932	1,129,164	1,032,374	1,043,955	1,092,310	1,086,456	1,029,884	1,171,699	1,234,551	1,233,256	
Interest-bearing debt	305,102	315,532	326,400	278,152	267,399	250,908	274,780	279,170	332,440	303,457	335,738	
Per Share Data (Yen)	Earnings (Net income)	29.14	57.70	114.56	121.38	86.08	131.16	107.46	34.00	0.69	32.35	35.89
	Equity attributable to owners of the parent (Shareholders' equity)	591.36	664.74	842.69	839.56	873.11	1,016.30	1,048.18	987.01	1,081.88	1,204.63	1,200.92
	Cash dividends	11.0	16.0	28.0	34.0	38.0 ^{*4}	40.0	40.0	30.0	20.0	25.0	30.0
Financial Indices	Operating income margin (%)	4.4	7.8	10.0	9.2	6.9	9.6	8.0	2.8	0.9	3.4	3.5
	Return on average shareholders' equity (ROE) (%)	5.2	9.2	15.3	14.3	9.9	13.9	10.4	3.3	0.1	2.8	3.0
	Return on average assets (ROA) (%)	1.8	3.3	5.8	6.1	4.4	6.5	5.1	1.6	0.0	1.4	1.5
	Ratio of equity attributable to owners of the parent to total assets (%)	36.2	35.9	40.4	44.0	44.2	49.2	49.4	49.1	47.3	50.0	50.0
	Net D/E ratio (Times)	0.51	0.41	0.31	0.23	0.28	0.22	0.27	0.28	0.28	0.27	0.29
	Dividend payout ratio (%)	37.7	27.7	24.4	28.0	44.1	30.5	37.2	88.2	2,885.8	77.3	83.6
	Total return ratio (%) ^{*5}	37.7	27.7	24.4	28.0	77.1	30.5	73.1	88.2	2,885.8	77.3	83.6
	Period-end share price (Yen)	715	1,062	1,758	1,030	1,592	1,426	1,037	694	1,135	736	756
	Price earnings ratio (PER) (Times)	24.5	18.4	15.3	8.5	18.5	10.9	9.7	20.4	1,644.9	22.8	21.1
	price-to-book ratio (Times)	1.2	1.6	2.1	1.2	1.8	1.4	1.0	0.7	1.0	0.6	0.6
Dividend yield (%)	1.5	1.5	1.6	3.3	2.4	2.8	3.9	4.3	1.8	3.4	4.0	
Exchange Rate Data	US\$1	83.10	100.24	109.93	120.14	108.42	110.86	110.91	108.75	106.06	112.38	135.48
	€1	107.14	134.37	138.77	132.58	118.84	129.70	128.40	120.83	123.70	130.56	140.97

*1 In accordance with segment changes in the business domains (part of operations transferred from the Industrial Machinery Business to the Automotive Business) in FY2016, data from FY2015 to FY2017 are presented under the changed categories.

*2 In accordance with segment changes in the business domains (part of operations transferred from the Automotive Business to the Industrial Machinery Business) in FY2020, data from FY2019 onward are presented under the new categories.

*3 In accordance with segment changes in the business domains (part of operations transferred from others to the Industrial Machinery Business) in FY2022, data from FY2021 onward is presented under the new categories.

*4 The breakdown of the ¥38.0 per share dividend paid in FY2016 is a normal dividend of ¥28.0 per share and a ¥10.0 per share dividend to commemorate the 100th anniversary of the Company's founding.

*5 Total return ratio = (Dividends paid + Acquisition of treasury shares) ÷ Net income attributable to owners of the parent

*6 Although the Company reclassified its steering business as discontinued operations from the first quarter of FY2023, figures before reclassification are presented because the NSK Report 2023 is based on data as of March 31, 2023. (Other pages are presented in the same manner.)

Financial and Non-Financial Highlights

Non-Financial Highlights

PRTR Act

The PRTR Act stands for the Pollutant Release and Transfer Register Act and refers to the Act on Confirmation, etc., of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof. This is a Japanese law intended to encourage the improvement of chemical substance management by requiring that the amounts of chemical substances released to the environment are reported to the authorities.

VOCs

VOCs stands for Volatile Organic Compounds. VOCs are one cause of photochemical smog.

		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022	
Environment	Environmentally friendly products* ¹	Number of products developed (cumulative)	NSK Group	Products	226	232	238	239	243
	Products that help reduce CO ₂ emissions	CO ₂ emissions avoided (total)* ²	NSK Group	× 10 ³ t-CO ₂	1,361	1,447	2,251	2,267	2,288
	Energy	Total energy usage	NSK Group	TJ	7,965	7,330	6,845	7,524	6,873* ³
		Fuel and gas	NSK Group	TJ	2,456	2,295	2,079	2,229	1,964* ³
		Electricity and heat	NSK Group	TJ	5,509	5,035	4,767	5,295	4,909* ³
		Reference: Electricity and heat primary energy equivalent usage	NSK Group	TJ	14,815	13,577	12,860	14,334	15,262
		Rate of renewable energy use	NSK Group	%	0.8	2.2	6.7	8.3	21.3
	Greenhouse gases	GHG emissions (total for Scope 1 and 2)	NSK Group	× 10 ³ t-CO ₂ e	998	839	701	763	575* ³
		Scope 1	NSK Group	× 10 ³ t-CO ₂ e	142	132	120	127	112* ³
		Scope 2	NSK Group	× 10 ³ t-CO ₂ e	856	708	581	636	462* ³
Reference: Scope 3		NSK Group	× 10 ³ t-CO ₂ e	2,705	2,194	1,928	2,199	2,113* ³	
		Rate of change in emissions (baseline: FY2017)	NSK Group	%	-2.0	-17.6	-31.2* ⁴	-25.0* ⁴	-43.6
		Rate of change in emissions per unit of sales (baseline: FY2017)	NSK Group	%	0.8* ⁴	1.2* ⁴	-6.1	-11.6* ⁴	-38.6
Steel	Steel consumption	NSK Group	× 10 ³ t	758	618	562	655	564	
Water	Total water withdrawal	NSK Group	× 10 ³ m ³	4,700	4,308	3,977	4,169	3,883* ³	
	Groundwater	NSK Group	× 10 ³ m ³	2,011	1,789	1,659	1,826	1,605* ³	
	General water	NSK Group	× 10 ³ m ³	2,194	2,028	1,922	1,978	1,951* ³	
	Industrial water	NSK Group	× 10 ³ m ³	495	490	396	357	320* ³	
	Rainwater and reused water	NSK Group	× 10 ³ m ³	—	—	—	8	7* ³	
Waste and valuables	Total waste and valuables	NSK Group	× 10 ³ t	230.1	201.8	181.9	203.1	181.1* ³	
	Reuse and recycle (excluding energy recovery)	NSK Group	× 10 ³ t	195.0	171.8	156.3	174.7	154.0* ³	
	Total waste disposed (including energy recovery)	NSK Group	× 10 ³ t	35.1	30.0	25.6	28.4	27.1* ³	
	Landfilled	NSK Group	× 10 ³ t	3.6	2.9	2.1	2.4	1.7	
	Incinerated with energy recovery	NSK Group	× 10 ³ t	13.2	11.8	10.3	10.7	9.6	
	Incinerated without energy recovery	NSK Group	× 10 ³ t	5.5	4.0	3.3	3.9	3.3	
	Other (e.g., water treatment)	NSK Group	× 10 ³ t	12.8	11.3	9.9	11.4	12.5	
Air quality	Emissions of NOx	NSK Group	t	128	119	106	113	99	
	Emissions of SOx	NSK Group	t	42	38	39	33	32	
Water quality	Total discharged water	NSK Group	× 10 ³ m ³	3,159	2,847	2,519	2,757	2,466	
	Rivers	NSK Group	× 10 ³ m ³	729	591	575	646	521	
	Sewage system	NSK Group	× 10 ³ m ³	2,430	2,256	1,944	2,110	1,897	
	BOD (biochemical oxygen demand)	NSK Group	t	1.4	1.2	1.2	1.5	0.9	
Environmentally harmful substances	Handling of PRTR-designated substances (materials and parts)	Group in Japan	t	464	395	316	326	278	
	Discharge/transfer of PRTR-designated substances	Group in Japan	t	72	78	73	86	75	
	Emissions of VOCs	NSK Group	t	151	145	141	165	142* ³	
Biodiversity	Number of biodiversity conservation initiatives (social contribution initiatives)	Group in Japan	Initiatives	6	6	3	5	9	

*¹ Newly developed products until FY2007 that are consistent with the "Basic Policy for the Development of Environmentally Friendly Products" and from FY2008, newly developed products with an NSK Eco-efficiency Indicators (Neco) score of 1.2 or higher. *² Amount of CO₂ emissions avoided in the past financial years are recalculated using the latest CO₂ emission factor of electricity used in the calculation of CO₂ emissions avoided for FY2022. *³ Third-party verification has been obtained. ▶ P.83 *⁴ Data was reviewed retroactively due to such factors as changes in calculation standards.

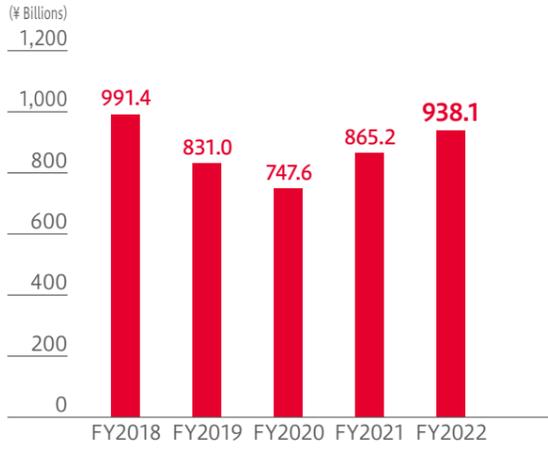
		Scope	Unit	FY2018	FY2019	FY2020	FY2021	FY2022	
Social	Number of employees (consolidated)	Total	NSK Group	Persons	31,484	30,747	30,378	30,577	29,882
		Japan	Group in Japan	Persons	11,755	11,803	11,774	11,853	11,728
		The Americas	Group in the Americas	Persons	3,093	2,804	2,617	2,696	2,622
		Europe	Group in Europe	Persons	4,259	4,206	4,333	4,312	4,070
		Asia	Group in Asia	Persons	12,377	11,934	11,654	11,716	11,462
	Ratio of men/women employees	Men	NSK Group	%	80.9	81.0	81.7* ³	81.9* ³	81.6
		Women	NSK Group	%	19.1	19.0	18.3* ³	18.1* ³	18.4
	Average years of employment (average age)	Total	Group in Japan* ¹	Years (age)	16(41)	17(42)	17(42)	17(43)	17(42)
		Men	Group in Japan* ¹	Years (age)	17(42)	17(42)	18(43)	17(43)	18(42)
		Women	Group in Japan* ¹	Years (age)	11(37)	12(37)	12(38)	12(38)* ³	13(38)
Percentage of employees taking childcare leave (based on NSK criteria)	Men	NSK	%	—	—	50.3	56.5	72.6	
	Women	NSK	%	—	—	100.0	100.0	100.0	
Employment rate of people with disabilities		Group in Japan* ¹	%	2.25	2.24	2.45	2.56	2.48	
Occupational safety	Lost-time injury frequency rate	NSK Group	—	0.37	0.35	0.43	0.28	0.38* ²	
Health and wellness	Percentage of employees participating in the Specific Health Guidance program	Group in Japan* ¹	%	25.3	25.1	27.3	27.2	26.3	
	Percentage of employees receiving stress checks	Group in Japan* ¹	%	95.9	94.9	95.9	97.9	98.7	
	Percentage of employees who smoke	Group in Japan* ¹	%	37.6	36.6	33.8	31.9	31.6	
Human resource development	Number of participants in NSK Global Management College	NSK Group	Persons	13	12	0* ⁴	0* ⁴	13	
	Number of participants in NSK Japan Management College	Group in Japan* ¹	Persons	10	10	10	10	9	
	Number of participants in NSK Institute of Technology	NSK Group	Persons	451	527	518	493	495	
Rate of labor union participation	Non-management employees	Group in Japan* ¹	%	100	100	100	100	100	
	All employees including managers	Group in Japan* ¹	%	83	83	83	84	84	
Employee engagement survey	Number of participants (officers and employees)	NSK Group	Persons	15,538	14,964* ³	16,985* ³	5,976	20,611	
Research and development	Number of patents held	NSK Group	Patents	7,499	8,052	8,172	6,226	6,306	

*¹ NSK Ltd. and main Group companies in Japan *² The Company receives third-party assurances. ▶ P.83 *³ Revised to improve accuracy *⁴ Cancelled due to the spread of COVID-19

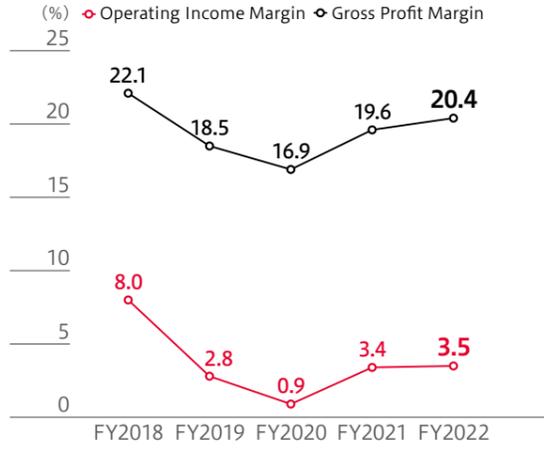
As of June 30		Unit	2019/6	2020/6	2021/6	2022/6	2023/6	
Governance	Composition of the Board of Directors	Number of directors	Persons	12	9	9	9	9
		Ratio of independent outside directors	%	41.7	55.6	55.6	55.6	55.6
		Ratio of males	%	91.7	88.9	88.9	88.9	88.9
		Ratio of females	%	8.3	11.1	11.1	11.1	11.1
Attendance at Board of Directors meetings	Number of times convened	Meetings		10	10	10	10	10
		Average attendance rate	%	99	99	98	100	98
		Average attendance rate of independent outside directors	%	98	98	98	100	96

Trends in Major Indices

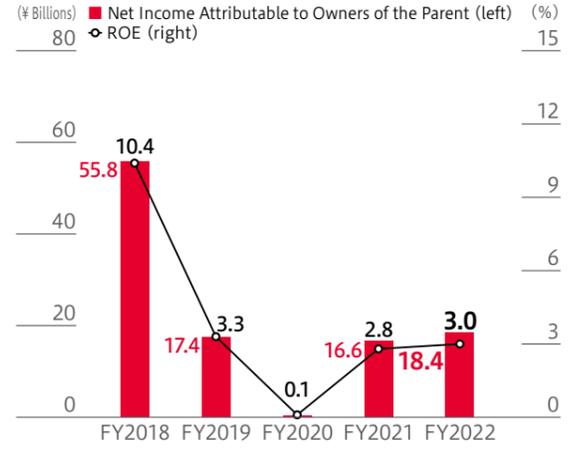
■ Sales



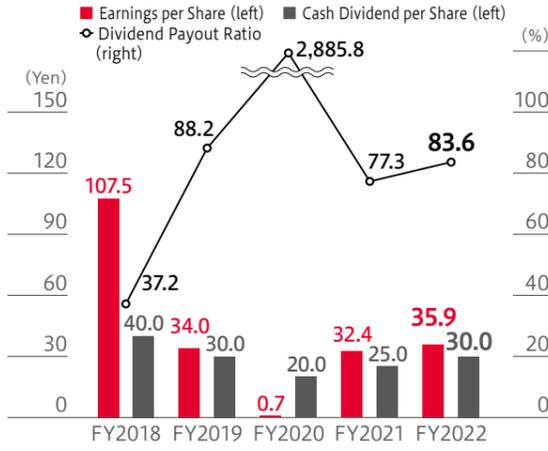
■ Operating Income Margin/Gross Profit Margin



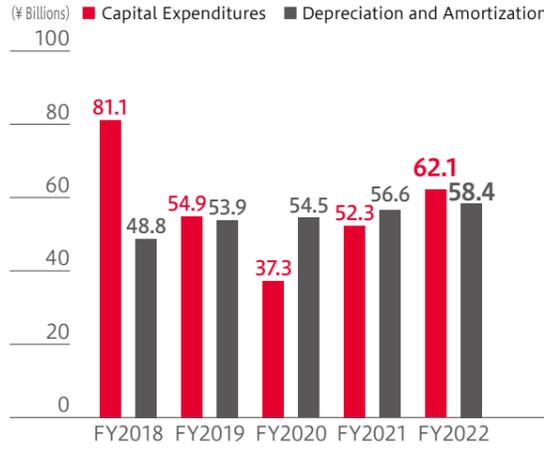
■ Net Income Attributable to Owners of the Parent/ROE



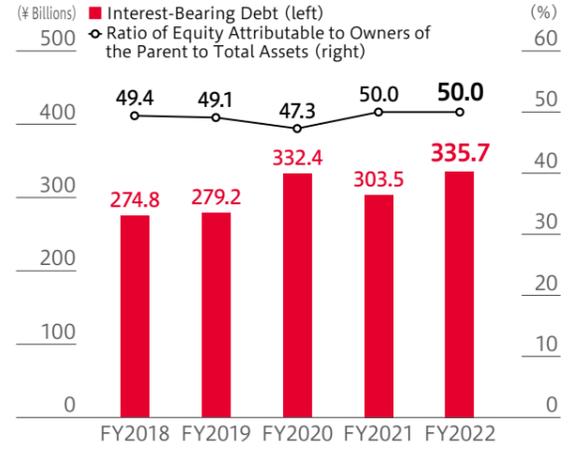
■ Earnings per Share/Cash Dividend per Share/Dividend Payout Ratio



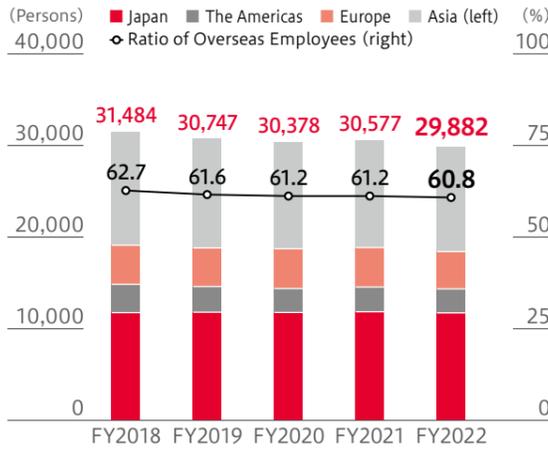
■ Capital Expenditures/Depreciation and Amortization



■ Interest-Bearing Debt/Ratio of Equity Attributable to Owners of the Parent to Total Assets

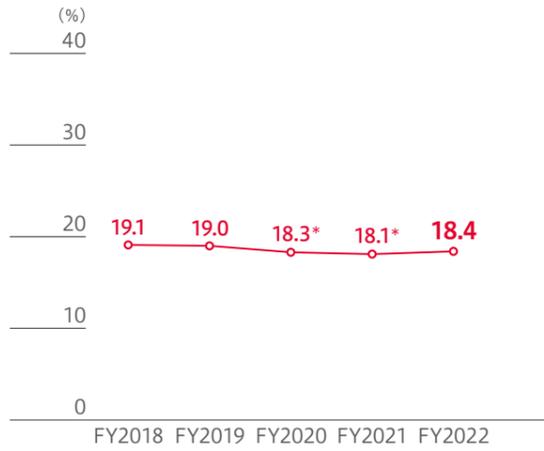


■ Number of Employees Worldwide/Ratio of Overseas Employees



▶ PP.34-35 Strengthening Internal Capital: Manufacturing Capital

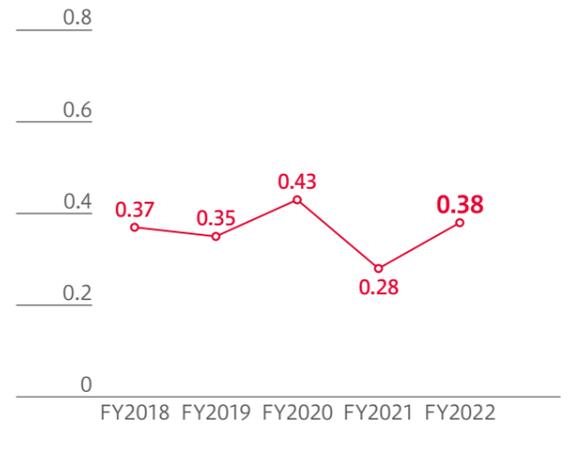
■ Ratio of Female Employees



*Revised to improve accuracy

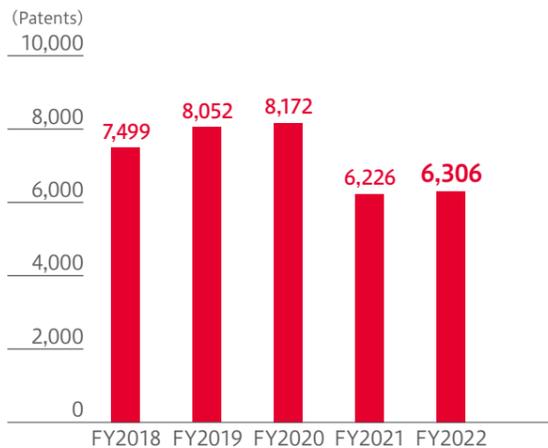
▶ P.37 Diversity as a Driving Force of the Organization

■ Lost-Time Injury Frequency Rate



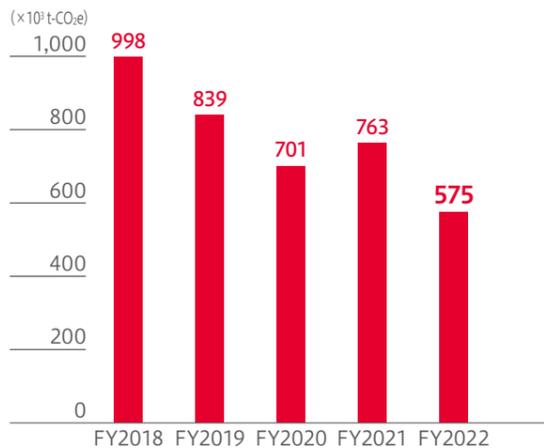
▶ P.44 Safety Management

■ Number of Patents Held



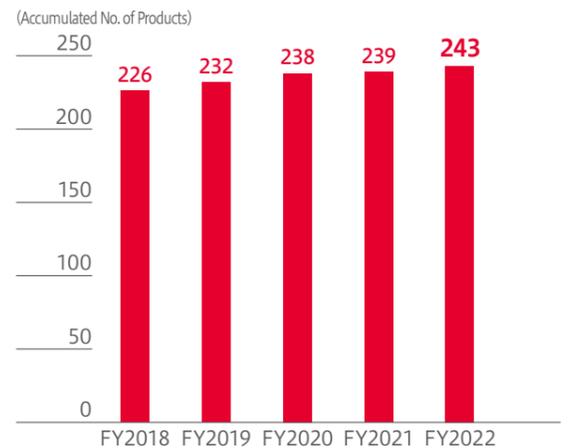
Note: To set itself apart from competitors and enhance the competitiveness of its products and services, NSK submits patent applications on an ongoing basis for any technological outcomes it produces. As a result of reorganizing patents with a low potential for future use, the number of patents held decreased in FY2021.

■ Greenhouse Gas Emissions



▶ PP.42-43 Initiatives for Minimizing the Environmental Impact of Our Business Activities and Maximizing the Environmental Contribution of Our Products

■ Number of Environmentally Friendly Products Developed



Note: Cumulative data from FY2002.

Consolidated Statements of Financial Position (IFRS)

		(¥ Millions)	
		FY2021 (March 31, 2022)	FY2022 (March 31, 2023)
Assets			
Current assets	Cash and cash equivalents	137,504	160,109
	Trade receivables and other receivables	209,351	207,812
	Inventories	196,736	197,754
	Other financial assets	1,658	1,590
	Income tax receivables	5,562	1,633
	Other current assets	19,065	18,756
	Total current assets	569,879	587,656
Non-current assets	Property, plant and equipment	379,042	385,613
	Intangible assets	43,987	49,227
	Investments accounted for using equity method	30,824	30,699
	Other financial assets	66,094	56,425
	Deferred tax assets	15,128	15,288
	Net defined benefit assets	123,989	101,165
	Other non-current assets	5,603	7,179
	Total non-current assets	664,672	645,600
Total assets		1,234,551	1,233,256

		(¥ Millions)	
		FY2021 (March 31, 2022)	FY2022 (March 31, 2023)
Liabilities and equity			
Liabilities			
Current liabilities	Trade payables and other payables	119,855	112,535
	Other financial liabilities	113,882	129,801
	Provisions	516	536
	Income tax payables	5,990	7,797
	Other current liabilities	56,758	56,678
	Total current liabilities	297,003	307,348
Non-current liabilities	Financial liabilities	214,684	231,309
	Provisions	3,050	1,867
	Deferred tax liabilities	56,084	32,661
	Net defined benefit liabilities	17,714	16,027
	Other non-current liabilities	8,555	9,318
	Total non-current liabilities	300,088	291,183
Total liabilities		597,091	598,532
Equity			
	Issued capital	67,176	67,176
	Capital surplus	80,374	80,476
	Retained earnings	410,872	415,736
	Treasury shares	(37,025)	(36,781)
	Other components of equity	96,402	89,604
	Total equity attributable to owners of the parent	617,800	616,213
	Non-controlling interests	19,659	18,511
Total equity		637,460	634,724
Total liabilities and equity		1,234,551	1,233,256

Consolidated Statements of Income (IFRS)

		(¥ Millions)	
		FY2021 (From April 1, 2021, to March 31, 2022)	FY2022 (From April 1, 2022, to March 31, 2023)
Sales		865,166	938,098
Cost of sales		695,440	747,033
Gross profit		169,725	191,065
Selling, general and administrative expenses		144,724	159,319
Share of profits of investments accounted for using the equity method		3,785	3,196
Other operating income		10,225	-
Other operating expenses		9,582	2,005
Operating income		29,430	32,936
Financial income		2,229	2,369
Financial expenses		2,143	3,380
Income before income taxes		29,516	31,926
Income tax expense		11,851	13,264
Net income (loss)		17,664	18,661
Net income attributable to:			
	Owners of the parent	16,587	18,412
	Non-controlling interests	1,077	249
(Earnings per share attributable to owners of the parent)			
	Basic earnings per share (Yen)	32.35	35.89
	Diluted earnings per share (Yen)	32.26	35.77

Consolidated Statements of Comprehensive Income (IFRS)

		(¥ Millions)					
		FY2021 (From April 1, 2021, to March 31, 2022)			FY2022 (From April 1, 2022, to March 31, 2023)		
		Before Tax Effect	Tax Effect	Amount (net)	Before Tax Effect	Tax Effect	Amount (net)
Net income (loss)				17,664			18,661
Other comprehensive income							
Items that will not be reclassified to profit or loss							
	Remeasurements of net defined benefit liability (asset)	32,433	(11,263)	21,170	(24,255)	9,768	(14,486)
	Net changes in financial assets measured at fair value through other comprehensive income	(2,353)	710	(1,642)	(5,550)	1,711	(3,839)
	Share of other comprehensive income of investments accounted for using equity method	235	(68)	166	(329)	96	(232)
	Total items that will not be reclassified to profit or loss	30,315	(10,621)	19,694	(30,135)	11,576	(18,558)
Items that may be reclassified to profit or loss							
	Exchange differences on translating foreign operations	35,774	-	35,774	13,774	-	13,774
	Share of other comprehensive income of investments accounted for using equity method	872	-	872	169	-	169
	Total items that may be reclassified to profit or loss	36,647	-	36,647	13,943	-	13,943
	Total other comprehensive income	66,963	(10,621)	56,341	(16,192)	11,576	(4,615)
	Total comprehensive income for the period			74,006			14,046
Total comprehensive income for the period attributable to:							
	Owners of the parent			72,220			13,449
	Non-controlling interests			1,785			597

Consolidated Statements of Changes in Equity (IFRS)

FY2021 (From April 1, 2021 to March 31, 2022)	Equity Attributable to Owners of the Parent			
	Issued Capital	Capital Surplus	Retained Earnings	Treasury Shares
Opening balance	67,176	80,338	397,837	(37,303)
Net income	-	-	16,587	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	16,587	-
Purchase of treasury shares	-	-	-	(8)
Disposal of treasury shares	-	(14)	-	286
Share-based payment transactions	-	42	-	-
Cash dividends	-	-	(10,263)	-
Changes in the ownership interests in subsidiaries	-	7	-	-
Other	-	-	6,711	-
Total transactions with owners, etc.	-	35	(3,551)	278
Closing balance	67,176	80,374	410,872	(37,025)

	Equity Attributable to Owners of the Parent						Non-Controlling Interests	Total Equity
	Other Components of Equity				Total	Total		
	Exchange Differences on Translating Foreign Operations	Net Changes in Financial Assets Measured at Fair Value through Other Comprehensive Income	Remeasurements of Net Defined Benefit Liability (Asset)	Total				
Opening balance	(10,616)	34,797	22,286	46,467	554,516	19,052	573,569	
Net income	-	-	-	-	16,587	1,077	17,664	
Other comprehensive income	35,933	(1,638)	21,338	55,633	55,633	708	56,341	
Total comprehensive income for the period	35,933	(1,638)	21,338	55,633	72,220	1,785	74,006	
Purchase of treasury shares	-	-	-	-	(8)	-	(8)	
Disposal of treasury shares	-	-	-	-	271	-	271	
Share-based payment transactions	-	-	-	-	42	-	42	
Cash dividends	-	-	-	-	(10,263)	(1,164)	(11,428)	
Changes in the ownership interests in subsidiaries	-	-	-	-	7	(14)	(7)	
Other	-	(5,697)	-	(5,697)	1,013	-	1,013	
Total transactions with owners, etc.	-	(5,697)	-	(5,697)	(8,936)	(1,179)	(10,115)	
Closing balance	25,316	27,460	43,625	96,402	617,800	19,659	637,460	

FY2022 (From April 1, 2022, to March 31, 2023)	Equity Attributable to Owners of the Parent			
	Issued Capital	Capital Surplus	Retained Earnings	Treasury Shares
Opening balance	67,176	80,374	410,872	(37,025)
Net income	-	-	18,412	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	18,412	-
Purchase of treasury shares	-	-	-	(8)
Disposal of treasury shares	-	28	-	252
Share-based payment transactions	-	74	-	-
Cash dividends	-	-	(15,403)	-
Other	-	-	1,855	-
Total transactions with owners, etc.	-	102	(13,548)	243
Closing balance	67,176	80,476	415,736	(36,781)

	Equity Attributable to Owners of the Parent						Non-Controlling Interests	Total Equity
	Other Components of Equity				Total	Total		
	Exchange Differences on Translating Foreign Operations	Net Changes in Financial Assets Measured at Fair Value through Other Comprehensive Income	Remeasurements of Net Defined Benefit Liability (Asset)	Total				
Opening balance	25,316	27,460	43,625	96,402	617,800	19,659	637,460	
Net income	-	-	-	-	18,412	249	18,661	
Other comprehensive income	13,606	(3,809)	(14,759)	(4,962)	(4,962)	347	(4,615)	
Total comprehensive income for the period	13,606	(3,809)	(14,759)	(4,962)	13,449	597	14,046	
Purchase of treasury shares	-	-	-	-	(8)	-	(8)	
Disposal of treasury shares	-	-	-	-	280	-	280	
Share-based payment transactions	-	-	-	-	74	-	74	
Cash dividends	-	-	-	-	(15,403)	(1,744)	(17,148)	
Other	-	(1,835)	-	(1,835)	20	-	20	
Total transactions with owners, etc.	-	(1,835)	-	(1,835)	(15,037)	(1,744)	(16,782)	
Closing balance	38,922	21,816	28,865	89,604	616,213	18,511	634,724	

Consolidated Statements of Cash Flows (IFRS)

	FY2021 (From April 1, 2021, to March 31, 2022)	FY2022 (From April 1, 2022, to March 31, 2023)
Operating activities		
Income before income taxes	29,516	31,926
Depreciation and amortization	56,558	58,376
Impairment loss	10,222	50
Increase (decrease) in net defined benefit liability and net defined benefit asset	(2,442)	(3,056)
Interest and dividend income	(1,728)	(1,987)
Interest expenses	2,573	3,726
Share of profits of investments accounted for using the equity method	(3,785)	(3,196)
Loss (gain) on sales of property, plant and equipment	(10,048)	(157)
Decrease (increase) in trade receivables	(11,902)	5,100
Decrease (increase) in inventories	(34,821)	6,330
Increase (decrease) in trade payables	442	(10,130)
Other	(2,707)	(3,820)
Subtotal	31,876	83,161
Interest and dividend received	5,241	5,122
Interest expenses paid	(2,936)	(3,670)
Income tax paid	(11,447)	(20,449)
Net cash provided by operating activities	22,733	64,163
Investing activities		
Purchases of property, plant and equipment	(36,063)	(44,292)
Proceeds from sale of property, plant and equipment	10,829	302
Purchases of intangible assets	(5,559)	(7,457)
Purchases of other financial assets	(20)	(118)
Proceeds from sale of other financial assets	11,290	3,348
Other	(450)	(561)
Net cash used in investing activities	(19,973)	(48,778)

	FY2021 (From April 1, 2021, to March 31, 2022)	FY2022 (From April 1, 2022, to March 31, 2023)
Financial activities		
Increase (decrease) in short-term loans	(22,035)	(8,065)
Proceeds from long-term loans	9,000	16,409
Repayments of long-term loans	(9,304)	(14,436)
Proceeds from issuance of corporate bonds	-	43,000
Payments for redemption of corporate bonds	(10,000)	(10,000)
Repayments of lease liabilities	(4,722)	(5,636)
Acquisition of treasury shares	(1)	(1)
Dividends paid	(10,259)	(15,386)
Dividends paid to non-controlling interests	(1,164)	(1,744)
Other	263	280
Net cash used in financial activities	(48,224)	4,417
Effect of exchange rate changes on cash and cash equivalents	6,330	2,801
Net increase (decrease) in cash and cash equivalents	(39,133)	22,604
Cash and cash equivalents at the beginning of the period	176,638	137,504
Cash and cash equivalents at the end of the period	137,504	160,109

NSK Group Tax Policy

As the globalization of business advances, the NSK Group believes that the proper payment of taxes in the countries and regions where it operates is one of the most fundamental and important social responsibilities that it should undertake. With this understanding, the Group has established the NSK Group Tax Policy and is striving to ensure appropriate tax treatment. For more details, please visit the website noted below.

Please see our website for more information. ▶



As of March 31, 2023

Region	Company Name	Consolidated Equity	Outline of Business
Japan	NSK STEERING SYSTEMS CO., LTD.	100.0%	Manufacture of automotive components
	NSK MICRO PRECISION CO., LTD.	55.0%	Manufacture and sales of industrial machinery bearings, etc.
	NSK MICRO PRECISION CO., LTD. (NAGANO)	100.0%	Manufacture of industrial machinery bearings, etc.
	AMATSUJI STEEL BALL MFG. CO., LTD.	100.0%	Manufacture and sales of steel balls
	AKS EAST JAPAN CO., LTD.	100.0%	Manufacture of steel balls
	NSK KYUSHU CO., LTD.	100.0%	Manufacture of precision machinery & parts
	ASAHI SEIKI CO., LTD.	74.3%	Manufacture of industrial machinery bearing parts, etc.
	SHINWA SEIKO CO., LTD.	82.4%	Manufacture of automotive bearing parts, etc.
	NSK TOYAMA CO., LTD.	100.0%	Manufacture of industrial machinery bearing parts
	NSK MACHINERY CO., LTD.	100.0%	Manufacture of machine tools, etc.
	KURIBAYASHI SEISAKUSHO CO., LTD.	73.5%	Manufacture and sales of automotive bearing parts
	NSK REAL ESTATE CO., LTD.	100.0%	Real estate management and rental, etc.
	NISSEI BLDG. MANAGEMENT LTD.	70.0%	Management of Nissei Building
	NSK HUMAN RESOURCE SERVICES LTD.	100.0%	Consignment services for salary and welfare
	NSK LOGISTICS CO., LTD.	100.0%	Distribution service
	NSK NETWORK AND SYSTEMS CO., LTD.	100.0%	Design and development for computer systems, etc.
	NSK-CHUGAI, LTD.	65.0%	Sales of electrical components and insurance agent, etc.
ADTECH CORPORATION	100.0%	Research and development of automotive components	
NSK-WARNER K.K.	50.0%	Manufacture and sales of automotive-related products	
CHITOSE SANGYO CO., LTD.	50.0%	Manufacture of automotive-related products	
INOUE JIKUKE KOGYO CO., LTD.	40.0%	Manufacture and sales of industrial machinery bearings	

THE AMERICAS

U.S.A.	NSK AMERICAS, INC.	100.0%	Control of American subsidiaries and affiliates
	NSK CORPORATION	100.0%	Manufacture and sales of automotive bearings, etc.
	NSK PRECISION AMERICA, INC.	100.0%	Manufacture and sales of precision machinery & parts

Region	Company Name	Consolidated Equity	Outline of Business
U.S.A.	NSK LATIN AMERICA, INC.	100.0%	Sales of industrial machinery bearings, etc.
	NSK STEERING SYSTEMS AMERICA, INC.	100.0%	Manufacture and sales of automotive components
	NSK-AKS PRECISION BALL COMPANY	100.0%	Manufacture and sales of steel balls
	BK VIBRO AMERICA INC.	100.0%	Manufacture of condition monitoring equipment and sale and provision of condition monitoring services
Canada	NSK CANADA INC.	100.0%	Sales of industrial machinery bearings, etc.
Mexico	NSK RODAMIENTOS MEXICANA, S.A. DE C.V.	100.0%	Sales of industrial machinery bearings, etc.
	NSK BEARINGS MANUFACTURING, MEXICO, S.A. DE C.V.	100.0%	Manufacture of automotive bearings, etc.
Brazil	NSK BRASIL LTDA.	100.0%	Manufacture and sales of industrial machinery bearings, etc.
Argentina	NSK ARGENTINA S.R.L.	100.0%	Sales of industrial machinery bearings, etc.
Peru	NSK PERU S.A.C.	100.0%	Sales support of industrial machinery bearings, etc.

EUROPE

U.K.	NSK EUROPE LTD.	100.0%	Control of European subsidiaries and affiliates
	NSK BEARINGS EUROPE LTD.	100.0%	Manufacture of automotive bearings, etc.
	NSK PRECISION UK LTD.	100.0%	Manufacture of precision machinery & parts
	NSK UK LTD.	100.0%	Sales of industrial machinery bearings, etc.
	NSK STEERING SYSTEMS EUROPE LTD.	100.0%	Manufacture of automotive components
Germany	AKS PRECISION BALL EUROPE LTD.	100.0%	Manufacture and sales of steel balls
	NSK EUROPA HOLDING GMBH	100.0%	Holding company of subsidiaries in Germany
	NSK DEUTSCHLAND GMBH	100.0%	Sales of industrial machinery bearings, etc.
	NEUWEG FERTIGUNG GMBH	100.0%	Manufacture of industrial machinery bearings
	BRÜEL & KJÆR VIBRO GMBH	100.0%	Manufacture of condition monitoring equipment and sale and provision of condition monitoring services

Region	Company Name	Consolidated Equity	Outline of Business
France	NSK FRANCE S.A.S.	100.0%	Sales of industrial machinery bearings, etc.
Italy	NSK ITALIA S.P.A.	100.0%	Sales of industrial machinery bearings, etc.
Spain	NSK SPAIN S.A.	100.0%	Sales of industrial machinery bearings, etc.
Netherlands	NSK EUROPEAN DISTRIBUTION CENTRE B.V.	100.0%	Distribution service
Poland	NSK BEARINGS POLSKA S.A.	95.5%	Manufacture of industrial machinery bearings, etc.
	NSK POLSKA SP. Z O.O.	100.0%	Sales of industrial machinery bearings, etc.
	NSK STEERING SYSTEMS EUROPE (POLSKA) SP. Z O.O.	100.0%	Manufacture of automotive components
	NSK NEEDLE BEARING POLAND SP. Z O.O.	100.0%	Manufacture of automotive bearings
Denmark	AKS PRECISION BALL POLSKA SP. Z O.O.	100.0%	Manufacture and sales of steel balls
	BRÜEL & KJÆR VIBRO A/S	100.0%	Development of condition monitoring equipment
Turkey	NSK RULMANLARI ORTA DOGU TIC. LTD. STI (NSK BEARINGS MIDDLE EAST TRADING CO., LTD.)	100.0%	Sales of industrial machinery bearings, etc.
South Africa	NSK SOUTH AFRICA (PTY) LTD.	100.0%	Sales of industrial machinery bearings, etc.
Morocco	NSK STEERING SYSTEMS MOROCCO S.A.R.L.	100.0%	Manufacture of automotive components

ASIA

China	NSK (CHINA) INVESTMENT CO., LTD.	100.0%	Control of Chinese subsidiaries and affiliates, sales of bearings, etc.
	NSK AUTOMOTIVE COMPONENTS CO., Ltd.	100.0%	Control of Chinese automotive components subsidiaries and affiliates, sales
	KUNSHAN NSK CO., LTD.	85.0%	Manufacture of automotive bearings, etc.
	NSK STEERING SYSTEMS DONGGUAN CO., LTD.	100.0%	Manufacture of automotive components
	NSK DONGGUAN AUTOMOTIVE TECHNOLOGY CO., LTD.	100.0%	Manufacture of automotive-related products
	ZHANGJIAGANG NSK PRECISION MACHINERY CO., LTD.	100.0%	Manufacture of automotive bearing parts, etc.
	CHANGSHU NSK NEEDLE BEARING CO., LTD.	100.0%	Manufacture of automotive bearings
	AKS PRECISION BALL (HANGZHOU) CO., LTD.	100.0%	Manufacture and sales of steel balls
	SUZHOU NSK BEARINGS CO., LTD.	100.0%	Manufacture of automotive bearings
	NSK (CHINA) RESEARCH AND DEVELOPMENT CO., LTD.	100.0%	Research and development of automotive bearings, etc.
	NSK HANGZHOU AUTOMOTIVE COMPONENTS CO., LTD.	100.0%	Manufacture of automotive components
	NSK HANGZHOU AUTOMOBILE ELECTRONIC TECHNOLOGY CO., LTD.	100.0%	Manufacture of automotive components

Region	Company Name	Consolidated Equity	Outline of Business
China	SHENYANG NSK PRECISION CO., LTD.	100.0%	Manufacture of precision machinery & parts
	SHENYANG NSK CO., LTD.	100.0%	Manufacture of industrial machinery bearings
	HEFEI NSK CO., LTD.	100.0%	Manufacture of industrial machinery bearings, etc.
Hong Kong	TOHSHIN-NSK ROLLERS (SUZHOU) CO., LTD.	40.0%	Manufacture of automotive bearing parts
	NSK HONG KONG LTD.	70.0%	Sales of industrial machinery bearings, etc.
Taiwan	TAIWAN NSK PRECISION CO., LTD.	70.0%	Sales of precision machinery & parts
Singapore	NSK INTERNATIONAL (SINGAPORE) PTE LTD.	100.0%	Control of ASEAN and OCEANIA subsidiaries and affiliates
Indonesia	PT. NSK BEARINGS MANUFACTURING INDONESIA	100.0%	Manufacture of industrial machinery bearings, etc.
	PT. NSK INDONESIA	100.0%	Sales of industrial machinery bearings, etc.
	PT. AKS PRECISION BALL INDONESIA	100.0%	Manufacture and sales of steel balls
Thailand	NSK BEARINGS MANUFACTURING (THAILAND) CO., LTD.	74.9%	Manufacture and sales of automotive bearings
	SIAM NSK STEERING SYSTEMS CO., LTD.	74.9%	Manufacture and sales of automotive components
	NSK ASIA PACIFIC TECHNOLOGY CENTRE (THAILAND) CO., LTD.	100.0%	Development of products, etc.
Malaysia	NSK BEARINGS (THAILAND) CO., LTD.	49.0%	Sales of industrial machinery bearings, etc.
	NSK BEARINGS (MALAYSIA) SDN. BHD.	51.0%	Sales of industrial machinery bearings, etc.
	NSK MICRO PRECISION (M) SDN. BHD.	100.0%	Manufacture of industrial machinery bearings, etc.
	ISC MICRO PRECISION SDN. BHD.	100.0%	Manufacture of industrial machinery bearings, etc.
Vietnam	NSK VIETNAM CO., LTD.	100.0%	Sales of industrial machinery bearings, etc.
Australia	NSK AUSTRALIA PTY. LTD.	100.0%	Sales of industrial machinery bearings, etc.
New Zealand	New Zealand	100.0%	Sales of industrial machinery bearings, etc.
India	NSK BEARINGS INDIA PRIVATE LIMITED	100.0%	Manufacture and sales of automotive bearings, etc.
	RANE NSK STEERING SYSTEMS PRIVATE LTD.	51.0%	Manufacture and sales of automotive components
South Korea	NSK KOREA CO., LTD.	100.0%	Manufacture and sales of automotive bearings, etc.

Bearings

Bearings—the staple of industry. A surprisingly large number of them can be found all around us. [▶ PP.6-7 NSK Supporting Society](#)

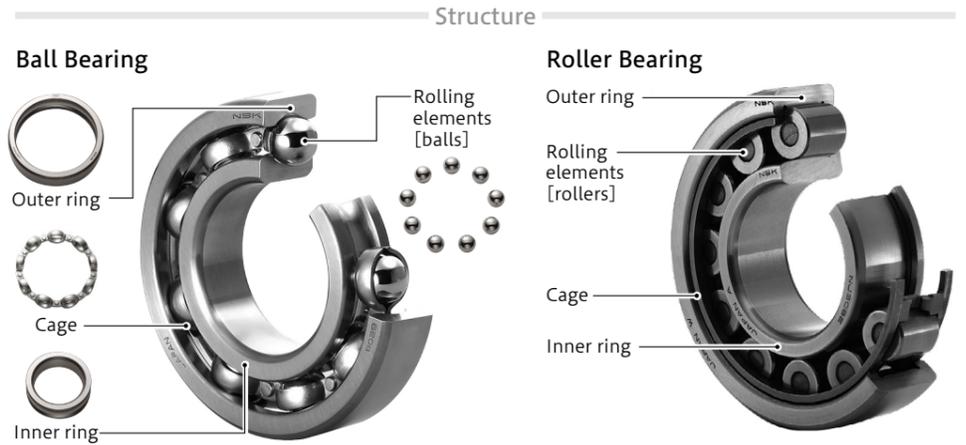
The term “bearing” incorporates the meaning of “to bear,” in the sense of “to support.”

With bearings:

Bearings work to reduce friction in the rotational motion of machines. The three main benefits of reducing friction are as follows.

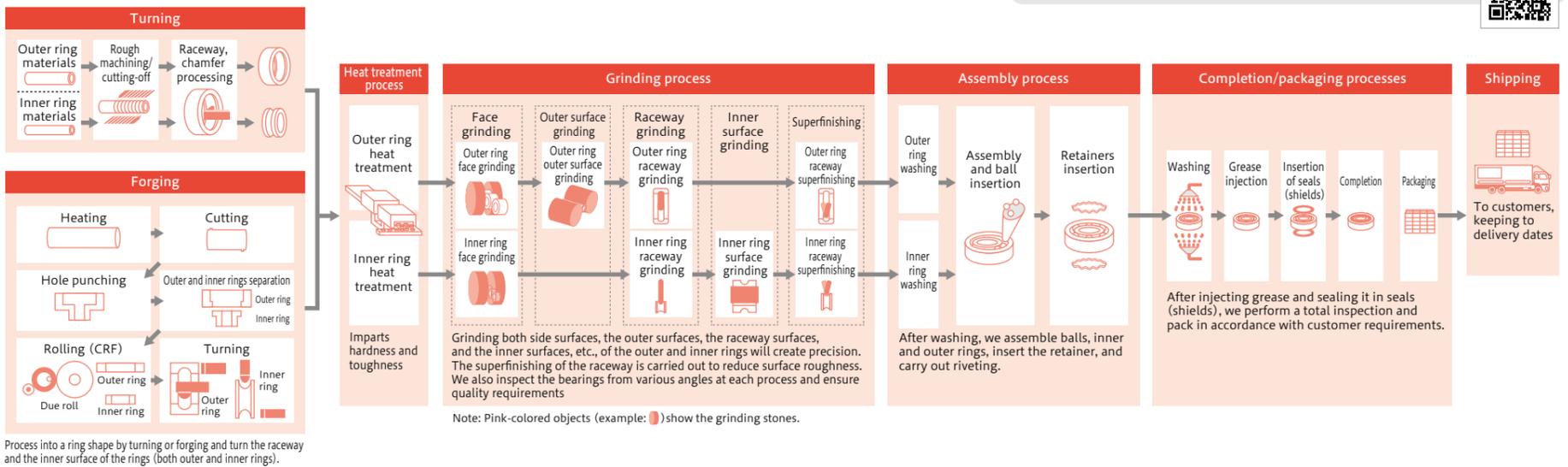
- 1. Machine will run more efficiently**
- 2. Extend the operating life of machinery**
- 3. Preventing abrasion burn and avoiding mechanical breakdown**

Bearings also contribute to lower energy consumption by reducing friction and allowing the efficient transmission of power. This is just one way in which bearings are environmentally friendly.



Bearings have a simple basic structure with four elements—an outer ring, an inner ring, rolling elements, and a cage.

Main manufacturing processes for bearings:



Process into a ring shape by turning or forging and turn the raceway and the inner surface of the rings (both outer and inner rings).

Ball Screws

A ball screw is a component that combines the characteristics of a low-friction mechanism using balls based on the bearing principle with those of a screw mechanism. These items are widely used as components mainly in machine tools, various types of robots, FA, OA equipment, semiconductor-related equipment, industrial machinery, and medical-related equipment.

When the shaft turns, the ball in the nut rolls and the nut moves straight in the direction of the shaft. The ball in the nut is a rolling contact, so it can change the rotating force of a motor, etc., into a linear motion without wasting energy.

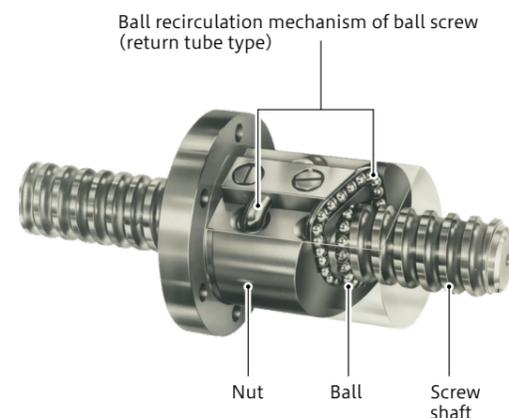
With ball screws:

A ball screw is a component that can convert rotational motion into linear motion. Ball screws have basically two major applications.

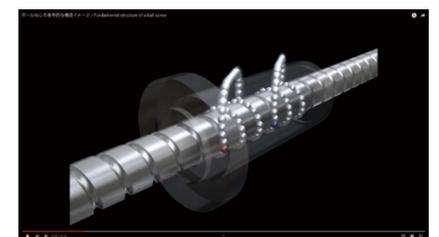
- 1. Precise positioning utilizing extremely accurate motion**
- 2. Transmission of force that can generate a large force by a small rotational force**

Precise positioning for use in machine tools and the machining machine parts.

Structure

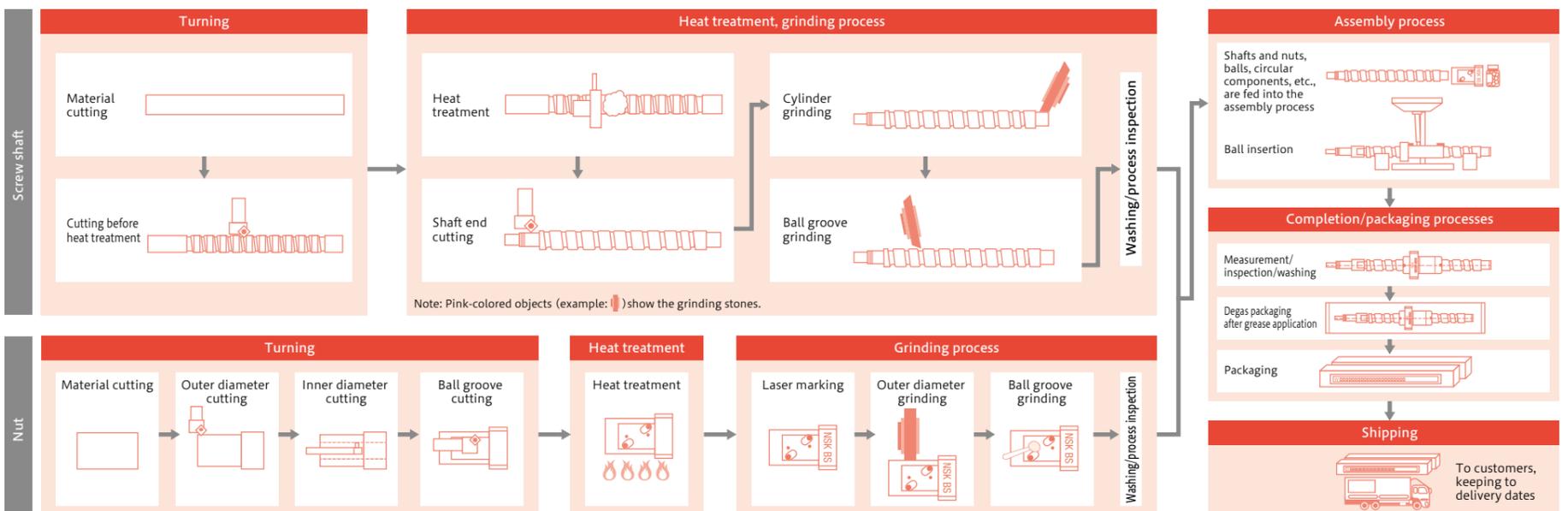


Movement image



Scan here to view a video.

Main manufacturing processes for ball screws:



Term	Meaning
CMS	CMS stands for C ondition M onitoring S ystem. One example of a CMS is a system for understanding/analyzing the operational status of bearings (e.g., vibration, noise, rotational torque) based on various data by bearings with sensors installed.
GAM	GAM stands for G lobal A ccount M anager at NSK. GAMs coordinate the global platform projects of automobiles across regions.
KAM	KAM stands for K ey A ccount M anager at NSK. KAMs coordinate with GAMs for key customers in each region and build close relationships with customers as the contact person in individual regions. By taking advantage of such close relationships with customers, KAMs have a role in regional sales activities and responses in technological matters.
MRO	MRO stands for M aintenance, R epair or R eplacement, O peration. In NSK Report 2023, we make references to the demand for maintenance and repair services of industrial machines and equipment in the Industrial Machinery Business.
NIT	NIT stands for N SK I nstitute of T echnology, which is an internal educational institute for our engineers to master more advanced technology.

Term	Meaning
NPDS	NPDS stands for N SK P roduct D evelopment S ystem. NPDS, NSK's proprietary quality management system, is geared toward promptly and reliably responding to new projects and to the mass production of products that satisfy customers. Being rolled out globally, at each stage of the process, from product planning to development and design, prototype manufacturing, and mass production, dedicated staff perform stringent checks to confirm that any concerns are resolved and to build quality. Even after a product has entered mass production, we conduct thorough management to stably maintain high quality.
NSK Monozukuri Center	NSK Monozukuri Center was established in 2005 for the purpose of passing on manufacturing related know-how and skills and developing current and future leaders of the shop floor.
Product Lifecycle Management (PLM)	PLM stands for P roduct L ifecycle M anagement and refers to the management of the product life cycle. NSK is working to expand its PLM strategy to include equipment maintenance and repair after product sales, with the aim of strengthening its service delivery system throughout the entire product life cycle.
QCDDSM	QCDDSM stands for Q uality, C ost, D elivery, D evelopment, S ervice, and M anagement. The QCDDSM elements are generally focused on by the manufacturing industry including NSK.
SPI Management	SPI is an acronym for S ales, P roduction, and I nventory, and refers to the appropriate management and operation of sales, production, and inventory.
Actuators	Actuators refer to mechanical components that, for example, play a role in the actuation of brakes and gear shifting of automobiles.

Term	Meaning
Aftermarket	Aftermarket refers to maintenance and repair demand. In NSK, aftermarket mainly means the demand and business for repair and replacement.
Environmentally Friendly Products	Environmentally friendly products are those products that, together with offering higher performance than conventional products, contribute to a greater reduction of negative environmental impact. At NSK, we emphasize the following for product manufacturing that contributes to the reduction of negative environmental impact: 1. Creating products that contribute to energy and resource conservation during use by customers; 2. Creating products that minimize energy and resource use during production; 3. Creating products that realize zero use of environmentally harmful substances; and 4. Creating products that contribute to people's health and safety through low vibration, low noise, and low dust emissions.
Global Posts	Global posts refer to important business management posts at regional headquarters, including regional heads. Many of these positions are filled by local employees, and business expansion is led locally.
Design Quality/ Manufacturing Quality	Design quality refers to "targeted quality" and is the quality realized by building it in at the design stage to achieve satisfying function and performance. Manufacturing quality is known as "performance quality." It is the quality of products that have been manufactured and is realized through management at the manufacturing stage.
Smart Factory	Smart factory in this report refers to NSK's new concept factory. The status of equipment and processing in each process during manufacturing is understood with data in real time, which is utilized for quality control, equipment maintenance, and product traceability. The understanding and management of big data are realized by advancements in Information Technology (IT). The evolution of the information of things such as IoT is the technology behind the smart factory.

Term	Meaning
Needle Bearings	Needle bearings refer to bearings with needle-type rolling elements. Low cross-sectional height and high load capacity helps realize space saving.
Hub Unit Bearing	Hub unit bearing refers to a type of bearing that integrates the part attached to the vehicle body and the part called a hub, to which the wheel is mounted. Hub unit bearings support the vehicle body while smoothly rotating the wheels.
Powertrain	Powertrain refers to the main components that generate power and deliver to the drive wheel in automobiles.
Mother Plant	We position plants with outstanding capacity such as excellent technical ability and significant production capacity as mother plants. In NSK, mother plants have the role of transferring technology, etc., to child plants located overseas.
Megatorque Motor™	Megatorque Motor refers to the integration of the bearing, motor, and sensor to produce accurate rotational motion. The Megatorque Motor enables agile motion and smart control.
Monocarrier™	Monocarrier refers to a lightweight, compact single-axis actuator with an all-in-one design integrating ball screw, linear guide, and support bearings. NSK was the first in the world to develop on its own all-in-one linear motion products.

NSK discloses management information promptly and fairly and is actively engaged in dialogue with shareholders and investors. In addition, the Company strives to achieve stable shareholder returns and pursues sustainable growth together with higher corporate value over the medium- to longterm. In this way, we seek to continue to be a company that meets the expectations of our stakeholders, including shareholders and investors.

General Meeting of Shareholders

Being cognizant that the General Meeting of Shareholders is a venue for active dialogue with shareholders, we set its date to avoid periods concentrated with the shareholders' meetings of other companies (at least two days prior to such a concentrated period) and promptly issue and post convocation notices and reports (normally posted to our website 28 days prior to the date of the meeting), among other efforts we make to create favorable conditions for the meeting.

■ The 162nd Ordinary General Meeting of Shareholders for the Year Ended March 31, 2023 (held June 23, 2023)

Number of Shareholders Present	Ratio of Shareholder Voting Rights Exercised
29	83.5%

Dialogue with Institutional and Individual Investors

Various direct dialogues are held by senior management, including briefings on financial results and mid-term management plans. In addition, constructive dialogue (engagement) on management strategy and ESG issues is conducted annually, and in FY2022 a sustainability briefing was held for the first time.

As in the previous year, we held an individual investor presentation online in FY2022. NSK actively discloses information and responds to questions, including having a website for individual investors to know about NSK in an easy-to-understand manner.

NSK will continue to properly communicate its management direction, business strategies, and other information, while striving to engage in dialogue to ensure correct evaluation and understanding.

■ Number of Dialogue Opportunities in FY2022 Total of 428 Companies (excluding large meetings)

Financial conferences (large meetings)	4 times for a total of 409 companies
Individual IR interviews	Total of 245 companies
Institutional investor engagement visits	Total of 31 companies
President's small meetings	4 times for a total of 69 people
IR road shows outside Japan (online)	18 companies
Europe/North America/Asia	
Conference participation for investors outside Japan	2 times for a total of 13 companies
Sustainability briefing	Total 41 companies

Please see our website for NSK's disclosure policy. ▶



Highly Evaluated by Outside Agencies (SRI/ESG)

Over and above their financial aspects, companies that merit high evaluations for their environmental and social contributions are being recognized for their promise of long-term sustainable growth. These companies are also attracting interest from a socially responsible investment (SRI) perspective while forging an increasingly important presence among a wide range of institutional investors. Acknowledged for its integrity, NSK has been included in the following internationally recognized SRI/ESG indices as of June 2023.

 https://www.spglobal.com/esg/performance/indices/djsi-index-family	 https://www.ftserussell.com/products/indices/blossom-japan
 https://www.ftserussell.com/products/indices/ftse4good	 https://www.issgovernance.com/esg/ratings/
 https://www.ftserussell.com/products/indices/blossom-japan	 https://www.sompo-am.com/

*1 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that NSK has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

*2 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that NSK has been independently assessed according to the FTSE Blossom Japan Index criteria and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

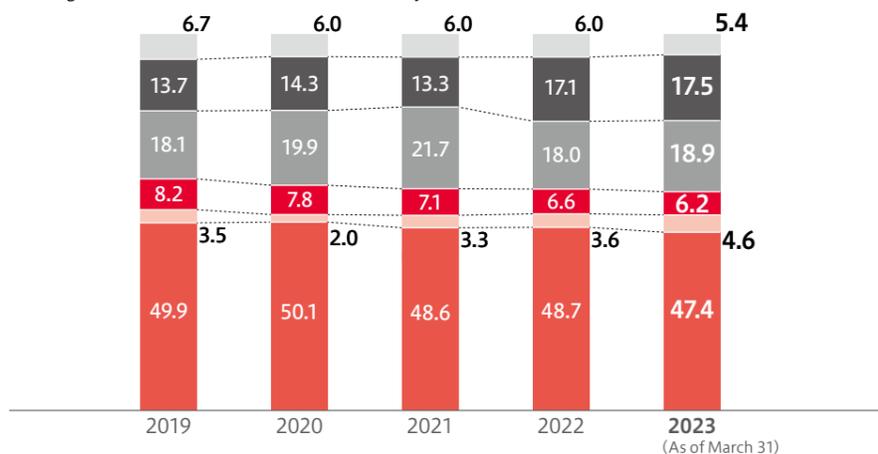
*3 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that NSK has been independently assessed according to the FTSE Blossom Japan Sector Relative Index criteria and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Sector Relative Index. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Sector Relative Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. FTSE Blossom Japan Sector Relative Index indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

As of March 31, 2023

Common Stock	Authorized	1,700,000,000 shares
	Issued	551,268,104 shares (including 29,989,309 shares of treasury stock)
Number of Shareholders	64,909	
Transfer Agent	Mizuho Trust & Banking Co., Ltd. 1-3-3, Marunouchi, Chiyoda-ku, Tokyo 100-8241, Japan	
Listing	Tokyo	
Security Code	6471	

Breakdown of Shareholders (%) (by shareholder type)

■ Financial Institutions ■ Securities Companies ■ Other Japanese Corporations
■ Foreign Investors ■ Individuals/Others ■ Treasury Stock



Third-Party Assurances

To ensure the reliability and accuracy of NSK Report 2023 as an integrated report, NSK obtained assurances from an external third party for the data information on the following described in this report.

Items Subject to Assurance

- Energy usage ▶ P.68
- Greenhouse gas emissions (Scope 1, Scope 2, Scope 3) ▶ P.68
- Water withdrawal ▶ P.68
- Waste and valuables ▶ P.68
- Emissions of VOCs ▶ P.68
- Lost-time injury frequency rate ▶ P.69

See here for our Independent Verification Report and Independent Assurance Statement. ▶



At the Time of Publishing the NSK Report 2023

Thank you very much for your understanding and support of NSK's business activities.

Returning to our stance of "contributing to society through products and technologies," a stance that has supported NSK since its founding, the NSK Report 2023 expresses our vision, using key words such as electrification, automation, digitalization, and reduction of environmental impact.

For realizing our vision to become a new type of trillion yen company, which we aim to achieve in MTP2026, we need to consider how we improve profitability and capital efficiency and achieve double-digit ROE, and in order to become a company that will continue to be needed, trusted, and relied upon by society, we need to consider how we will strengthen our human, intellectual, and manufacturing capital while minimizing environmental impact and contributing to a sustainable society. We hope that these efforts to achieve NSK's goals will be communicated to our stakeholders.

This report was produced primarily by the Corporate Communications Department, which worked in cooperation with a broad range of departments involved. As the executive officer responsible for IR and thus the creation of this report, I declare the process for preparing this report to be valid and the information contained herein to be accurate. We will continue making concerted efforts to further enrich the content of this report and look forward to hearing your honest opinions and requests after reading it.



Hideaki Hayami
Vice President
Head of Corporate Planning
Division HQ
Responsible for Investor Relations

