

# Toward the realization of a company that is vibrant, energetic, and engaging, and that will continue to be needed, trusted, and relied upon by society—100 or even 1,000 years into the future

NSK was established in 1916 as Japan's first manufacturer of bearings. For more than 100 years since, NSK's products have continued to support societies around the world.

Although business conditions surrounding NSK are changing rapidly, we aim to be a company that is needed and trusted by society by contributing to the development of a sustainable society through co-creation of value together with stakeholders under our corporate philosophy.

In FY2022, we launched the Mid-Term Management Plan 2026 (MTP2026) as a means toward achieving that aim.

This integrated report presents our efforts to achieve our goal of becoming a ¥1 trillion company with the new vision of "Change and Go Beyond," as set forth in MTP2026, and explains how NSK will contribute to solving social issues in the future as we work toward sustainable growth.

## NSK's Mission Statement

NSK contributes to a safer, smoother society and helps protect the global environment through its innovative technology integrating Motion & Control™. As a truly international enterprise, we are working across national boundaries to improve relationships between people throughout the world.

## NSK Vision 2026

### SETTING THE FUTURE IN MOTION

We bring motion to life,  
to enrich lifestyles,  
and to build a brighter future.  
Dedicated to uncovering society's needs,  
we set ideas in motion  
to deliver solutions beyond imagination.  
We're NSK.  
And, we're setting the future in motion.

▶ Please see our website for more information on the Company's Corporate Philosophy.  
<https://www.nsk.com/company/visionandphilosophy.html>

## Editorial Policy

The NSK Report 2022 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 mid- 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 2022	<b>Sustainability Information</b>
	▶ Sustainability Website <a href="https://www.nsk.com/sustainability/index.html">https://www.nsk.com/sustainability/index.html</a>
	<b>Financial Information</b>
	▶ Information for Investors <a href="https://www.nsk.com/investors/">https://www.nsk.com/investors/</a>

### 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

FY2021 (April 1, 2021, to March 31, 2022)  
Note: Certain activities before FY2020 and after FY2021 are included.

## Organizations Covered

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

## Contact

Corporate Communications Department, NSK Ltd.  
Nissei Bldg., 1-6-3 Ohsaki, Shinagawa-ku, Tokyo 141-8560, Japan  
E-MAIL [ir@nsk.com](mailto:ir@nsk.com)

## 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 2022 dated September 30, 2022, 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 30, 2022. 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.

## CONTENTS

### Introduction

At a Glance	02
NSK Supporting Society	04
History of NSK —NSK's Human Resource Development—	06

### 01 CEO Message

To Our Stakeholders	08
---------------------	----

### 02 NSK's Collaborative Value Creation Process

NSK Corporate Philosophy & Vision	14
NSK's Business Model for Collaborative Value Creation	16
NSK Business Activities & Deepening of the Value Chain	18
Creating Collaborative Value with Stakeholders	20

### 03 Strategies and Performance

Looking Back at the Mid-Term Management Plan ... 22	
MTP2026	24
• "Change & Go Beyond" to Become a New Type of Trillion-Yen Company	26
• Industrial Machinery Business	28
• Automotive Business	30
• Growth with Profitability —Grow New Products—	32
• Enhancement of Managerial Resources —Utilize Digital Technology—	33
• ESG Management —Promote Carbon Neutrality—	34
• Financial Strategy/Policy on Shareholder Returns	36

### 04 Foundation Supporting Sustainability

Evolve Personnel Development	40
Environmental Management	41
Safety Management	42
Supply Chain Management	42
Quality Management	43
Technological Foundation	44
Global Business Foundation	46
Climate Change-Related Risks and Opportunities:	
Addressing the TCFD Recommendations	48
Human Rights and Labor Practices	50
Compliance	51
Risk Management	52
Disaster Risk Management	54
Information Security Management	55
Corporate Governance	56
Interview with NSK's Outside Directors	62
• Messages from New Outside Directors	65
Management	66

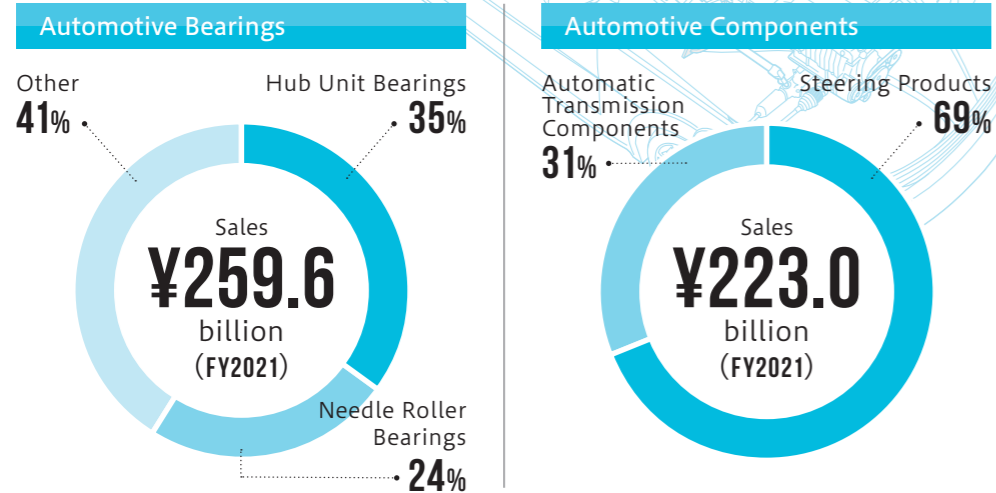
### 05 Data Section

Financial and Non-Financial Highlights	68
Consolidated Financial Statements	74
NSK Group	78
Basic Knowledge of NSK Products	80
Glossary	82
IR Activities	84
Share Information	85
Third-Party Assurances	85

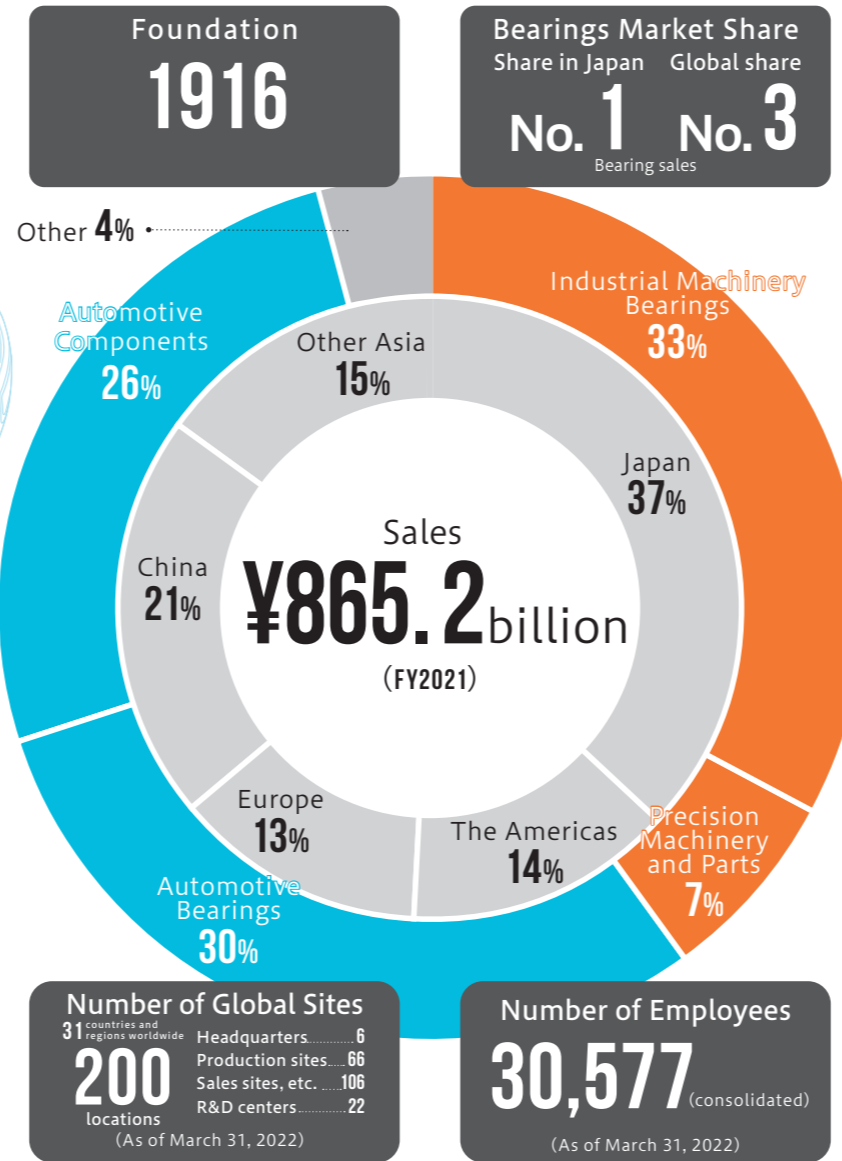
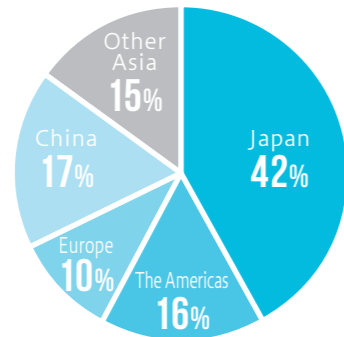
# At a Glance

## 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 autonomous driving, the Company is advancing the development of new technologies and products, creating new value, and working on valuable proposals.

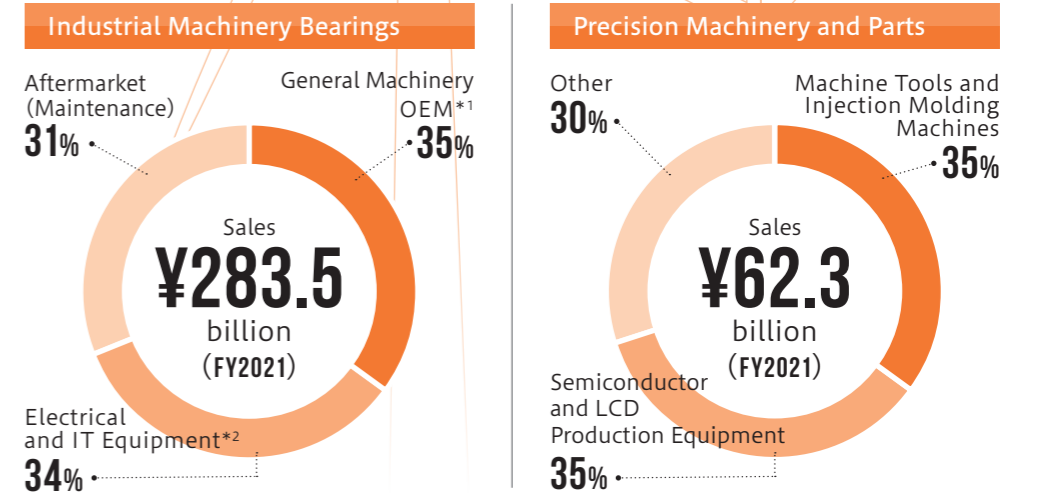


Sales Breakdown by Region (FY2021)

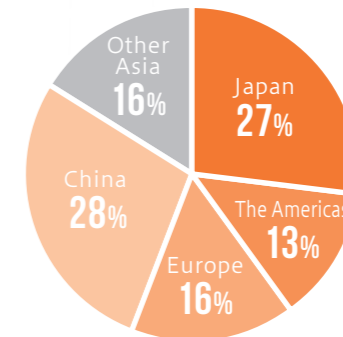


## Industrial Machinery Business

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 comprises 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 require precision positioning.



Sales Breakdown by Region (FY2021)



\*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.

<b>Customers</b>	<ul style="list-style-type: none"> <li>Automobile manufacturers around the world</li> <li>Automotive components manufacturers around the world</li> </ul>
<b>Features of Customers and NSK Business</b>	<ul style="list-style-type: none"> <li>Opportunities to win orders are basically when automobile manufacturers introduce new models or undertake a full model change. In accordance with their new model project schedule, we receive a designation as a development supplier and collaborate on development. Development suppliers are generally also responsible for supplying mass-produced products and preparing for mass production in line with the new model launch schedule.</li> <li>A single project's quantity will increase due to large-scale increases in the planned number of units as a result of standardization with car platforms.</li> <li>NSK's sales fluctuate in line with the sales volume of car models in the market. Just-in-time delivery is standard, and this alleviates burdens of inventory. However, customers often require that production is close to where demand is located, therefore the ratio of local production is relatively high.</li> </ul>
<b>NSK's Competitive Advantages</b>	<ul style="list-style-type: none"> <li>Diverse business relationships/customer base with automakers and first-tier automotive components manufacturers</li> <li>Global supply capabilities</li> <li>Developmental capabilities and technical expertise (Four Core Technologies plus One) to address advanced automobile functionality</li> <li>Global management system that takes the lead when responding to overseas demand and expanding overseas</li> </ul>

<b>Customers</b>	<ul style="list-style-type: none"> <li>Machine manufacturers around the world, distributors, and sales outlets</li> <li>Numerous customers, a wide range of products</li> </ul>
<b>Features of Customers and NSK Business</b>	<ul style="list-style-type: none"> <li>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).</li> <li>Products for general machinery and the aftermarket include large-scale items with relatively lengthy lead times.</li> <li>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.</li> </ul>
<b>NSK's Competitive Advantages</b>	<ul style="list-style-type: none"> <li>Extensive product lineup as a comprehensive bearing manufacturer</li> <li>Technological capabilities based on our Four Core Technologies plus One</li> <li>Accumulated expertise in customer needs and technology for a wide range of industries and applications</li> <li>Manufacturing, supply, and technical support capabilities based on a global network framework</li> </ul>

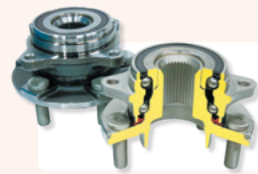
## Introduction

# 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.

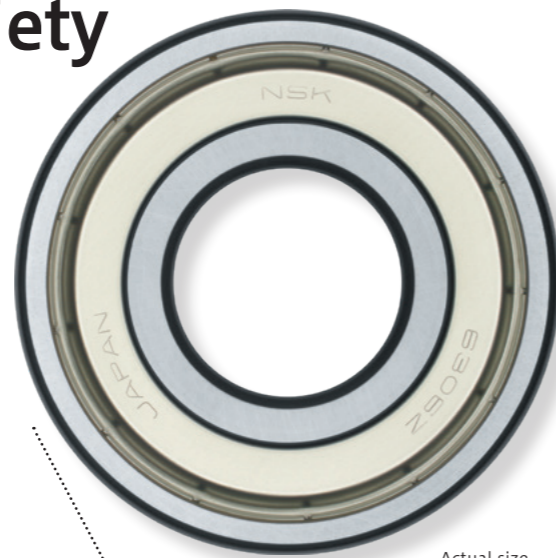
▶ PP.80-81 Basic Knowledge of NSK Products

In automobiles,  
**unit-type bearings and EPS are of great assistance**



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

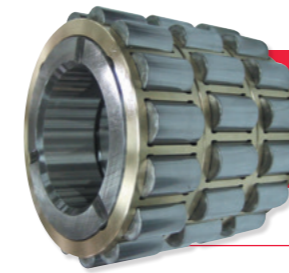
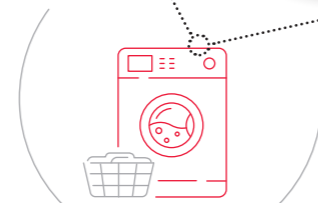
Column-type electric power steering (EPS)



Actual size

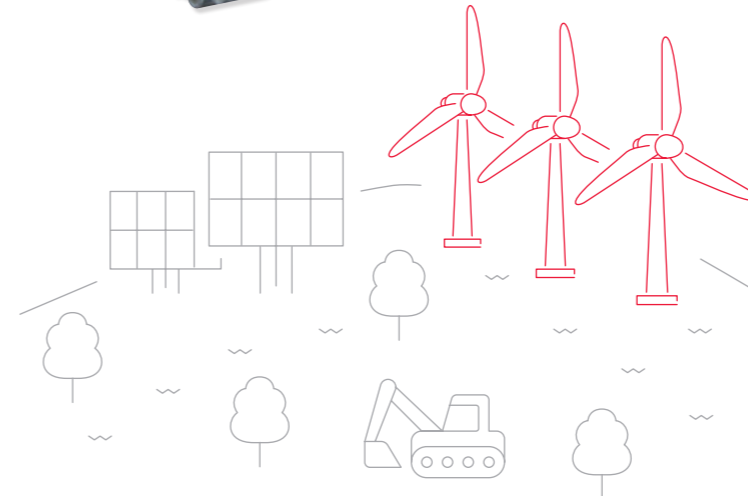
Contributing to a comfortable life that is friendly to people and the environment

Drum-supporting bearings for high load capacity washing machines



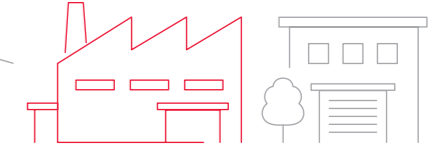
Contributing to the protection of the global environment through the stable operation of wind turbines

Integrated cylindrical roller bearings



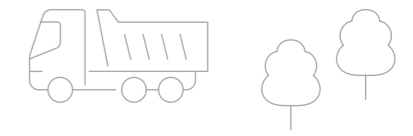
Contributing to higher precision and productivity in parts machining

NSK super precision bearings



Contributing to safe, secure, comfortable, and environmentally friendly means of transportation

Low-maintenance high-reliability gearbox bearings



In addition to bearings,  
**ball screws and other precision machinery products support society**



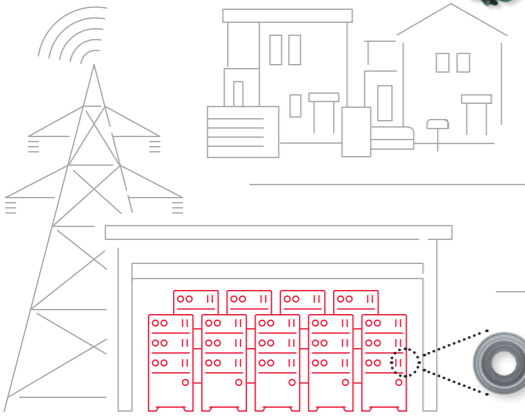
High durability precision ball screws



NSK Linear Guides™ roller guide RA series

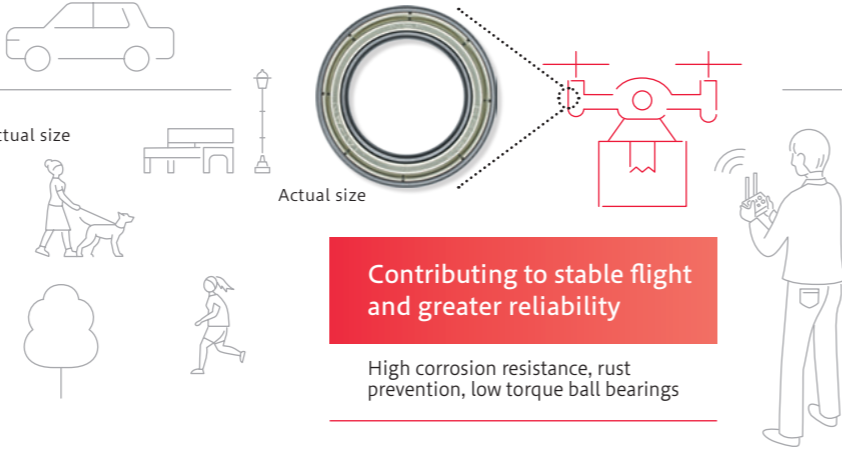
Contributing to energy savings and improved reliability of 5G base stations and data centers

High-performance ball bearings for cooling fan motors



Contributing to stable flight and greater reliability

High corrosion resistance, rust prevention, low torque ball bearings



### From 2 mm size for small items

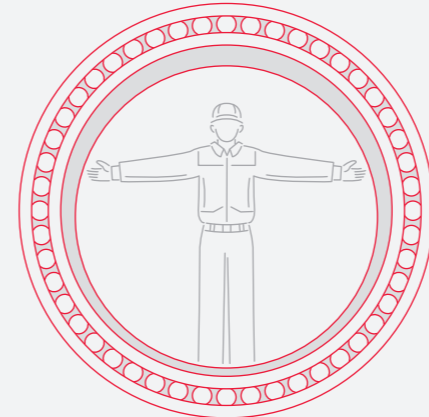
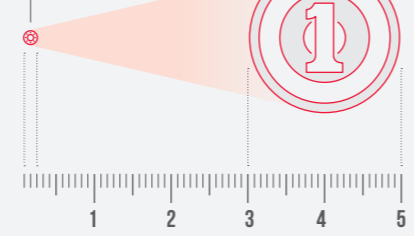
On average, about 100 bearings are used in such home appliances as washing machines and vacuum cleaners, and 100-150 in automobiles. Some of the smaller bearings have an external configuration of 2 mm. Bearings are also playing key roles in a variety of new fields, including communication base stations, which are underpinning the trend toward digitization, and drones.

#### Applications

- Home Appliances (e.g., washing machines, vacuum cleaners, air conditioners)
- Automobiles (e.g., ICE, HEVs, EVs, PHEVs)
- Medical Equipment (e.g., dental spindles)
- Communication Base Stations/Data Center
- Drones, etc.

One-yen coin (20 mm)

Smallest bearing (2 mm)



### There are also bearings bigger than people!

Other than in people's day-to-day lives, NSK products are used, for example, in machine tools that are indispensable for manufacturing, while contributing to the advancement of machining accuracy and productivity. In the renewable energy field, large bearings are utilized in wind power generation. Depending on the application, there are also massive bearings that have an outer diameter of six meters.

#### Applications

- Machine Tools
- Industrial Robots
- Wind Turbines
- Train Cars
- Mining and Construction
- Pumps and Compressors
- Steelmaking Facilities, etc.

## Introduction

# History of NSK – NSK's Human Resource Development –

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). With a history spanning more than 100 years, NSK has developed an array of innovative technologies and contributed to the reduction of energy loss worldwide through all its products, including bearings.

In 1991, NSK established its Corporate Philosophy, in which it pledged to provide challenges and opportunities to its employees, utilizing their skills and encouraging their creativity and individuality. We are also working to build a corporate culture in which employees can take on the challenges of self-development and self-actualization with pride and confidence.

### Founding period Apprenticeship system for the development of skilled workers

To train skilled workers to become core, mainstay workers with a view to the future, the Company prepared a dormitory for selected employees and helped them to acquire special education and practical skills. Higher-quality human resources were produced from among the apprentice workers, and they went on to play an important role as the backbone of the NSK workforce.



Commemorative photograph taken during a visit to Mount Takao by apprentice workers (fall of 1921)

### 1940s Initiatives emphasizing HR development at factories

At the Tamagawa Plant (closed in 1999), NSK modernized the bearing manufacturing process by introducing the latest equipment and techniques from Europe and the United States and built a mass production system. We focused on human resource development, based on our belief that the key point of business management is people. In addition to the education and training of workers, we abolished the unit price contracting system and introduced a work-based payment system. As a result, the salary system—which until then had been opaque



Graduation ceremony for skilled workers (Tamagawa Plant, March 1942)

and unfair—was corrected, also contributing greatly to reducing costs. We also hired many female workers as direct hires, which was unusual at the time.

This page introduces the human resource (HR) development initiatives that NSK has carried out to date to enable sustainable value creation.



NSK headquarters and plant (circa 1930)

### 1960s & 1970s Enhancing education for employees

With intensifying corporate competition, modernization of management, and progress in technological innovation during the 1960s and 1970s, NSK approached HR development as a key issue.



Technical training for sales representatives (1970)

In 1962, we established an education group in the Personnel Division, and focused our efforts into systemizing company-wide education and enhancing individual education tailored toward specific work in specific areas of responsibility. For example, in education for sales division personnel, we launched technical education at all branch offices and distributors on an individual product basis. Through a week of joint practical training, trainees acquired comprehensive technical knowledge



Long-term engineering course completion ceremony (Maebashi Plant, 1969)

about the products and the structure of the machines in which they were used. In the technology divisions, we established a long-term engineering course spanning one year and six months, with the objective of improving the basic

knowledge and skills of young employees, discovering aptitudes and abilities, training, and raising employee motivation for self-development.

We also introduced a study abroad system, for employees to study at universities both in Japan and overseas, with the aim of encouraging employees to drive business reforms and develop their own abilities. With the progress of internationalization and the expansion of trade, we also established in-house foreign language training courses—for languages such as English, German, Spanish, and Chinese—to develop talent with sufficient language skills to engage in overseas activities.

### 1990s Fostering the next generation of managers

NSK considers the development of human resources to be a matter of urgency issue to become a truly global NSK Group that can survive in the 21st century, even under tough business conditions. We established the Next Generation Committee to nurture the next generation of managers. This initiative continues today, now established as the Japan Management College and the Global Management College (see column).

### 2000s Strengthening manufacturing capabilities and training engineering personnel

The NSK Manufacturing Education and Training Center was established in 2005 to effectively pass on bearing manufacturing skills to cope with the decrease in the number of skilled workers. It was positioned as a company-wide education and training institute to strengthen floor-level manufacturing capabilities.

In 2007, we established the NSK Institute of Technology with the aim of training engineering talent who can play active roles globally and provide solutions to customers.

▶ P.45 Development of Highly Skilled Human Resources

### 2010s Instilling our corporate philosophy and vision

To celebrate its 100th anniversary, in 2015, NSK formulated NSK Vision 2026: Setting the Future in Motion. To ensure that this vision is instilled in each individual employee and that business activities for the future can be carried out based on this vision, we are implementing various measures globally, including workshops for executive officers and workshops led by the managers of individual workplaces.

Since 2016 we have designated July 26 as NSK Corporate Philosophy Day and conduct a range of awareness initiatives each year to enable all employees to better understand our Corporate Philosophy as a common guideline and code of conduct on which to base their actions. ▶ P.51 Compliance

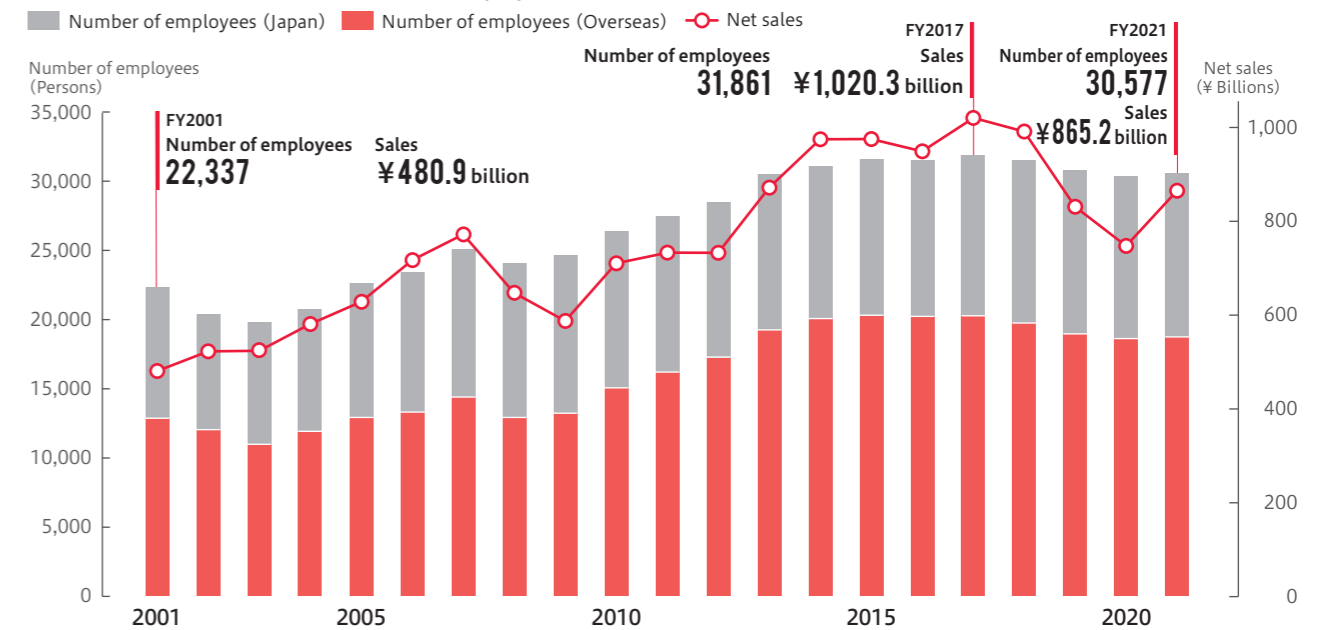
### Toward sustainable growth

Enhancing the value of its human resources is essential for NSK to create value sustainably. Even as society and the business environment continue to change, NSK will continue to grow and transform itself through human resource development.

▶ P.33 Nurture Digital Talent Resources

▶ P.40 Evolve Personnel Development

### FY2001–FY2021 sales and numbers of employees



## COLUMN

### The Japan Management College and Global Management College

The Japan Management College and the Global Management College are selective training programs to develop global management talent who will assume key roles in the Company's future management, as a gateway to management-level positions.

The Japan Management College incorporates liberal arts and digital transformation into its curriculum, with a view to further globalization. The lectures and case studies provide opportunities to learn the decision-making and problem-solving skills required of global businesspeople.

The Global Management College aims to train successors for key positions in each region, helping them to acquire Group-wide perspectives and skills such as the global NSK vision, mission, and mid-term management plan, and build internal networks between regions and with the head office.

As a result of these efforts, as of FY2021, 75% of NSK's officers are graduates of either the Japan Management College or the Global Management College.

# To Our Stakeholders

## Achieving the Goals of the Mid-Term Management Plan 2026 by Facing the Challenges to “Change & Go Beyond”



Akitoshi Ichii  
President and  
Chief Executive Officer



### 1 Changes in the business environment surrounding NSK

#### Review of the past 10 years

Looking back over the last 10 years or so, since FY2010, NSK's business has grown significantly against the backdrop of changes such as the rapid economic growth of emerging economies—primarily China—and an increase in the number of automobiles being produced worldwide (from 76 million in FY2010 to 95 million in FY2017). One thing that stood out as particularly striking was the progressive adoption of our bearings and friction materials due to the diversification of technologies for improving vehicle fuel economy and the shift toward automatic, multi-stage transmissions. The global development of electric power steering (EPS) automotive parts also accelerated during this period. In terms of production bases, we established new plants in countries such as China, Mexico, South Korea, and India; expanded our plants in regions with high demand; and developed our supply network. As a result, net sales reached the ¥1 trillion mark and we achieved a double-digit operating income margin. With the expansion of the automotive industry during this period, approximately 70% of NSK's sales portfolio is now in the automotive business.

During the period of the 6th Mid-Term Management Plan (6th MTP) that followed, however, there was a slowdown in growth given the rise of U.S.-China trade friction, a shrinkage in the market due to the impact of the COVID-19 pandemic, and a 20% contraction in vehicle production following the impact of supply chain disruptions such as a shortage of semiconductors. Markets have stagnated at a similar level to that of 10 years earlier. In addition, due to the fragmentation of the global economy and global inflation, it is becoming more difficult to predict future business conditions. At the same time, environmental issues are also gaining attention rapidly; technological innovations such as vehicle electrification, automation, robotization, and digital transformation are progressing; and the environment surrounding our business is facing major changes. I believe that the time has come when we must be sensitive to grasping new values, respond flexibly to changes, and work toward new growth without being constrained by the growth patterns of the past.

▶ PP.22-23 Looking Back at the Mid-Term Management Plan

### 2 Review of the 6th Mid-Term Management Plan and issues that have become apparent

#### Evaluation of business operations and recognition of issues in terms of growth and earnings

The 6th MTP did not produce satisfactory results, due to major changes in the business environment as described above. In terms of achievements and shortcomings by business category, we were able to achieve record sales in the Industrial Machinery Business. Our capital investments in linear products and precision bearings—at which NSK excels, particularly in the areas of machine tools, semiconductor manufacturing equipment, and robotics—enabled us to seize opportunities for market recovery and growth. In FY2020, we acquired BKV (Brüel & Kjær Vibro, Germany), which is engaged in the condition monitoring business. In doing so, we were able to take a step forward in the shift from simply selling products to selling value-added services. In terms of profitability, we were able to return the income margin of our business to around 10%, and we can now see some issues that need to be addressed to further improve profitability in line with changes in the market.

As an initiative for the future, in October 2020, we launched the new Electrical & Electrification (E&E) business segment and clarified our strategy of targeting the electronics and electrification markets. For example, we will grow our business by working flexibly, enhancing our supply capabilities, and developing new technologies and products for areas where a significant increase in demand for bearings is expected—such as the expansion of demand for vehicle motors due to the electrification of automobiles; the increase in cooling fan motors used in servers and data centers, due to the spread of IoT and 5G; and the increasing sophistication of electrical appliances.

In the Automotive Business, in addition to the shrinkage of global demand due to the slump in vehicle production volumes, we saw a decrease in sales following the discontinuation of production of vehicles equipped with column-type EPS—another area in which NSK excels—due to changes in steering technology trends. This led to a second consecutive year of losses. Despite these challenging business conditions, the expansion of sales of eAxle bearings and wheel bearing units—which are new applications for hybrid vehicles and EVs—

and the progress in business development for emerging EV manufacturers were significant achievements. In the steering business, we expanded our product lineup by securing orders for single-pinion EPS systems for EV platforms in collaboration with Volkswagen and by developing rack-type EPS systems for heavy-duty vehicles. In a business environment where major changes in the demand structure are expected due to vehicle electrification, we must expand sales through technology differentiation and accelerate the introduction of new products into the market. In the steering business, improving profitability is an urgent issue, and we will be developing a collaboration strategy aimed at steadily implementing business structural reforms and achieving new growth.

▶ PP.22–23 Looking Back at the Mid-Term Management Plan

### Initiatives for improving non-financial value

NSK has placed continual emphasis on non-financial targets as one indicator of management performance that indicates sustainable growth. As a result, in terms of environmental and social issues, we reduced CO<sub>2</sub> emissions by approximately 25% compared with FY2017 levels, through the accumulation of day-to-day activities. We also achieved a reduction of approximately 12% in emission intensity (emissions per unit production). When we formulated the 6th MTP, we set a reduction target of 60% compared with FY2017 by FY2050. To accelerate our activities in anticipation of growing social demand for carbon neutrality, last year we established the Carbon Neutrality Department as a dedicated department under my direct control as president. To respond to the demands of national and regional governments and the

## 3 Mid-Term Management Plan 2026 (MTP2026)

### Changes in the business environment and recognition of issues in the 6th Mid-Term Management Plan

In formulating the new mid-term management plan (MTP2026) for the next five years (FY2022–FY2026), as I mentioned previously, we have engaged in discussions based on changes and issues in the business environment. Regarding current business conditions, we assume that the effects of inflation, supply chain disruptions, and the COVID-19 pandemic will continue for the time being and that recovering profitability by correcting selling prices and improving productivity should be addressed as a matter of urgency. In the mid- to long-term, there are many issues that need to be addressed globally, such as responding to various market changes that are accompanying social and technological evolutionary changes, including the electrification, automation of

requirements of customers, NSK will set overall targets for its business activities and will institute cross-functional management of issues that need to be addressed to achieve those targets.

In terms of addressing diversity and inclusion, we recognize that encouraging the active participation of female employees is a key management task. By FY2024, we will roughly double the number of female managers and female candidates for managerial positions to 100 compared with FY2018. As of the end of FY2021, we had reached 77. We will also continue to diversify our career path plans to achieve this target. As a result of these initiatives, we have been selected as a *Nadeshiko* Brand for three successive years. Moreover, because of our efforts in health and productivity management, which serves as the foundation for supporting the efforts of all employees, we have been certified as an Outstanding Health and Productivity Management Organization (White 500) for five consecutive years.

In terms of governance, to enhance the supervisory function of our Board of Directors, we have now made the majority of our Board members outside directors and welcomed female outside directors. In 2018, we appointed our first female executive officer, contributing to the globalization of management and marking a step forward in diversity and inclusion. It can be said that our company has changed greatly over the past 10 years in that regard. In terms of our compensation system, we were among the first to adopt non-financial indicators that emphasize social value in addition to more conventional economic aspects as evaluation for executives.

▶ P.40 Evolve Personnel Development

▶ PP.56–61 Corporate Governance

automobiles, robotization, and digital transformation, the worsening of global environmental problems, the low birth rate and aging population, the aging of infrastructure, national and social security issues, and threats to information security.

With this operating environment in mind, in formulating MTP2026, we placed priority on contributing to the development of a sustainable society by creating value through the fusion of tribology technologies—which are one of NSK's key strengths—and digital technologies, and aimed to build our foundation as a company that will continue to be needed, trusted, and relied upon by society, 100 or even 1,000 years into the future. We have set numerical targets of ¥1 trillion in net sales and an operating income margin of 10% and will transform our portfolio through the “Bearings & Beyond” concept, as we work to become a new type of trillion company with “Change & Go Beyond.” Because we are now in an era where we cannot easily read even our immediate business

## Aiming to achieve carbon neutrality in Scope 1 + 2 by FY2035



environment, we have again considered our ideal vision of what NSK's workplace should be like, in response to various changes in society and business conditions predicted for the future, in 2030 and 2035—recognizing issues that should be addressed in the mid- to long-term toward achieving that vision, and setting goals that we should aim for with “Change & Go Beyond.”

We will share our vision and work to achieve it based on the three management issues listed below.

### Three key management tasks

The first key management task is “Growth with Profitability.”

NSK's “Bearings & Beyond” concept means growing existing businesses with NSK's high quality and reliability and developing new business domains with new products and services that go beyond the category of bearings. By driving further growth with these two “wheels,” we will reform our portfolio. Portfolio reform means first expanding the Industrial Machinery Business, increasing the company-wide sales ratio of the Industrial Machinery Business—which was 30% in FY2017—to 40% in FY2026. Beyond that, we will aim for 50%, which will be the same percentage as that of the Automotive Business. Next, we will increase sales of our mainstay products—bearings and precision machinery—to ensure high profitability. We will also use NSK's core tribology technologies to respond to market changes and introduce new products to the market. Through these efforts, we will achieve growth with profitability and aim to become a new type of trillion-yen company. At the same time, we will structurally reform the steering business, increase synergies through collaboration, and improve profitability in the Automotive Business.

The second management task is “Enhancement of Managerial Resources.”

We will enhance our management resources—chiefly our manufacturing, technology, and operation capabilities—through the power of digital transformation, and work to transform our business. As an initiative to achieve ultra-stable production, in addition to the conventional methodology of *san-gen shugi* (the “three

actuals”—actual workplace, actual product, actual reality—essentially meaning that there is no substitute for direct observation), we will seek to achieve further visualization through the use of digital technologies and aim to achieve higher quality together with a 50% increase in productivity, as we continue to tackle the challenges of manufacturing in the future. In technology, we aim to enhance the appeal of our products by using digital twins to achieve unprecedented quietness, low torque, and reductions in both size and weight. We also intend to renew our core systems and reform our business processes. In preparation for these initiatives, we will be training digitally oriented human resources throughout the Company, as part of the development of human resources who will support the continuous transformation of our business.

The third management task is “ESG Management.”

ESG management is not only to comply with the four core values of our company (safety, quality, environment, and compliance) but also to think for ourselves about what is right and what is better, to work toward improvement through teamwork, and aim to be a company that continues to be needed, trusted, and relied upon by society. Safe, secure, and environmentally friendly products are created in a safe, secure, and environmentally friendly workplace. We will also continue to work toward greater diversity and inclusion, to create a free and open culture in which people can take on the challenges of “Change & Go Beyond.” I will explain these initiatives below.

▶ PP.24–35 MTP2026

▶ P.33 Enhancement of Managerial Resources—Utilize Digital Technology—

▶ P.44 Technological Foundation

### Working toward sustainable growth — The road to carbon neutrality

In terms of environmental contributions, we believe that the reduction of CO<sub>2</sub> emissions is an urgent issue. Under the new system that I explained earlier, we brought forward our targets under MTP2026 and will now aim to reduce Scope 1 + 2 emissions by 50% (compared with FY2017) in FY2026 and aim to achieve carbon neutrality by FY2035. The core concept of our efforts is not only to reduce CO<sub>2</sub>



**To continue the growth and transformation of the Company, it is important to create an environment where diverse human resources can gather and work with energy and enthusiasm.**

emissions from our business activities to zero but also to contribute to the reduction of customer CO<sub>2</sub> emissions through our products and services.

Products and services created using NSK's technologies have reduced CO<sub>2</sub> emissions, contributing to the preservation of the global environment and providing value by reducing friction and energy loss. For example, bearings installed in EVs reduce friction and contribute to reducing energy loss, thereby reducing power consumption and contributing to extended cruising range. In business, too, our advanced technological capabilities have led to competitiveness, as the product brand of choice for our customers. Unfortunately, however, I think that we have not been able to effectively convey to our stakeholders that NSK bearings contribute greatly to the preservation of the global environment. Protecting the global environment is a key part of our corporate philosophy and *raison d'être*. We will continue to distribute information so that people can understand and share the fact that our products and services are environmentally friendly and contribute greatly to the preservation of the global environment.

As part of our efforts in production processes that generate CO<sub>2</sub> emissions, we will make technological innovations such as the development of new heat treatment technologies and the establishment of smart factories, and work to reduce energy consumption and CO<sub>2</sub> emissions from each plant process by visualizing CO<sub>2</sub> emissions. Our major plants in Europe are already in the process of converting their electric power sources to renewable energy sources. In FY2022, we will expand these initiatives in Japan as well.

▶ PP.14–15 NSK Corporate Philosophy & Vision

▶ PP.34–35 ESG Management —Promote Carbon Neutrality—

▶ P.41 Environmental Management

## Working toward sustainable growth — Human capital initiatives

I believe that for the Company to continue to grow and transform, it is important to create an environment where diverse human resources can gather and work with

energy and enthusiasm, even as the social and business environment continues to change. To achieve this, it is important to promote diversity and inclusion, with diverse work styles, career plans, and HR development plans, and create a free and open culture.

We have always valued our employees, increased time spent on education and the cost of training per person, and made efforts to change the curriculum of the Japan Management College in accordance with contemporary needs. We have also made efforts to constantly improve and provide educational programs to our employees, such as by enhancing the activities of the Manufacturing Education and Training Center. However, I think that we can evolve even further. For example, we will integrate individual training programs that make it possible to learn production, design, and development technologies in a cross-functional manner, and change them into new educational programs that are not constrained by existing formats.

I believe that it is also important to acquire abilities with long-term value so that employees can continue to play active roles in society even if they choose to leave the Company. Human capital—which is currently attracting attention worldwide—should not only be of value to companies that invest in it but also of value to individuals, who should be recognized by society.

MTP2026 outlines a policy of investing in intangible assets—specifically of developing new technologies and training and developing human resources. In terms of digital HR development, in FY2022—the first year of the plan—we will educate 5,000 employees and eventually have all employees undergo training. We would also like to strengthen our capabilities in the workplace by creating a new system that includes manufacturing, utilizing the NSK Institute of Technology (NIT) as a place to improve the skills of technical personnel.

We will consider the kind of human resources that will be needed for manufacturing, sales, engineering, design, product development, and production 5–10 years from now; train and utilize these human resources; and invest in them and visualize their achievements.

▶ PP.6–7 History of NSK – NSK's Human Resource Development –

▶ P.33 Enhancement of Managerial Resources —Utilize Digital Technology—

▶ P.40 Evolve Personnel Development

▶ P.45 Development of Highly Skilled Human Resources

## Working toward sustainable growth — Engagement

As CEO, I also consider engagement scores to be important indicators. We started conducting compliance awareness surveys in 2014. Since then, we have decided to take them a step further, as employee awareness surveys, and incorporate items that allow us to measure and evaluate employee engagement. We are also working to unify what we have been doing individually globally and improve the system so that the results can be viewed as numerical data for the entire Group.

As part of my efforts to increase engagement, since I became president, I have tried to speak as clearly and understandably as possible. I try to keep my comments short and concise and use not only words but also pictures and diagrams to convey important points, and communicate the same content repeatedly. Little by little, I feel that my message is being conveyed to all NSK employees.

With the ongoing COVID-19 pandemic, I continue to communicate directly with employees through a mixture of both online and face-to-face approaches. I engage in regular dialogues with our Japanese locations, explaining business results and management issues to employees, and make deliberate efforts to create opportunities for direct dialogue with management personnel at overseas

bases as much as possible. I value all these opportunities. I especially value opportunities to share our vision because I believe that it will create an environment for employees to understand “what the president is saying” and allow employees to get to know me. This is because I believe that it is important for everyone to be convinced of the vision and be able to address, understand, and get a real feel for the issues involved. Sharing the vision with the workplace and addressing each issue will lead to the achievement of the NSK Vision under the Mid-Term Management Plan, which in turn will lead to employee engagement, motivation, and a sense of achievement. Awareness of improving productivity, safety, quality, and accuracy of delivery dates will ultimately change the way we work. We believe that it is also necessary to share information across workplaces.

It is also important for us to share our vision with our stakeholders—especially our agents, distributors, and suppliers—and work together with them, and I will continue to place importance on them going forward.

▶ P.40 Evolve Personnel Development

## 4 “Change & Go Beyond” as president

Finally, looking back on my past year as president, I feel that many risks—which had been overlooked—have become apparent due to the impact of the COVID-19 pandemic, and I find it somewhat amazing that so many unpredictable events can occur. I am pleased that even under such circumstances, we were able to utilize remote solutions, and each global region demonstrated operational excellence and worked to ensure business continuity. I think it also led to a sense of greater confidence for each region. While there is the positive aspect that communication has increased through web conferencing, including overseas locations, it has also made me recognize the importance of face-to-face, two-way communication.

This time, I was able to work together with employees to create MTP2026. I think that it would take more than 100 pages in writing to cover all the content that was discussed at each workplace to overcome the three management issues. The plan describes the vision of what we want to aim for 10 years from now, as well as many initiatives and goals to achieve that. We will complete MTP2026 by taking on challenges to “Change & Go Beyond.” Sharing our vision and working closely with employees in the workplace with the proper motivation to address the many issues that face us in achieving that vision will be one of my major assignments from now on, and I must work hard to get it done.

NSK's bearings and bearing technologies have evolved together with the development of our mobility-oriented society, with higher railway speeds and better fuel economy of road vehicles, production facilities that enable more stable and precise processing, and improved energy saving, quality, and reliability of home appliances such as vacuum cleaners and washing machines. We will continue to pursue tribology, in other words, tackling friction through science (investigating phenomena from a theoretical perspective) and engineering (giving shape to solutions through practical approaches)—specifically, the realization of smoother power transmission with less energy loss, and the realization of new forms of motion—and leverage those technologies to deliver new products and expand our business domains, without being constrained by conventional frameworks.

“Change & Go Beyond” means broadening the scope of our activities and stepping up to achieve our ambitious goals and make NSK a company that continues to be needed and trusted, even as technology and society change. We will share our vision for 10–20 years from now with our stakeholders and continue to tackle the challenges of co-creating new value. Thank you in advance for your continued support.

▶ PP.14–21 NSK's Collaborative Value Creation Process



# NSK Corporate Philosophy & Vision

# Post 2026

## Keep in motion for 100 or even 1,000 years

### 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.

#### Corporate Philosophy -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.

#### NSK Vision 2026

### SETTING THE FUTURE IN MOTION

We bring motion to life,  
to enrich lifestyles,  
and to build a brighter future.

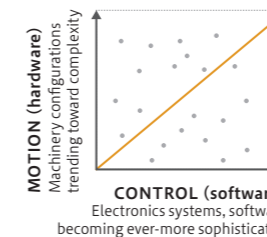
Dedicated to uncovering society's needs,  
we set ideas in motion  
to deliver solutions beyond imagination.

We're NSK.

And, we're setting the future in motion.

### 1 Motion & Control™

Each of these terms represents our business fields. Specifically, "Motion" symbolizes our complex hardware, machinery, and systems, whereas "Control" refers to our sophisticated software and electronics systems. NSK will foster this Motion & Control™ as its key value and asset while striving to be a company that constantly works to fulfill society's needs.



### 3 Help Protect the Global Environment

NSK envisions itself as contributing to the protection of the global environment. To this end, NSK strives to develop products that contribute to the environment by enabling a longer service life span, that are more compact, and that reduce friction. We seek to maximize our environmental contribution by conserving energy and resources at the customer usage stage by promoting products. In addition, we promote energy and resource conservation, as well as the reduction of environmentally harmful substances in our own company, and strive to minimize the environmental burden.

### 2 Contribute to a Safer, Smoother Society

The social role played by NSK is to ensure that moving objects such as automobiles, industrial machinery, and precision machinery operate properly and can accomplish whatever task they are designed for. This, in turn, supports a range of industries and makes society as a whole run smoother and safer.

### 4 Work Across National Boundaries to Improve Relationships between People throughout the World

NSK has long been promoting globalization. We create management, R&D, production, and sales systems that can fully utilize the characteristics of each region and make the most of human resources across countries. All of this has been done while also contributing to the vitalization and development of each local community.

# NSK's Business Model for Collaborative Value Creation

The business environment encompassing NSK is continuously changing. Guided by the NSK corporate philosophy, the Company therefore 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 —

**Global Megatrends**

Decarbonization, Electrification, Automation, Renewable Energy, IoT, AI, Digitalization, Remote, Distributed, Non-contact, Falling Birth Rates, Aging Populations

**Diverse Capital and Inputs**

**Manufacturing Capital**

- Raw materials: Steel, greases and oils, externally procured components
- Global production sites, manufacturing facilities
- 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

**Human Capital**

- Highly qualified engineers, skilled workforce, sales personnel, globally minded talent
- Corporate governance structure (Three Committees system, global compliance framework)

**Financial Capital**

- Capital, interest-bearing debt, cash reserves

**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

**Natural Capital**

- Minerals (e.g., iron ore, coal), water, energy

Production sites (plants)  
Japan: **20** Overseas: **46**

R&D centers  
At **22** locations in **11** countries

Technology-related expenses  
**¥30.8 billion**

Ratio of new employees with science backgrounds (annual average over the past five years)  
**79.7%**

Number of employees worldwide (consolidated)  
**30,577**

Seminars on balancing work and caregiving (Japan)  
Total **33** times  
Participants **2,197**

Japan Management College  
Total number of graduates over 18 terms  
**397**  
(including graduates of the former Management School)

Global Management College  
Total number of graduates over nine terms: 111  
Number of regions:  
Graduates from **21** countries

Total equity  
**¥637.5 billion**

Interest-bearing debt  
**¥303.5 billion**

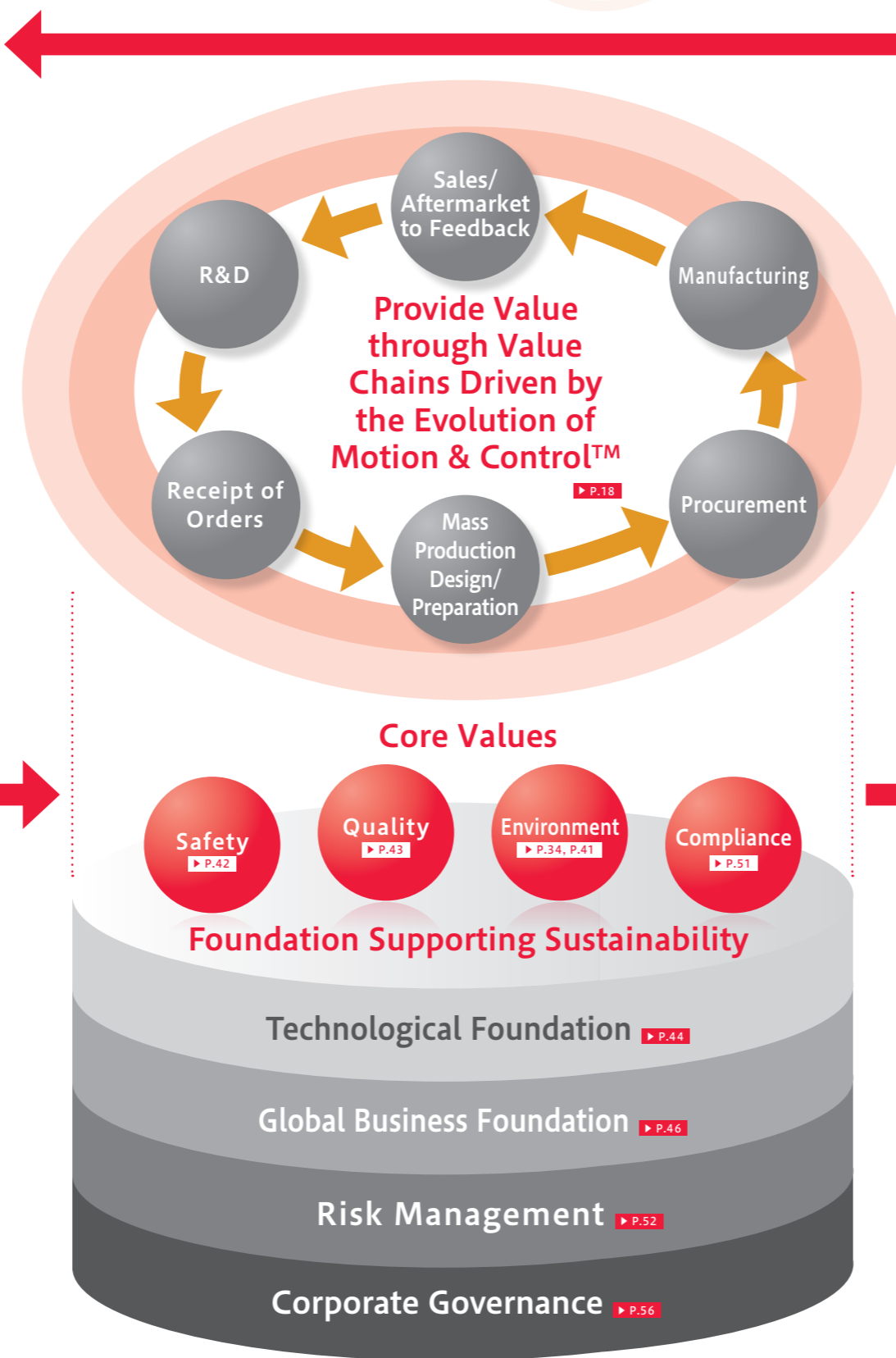
Cash and cash equivalents  
**¥137.5 billion**

Customer access points  
Number of customer inquiries to NSK salespeople  
**2,891 cases/year**

Number of product and service page views on corporate website  
**3.80 million/year**

Percentage of ISO45001-certified sites  
**72.2%\***

Energy input (per year)  
**7,524TJ**



NSK's business model for realizing collaborative value creation consists of a value chain (NSK business activities) that extends from R&D to production, sales, and feedback, as well as the core management values of "safety, quality, environment, and compliance," which support this value chain.

**Contribution to Resolve Social Issues**

**Sustainable Growth of NSK**

**Output**

**Products/Services**

- Industrial Machinery Bearings
- Precision Machinery and Parts
- Automotive Bearings
- Automotive Components
- Maintenance & Repair, Aftermarket Services
- Condition Monitoring Technology

**Financial Outcomes from Provision of Added Value**

- Cash generation
- Improvement in ROE
- Improvement in share price/market capitalization/TSR
- Internal reserves for investment in growth
- Maintenance of stable ratings

**Impact on Society/Environment**

- Reduction of investment resource/energy usage through improved production processes
- Promotion of human resource diversity and 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

**Outcomes**

**NSK Corporate Philosophy & Collaborative Value with Stakeholders**



**NSK's Seven Key SDGs**



Share of bearings market  
**Ranked third** in the world

Number of EPS\*1 mounted on vehicles (cumulative total)  
Approx. **110 million**

Number of patents held  
**6,226** patents  
(8,172 patents in the previous fiscal year)

Net cash provided by operating activities  
**¥22.7 billion**

Dividends/Payout ratio  
**¥13.0 billion/ 77.3%**

Diversity (global)  
Ratio of female employees  
**18.0%**  
(18.0% in the previous fiscal year)

Ratio of female managers  
**10%**

Number of women among managers/managerial candidates (Japan) **77**

Lost-worktime injury frequency rate (global)  
**0.28** (0.43 in the previous fiscal year)

Support for a work-life balance: Childcare leave acquisition rate  
Women **100%** men **58.4%**

Number of employees who have attained a TOEIC score of 730 or higher  
**700** (660 in the previous fiscal year)

Amount of CO<sub>2</sub> emissions avoided during use of NSK products  
**2.34 million t-CO<sub>2</sub>**  
(2.32 million t-CO<sub>2</sub> in the previous fiscal year)

Development of environmentally friendly products  
**239** products (cumulative total)

GHG emissions  
**25.1%** decrease  
(compared with FY2017)

Ratio of Japan/global management college graduates among executives  
**75%**

\*1 EPS: Electric Power Steering  
\*2 Figures revised following recalculation

(As of March 31, 2022)  
\* As of August 2022

# NSK Business Activities & Deepening of the Value Chain

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.

Manufacturing Capital
Intellectual Capital
Human Capital
Financial Capital
Social/Relationship Capital
Natural Capital

**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.

Key Capital	Utilization of Capital/Creation of NSK's Strengths	Tasks Being Addressed to Deepen the Value Chain
<b>Human</b> Technical staff	<ul style="list-style-type: none"> <li>Systematic education programs and unique educational institutions, including the NSK Institute of Technology (NIT), for training and enhancing technical staff (Reference: Number of participants in NIT (FY2021) 493)</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Establishment and promotion of proactive R&amp;D themes for rapid technological changes (e.g., electrification, automation, IoT, environment)</li> <li>Training and retention of engineers to hand down and evolve the Four Core Technologies plus One <a href="#">▶ PP.44-45</a></li> </ul>
<b>Intellectual</b> Four Core Technologies plus One, R&D centers	<ul style="list-style-type: none"> <li>Global structure and network for R&amp;D centers</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of development and evaluation efficiency by utilization of digital twin technology <a href="#">▶ P.33</a></li> <li>Improvement of "plus One = manufacturing engineering" that emphasizes and optimizes quality from the development stage</li> <li>Development of technologies and products to help protect the global environment and contribute to help reduce CO<sub>2</sub> emissions <a href="#">▶ PP.34-35</a></li> </ul>
<b>Social/Relationship</b> R&D structure with external parties	<ul style="list-style-type: none"> <li>System to quickly obtain product and technology needs and work on development based on close relationships with customers</li> <li>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])</li> </ul>	<ul style="list-style-type: none"> <li>Further utilization of open innovation <a href="#">▶ P.45</a></li> </ul>
<b>Financial</b> Financial foundation for funding R&D (Reference: R&D expenses on a managerial basis (FY2021) ¥30.8 billion)	<ul style="list-style-type: none"> <li>Technology-related investment for growth (3%-4% of sales)</li> <li>Stable financial base</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen existing product capabilities, expand new products and new businesses <a href="#">▶ P.32</a></li> </ul>

**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.

Key Capital	Utilization of Capital/Creation of NSK's Strength	Tasks Being Addressed to Deepen the Value Chain
<b>Manufacturing</b> Experience and track record in QCDDSM	<ul style="list-style-type: none"> <li>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).</li> </ul>	<ul style="list-style-type: none"> <li>Proposals for supply from optimal locations that leverage global production sites <a href="#">▶ PP.46-47</a></li> </ul>
<b>Human</b> Sales personnel	<ul style="list-style-type: none"> <li>Global Account Managers (GAMs) and Key Account Managers (KAMs) work together.</li> </ul>	<ul style="list-style-type: none"> <li>Based on changing customer and social needs, improvement in the level of proposal capabilities utilizing existing and newly developed technologies <a href="#">▶ P.32</a></li> </ul>
<b>Intellectual</b> Technical proposal capabilities	<ul style="list-style-type: none"> <li>NSK engineers and sales representatives communicate closely with customers, and internal systems support those communications.</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining relationships of trust and proposal/provision of value/services in new styles that go beyond conventional methods</li> </ul>
<b>Social/Relationship</b> Strong relationships of trust with customers, NSK brand recognition	<ul style="list-style-type: none"> <li>NSK focuses on high-quality, environmentally friendly products that are trusted by customers.</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening the effectiveness of BCP in production (strengthening building and equipment tolerance, improving complementary supply capacity)</li> <li>Shift to production equipment and processes that help protect the global environment and reduce CO<sub>2</sub> emissions <a href="#">▶ PP.34-35, P.41</a></li> </ul>

**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.

Key Capital	Utilization of Capital/Creation of NSK's Strength	Tasks Being Addressed to Deepen the Value Chain
<b>Manufacturing</b> Mass production equipment preparation, capital investment	<ul style="list-style-type: none"> <li>Lowering of mass production costs by NSK developing its own, specialized production equipment</li> </ul>	<ul style="list-style-type: none"> <li>Utilization of core assets (capitalized differentiation technology) aimed at streamlining mass production design and reducing lead times</li> <li>Equipment and process settings to achieve stable mass production quality and reduced workload</li> </ul>
<b>Financial</b> Design engineers	<ul style="list-style-type: none"> <li>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). <a href="#">▶ P.43</a></li> </ul>	<ul style="list-style-type: none"> <li>Ascertainment of the required quality level of markets (end users) and reflection of such in products <a href="#">▶ P.43</a></li> <li>Installation of mass production equipment that helps protect the global environment and contributes to help reduce CO<sub>2</sub> emissions <a href="#">▶ PP.34-35</a></li> </ul>
<b>Human</b> Accumulation of a wide variety of technologies	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Improvement of development and evaluations</li> </ul>
<b>Intellectual</b> R&D centers		

**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.

Key Capital	Utilization of Capital/Creation of NSK's Strength	Tasks Being Addressed to Deepen the Value Chain
<b>Human</b> Human resources to undertake sales, production, and inventory (SPI) management	<ul style="list-style-type: none"> <li>NSK aims to maintain appropriate levels of inventory and undertakes strict inventory controls with advanced SPI management.</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing strengthening of efforts to reduce the environmental impact of logistics</li> <li>Building of a supply chain</li> </ul>
<b>Intellectual</b> Technical proposal and support capabilities for aftermarket customers	<ul style="list-style-type: none"> <li>NSK promotes Asset Improvement Program (AIP) activities to provide added value to customers through products and technical services.</li> </ul>	<ul style="list-style-type: none"> <li>Further service improvements through AIP activity efforts, the accumulation of know-how, and global expansion</li> </ul>
<b>Intellectual</b> Product-related surveys and analytical data	<ul style="list-style-type: none"> <li>Feedback is used to improve products and propose solutions with new technologies.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Design and development that leverages customer and market field data</li> </ul>
<b>Social/Relationship</b> Aftermarket service distribution channels (customers, distributors, and sales outlets)	<ul style="list-style-type: none"> <li>NSK responds quickly and meticulously through its global sales network (112 locations).</li> <li>NSK maintains strong relationships with its distributors and sales outlets as well as its extensive network.</li> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Further improvement in customer satisfaction (strengthening of channel management, cultivating of specialists)</li> </ul>

**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.

Key Capital	Utilization of Capital/Creation of NSK's Strength	Tasks Being Addressed to Deepen the Value Chain
<b>Human</b> Production engineers	<ul style="list-style-type: none"> <li>Excellent equipment development capabilities as well as on-site and maintenance capabilities to facilitate use of that equipment for many years</li> <li>Promoting "Production Innovation (APS) activities" at each plant, continuously implementing improvement efforts in workplace processes</li> <li>The NSK Manufacturing Education and Training Center provides hands-on training to engineers from plants around the world with the aim of passing down technical skills and improving technical capabilities.</li> </ul>	<ul style="list-style-type: none"> <li>Training and retention of human resources to hand down and evolve <i>monozukuri</i>, creation of a comfortable workplace</li> </ul>
<b>Intellectual</b> Various manufacturing engineering, accumulated know-how	<ul style="list-style-type: none"> <li>As mother plants, 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.</li> <li>Efforts for the building of smart factories and next-generation lines</li> <li>Development of a facility management system and a smart system for facility maintenance (PM-AI)</li> </ul>	<ul style="list-style-type: none"> <li>NSK's innovative <i>monozukuri</i> that combines on-site capabilities and digital technology</li> <li>Ultra-stable production (visualizing operating conditions, creating lines that are always in operation)</li> <li>Introduction of a mechanism for sharing production technology and know-how (PM-AI) at each global plant</li> </ul>
<b>Manufacturing</b> Production plants and facilities	<ul style="list-style-type: none"> <li>Operating 20 plants in Japan and 46 plants overseas; possesses a production system able to meet global demand in a timely manner</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening the effectiveness of BCP in production (strengthening building and equipment tolerance, improving complementary supply capacity)</li> </ul>
<b>Nature</b> Energy and mineral resources	<ul style="list-style-type: none"> <li>Development of manufacturing facilities and technologies that enhance energy- and resource-saving</li> </ul>	<ul style="list-style-type: none"> <li>Shift to production equipment and processes that help protect the global environment and reduce CO<sub>2</sub> emissions <a href="#">▶ PP.34-35, P.41</a></li> </ul>
<b>Social/Relationship</b> Suppliers and local communities	<ul style="list-style-type: none"> <li>Maintain and strengthen good and strong relationships with suppliers and local communities</li> </ul>	

**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, etc. The Company realizes high-level QCD and stable procurement through fair, impartial, transparent, and socially and environmentally friendly transactions with its suppliers.

Key Capital	Utilization of Capital/Creation of NSK's Strength	Tasks Being Addressed to Deepen the Value Chain
<b>Social/Relationship</b> Relationships of trust with suppliers	<ul style="list-style-type: none"> <li>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</li> <li>Promotes CSR activities throughout the supply chain toward the realization of a sustainable society</li> </ul>	<ul style="list-style-type: none"> <li>Stable procurement (ensuring the flexibility of supply, strengthening the effectiveness of supply chain BCP)</li> <li>Support for improving CSR management throughout the supply chain <a href="#">▶ P.42</a></li> </ul>
<b>Intellectual</b> Development purchasing	<ul style="list-style-type: none"> <li>Achieves a high level of QCD through continuous improvement activities and joint development in collaboration with suppliers</li> <li>A structure that enables in-house development and manufacturing as well as the procurement of facilities and equipment from within the Group</li> <li>Strengthening its tolerance to foreign exchange rate fluctuations by expanding the localization of procurement</li> </ul>	<ul style="list-style-type: none"> <li>Optimization of the supplier portfolio (thorough collaboration and competitive principles)</li> <li>Ensure awareness of reducing environmental impact throughout the value chain (appropriate management of environmentally hazardous substances, global warming countermeasures)</li> </ul>
<b>Human</b> Buyer skills	<ul style="list-style-type: none"> <li>Encouragement of supplier BCP activities</li> </ul>	<ul style="list-style-type: none"> <li>Strengthening the effectiveness of supply chain BCP</li> </ul>

# Creating Collaborative Value with Stakeholders

Guided by its corporate philosophy, NSK aims to create collaborative value with stakeholders in six areas, upholds the SDGs in working to realize a sustainable society, and has selected seven goals that are particularly interlinked with our business. By collaborating with each stakeholder to create a range of value attuned to their expectations and interests, NSK aims to contribute to the resolution of social issues while achieving sustainable growth as a company.

## Corporate Philosophy — NSK Vision 2026 —

Relationships with Stakeholders	Customers	Employees	Suppliers	Local Communities	Shareholders and Investors	Future Generations
Stakeholder Expectations and Interests	<ul style="list-style-type: none"> <li>Q: Quality—Offer high-quality products and high-quality services</li> <li>C: Cost—Use appropriate pricing</li> <li>D: Delivery—Ensure stability in delivery, supply chain management, and strict adherence to laws and regulations</li> <li>D: Development—Leverage technology innovation, find solutions to issues, develop partners, and develop products and technologies that contribute to the environment</li> <li>S: Service—Support customers at our global sites in each region with reliability, security, and troubleshooting</li> <li>M: Management—Provide management capabilities that support the above</li> </ul>	<ul style="list-style-type: none"> <li>Offering engaging workplaces (respect of fundamental rights at work, equal opportunity, creating safe and inspiring workplaces, and health and productivity management)</li> <li>Leveraging a diverse workforce, diversity and inclusion, work-life balance, and flexibility with work styles</li> <li>Providing opportunities for growth, self-development, and educational opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Offering reliable transactions that are proper, fair, and transparent</li> <li>Utilizing transactions that consider society and the environment</li> <li>Engaging in joint development (e.g., materials, components, grease) that is mutually beneficial</li> <li>Implementing initiatives to enhance quality</li> <li>Promoting CSR activities throughout the supply chain</li> <li>Collaborating when disasters occur</li> </ul>	<ul style="list-style-type: none"> <li>Striving for mutual harmony and benefit with communities</li> <li>Contributing to the creation of employment/regional development</li> <li>Preserving the global environment and the local environment</li> <li>Reducing environmental impact (curbing emissions from business activities)</li> <li>Considering noise reduction</li> <li>Ensuring safe operations</li> </ul>	<ul style="list-style-type: none"> <li>Improving corporate value</li> <li>Maintaining proper stock prices</li> <li>Realizing shareholder returns that exceed capital costs</li> <li>Providing information in a proper, fair, and timely manner, and having sincere dialogue</li> <li>Proactively taking initiatives and making disclosures for global social issues, and CSR/ESG</li> </ul>	<ul style="list-style-type: none"> <li>Passing down a safe society and an abundant natural environment</li> <li>Generating and providing opportunities for the growth of the next generation that will be responsible for the future</li> <li>Conveying the enjoyment and importance of <i>monozukuri</i></li> </ul>
Engagement Channels	<ul style="list-style-type: none"> <li>Everyday sales activities</li> <li>Technological exchanges</li> <li>Exhibitions</li> <li>Joint research/joint development, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Manager/team dialogue</li> <li>Objective-based management, performance review systems</li> <li>Employee engagement survey</li> <li>Internal financial results briefings</li> <li>Training, self-improvement seminars, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Daily procurement activities</li> <li>Procurement Policy Briefings</li> <li>NSK Supplier CSR Guidelines, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Activities to contribute to local communities (e.g., donation drives, cleanup activities)</li> <li>Cooperating in community events (e.g., plant festivals), welfare programs, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Shareholders' meetings</li> <li>Plant tours for shareholders</li> <li>Financial conferences</li> <li>Individual IR meetings</li> <li>Business briefings, etc.</li> </ul>	<ul style="list-style-type: none"> <li>NSK Foundation for the Advancement of Mechatronics</li> <li>NSK Scholarship Foundation</li> <li>Science classes for children</li> <li>Materials for children (e.g., comic books, picture books, and introduction to technology)</li> </ul>

Meaningful Collaborative Value between Stakeholders and NSK	Customers	Employees	Suppliers	Local Communities	Shareholders and Investors	Future Generations
Values (outcomes) Examples	Third highest share of the global bearings market, environmentally friendly products, amount of CO <sub>2</sub> emissions avoided during use of NSK products, etc.	Number of patents held, environmentally friendly products, lost-time injury frequency rate, diversity (e.g., ratio of female employees, ratio of employees who took childcare leave), ratio of Japan/Global Management College graduates among executives, etc.	Reduce environmental risk (environmentally harmful substance countermeasures), reduce human rights risk, etc.	Environmentally harmful substance countermeasures, environmentally friendly products, amount of CO <sub>2</sub> emissions avoided during use of NSK products, resource/energy conservation, etc.	TSR, diminishing share price volatility, ESG evaluations, etc.	Environmentally friendly products, amount of CO <sub>2</sub> emissions avoided during use of NSK products, environmentally harmful substance countermeasures, resource/energy conservation, etc.
For Further Collaborative Value Creation	<ul style="list-style-type: none"> <li>Creating and proposing new collaborative value from an end-user perspective <a href="#">▶ P.32</a></li> <li>Developing proposals for supply from optimal locations that leverage global production sites <a href="#">▶ PP.46-47</a></li> </ul>	<ul style="list-style-type: none"> <li>Increasing opportunities for dialogue with management, enhancing two-way communication</li> <li>Reviewing systems to achieve more diverse work styles</li> <li>Improving activities based on the results of employee engagement surveys <a href="#">▶ P.40</a></li> <li>Further enhancing educational and training programs</li> <li>Nurturing digital human resources <a href="#">▶ P.33</a></li> </ul>	<ul style="list-style-type: none"> <li>Enhancing the level of CSR management throughout the supply chain toward realizing a sustainable society <a href="#">▶ P.42</a></li> </ul>	<ul style="list-style-type: none"> <li>Increasing the opportunities for exchange to promote an understanding of safety and security and raise the degree of trust</li> <li>Engaging in ample activities to contribute to communities <a href="#">▶ P.41</a></li> </ul>	<ul style="list-style-type: none"> <li>Securing and raising understanding and agreement of capital market participants regarding management policy and strategy</li> <li>Expanding support of shareholders over the mid- to long-term that contributes to the fair determination of share prices and realizing a balanced shareholder composition</li> <li>Amplify engaging with shareholders and investors, and strengthening the tools to accomplish that <a href="#">▶ P.84</a></li> <li>Enhancing disclosure and heightening the appeal of efforts regarding CSR/ESG issues <a href="#">▶ PP.34-35, PP.40-43, PP.48-51</a></li> </ul>	<ul style="list-style-type: none"> <li>Ongoing implementation of support to nurture the next generation of human talent from a long-term standpoint</li> <li>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</li> </ul>
Related capital categories	Social/Relationship	Human Intellectual	Social/Relationship Natural	Social/Relationship Natural	Financial	Social/Relationship Natural
SDG Icons	9, 11, 12, 13, 17	7, 8, 9, 12, 13	7, 8, 12, 13, 17	7, 8, 11, 13, 17	8, 9, 13, 17	7, 8, 9, 11, 13

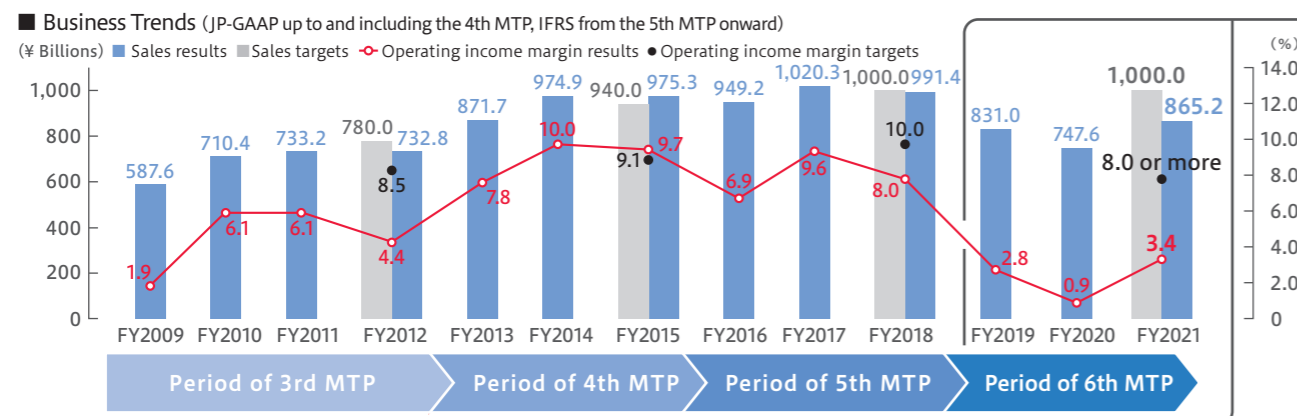
NSK aims to contribute to the resolution of social issues while achieving sustainable growth as a company

# Looking Back at the Mid-Term Management Plan

The 6th Mid-Term Management Plan (FY2019–FY2021) covered a period that experienced increasing uncertainty due to the spread of COVID-19, supply chain issues, and a difficult to predict business environment that included dramatic inflation. On the other hand, the period also saw progress in technological innovations, including the electrification, automation, and digitalization of the overall industry, as well as an acceleration in carbon-neutrality initiatives. Despite this challenging environment, NSK advanced various initiatives under our Corporate Philosophy in aims of contributing to the sustainable development of society and of becoming a company that is needed and trusted by society.

Mid-Term Management Plan is abbreviated as MTP

	The 3rd MTP FY2009–FY2012	The 4th MTP FY2013–FY2015	The 5th MTP FY2016–FY2018
<b>Positioning of Vision</b>	<b>Responding to paradigm shifts</b> Reorganizing the business foundation toward net sales of ¥1 trillion <ul style="list-style-type: none"> <li>Establish and consolidate corporate fundamentals appropriate for a company with sales of ¥1 trillion</li> <li>Continue measures to become No. 1 in total quality</li> </ul>	<b>Establishing corporate fundamentals appropriate for a company with net sales of ¥1 trillion</b> <ul style="list-style-type: none"> <li>Establish corporate fundamentals appropriate for a company with sales of ¥1 trillion in 2016, the 100th anniversary of NSK's foundation</li> <li>Continue to implement basic strategies (focus on profitability, growth in emerging countries, global management)</li> </ul>	<b>Embarking on a new chapter in evolution toward the next 100 years</b> <ul style="list-style-type: none"> <li>Initiate mid- and long-term policies for realizing sustainable growth</li> <li>Introduce resources for the future</li> </ul>
<b>Outline of the MTP</b>	<b>Our Three Core Management Strategies and Specific Measures</b> <b>A. Enhancement of business-based management</b> <ul style="list-style-type: none"> <li>Sales &amp; marketing, production and technological divisions brought under business headquarters management</li> <li>Autonomous management by integrated business management and the clarification of divisional responsibilities</li> </ul> <b>B. Growth strategies</b> <ul style="list-style-type: none"> <li>Increase presence in emerging markets</li> <li>Expand environmental, infrastructure, and resource businesses</li> <li>Respond to technological innovation</li> </ul> <b>C. Profitability improvement</b> <ul style="list-style-type: none"> <li>Implement a proactive sales strategy (strengthen proposal-based sales capabilities)</li> <li>Reorganize global production sites</li> <li>Accelerate new product development</li> </ul>	<b>Business Strategies</b> <ul style="list-style-type: none"> <li><b>Growth with focus on profitability</b> <ul style="list-style-type: none"> <li>Growth in emerging countries</li> <li>Enhancement of customer and sector strategies</li> <li>Production and technological innovation capabilities</li> <li>Strategic alliances</li> </ul> </li> </ul> <b>Corporate Foundation</b> <ul style="list-style-type: none"> <li><b>Develop management capabilities to handle ¥1 trillion in sales volume</b> <ul style="list-style-type: none"> <li>Enhance corporate governance and compliance</li> <li>Reform the business structure</li> <li>Advance global management</li> </ul> </li> </ul> <b>Basics of the MTP (Priority Issues)</b> <ul style="list-style-type: none"> <li>Safety, quality, and compliance</li> </ul>	<b>Two Pillars of the Plan</b> <ul style="list-style-type: none"> <li><b>Operational excellence</b> <ul style="list-style-type: none"> <li>Constant pursuit of competitiveness</li> </ul> </li> <li><b>Challenging innovation</b> <ul style="list-style-type: none"> <li>Creation of new value</li> </ul> </li> </ul> <b>Management Tasks</b> <ul style="list-style-type: none"> <li>Achieve sustainable growth</li> <li>Reconstruct the profit base</li> <li>Expand into new growth fields</li> </ul> <b>Strategies by Business</b> <ul style="list-style-type: none"> <li><b>Industrial Machinery Business:</b> Respond to changes in the business environment and expand target fields</li> <li><b>Automotive Business:</b> Reinforce the profit base and establish a platform for future growth</li> </ul>
<b>Looking Back</b>	In the severe business environment immediately after the collapse of Lehman Brothers, we achieved some measure of success focusing on emerging markets and technological innovation. <ul style="list-style-type: none"> <li>Established a production system for a full product lineup, built an autonomous management system within China</li> <li>Exceeded the MTP target for global expansion of the EPS business</li> <li>Enhanced profitability following the reorganization of the Precision Machinery and Parts Business</li> <li>Advanced local production and local procurement</li> </ul> Nevertheless, the upheaval in the business environment, including a sharp appreciation of the yen and fluctuations in global demand, continued to intensify, and the numerical targets of the final year were not achieved. <p>Furthermore, having been found guilty of violating the Antimonopoly Law in a 2013 case involving a bearing product cartel, the Company received a cease-and-desist order and was ordered to pay financial penalties. As a priority and urgent task, the Company undertook measures to strengthen its compliance system toward the early restoration of trust and to prevent any recurrence.</p>	Against a backdrop of improvements in the profitability of the Automotive Business and assisted by an underlying weakness in yen exchange rates, the Company achieved all its numerical targets, including those for sales and profit, a year ahead of schedule in the second year of the fourth MTP. The Company also improved on the targets in the MTP's final fiscal year. Significant growth was recorded in the Chinese and EPS businesses. <p>Regarding profitability, the Company achieved an operating income margin of 10.0% in FY2014 and maintained a high level of 9.7% in the final fiscal year. In contrast, sales and profitability were on a declining trend, buffeted by the slowdown in global economic growth, including the deceleration in China.</p> <p>We also worked to evolve the global management structure and strengthen and enhance compliance.</p>	Under an environment of robust demand, the Industrial Machinery Business recovered as the powertrain business grew during FY2017, the second year of the MTP, and the Company achieved sales of ¥1 trillion, as targeted. Both operating income and net income achieved record highs. We also strengthened shareholder returns that led to a total return ratio of 57% over the three years. <p>However, due to a downturn in the economic cycle starting in the second half of FY2018, and the impact of the U.S.-China trade friction, the business environment deteriorated. Full-year performance during the final year of the MTP experienced a year-on-year decline in sales and profits, which resulted in failure to achieve the MTP targets.</p> <p>Meanwhile, amid technological changes including the expanding use of IoT, AI, and robots, as well as autonomous driving and electrification, the Company developed new technologies and products and released ball screws for brakes, industrial actuators, and others to the market while it started smart-factory model-line operations. The steering business entered a transitional period, making activities aimed at returning to growth important. We expanded initiatives to address social issues (e.g., ESG, SDGs).</p>
<b>Challenges and Countermeasures</b>	<ul style="list-style-type: none"> <li>Declines in profitability levels due to the extremely high value of the yen and inadequate responses to changes in the business environment, including extreme fluctuations in demand</li> <li>Decrease in the Industrial Machinery Business sales ratio</li> <li>Strengthening of the compliance system to restore trust and prevent any recurrence following the cartel incident</li> </ul>	<ul style="list-style-type: none"> <li>Continue to build our foundation as a company with ¥1 trillion in sales</li> <li>Establish profitability not greatly affected by business cycles or fluctuations in the amounts of raw materials or exchange rates</li> <li>Promote new products and development in new areas</li> </ul>	<ul style="list-style-type: none"> <li>Firmly achieve ¥1 trillion in sales and a double-digit operating income margin</li> <li>Restart growth in the EPS business</li> <li>Improve productivity by leveraging ICT</li> </ul>



## The 6th MTP FY2019–FY2021

### Build the Business Base and Strengthen Resources in Preparation for the Next Growth Phase

#### Three Initiatives

- New initiatives targeting growth**

Grow by delivering value that meets the needs of a future society

  - Expand NSK core products in the growth segments of electrification, automation, environment, and IoT
  - Grow by commercializing new products in growth segments
  - Expand the product lineup for and restart growth in the EPS business
  - Utilize M&A and strategic alliances
- Enhance managerial resources**
  - Evolve personnel development
  - Evolve manufacturing (*monozukuri*)
  - Evolve technology development
  - Utilize digital technology
- Contribute to the environment and society**

Address environmental and societal issues by strengthening managerial resources and NSK's core values + corporate governance

## Looking Back at the 6th MTP

- Industrial Machinery Business matched past record, but the operating margin did not reach double digits. Automotive Business recorded a loss for the second consecutive year.
- Growth in semiconductor manufacturing equipment, machine tools, and robots; shrinking automotive market; acceleration of electrification; missed target for EPS orders
- Ongoing COVID-19 concerns, rapid inflation, supply chain disruption
- Maintained an "A" credit rating due to financial stability

6th MTP (FY2019–FY2021): KPIs				Results * Reference values after E&E adjustment			
Growth	Sales/growth ratio	Sales growth CAGR 2% ¥1 trillion	<ul style="list-style-type: none"> <li><b>Industrial machinery</b> Achieve sales growth that surpasses market growth</li> <li><b>Automotive bearings</b> Achieve sales growth that surpasses growth in global vehicle production volume</li> <li><b>Automotive components</b> Secure orders to restart growth in the steering business</li> </ul>	5th MTP FY2018	FY2019	FY2020	FY2021
				Industrial Machinery Business: ¥991.4 billion (328.0*) Automotive Business: 631.0* Operating income ratio: 8.0%	831.0	747.6	865.2 (-13%) 345.8 (+5%)
Profitability	Operating income margin	8% or more	Secure stable profitability	2.8%	0.9%	3.4%	482.5 (-24%)
Efficiency	ROE	10% or more	ROE exceeding cost of capital	10.4%	3.3%	0.1%	3.4%
Financial Stability	Net D/E ratio Equity ratio	0.3 times 50%	Maintain an A-level credit rating	Maintained an A-level credit rating even amid the COVID-19 pandemic			
Shareholder Returns	Payout ratio Share buyback	30%–50% ¥40/share or more	Continue stable dividends Acquisition of treasury shares Agile capital policy	Continued stable dividends			
Capital Expenditures	Capital expenditures	Three-year total ¥180.0 billion	Investments to underpin sustainable growth	Controlled capital expenditures considering the business environment Three-year total: ¥144.5 billion			
R&D	R&D expenses	versus Sales 3%–4%	Continue developing technologies for further growth	Maintained at 3%–4% (¥30 billion/year)			

# MTP2026

In conjunction with a review of its 6th Mid-Term Management Plan, NSK adopted a backcasting approach to determine what actions it should take over the next five years. Based on the aforementioned, the Company formulated the new Mid-Term Management Plan (MTP2026) with an eye on the business environment post 2026 looking as far ahead as 10–20 years into the future. Positioning electrification, automation, digitalization, and the environment as growth drivers, we will accelerate efforts to address management issues as well as “Change & Go Beyond” to become a new type of trillion-yen company.

## 6th MTP

FY2019 → FY2020 → FY2021

Build the business base and strengthen resources in preparation for the next growth phase

- Pursue new initiatives targeting growth
- Enhance managerial resources
- Contribute to the environment and society

Changing business conditions

- Stagnating automotive market
- Carbon neutrality
- Supply chain risk actualizing
- Divided international community
- Costs increasing due to inflation

Operating income margin 3.4%

# MTP2026

## Rebuild the corporate foundation for sustainable growth

FY2022 → FY2024 → FY2026

### “Change & Go Beyond” to become a new type of trillion-yen company

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

Be needed, trusted, and relied upon by society

- ✓ Promote carbon neutrality
  - FY2026 -50% compared with FY2017 (Scope 1 and 2)
  - ▶ P.34 Promote Carbon Neutrality
- ✓ Create better working environments
  - Continue to be certified as an outstanding health and productivity management organization on the “White 500” list of the top-performing 500 companies
  - ▶ P.40 Examples of Initiatives

#### Growth with Profitability

Establish a business foundation for sustainable growth even in changing business conditions

- ✓ Bearings & Beyond
  - Expand the Industrial Machinery Business
  - Deploy bearings + precision machinery to drive earnings
  - Grow new products
- ✓ Restructure the steering business
- ✓ Pursue alliances and M&A
  - ▶ P.26 “Change & Go Beyond” to Become a New Type of Trillion-Yen Company
  - ▶ P.28 Industrial Machinery Business
  - ▶ P.30 Automotive Business
  - ▶ P.32 Grow New Products

Enhancement of Managerial Resources

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

- ✓ Engage information technology in all areas
- ✓ Super-stabilize production
  - ▶ P.33 Utilize Digital Technology
- ✓ Develop and support diverse career paths
  - ▶ P.40 Examples of Initiatives

1.5x productivity

7~8%

10%

# 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

SUSTAINABLE DEVELOPMENT GOALS

# “Change & Go Beyond” to Become a New Type of Trillion-Yen Company

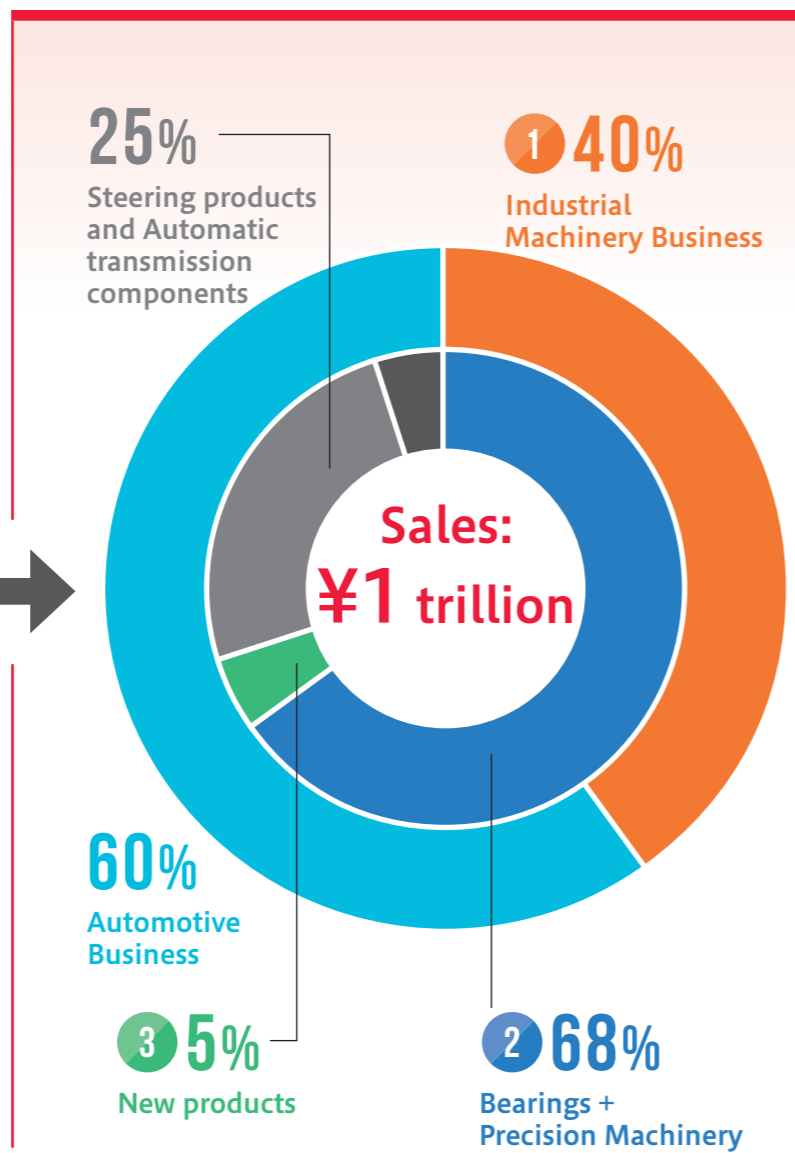
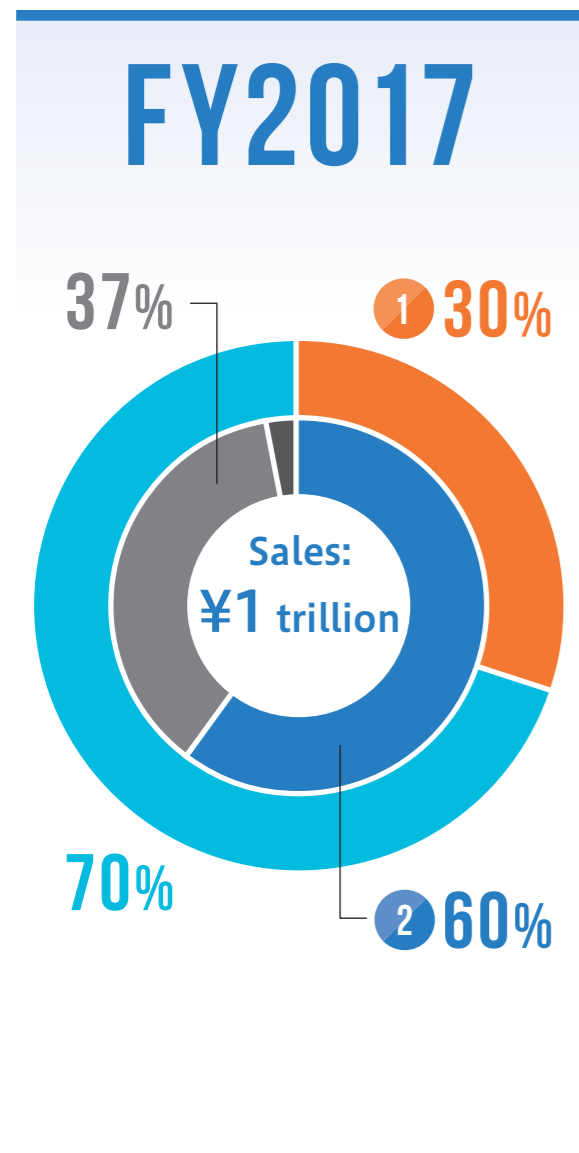
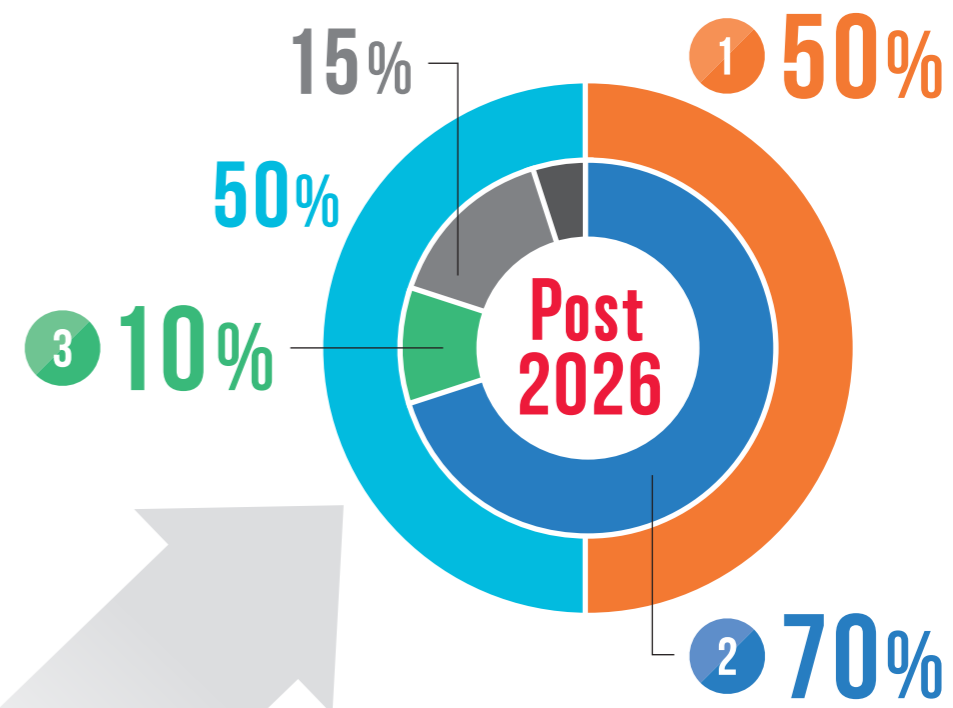
## Portfolio Reform – Bearings & Beyond –

NSK’s goal is to become a new type of trillion-yen company. NSK reported sales of ¥1 trillion in FY2017. From a portfolio perspective, 70% of this total was in the Automotive Business. Guided by the keywords Portfolio Reform, as well as Bearings & Beyond, NSK will expand its Industrial Machinery Business portfolio by accelerating the shift to electrification and automation while addressing the trend toward digitalization and changes in the environmental market under MTP2026. We will rebuild our corporate foundation for sustainable growth. To this end, we will increase EV-related sales and the profitability of our core products such as bearings and precision machinery parts and utilize the cash generated to develop new products and new areas of business. Taking the aforementioned into consideration, we are targeting sales of ¥1 trillion, operating income of ¥100 billion, an operating income margin of 10%, and an ROE of 10% as KPIs.

**1** Expand the Industrial Machinery Business

**2** Deploy bearings and precision machinery to drive earnings

**3** Grow new products



## MTP2026

KPIs		FY2021	FY2026	FY2021 > 2026
Growth	Sales/ Growth ratio	¥865.2 billion	<b>¥1 trillion or more</b>	CAGR + 5%/year
	Operating income margin	¥29.4 billion (3.4%)	<b>¥100.0 billion (10%)</b>	+ 70.0 billion + 6.6 percentage points
Efficiency	ROE	2.8%	<b>10%</b>	+ 7.2 percentage points
	ROIC	1.9%	<b>8%</b>	+ 6.1 percentage points
Financial Stability	Net D/E ratio	0.3 times	<b>0.4 times or less</b>	Maintain an A-level credit rating

FY2026 forex rates using average FY2021 rates: USD ¥112; EUR ¥131; CNY ¥17.5

For the Company to continue to be needed and trusted by society, NSK recognizes the importance of not only maintaining a robust financial position but also non-financial strength. Under MTP2026, we will continue to promote a variety of non-financial initiatives targeting such key issues as the reduction of CO<sub>2</sub> emissions, the creation of a safe workplace environment, and promotion of diversity and inclusion.

- ☑ **Scope 1 and 2 CO<sub>2</sub> emission reduction** • -50% compared with FY2017 by FY2026  
Achieve carbon neutrality by FY2035 (-25.1% in FY2021)
- ☑ **Create a safe workplace environment** • Further reduction in the lost-time injury frequency rate through the continuous promotion of a safe workplace environment (0.28 in FY2021)
- ☑ **Employee diversity ratio** (gender, nationality, career recruitment) • FY2026: 35%\* (FY2021: 25%\*) \*Figures for Japan excluding the Production Dept.

# Industrial Machinery Business

**Aiming for Growth with Profitability  
“Change & Go Beyond”**



**Tomoyuki Yoshikiyo**  
Executive Vice President  
Head of Industrial Machinery Business  
Division HQ

## MTP2026 Strategy and Message

New needs have emerged following changes in the social environment. And with the arrival of significant opportunities for NSK's Industrial Machinery Business to expand, the Company aims for growth in the fields of electrification, automation, digitalization, and the environment. To achieve this growth, every NSK employee involved in the Industrial Machinery Business must possess an awareness of and put into practice “Change & Go Beyond.” Although NSK has declared our intention to promote DX, as employees we must undergo

a transformation of our own initiative. And we must boldly undertake the challenge of new concepts without fearing failure. Even as the world changes, however, NSK's core values of safety, quality, the environment, and compliance will remain unchanged. With this as our foundation, the Company will realize dramatic growth and greater profitability in the Industrial Machinery Business and will aim to become a company that is needed and trusted by addressing electrification, automation, digitalization, the environment, and other needs of society.

## Business Environment

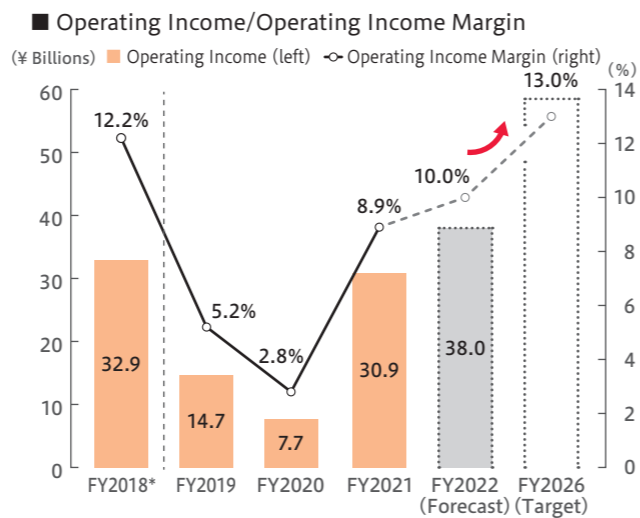
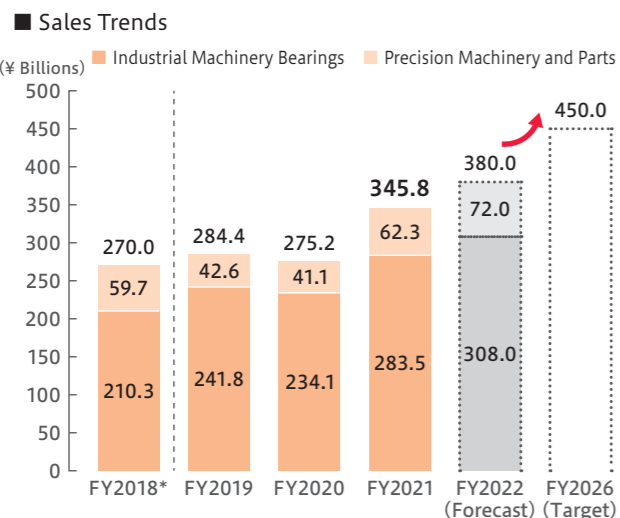
### A Look Back at the Business Conditions for FY2021 and the Forecast for FY2022

In addition to growth in the semiconductor market, the Industrial Machinery Business saw demand remain strong due to aggressive capital investment mainly in the manufacturing industry, resulting in a year-on-year increase in full-year sales.

By region, demand in Japan increased mainly for machine tools, semiconductor manufacturing equipment, and electrical and electronics equipment. In the Americas, sales increased due to continued strong demand from the aftermarket and for semiconductor production equipment. In Europe, sales increased due to higher sales in the aftermarket and for machine tools. In China, although demand for wind power and railcars appeared to be slowing, sales for machine tools and electrical and electronics equipment increased.

As a result, sales in the Industrial Machinery Business totaled ¥345.78 billion (year-on-year increase of 25.6%) and operating income stood at ¥30.94 billion (¥7.69 billion the previous year) due to an increase in sales in each region.

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 development and market introduction of condition monitoring systems (CMS), actuators, and other new value-added products.



\*Part of the Automotive Business operations were transferred to the Industrial Machinery Business in FY2020. Accordingly, figures for FY2019 have been reclassified to match current segments.

## MTP2026

### Expand the Industrial Machinery Business

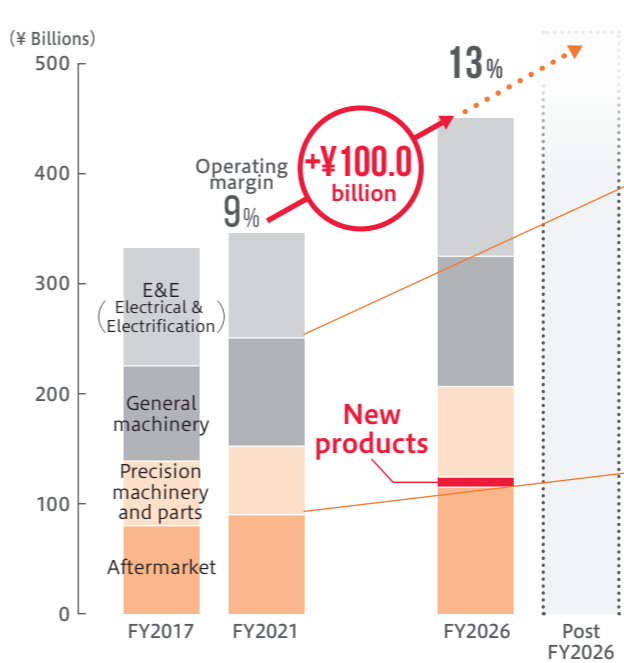
Along with the shift to a safer, more comfortable world brought about by technological innovations such as AI, IoT, and 5G, and amid an increasing awareness of climate change globally, NSK aims to expand this business under the keywords of electrification, automation, digitalization, and the environment. In terms of electrification, the Company is targeting the growing demand for small motors. In terms of automation and

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

digitalization, in addition to growing demand for robots and semiconductors, the Company will work to increase market share by leveraging its technological capabilities in response to the increasing sophistication and complexity of processes. In terms of the environment market, the Company will expand market share for wind power and railcars and will work to expand sales in the aftermarket sector, including use of CMS.

Social issues	Social needs	Technology transformation	Growth areas	New devices
<b>Environmental issues</b> <ul style="list-style-type: none"> <li>Curbing global warming</li> <li>Reducing environmental impact</li> </ul> <b>Spread of COVID-19</b>	<b>Build a low-carbon society (Carbon neutrality)</b> <ul style="list-style-type: none"> <li>Expand renewable energy</li> <li>Electrify mobility</li> <li>Expand recycling</li> </ul> <b>A world where society is networked</b> <ul style="list-style-type: none"> <li>Diversification of lifestyles</li> <li>Work styles, education, lifestyles, etc.</li> <li>Advanced medical care</li> <li>Prevention of infections</li> </ul> <b>Automation/smartification</b> <ul style="list-style-type: none"> <li>Automatic operation, remote control</li> <li>Preventive maintenance, condition monitoring</li> <li>Service/industrial robots</li> </ul>	<ul style="list-style-type: none"> <li>Development of new energy technologies</li> <li>Evolution of energy utilization technologies</li> <li>Development of CO<sub>2</sub> utilization/storage technologies</li> <li>Evolution of electrification/storage battery technologies</li> <li>Evolution of energy-saving technologies</li> <li>Evolution of robots</li> <li>Evolution of medical technologies and biotechnology</li> </ul>	<b>Carbon neutrality</b> Wind power, solar power, hydrogen, wave power, high efficiency motors, fluids <b>Electrification</b> EVs, FCs, railways, construction machinery, agricultural machinery, drones, injection molding equipment <b>Automation/labor saving</b> Machine tools, robots (FA, medical), motors (EV/industrial) <b>Information/communication</b> Semiconductors, fan motors <b>New markets</b> Service robots, hydrogen, compact transmission units	CMS Actuators

### Industrial Machinery Business: Growth vision



### Business growth initiatives by sector

- Increase demand for small motors for electrification, 5G, etc.**  
 +¥30.0 billion
  - High-accuracy, low noise
  - Increase capacity, establish new production sites
- Demand increases in automation and semiconductors, advanced machining technology**  
 +¥30.0 billion
  - High-speed, high-accuracy, reliability
  - Reinforce supply capacity and develop new products
- Wind turbines, railways, and energy transition**  
 +¥10.0 billion
  - Durability, reliability, high-speed
  - Increase supply capacity in Shenyang and Toyama
- Transform the business model to increase sales**  
 +¥25.0 billion
  - Deploy CMS and reconditioning to establish the PLM\* model

\*PLM: Product lifecycle management



# Automotive Business

## Seizing Electrification as an Opportunity in Aiming for Further Growth



**Hideki Ochiai**  
Executive Vice President  
Head of Automotive Business Division HQ

### MTP2026 Strategy and Message

Under Bearings & Beyond, NSK will realize further growth by making new high-value-added proposals that contribute to the diversification of CASE and mobility. Specifically, the Company will maintain our top position in the automotive bearings industry through an uncompromising approach to HEVs, EVs, and eAxle in electrification technologies (low-friction, high-speed, lightweight), while also ensuring super-stabilization of production, executing an agile reorganization of production sites, and building a strong organization that is not swayed by the amount of resources. Moreover, the Company will develop

and introduce new products to the market that connect to the satisfaction of our customers. NSK aims to expand the markets for system and module products (e.g., traction drive speed reducers, torque sensors) that contribute to the greater efficiency of power transmission in electric vehicles, as well as for ball screws used in electric-hydraulic brake systems. In the steering business, the Company aims to achieve a recovery by expanding the product lineup through the addition of pinion lower assist EPSs, for example, to existing quiet high power column EPSs; executing business structure reforms; and promoting alliances and M&As.

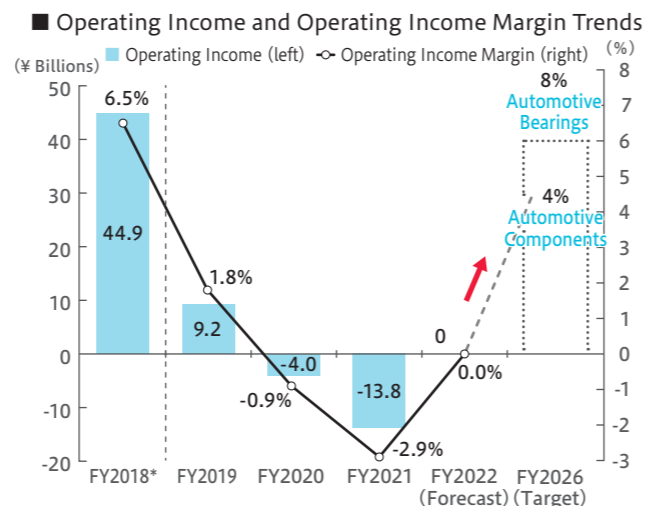
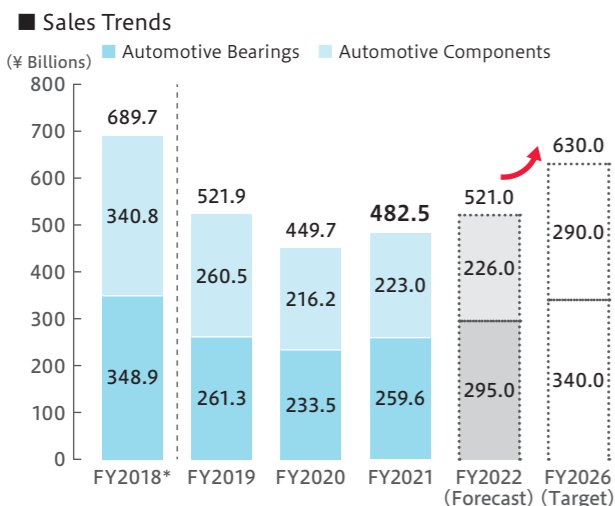
### Business Environment

#### A Look Back at the Business Conditions for FY2021 and the Forecast for FY2022

The Automotive Business saw global production volume fall below the previous year's level due to the impact of prolonged production cutbacks caused by supply shortages of semiconductors and other materials, but sales increased compared with the previous year during the current consolidated cumulative period in FY2021. Sales increased in all regions except China due to a recovery from the previous year when demand was sluggish. On the other hand, China, where the automotive market had been recovering quickly since the previous spring, experienced a drop in automotive production volume during the period under review due to the shortage of semiconductors and other factors, resulting in a decline in revenue. As a result, sales in the Automotive Business totaled ¥482.54 billion (year-on-year increase of 7.3%), whereas the operating loss

amounted to ¥13.76 billion (compared with a loss of ¥4.01 billion the previous fiscal year) due to higher material prices, transportation expenses, and other costs, as well as to the impact of recording an impairment loss on fixed assets of ¥9.04 billion.

In this business, NSK is working to recover profitability amid the assumption that prolonged supply chain issues, the impact of China's zero-COVID policy, and other aspects of the uncertain business environment will continue through FY2022. In particular, the Company will promote structural reforms in the steering business. Looking to the future, the Company will strengthen competitiveness by leveraging the technological capabilities possessed by the Group in response to the accelerating electrification of automobiles and aims to grow the business by working to expand new products.



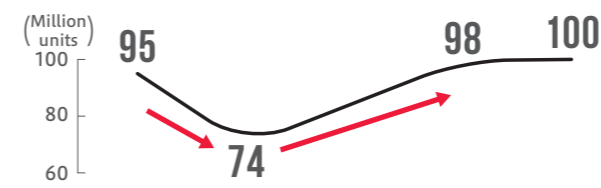
\*Part of the Automotive Business operations were transferred to the Industrial Machinery Business in FY2020. Accordingly, figures for FY2019 have been reclassified to match current segments.

### MTP2026

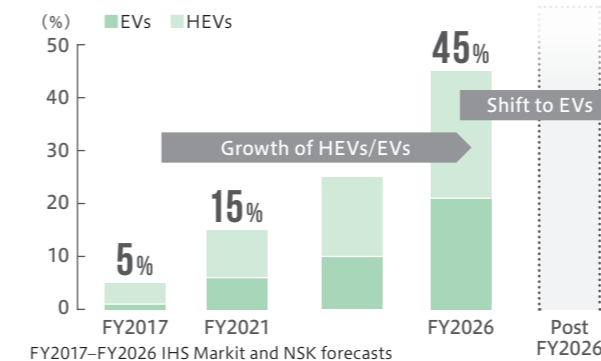
#### Automotive Bearings Business

As the ratio of electric vehicles increases, the demand for bearings used in engines and transmissions will decline, which will in turn suppress sales for ICE. However, electric vehicles also require low torque, high-speed rotation, and light weight, for

#### Automobile production



#### Electric vehicle ratio



#### Automotive Components Business

NSK aims to restore profitability in the automotive components business by driving structural reforms in the steering business, particularly reorganizing production sites and reassigning personnel. In addition, the Company has received orders for

#### Measures to recover the steering business

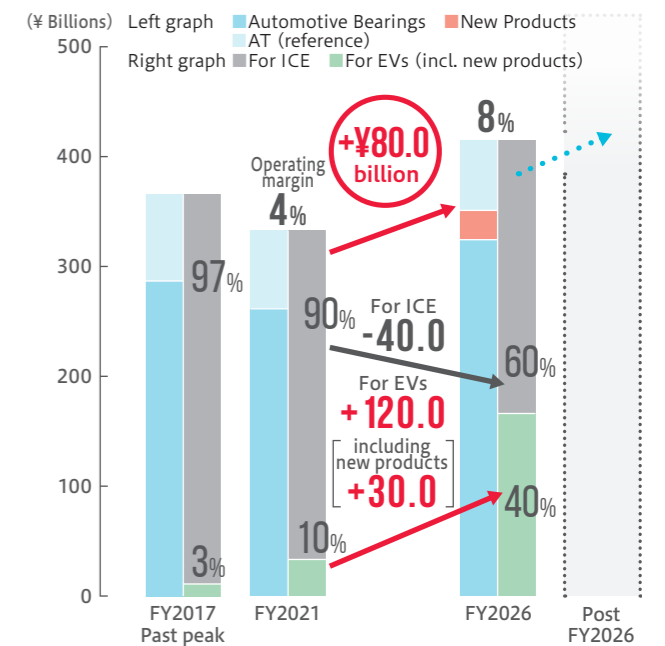
- ☑ Increase the number of orders
  - Pinion-type EPS  
Roll out EPS for MEB (EPS for VW's EV)
  - Column-type EPS  
Leverage compact, light weight, and quiet features to achieve differentiation
- ☑ Reform the business
  - Reorganize production sites
  - Reassign personnel
- ☑ Pursue alliances/M&As
  - Secure production scales
  - Strengthen competitiveness by deploying a full lineup of products

Note: Although NSK announced the signing of a memorandum of understanding regarding a collaboration with thyssenkrupp AG on May 12, 2022, Japan time, this alliance was not included in the prerequisites during the formulation of MTP2026.

#### FY2026 targets Sales of ¥340.0 billion / Operating margin of 8%

example, all of which are areas where the Company can leverage NSK's strong technological capabilities. Along with targeting the highest sales in NSK's history, under MTP2026 the Company will work to expand new products with our sights set beyond.

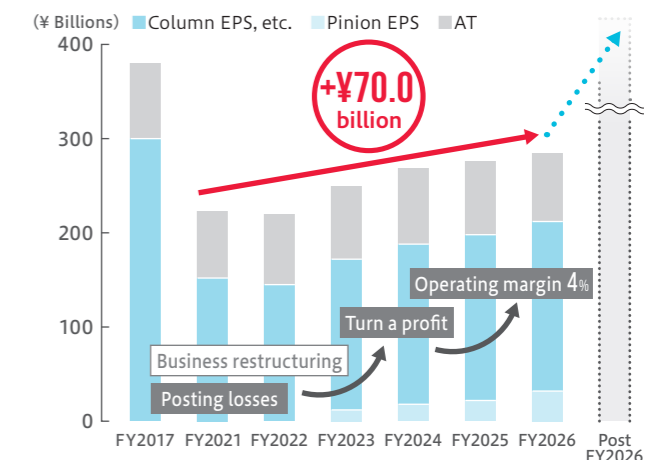
#### Automotive Bearings: Sales growth vision



#### FY2026 targets Sales of ¥290.0 billion / Operating margin of 4%

the high-power single pinion EPS, jointly developed with Volkswagen, for a next-generation electric vehicle, and will begin global supply starting in FY2023. Moreover, NSK aims for growth with profitability through alliances and M&As.

#### Automotive Components Business: Recovery vision



## Growth with Profitability

### Grow New Products

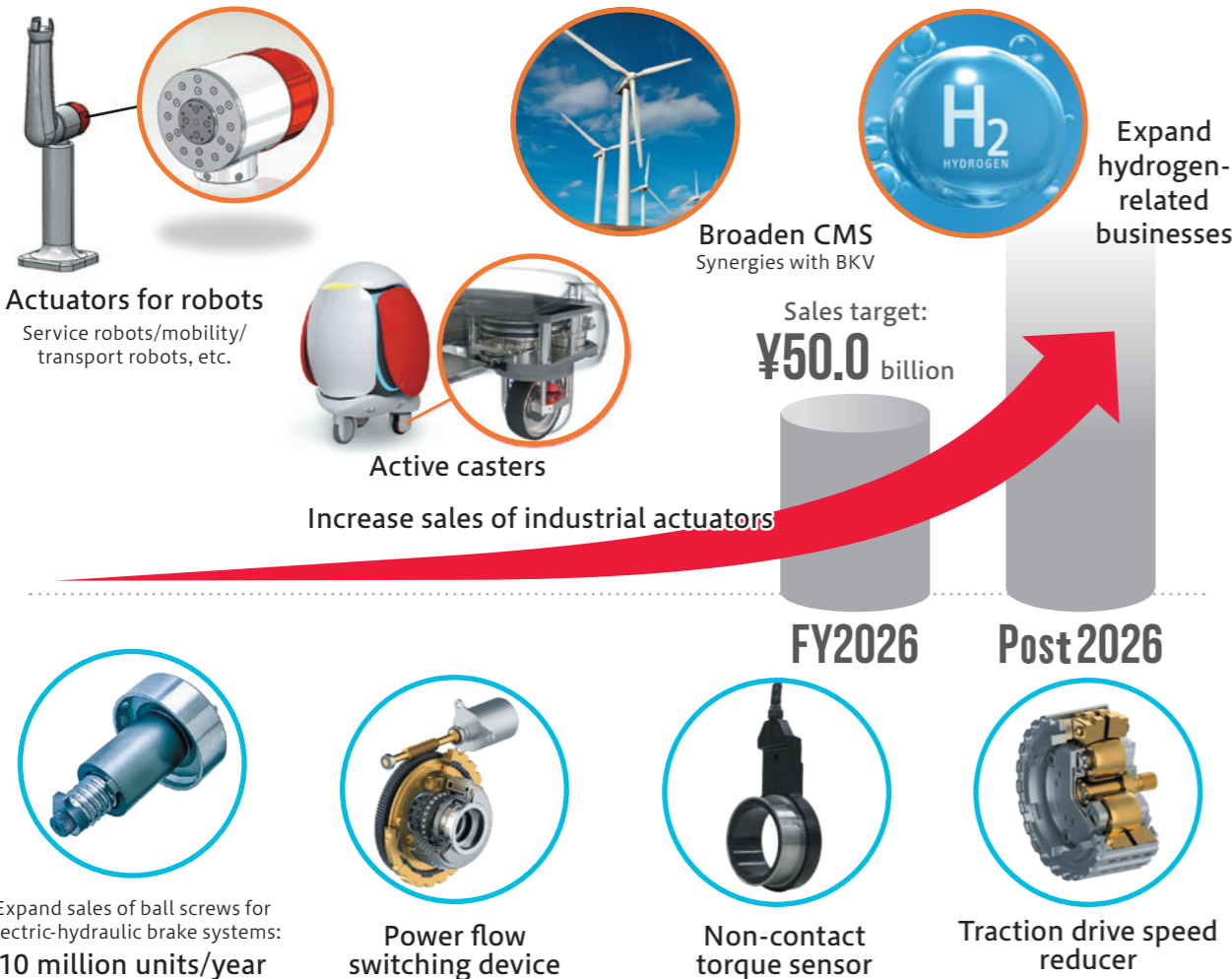
Looking beyond 2026, one of NSK's challenges is to grow new products during the five years of MTP2026. For example, the automotive market is becoming increasingly electrified, the shift from HEVs to EVs will accelerate from 2026, and demand for automotive bearings will likely decline. Against this backdrop, we are developing, commercializing, and expanding new products such as traction drive speed reducers and ball screws for electric-

hydraulic brake systems. These are also fields where we anticipate greater synergies with the CMS business of Brüel & Kjær Vibro (BKV), which joined the NSK Group in FY2020. Utilizing tribology technology developed through bearings, NSK aims to expand new products and new business fields to contribute to society and maintain sustainable growth for the next 100 or even 1,000 years.

#### Industrial Machinery Business

Spread of automation, electrification, and predictive maintenance technologies

Acceleration of energy transition



#### Automotive Business

Spread of HEVs/EVs

Shift to EVs

Improved EV driving performance

## Enhancement of Managerial Resources

### Utilize Digital Technology

Using the power of digital technology is essential to the "enhancement of managerial resources," one of the three key management tasks of MTP2026. The source of NSK's competitiveness is its quality and technology based on more than 100 years of accumulated experience and knowledge, as well as its global network and operational capabilities such as QCD (quality, cost, and delivery) management. This knowledge and experience will be enhanced by the

power of digital technology and made ready to be shared to increase efficiency and momentum. For instance, visualizing factory operating conditions improves production efficiency and creates lines that are always in operation. In addition, there is greater potential for using digital twin technology to accelerate technical proposals to customers. We will transform our earnings structure and create new business models by expanding our data-driven business.

#### NSK's Strengths



#### Quality and technology

- Market performance and technical information accumulated over 100 years
- Responsive to customer needs thanks to experience and knowledge of sales, engineering, and production personnel
- Exceptional equipment development capabilities, as well as on-site equipment usage and maintenance capabilities



#### Operational capability

- Long-standing relationships of trust with customers and accumulated customer information
- Strong sales capabilities backed by a global network
- Continuous improvement of production sites (production innovation activities)
- Production control with high-level SPI management

Further reinforce NSK's strengths with the power of digital technology  
(Formalize, streamline, expedite)

### Bearings & Beyond

- Transform our profit structure
- Create new business models

Operating conditions visualization/  
lines always in operation  
**Ultra-stable production**

Accelerate technical proposals with  
**Digital twins**

**Expand data-driven business fields**

### Nurture digital talent resources

To promote digital transformation (DX), NSK is working to "nurture digital talent." NSK believes it is important to nurture and increase personnel who have digital skills and can ceaselessly transform operations. Under MTP2026, we will phase in a company-wide digital talent development program, and in FY2022—the first year of the program—we will commence the training of 5,000 employees in Japan. From there, we will train 1,200 leaders to use digital technologies and eventually expand this program globally.

☑ Basic training for 5,000 employees in Japan

☑ Training for 1,200 leaders

☑ Expand digital talent training globally

## ESG Management

### Promote Carbon Neutrality

Carbon neutrality initiatives are essential for achieving a sustainable society.

NSK's products are "utilized" in automobiles and industrial machinery to control friction and reduce energy consumption, thus all NSK products contribute to global environmental protection.

On the other hand, it is also a fact that a significant amount of energy is consumed and CO<sub>2</sub> is emitted to "create" these products. For this reason, NSK raised the

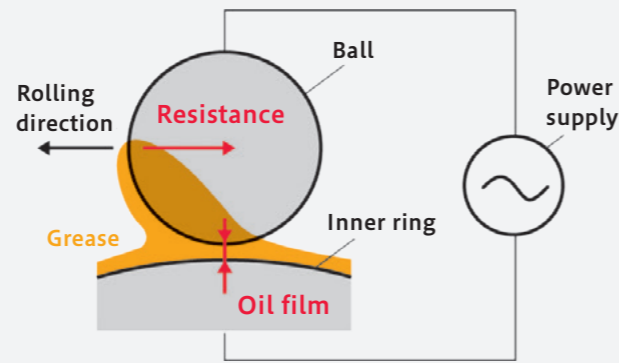
goal of halving emissions by FY2026 (compared with FY2017) and achieving carbon neutrality by FY2035 as targets for Scope 1 + 2 CO<sub>2</sub> emission reductions and will therefore accelerate initiatives under MTP2026.

As the responsibility of a manufacturing company, NSK is genuinely working to reduce CO<sub>2</sub> emissions. And using environmentally friendly technologies as a strength, NSK will contribute to realizing a sustainable society in aims of becoming a company that is trusted and needed by society.

#### Environmental contribution by using "tribology"

As the science of friction, tribology is a core technology used to develop bearings and many other NSK products. The Company engages in research and development from the various perspectives of bearing shape, materials, and types of grease to help conserve energy in accordance with the bearing application.

Above all, controlling the oil film at the nanometer scale is important, which is why NSK developed a technology to measure the condition of oil films based on an electrical circuit. Using this technology, the Company aims for a greater level of balance between reliability and energy conservation.



The oil film thickness is calculated by measuring the ease with which an electrical current flows.

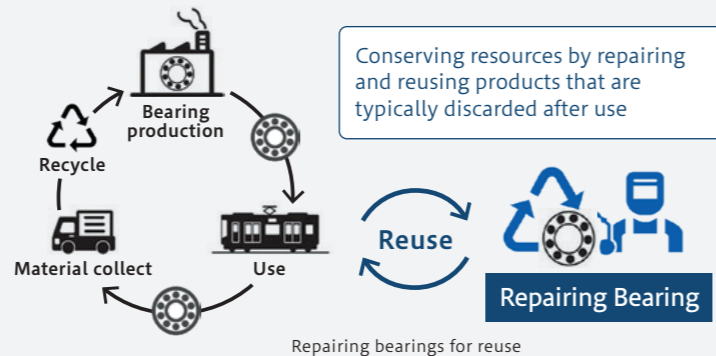
#### Environmental contribution by utilizing CMS/Reconditioning

NSK has gone beyond simply contributing to the environment through our products and has now begun to do so through our services.

For example, monitoring the movement of machinery and equipment using CMS maintains stable operating conditions, thereby helping to achieve efficient manufacturing activities. Moreover, the Company is promoting new initiatives, including offering services that repair lightly damaged bearings to restore their function.



Wireless vibration monitoring machine



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

Reuse

Repairing Bearing

Repairing bearings for reuse

Build a carbon-neutral society through the "Create and Utilize" approach

New target:

Achieve Scope 1 + 2 CO<sub>2</sub> reduction of 50% compared with FY2017 by FY2026  
Achieve Scope 1 + 2 carbon neutrality by FY2035

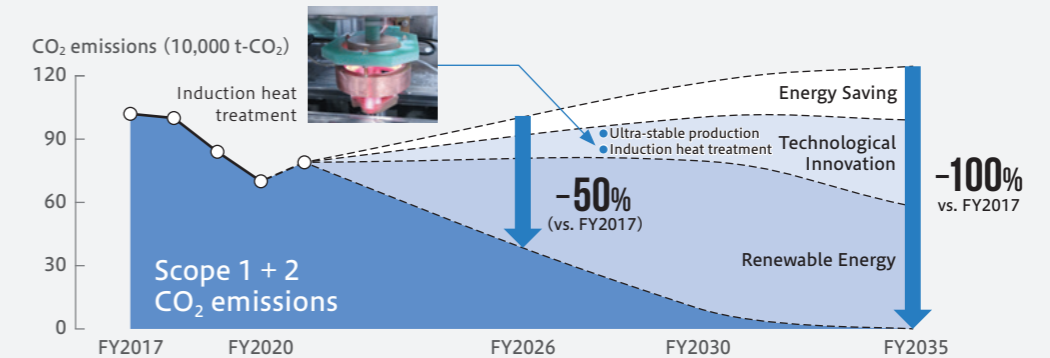
- Scope 1 Greenhouse gas emissions directly emitted by NSK through the combustion of fuels, etc.
- Scope 2 Indirect emissions associated with the use of electricity, heat, or steam supplied by other companies



#### Reduce CO<sub>2</sub> emissions from business activities

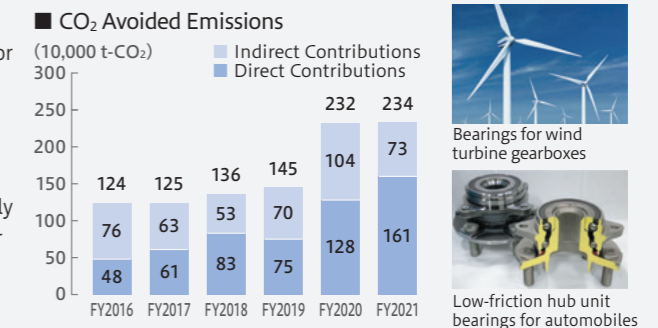
NSK is working to reduce CO<sub>2</sub> emissions from our business activities to realize a sustainable society.

Several specific initiatives for achieving carbon neutrality include introducing renewable energy, reducing the amount of energy used through energy conservation and technological innovation, and pursuing highly efficient manufacturing.



#### Benefit the environment through our products

NSK products contribute to energy conservation. As the benchmark indicator for our environmental contribution activities, NSK has tallied the degree to which our environmentally friendly products have contributed to reducing CO<sub>2</sub> emissions since FY2016. As of FY2020, the Company had successfully doubled this contribution compared to the initial calculations. Under MTP2026, NSK will contribute to carbon neutrality for society as a whole by aiming to reduce 3 million tons of emissions.



Direct Contributions Direct contributions to CO<sub>2</sub> emission reduction through individual NSK product performance (e.g., Low-friction hub unit bearings for automobiles)

\*Contribution calculation formula: CO<sub>2</sub> emissions avoided by a single NSK product × sales volume × years of operation

Indirect Contributions Indirect contributions through CO<sub>2</sub> emissions avoided by installing NSK products into customer equipment and facilities (e.g., wind turbine bearings)

\*Contribution calculation formula: CO<sub>2</sub> emissions avoided per unit × rate of contribution of NSK products × sales volume × years of operation

\*The method for calculating contributions to reductions (direct contributions) follows the "Guidelines for Quantifying CO<sub>2</sub> Emissions Avoided by Use of Bearings" published by the Japan Bearing Industry Association.

# Financial Strategy/ Policy on Shareholder Returns

## 6th Mid-Term Management Plan Looking Back on the Financial Results (FY2019–FY2021)

Having decided that the basic policy of its financial strategy would be to balance investment in future growth with shareholder returns under a stable financial structure, NSK set the management targets shown below under its 6th Mid-Term Management Plan.

Affected by factors that included a curtailment of economic activity and supply chain disruptions due to the COVID-19 pandemic, which had manifested itself in the second half of the first year of the Plan (FY2019), the target for ROE, a profitability indicator, was not reached. However, even during the COVID-19 pandemic, NSK maintained a sound financial structure and, although profits declined, continued to return profits to shareholders in a stable manner.

Financial Strategy Basic Policy	Management Indicators	6th Mid-Term Management Plan Targets	Results at the Start of the 6th Mid-Term Management Plan (FY2018)	Results upon the Completion of the 6th Mid-Term Management Plan (FY2021)	Evaluation and Comments
Maintenance in Stabilization of the Financial Base	Net D/E ratio	Around 0.3 times	0.27 times	0.27 times	Maintaining sound and stable financial structure as initially planned even during the COVID-19 pandemic
	Equity ratio	Around 50%	49.4%	50.0%	
Growth with Profitability	ROE	10% or more	10.4%	2.8%	Declined due to lower profits
Stabilization of Shareholder Returns	Payout ratio	30%–50%	37.2%	77.3%	Profits decreased, but NSK maintained a stable total return ratio
	Total return ratio	Around 50%	73.1%	77.3%	

### 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.68 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.

Even during the COVID-19 pandemic, the Company received an "A" rating from Rating and Investment Information, Inc. (R&I), and an "A+" rating from Japan Credit Rating Agency, Ltd. (JCR).

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

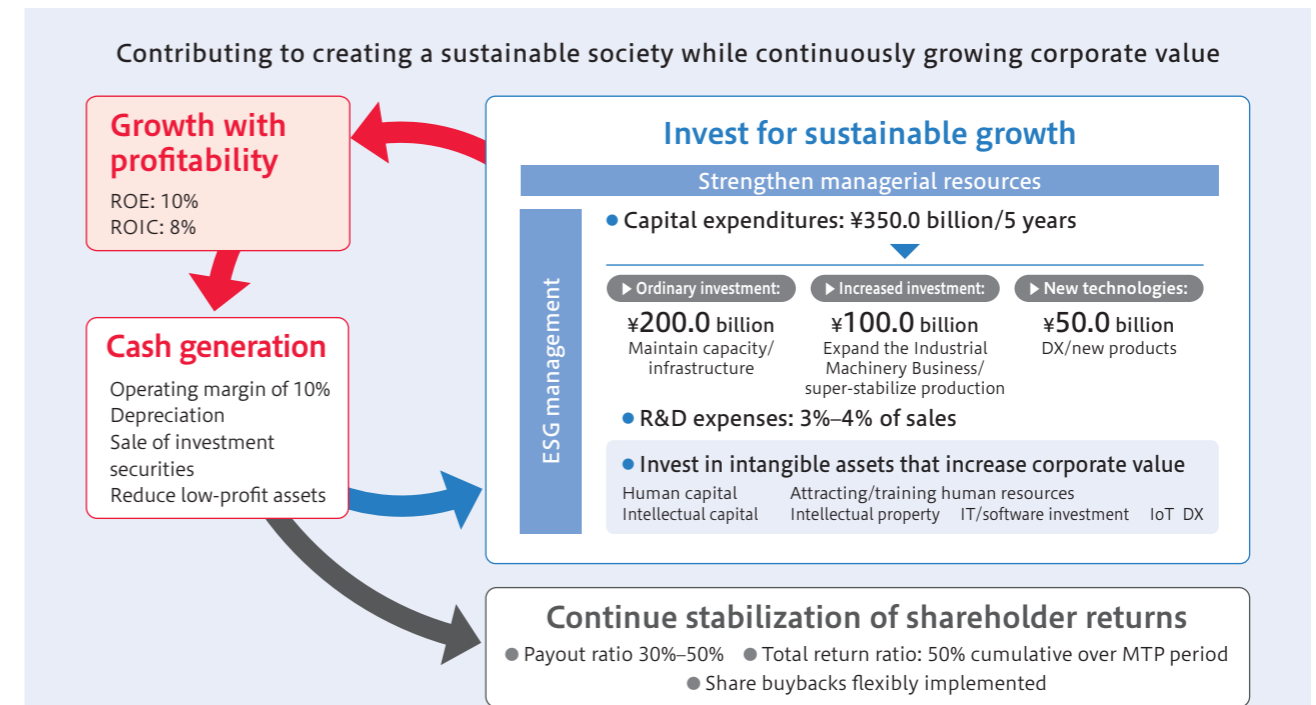
### Growth with Profitability

Sustainably achieving "Growth with Profitability" is essential for generating cash flows and making capital expenditures and R&D investments to achieve sustainable growth, making the investments in the human capital, intellectual capital, IoT, and software necessary for ESG management, as well as for paying a stable return to shareholders. We believe achieving a rate of return that exceeds the cost of capital expected by shareholders and investors can be considered the "mission" of a publicly listed company. The Group has set an ROE target of 10% in its MTP2026, which exceeds its 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. We believe maintaining these targets over the mid-term could contribute to further improvement in shareholder value.

## 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, which NSK has launched from FY2022, 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.

### MTP2026 Cash Allocation



### 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 that the acquisition of treasury shares is one of the options for an agile capital policy. We would like to acquire treasury shares 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 three-year period of MTP2026. In implementing these measures, we will make appropriate decisions in consideration of financial conditions and other factors.

### Continue Stabilization of Shareholder Returns

6th MTP	MTP2026
<ul style="list-style-type: none"> <li>Payout ratio 30%–50% (¥40 per share and more (during the 6th MTP))</li> <li>Acquisition of treasury shares, Agile capital policy (Total return ratio (3 years): Approx. 50%)</li> </ul>	<ul style="list-style-type: none"> <li>Payout ratio 30%–50%</li> <li>Total return ratio: approx. 50% (cumulative over the MTP2026 period)</li> <li>Share buybacks (flexibly implemented)</li> </ul>

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

TSR

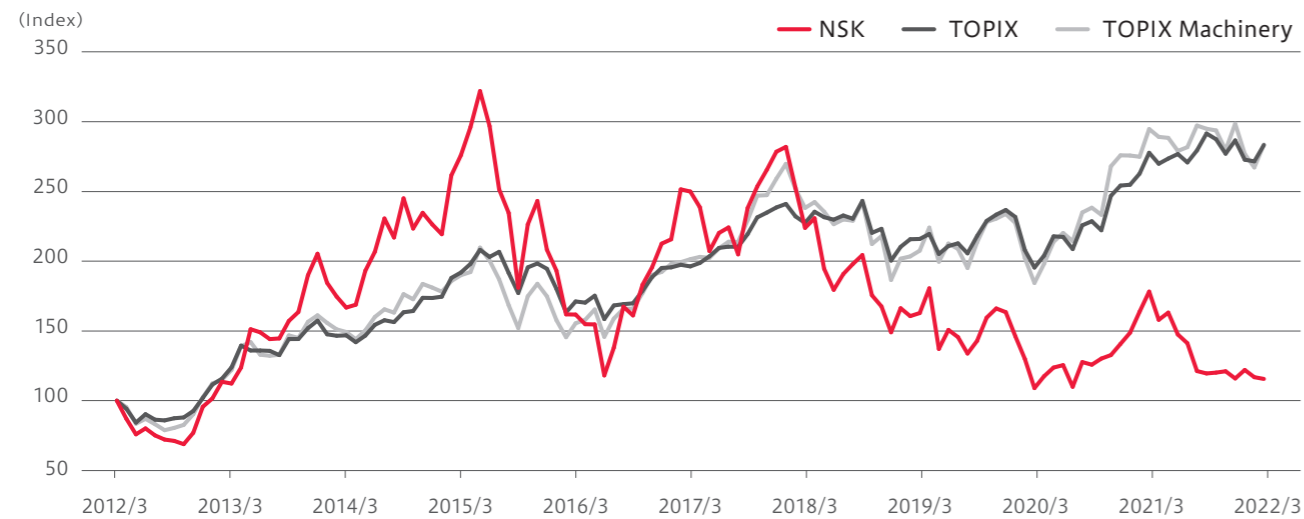
When viewed over the past 10 years, NSK's TSR has increased 59.8% cumulatively, or 4.8% on an annualized basis. Affected by global automobile production volumes, which continued to be adjusted due to production cutbacks because of a supply shortage of parts such as semiconductors and a depressed stock price due to lower steering-related sales, NSK's TSR unfortunately has underperformed TOPIX and TOPIX Machinery.

The stock price is based on various factors beyond just the Company's performance, such as market trends and the state of the economy. However, under MTP2026, having established its shareholder return policy of expanding TSR through the payment of stable and continuous dividends and the improvement of corporate value, NSK aims to expand TSR.

Investment Period	1 Year	3 Years		5 Years		10 Years	
	Cumulative/Annual Rate	Cumulative	Annual Rate	Cumulative	Annual Rate	Cumulative	Annual Rate
NSK	-33.0%	-21.8%	-7.9%	-44.0%	-11.0%	59.8%	4.8%
TOPIX	2.0%	31.2%	9.4%	44.3%	7.6%	183.3%	11.0%
TOPIX Machinery	-3.8%	36.7%	11.0%	40.8%	7.1%	183.7%	11.0%

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's Share Price Trend (10-year period)



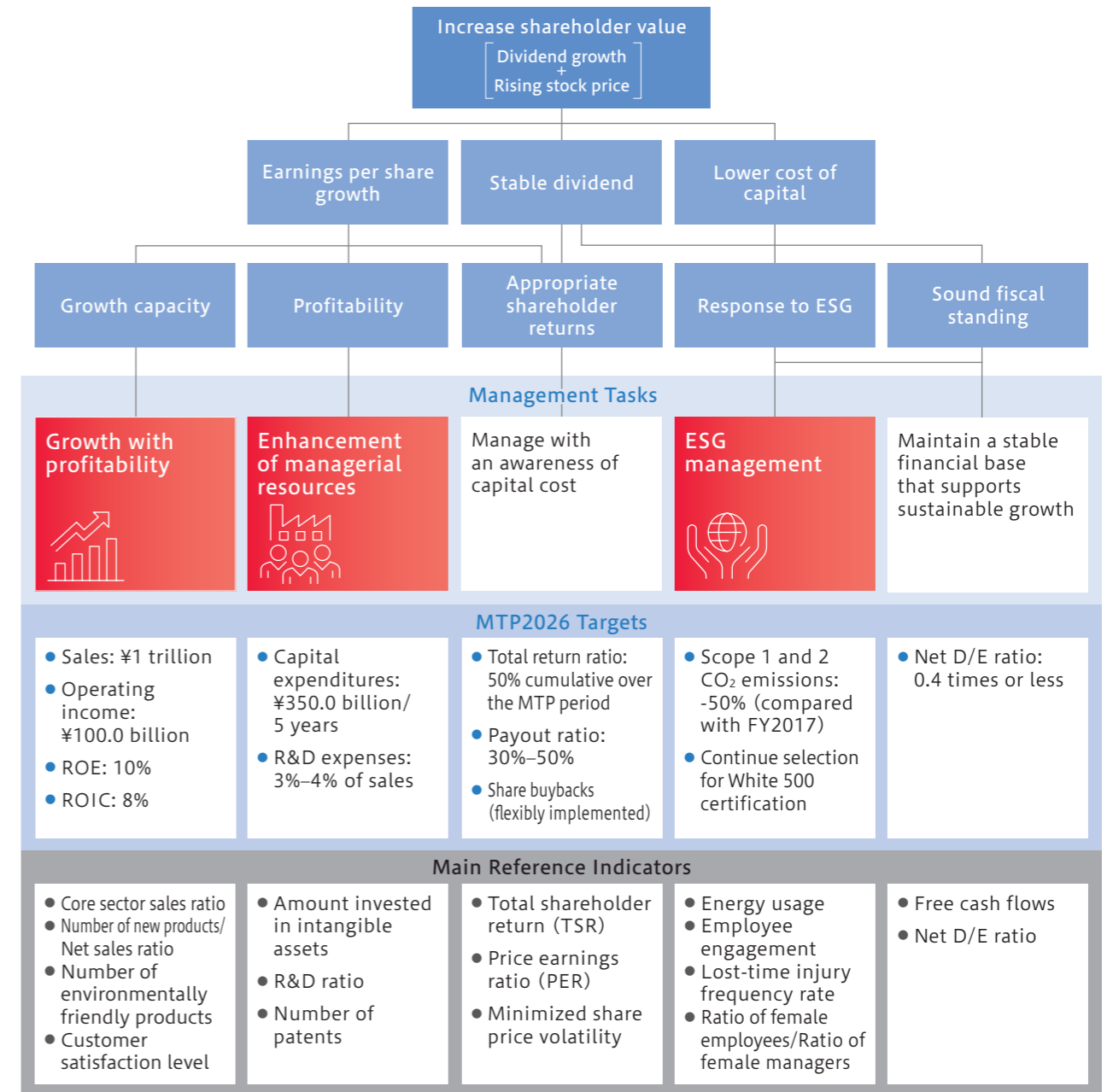
Note: Share price index trend including dividends (March 31, 2012 = 100)

Share Price Trend by Fiscal Year

Fiscal Year	High (Yen)	Low (Yen)	Fiscal Year-End (Yen)	Volatility*
2012	758	414	715	36.5%
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%

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

NSK Financial Logic Tree



Showing how the NSK Group's management issues 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 stock 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.

Unfortunately, NSK's TSR over the past 10 years has underperformed TOPIX and TOPIX Machinery. However, having adopted expansion of TSR in MTP2026 as a shareholder return policy, we will work to raise shareholder value over the mid- to long-term.

In addition, as the importance of ESG has been increasing in recent years, we have added management strategies and numerical targets for advancing ESG management to NSK's financial logic tree. We believe that promoting ESG management and reducing capital costs will also lead to increased shareholder value.

# Evolve Personnel Development

## NSK's Approach

In its Management Principles, NSK clearly states its commitment to providing challenges and opportunities to our employees, utilizing their skills, and encouraging their creativity and individuality. We believe that every employee is a valuable asset of the Company. NSK works to create a fair workplace that empowers the individual.

## Examples of FY2021 Initiatives

### Diversity as a Driving Force of the Organization

NSK regards diversity as a source of competitiveness that will open new possibilities in the future. In particular, we have identified management-level diversification of values and career advancement for women as key management issues, and are working to train female managers and managerial candidates. In FY2021, NSK was selected as a *Nadeshiko* Brand—an honor that is jointly determined by Japan's Ministry of Economy, Trade, and Industry (METI) and the Tokyo Stock Exchange—for the third successive year.



Career Advancement Training in FY2022 (with precautionary measures taken against COVID-19)

LGBTQ+ issues have also been raised as one initiative to promote understanding and empathy for non-visible diversity. In addition to the transgender response guidelines under which we have operated for some time, we have made our employee welfare systems applicable to same-sex partners, treating them as family members of employees (as of December 2021). We are fostering a corporate culture with greater acceptance and understanding of LGBTQ+ issues by holding seminars for employees and developing LGBTQ+ allies, as well as further clarifying NSK's commitment to protecting the rights of all parties. In recognition of these activities, we were awarded Gold status in the PRIDE Index 2021 as recognition for our efforts in addressing LGBTQ+ issues.

In addition to promoting a healthy work-life balance for working parents and caregivers, we issue guidebooks to promote awareness and offer support for employees undergoing fertility treatment.



### Employee Engagement Surveys

(Aiming for a Vibrant Workplace Where Employees Can Work with Peace of Mind)

Since FY2018, we have been conducting global employee engagement surveys every two years. In the FY2020 survey held in Japan, more than 16,000 employees (including those of Group companies) were surveyed, with a response rate of 93%. The number of written comments reached around 5,000. Scores improved for more than 90% of the questions compared to the FY2018 survey. In response to the results of the FY2020 survey, we have established improvement measures for each department and put a range of initiatives in place. We are also conducting improvement activities to deepen the level of understanding and support for strategies and direction throughout the Group, with management also making concerted efforts such as increasing opportunities for dialogue with employees.

A third survey is scheduled to be carried out in the fall of 2022. To maintain and improve employee engagement, we will identify issues for the Company as a whole and each organization, and make ongoing efforts toward improvement to create a workplace environment where every employee can work with greater peace of mind and enthusiasm.

### Corporate Health and Wellness Management

(Promoting Mental and Physical Health)

In recognition of its initiatives to promote better mental and physical health, NSK has been certified as an Outstanding Health and Productivity Management Organization (White 500) in Japan for five successive years. In FY2021, we created and introduced in-house stretching exercises to improve the health of employees in our head office departments and sales departments, where work styles have changed significantly because of the COVID-19 pandemic due to changes such as the expansion of remote work. We also held a new online health fair to raise the health awareness of employees, which attracted many participants.

Moreover, we aim to maintain and improve the health of our employees through a range of ongoing initiatives, including briefing sessions on the results of stress checks (conducted as part of organizational health checks) and No Smoking Days held on the 22nd of every month.



# Environmental Management

## NSK's Approach

One of the key elements of NSK's corporate philosophy is to help protect the global environment. At NSK, we regard the environment as one of our core values. In line with our corporate philosophy, we are engaged in initiatives to maximize environmental contributions through our products and achieve zero environmental impact due to our business activities.

## Examples of FY2021 Initiatives

### Voluntary Inspection of Environmental Risks and Management of Substances with Environmental Impact

As one of its unique activities, NSK conducts voluntary audits of its management system for environmental risks and environmentally hazardous substances (chemical substances). In the past, we have visited business sites and used our own unique checklist to audit risks and management systems. Since 2020, however, it has become difficult to visit sites directly due to the impact of the COVID-19 pandemic. After voluntary inspections at each site, we confirm inspection results at the head office and utilize them to promote environmental activities. Going forward, considering travel restrictions, we will establish a new audit and inspection system and work to enhance our environmental conservation efforts.

### Rainwater Recycling

At NSK's Newark Plant in the United Kingdom, equipment for collecting rainwater and utilizing it for on-site facilities such as washrooms has been in operation since April 2021.



This equipment provides clean water by eliminating bacteria and fungal spores in rainwater through filtration and UV irradiation. The rainwater collected covers around 40% of the water used in washrooms and other facilities, enabling us to reduce annual tap water usage by 200,000 liters.

### Utilizing Green Power at Major Locations in Europe

NSK aims to achieve carbon neutrality (Scope 1 + 2) by 2030, especially in its European operations. We have been using green electric power—generated using renewable energy—at our Munderkingen plant (Germany) since 2017, our Walbrzych plant (Poland) since 2018, and our Kielce plant (Poland) since 2020. In 2021, our Newark and Peterlee plants in the United Kingdom also switched to green power, enabling significant reductions in CO<sub>2</sub> emissions at our major European plants.

In particular, by switching to green power in January 2020, our Kielce plant—NSK's largest European site—reduced CO<sub>2</sub> emissions by approximately 65,000 tons in the following year.

We also use green electricity at selected non-manufacturing locations in Germany and a distribution center in the Netherlands.

▶ PP.34-35 Promote Carbon Neutrality



Kielce plant (Poland), NSK's largest European site

### Conservation of Biodiversity (Forest Development Activities)

Based on its biodiversity guidelines, the NSK Group works to identify the various impacts of its business activities on biodiversity and to promote positive impacts and limit negative impacts.

In FY2021, we carried out forest development activities at NSK Gunma Future Forest, which we have been conducting since FY2015. Around 30 volunteers performed tree thinning and grass cutting work under guidance from Gunma Prefecture.

The NSK Group engages in community-based biodiversity initiatives globally.



▶ Please see our website for more information. <https://www.nsk.com/sustainability/hr/index.html>

▶ Please see our website for more information. <https://www.nsk.com/sustainability/environment/index.html>

# Safety Management

## NSK's Approach

NSK regards safety as one of its core values, working to raise employee awareness and making safety a cornerstone of basic action decision-making. To ensure that all employees can act safely, NSK is constantly working to improve the level of safety, based on its safety philosophy.

## Examples of FY2021 Initiatives

### Training of NSK Fire Prevention Auditors and Activities to Reduce Fire Risks at NSK Sites

We train NSK fire prevention auditors as experts who play a leading role in fire prevention activities. Certified fire prevention auditors take a lead role in auditing all areas of their own sites. They discover fire risks in the workplace by themselves and launch self-run activities to improve upon them. Through these audits, we conduct annual activities to continue the cycle of improvement, reduce risks, and maintain a state of zero accidents in the workplace.

### Safety Culture Workshops

NSK is introducing and conducting safety culture workshops led by managers at each site on a global basis, with the goal of fostering an interdependent safety culture throughout the Company. During each two-day safety culture workshop, managers learn about risk management, and discuss and set up actions that will raise the safety culture level further at their respective sites. Managers then convey the significance of these activities to the next level of staff. Ultimately, we aim for a safety culture in which every employee has the same belief regarding safety and a sense of mutual respect for others.



NSK Haruna Plant Safety Culture Workshop: Discussion and establishment of a plant-wide action plan.

► Please see our website for more information. <https://www.nsk.com/sustainability/hs/index.html>

# Supply Chain Management

## NSK's Approach

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.

## Examples of FY2021 Initiatives

### Deepening Collaboration and Engaging in Initiatives with Suppliers

In FY2021, we analyzed the results of a CSR self-assessment conducted in Japan during the previous fiscal year and provided feedback to all the 416 suppliers who responded. Moreover, we made additional checks and gave guidance for improvement at 49 companies and requested that they toughen measures, such as for the prevention of industrial accidents.

At an online procurement policy briefing for suppliers in June 2022, NSK shared with its suppliers the need to respond to social demands for the prevention of human

rights violations and efforts to achieve carbon neutrality. We are also in the process of revising the NSK Supplier CSR Guidelines and reviewing the content of self-assessments. The revised guidelines will be published in FY2022, and we will ask suppliers to perform self-assessments in Japan, Europe, the United States and China, etc., with the aim of driving CSR activities in which the NSK Group and suppliers work together as a team.

► Please see our website for more information. <https://www.nsk.com/sustainability/supplier/index.html>

# Quality Management

## NSK's Approach

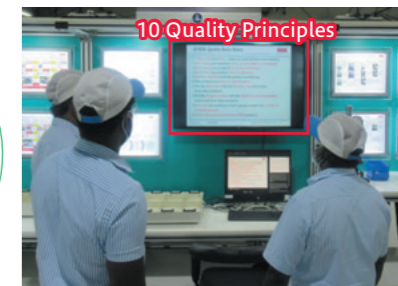
NSK regards quality as one of its four core values and aims to provide the top quality in the industry in all aspects, including products, services, and information—to realize its vision of Total Quality No. 1.

## Examples of FY2021 Initiatives

### Establishment of the 10 Quality Principles to Raise Quality Awareness

NSK has established 10 Quality Principles with the aim of reducing manufacturing quality problems from the perspective of quality awareness. The 10 Quality Principles clarify and visualize the basic aspects of operation, so that operators can consider them as a matter of course. By posting this information in the Quality Dojo, we hope that they will contribute to day-to-day human resource development efforts and reduce the number of quality issues caused by human error.

Voices from the workplace  
By reaffirming what should be taken for granted, we have been able to improve our awareness of quality.



Quality Dojo

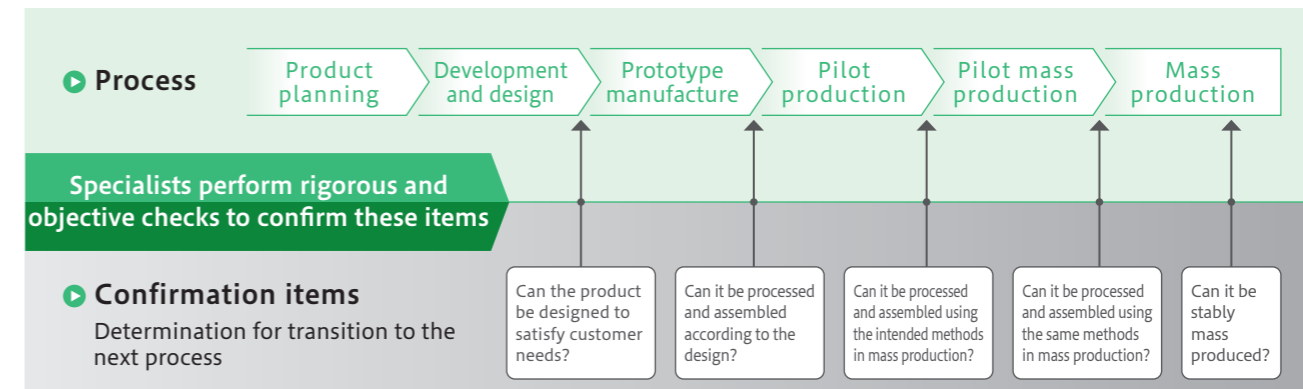
### NPDS Activities and Design Review Initiatives

NPDS is short for NSK Product Development System. By implementing a series of operations related to ensuring inherent product quality from the start of the project to mass production, improving the level of these activities leads to improvements in customer satisfaction. In particular, design review (DR)—which is carried out by gathering together project stakeholders at each stage of NPDS—is an important activity for preventing defects. In response to the increase in overseas-designed products, NSK is training overseas DR experts with the aim of enhancing the quality of overseas products by having local personnel conduct design reviews.



Training of DR experts in Japan

### Outline of NPDS



### Aiming for Manufacturing That Pleases Customers (Quality-Related Commendations from Customers)

NSK carries our various quality improvement and prevention activities with the aim of offering manufacturing that will please customers, by achieving its vision of Total Quality No. 1. As a result of these efforts, in FY2021, NSK was awarded quality commendations

by seven of its customers. One of those awards has been received from the same customer for 13 successive years. NSK will continue to engage in further quality improvement activities so that customers can continue to use NSK products with security and peace of mind.

► Please see our website for more information. <https://www.nsk.com/sustainability/qa/index.html>

# Technological Foundation

## NSK's Four Core Technologies, and Giving Them Shape Is Manufacturing Engineering

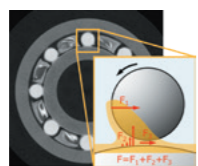
NSK has relentlessly pursued innovative technologies and focused on improving quality to contribute to a safer, smoother society and to protect the global environment, in line with its corporate philosophy. NSK leads the world in the product fields of bearings, automotive components, and precision machinery and parts. Its technological foundation consists of Tribology, Materials, Numerical Simulation, and Mechanics, which are NSK's Four Core Technologies, and Manufacturing Engineering, which gives them shape.

Through development activities that make full use of the Four Core Technologies and the "plus One" that adds manufacturing engineering to them, we work to realize a more prosperous society and conserve the global environment, such as by saving energy and reducing CO<sub>2</sub> emissions, while continuing to contribute to the development of a sustainable society. At the same time, aiming for sustainable growth as a company and having adopted Bearings & Beyond under MTP2026, we will strengthen the product appeal of existing products and grow new products and businesses.

### ● Four Core Technologies + 1

#### Tribology Studying, Clarifying, and Controlling Friction

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 developed by NSK, resulting in superior performance for applications requiring low friction, high-speed rotation, quiet operation, or enhanced durability.



Friction on the bearing's ball surface

#### Materials Unrelenting Pursuit of Performance Durability and Reliability

Materials research and development affects nearly every aspect of product performance. Through the careful selection of material composition, heat treatment, and ceramic materials, NSK enables optimization of application performance. This can result from improvements in function, endurance, or reliability, or through advancements in cost-effectiveness or production efficiency.



Durability testing machines

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

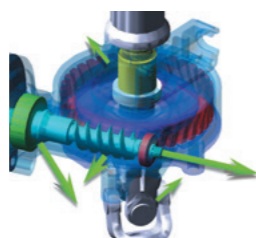
Mechatronics integrates machine elements technology with control technology. By combining bearings, ball screws, and linear guides, together with motors, sensors, and computers, greater mechanical functionality is elicited with computer control. This technology applies new functions and performance to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



NSK vibration control actuator for train cars

#### Numerical Simulation Simulated Recreation in Cyberspace to Predict Performance

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.



Simulated example of an automotive component

#### Manufacturing Engineering Giving Shape to Four Core Technologies

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 produce with high quality. NSK tackles these issues by applying AI 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 manpower requirements.



Cheonan Plant in South Korea



## Development of Highly Skilled Human Resources

NSK established the NSK Institute of Technology (NIT) in 2007 with the aim of developing highly skilled human resources who will support NSK's competitiveness from a technical perspective.

In an era of many changes, at NIT we provide training for young employees to improve essential competencies of a working adult, so that while raising their own skill levels they can fully demonstrate their real abilities. In addition, we conduct lectures on general knowledge subjects, such as science, mathematics, and engineering, as well as on knowledge necessary for NSK engineers, such as safety, quality, the environment, engineering ethics, and the Four Core Technologies plus One. Having compiled learning content for the specialized technologies in each field, we are also enabling them to study online as required. NIT provides educational support so that NSK engineers can discover and contribute to solving problems through NSK's Motion & Control™ not only at our direct customers, such as automobile, home appliance, and industrial machinery manufacturers, but also of end users, local communities, and global society. In FY2021, 493 employees attended NIT lectures.

NIT also plays a role in nurturing the next generation in local communities, for instance, by dispatching instructors to universities and holding science classes for elementary school students.

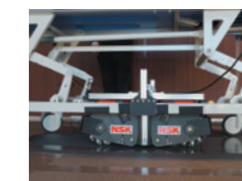


Holding a science class online

## Taking on the Challenges of New Value Co-Creation

### ✔ Supporting frontline healthcare through robotics

NSK is working to assist society by developing new service robot technology, including robotic devices for moving patients in medical settings. In October 2021, NSK joined a Kanagawa prefectural government project to implement robotic technology in hospitals to help prevent the spread of COVID-19. NSK is working to further develop its robotics technologies through dialogue with frontline medical staff.



Motorized assistance robot installed at the base of a stretcher

### ✔ NSK's joint research results published in the academic journal *Scientific Reports*

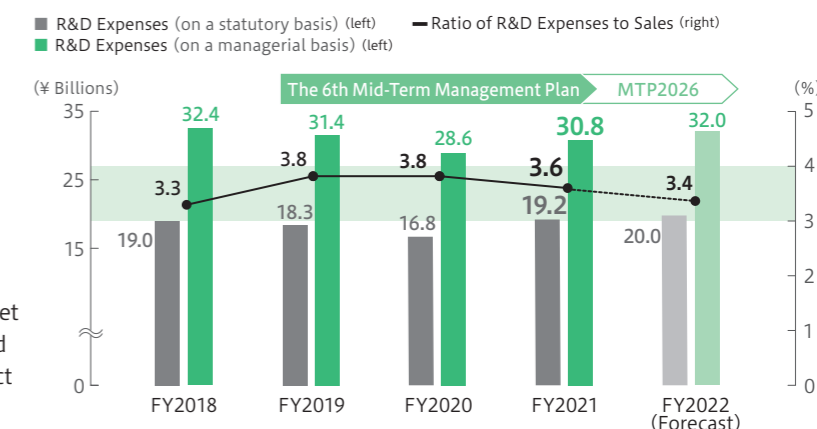
Academic paper's theme	Establishment of an integrated automated embryonic manipulation system for producing genetically modified mice.
------------------------	---

### ✔ Received the Japanese Society of Tribologists Technology Award for FY2021

Award details	Enhanced performance of rolling bearings by improving rolling elements
---------------	--

## R&D Expenses/New Product Sales Ratio

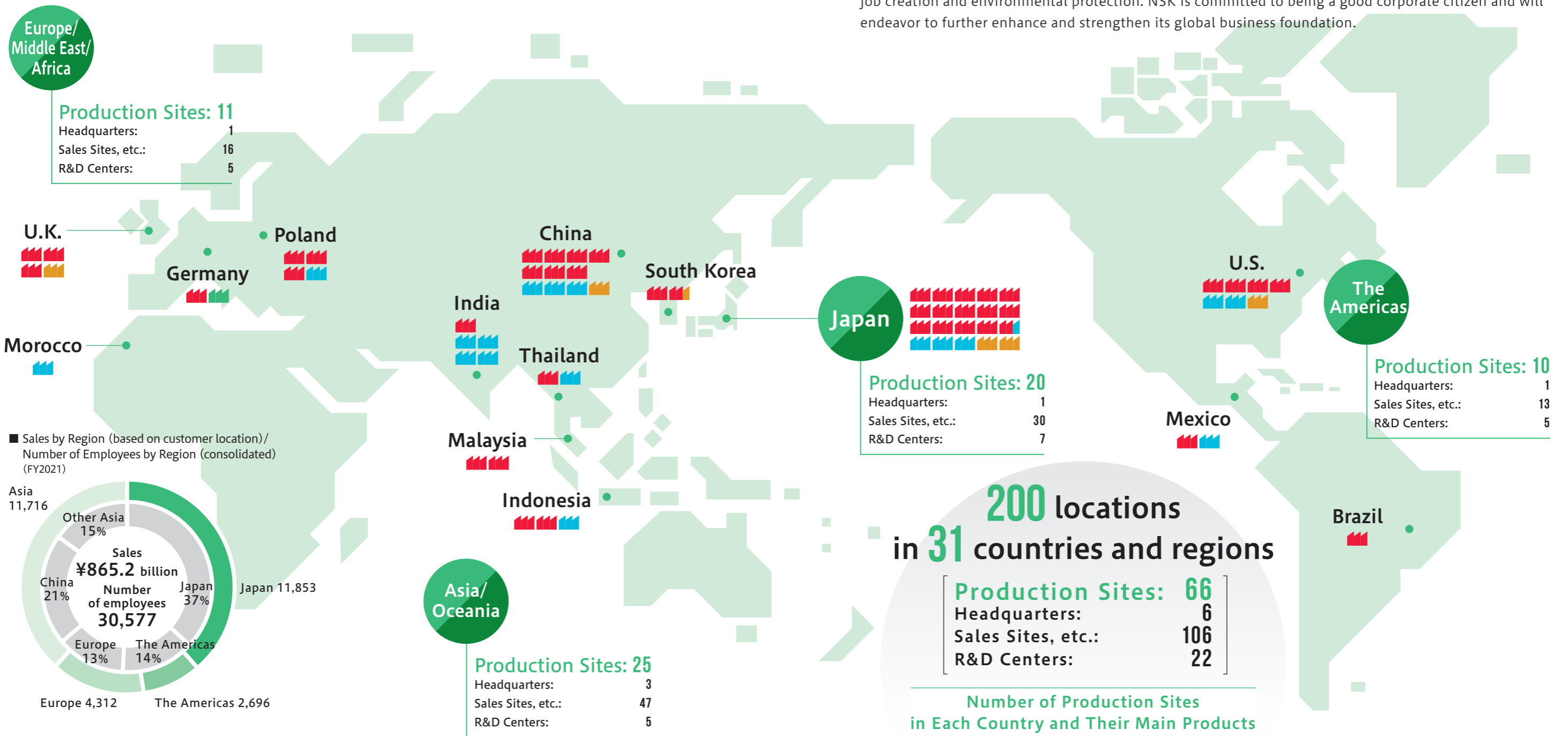
Along with R&D expenses based on institutional accounting, NSK recognizes that all expenses involved in the technology divisions are R&D expenses in a broader sense. Under MTP2026, as an investment for sustainable growth, we will maintain R&D expenses at a level equivalent to 3%–4% of sales (about ¥30 billion–¥40 billion per year), continuing from the 6th Mid-Term Management Plan, and have newly set a target for increasing the ratio of net sales accounted for by new products. The FY2021 new product sales ratio was 14%.





# Global Business Foundation

In expanding business globally, NSK maintains the necessary sites, human resources, and management structure as an essential foundation, and strives to expand business in each region while promoting global projects through collaboration between regions. In addition, the Company has made contributing to the development of each country and region the highest priority while emphasizing such issues as job creation and environmental protection. NSK is committed to being a good corporate citizen and will endeavor to further enhance and strengthen its global business foundation.

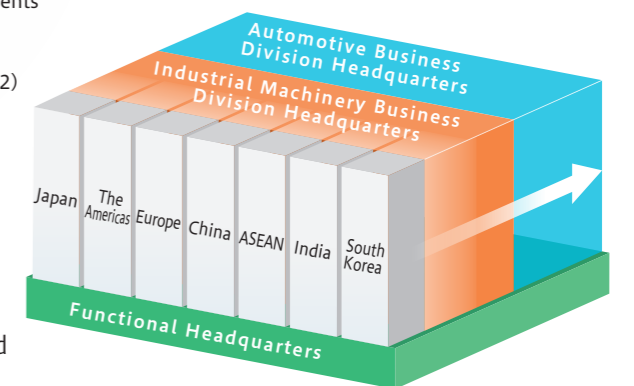


## Background to Globalization

NSK is a pioneer in the Japanese manufacturing industry having long advanced overseas expansion. Having commenced overseas exports in 1948 and overseas production in Brazil, the United States, and the United Kingdom in the 1970s, the Company regards these operations as the basis of its overseas business through their locally manufactured products. In addition to expanding its product lineup in association with the overseas relocations of its Japanese customers, primarily in the electrical sector and automobiles from the 1980s onward, the Company established production sites in China, Indonesia, Thailand, India, and elsewhere against a backdrop of emerging market economic development at the start of the 1990s. Thereafter, the Company further increased its global expansion, including business growth in emerging markets, the globalization of automobile platforms, and increased business with non-Japanese overseas customers.

## Foundation That Supports Global Management

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 regions they have a presence in: Japan, The Americas, Europe, China, ASEAN, India, and South Korea.

# Climate Change–Related Risks and Opportunities: Addressing the TCFD Recommendations

In January 2020, NSK endorsed the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. In accordance with the recommendations of the TCFD, NSK identifies business risks and opportunities, adapts management plans, and enhances information disclosure with the aim of contributing to both the sustainable development of society and the sustainable growth of NSK, while endeavoring to take its environmental activities to the next level.

## Climate-Related Governance

NSK has adopted a Company with Three Committees (Nomination, Audit, and Compensation) as its form of corporate organization. As part of this organization, the Board of Directors proactively delegates decisions regarding the execution of operations to the executive organizations and monitors the status of execution in an appropriate manner. Under the direction of the CEO, executive officers are responsible for executing their respective duties in accordance with their division of duties. The Mid-Term Management Plan is decided by the Board of Directors,

which monitors the Plan’s specific measures implemented by the executive organizations, as well as the progress of these measures. Established in FY2022 and chaired by the CEO, the Core Values Committee specifies Group-wide issues through the discussion of policies for promoting and enhancing the core values of safety, quality, environment, and compliance, and through the sharing of climate-related risks. This Committee also provides suggestions for and monitors the progress of solutions to these issues.

▶ P.57 NSK’s Corporate Governance Structure

## Climate-Related Risk Management

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, NSK classifies, analyzes, and evaluates risks to identify the risks that should be addressed. These risks are then managed in accordance with the prescribed reporting systems.

NSK has for some time treated climate-related risk, which is among the risks associated with the environment, across businesses or divisions as a risk of high importance. However, NSK is now analyzing changes in the business environment and impacts on its business by making use of the scenario analysis recommended by the TCFD and has been enhancing efforts to identify issues and implement countermeasures, among other initiatives.

▶ P.52 Risk Management

## Strategy

With the goal of considering the future impact that climate change will have on NSK’s value chain, as well as the effectiveness of climate change countermeasures, NSK looked at the period up to the year 2050 and performed two scenario analyses, one scenario with a temperature increase of 1.5°C–2°C and another scenario with an increase of 4°C. As a result of these analyses, NSK determined that its basic strategy is to contribute to realizing a sustainable society in which the global temperature rise can be kept

under 1.5°C–2°C. In short, NSK will act to address transition risks associated with CO<sub>2</sub> emission regulations; recognize the needs of society, namely decarbonization throughout product life cycles, as opportunities to advance its business field of Motion & Control™; and promote measures to address climate change through its overall business activities. On the other hand, NSK will promote measures considering the scenario analyses results for natural disasters that are caused by climate change.

## Scenario Analysis

■ Analysis targets and prerequisite assumptions

Region	Period	Scope	Main Scenarios Adopted
Countries/regions with NSK presence	2021–2050	Value chain	RCP2.6 (1.5°C), RCP4.5, RCP6.0 (2°C), RCP8.5 (4°C), WEO2020, etc.

■ Image of 2050 society surrounding NSK’s business as assumed in the scenario analyses (outline)

	Society Where the Temperature Rises 1.5°C–2°C	Society Where the Temperature Rises 4°C
Image of society as anticipated	<ul style="list-style-type: none"> <li>Aggressive environmental policies put in place by governments and other entities fix the price of carbon at a high level, and more than 80% of the power supply is from non-fossil fuels.</li> <li>Fuel economy regulations for the automobile industry become more stringent, and almost all new cars sold are EVs.</li> <li>The frequency and impact of natural disasters caused by climate change are greater than current levels but are less severe than in the 4°C scenario.</li> </ul>	<ul style="list-style-type: none"> <li>Only mild environmental policies are put in place by governments and other entities, and the ratio of non-fossil fuels in the energy source composition edges up only slightly.</li> <li>Technological innovation in the automobile industry is lackluster, and internal combustion vehicles that use conventional fossil fuels remain in the mainstream for many new cars sold.</li> <li>The average temperature continues to rise, and natural disasters caused by climate change increasingly escalate in severity.</li> </ul>

## Risks and Opportunities

Financial impact is indicated as having a **negative (red)** or **positive (blue)** impact on the business. The size of the circle indicates the scale of the impact. When there is almost no impact, it is indicated as “Minimal impact.”

Degree of Negative Impact		Degree of Positive Impact	
Small		Small	
Medium		Medium	
Large		Large	

## Forecast of Risk from Response Measures



Classification	Identified Risks		Financial Impact	Short Term		Mid- to Long-Term	
				Status of NSK Initiatives	Financial Impact	NSK Countermeasures	Financial Impact
Physical	Acute	Increasingly severe natural disasters caused by climate change*		Implementing flood countermeasures		• Making regular confirmations using hazard maps and online water risk finding tools • Implementing appropriate countermeasures against flooding and other risks	Minimal impact
		Production suspension due to in-house flood damage		Implementing flood countermeasures		• Source diversification of suppliers	Minimal impact
Risk	Transition	Transition to decarbonization/electrification		Developing products		• Strengthening the development, sales, and production of products for ZEVs	
		Decreased demand for machinery and facilities that produce automotive internal combustion engines and transmissions		Developing products		• Strengthening product development for machine tools that address the processing of core components that replace automobile internal engines and transmissions and of materials that lower automobile weight, and the electrification of automobile parts	
	More stringent regulations pertaining to greenhouse gas emissions		Reducing CO <sub>2</sub> emissions		• Promoting decarbonization in NSK business activities • Employing self-help efforts to cut costs and appropriately reflect that in pricing	Minimal impact	
	Increasingly sophisticated decarbonization requests from customers		Reducing CO <sub>2</sub> emissions			Minimal impact	

## Opportunities

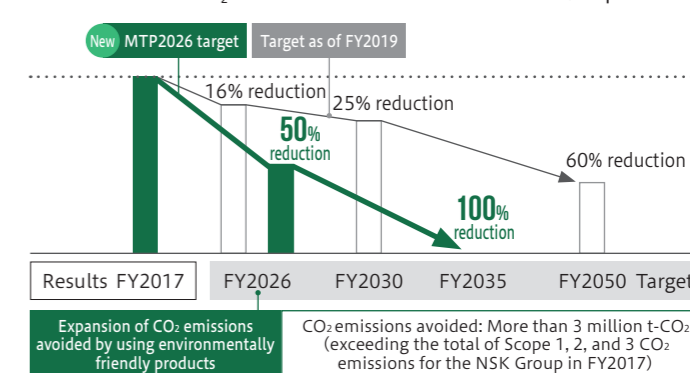
Classification	Identified Opportunities		NSK Countermeasures		Financial Impact	
			NSK Countermeasures	Financial Impact		
Opportunities	Products and services	Rising decarbonization needs throughout the life cycle	Increasing needs to cut the CO <sub>2</sub> emitted when users operate automobiles, machinery, etc. (final goods manufacturer Scope 3 downstream)	• Constantly generating environmentally friendly products, enhancing low friction, achieving lighter weight • Generating new technologies and new products that arise from the Four Core Technologies plus One		
		Increasing needs to cut CO <sub>2</sub> on components purchased by automobile, equipment, etc., manufacturers (final goods manufacturer Scope 3 upstream)	• Reflecting decarbonization in NSK’s business activities in product pricing			
		Accelerating action to reduce the CO <sub>2</sub> emitted in the manufacturing process of automobile, equipment, etc., manufacturers (final goods manufacturer Scope 1 + 2)	• Offering new solutions utilizing tribology technology			
	Markets	Electrification progress	• Expanding demand for products/solutions geared toward automobile electrification applications • Growing need for electrification of industrial machinery mobility such as tractors and bulldozers, and machine tools, etc.	• Strengthening the development, sales, production, and solutions for products that address electrification (e.g., actuators) in mobility (automotive, industrial machinery) and machine tools, etc. • Shortening development speeds by utilizing digital twin technology		
		Rising demand for storage/charging technology	• Helping to solve the issue of EV prevalence through participation in open innovation			
		Expanding demand for air-conditioning equipment	• Bolstering products/solutions that contribute to eliminating the need for maintenance			
	Energy source	Growing renewable energy demand	Expanding railway demand	Growing demand for products/solutions for railways	• Strengthening development, sales, production, and solutions for products geared toward railways and wind power generation	
			Increasing demand for wind power generation	• Developing high-speed rotary bearings for cooling fans		
			Rising demand for storage/charging technology	• Strengthening and expanding the condition monitoring system (CMS) business for facilities and equipment		
	Resilience	Increased investment into addressing BCP* Expanding demand for hydrogen energy	As countermeasures for disaster prevention and mitigation, rising demand for the construction equipment necessary for infrastructure maintenance	• Promoting the development of products for harsh and special environments		
Growing demand for power generators in line with disaster countermeasures			• Strengthening the development and production of products for construction machinery • Promoting product development for household compact power generators			

Created based on the 1.5°C–2°C scenario. However, \* is assumed to be for a 4°C scenario. In estimating the financial impact, the risk of inundation, the number of days of outages, and damage due to inundation, the projected carbon tax price is calculated using data published by public agencies.

## Metrics and Targets

NSK has set long-term targets and is advancing initiatives through the dual approach of cutting CO<sub>2</sub> emissions from business activities and expanding on the volume of CO<sub>2</sub> emissions avoided by using environmentally friendly products. Particularly in terms of reducing CO<sub>2</sub> emissions from business activities, NSK has established a target of effectively reducing Scope 1 and 2 CO<sub>2</sub> emissions to zero by FY2035 under MTP2026, which kicked off in FY2022. This CO<sub>2</sub> emission reduction target is consistent with improving corporate value and is used as an indicator for executive officer short-term performance-based compensation. ▶ PP.34–35 Promote Carbon Neutrality

### ■ Reductions in CO<sub>2</sub> Emissions from Business Activities (Scope 1 and 2)



# Human Rights and Labor Practices

## NSK's Approach

NSK supports and respects international norms, such as the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights. Including items related to human rights and labor practice issues in the NSK Code of Corporate Ethics, which stipulates matters to be observed by officers and employees, we are working to prevent illegal and fraudulent activities. By fostering the creativity and individuality of every employee while working to create engaging workplaces we are also aiming to enhance our ability to create value that helps resolve social issues and achieve sustainable growth, for example, with products and services that contribute to a smoother, safer society and help protect the global environment.

### Human Rights and Labor Initiatives

Including the prohibition of discrimination and harassment, as well as the appropriate management of working hours, NSK stipulates items that must be observed in relation to human rights and labor in the NSK Code of Corporate Ethics, with which officers and employees are required to comply. We also created and distributed the NSK Compliance Guidebook, which explains the content of corporate ethics rules in multiple languages, and require that our employees pledge to comply with laws and internal regulations. Furthermore, we have clarified the departments responsible for each item of the NSK Code of Corporate Ethics and are promoting the necessary initiatives. Having reflected the content of the NSK Code of Corporate Ethics

in the NSK Supplier CSR Guidelines, we also demand that our suppliers address human rights and labor issues.

NSK Code of Corporate Ethics	Matters to Be Complied With (NSK Compliance Guidebook 2022)
14. Prohibition of discrimination, Cultivation of a sound workplace	1. Prohibition of discrimination
	2. Prohibition of harassment
15. Respect of fundamental rights at work	1. Prohibition of forced labor
	2. Prohibition of child labor
	3. Management of working hours
	4. Appropriate wages
	5. Safe workplaces
	6. Labor-management dialogue

Scope: NSK Ltd. and its consolidated and non-consolidated subsidiaries as well as affiliates  
 ▶ P.42 Supply Chain Management

### 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.

▶ P.52 Risk Management

Regularly conducting employee engagement surveys that, in addition to corporate ethics and compliance, contain evaluation items on respect for diversity, such as age, race, and gender, NSK is working on improving any identified issues.

▶ P.40 Employee Engagement Surveys

Having also put in place an internal whistleblowing point of contact for reporting illegal acts or potentially fraudulent acts (including those associated with human rights and labor) and a consultation contact point for cases of harassment, we inform our employees and request they use them. NSK promptly conducts necessary investigations into reported incidents, and if problems become apparent, corrective measures and measures to prevent recurrence are taken. Officers and employees who violate laws and internal regulations will be subject to disciplinary action based on internal regulations. In addition, we will take appropriate relief and recovery measures for damages caused by illegal acts.

the speaker might be deemed as a form of harassment, we held briefing sessions to raise employee awareness.

▶ P.40 Evolve Personnel Development

In the NSK Compliance Guidebook, which was revised in April 2022, we used specific examples to explain to supervisors and coworkers what they should consider regarding gender identity and sexual orientation, such as LGBTQ+. We also urged caution so that employees do not unintentionally engage in acts that lead to discrimination or harassment.

## FY2021 Initiatives

### Education and Awareness-Raising Activities

In March 2022, NSK published its “Guidebook for Supporting a Balance between Work and Medical Treatment—Infertility Treatment Edition,” which is based on social trends and other factors. Aiming to remain a company where people will be able to continue working, in this guidebook we describe the content of which persons receiving infertility treatment and their coworkers should be aware. In addition to explaining that there is a possibility that casual words uttered without heed of those around

▶ Please see our website for more information. [https://www.nsk.com/sustainability/compliance/pdf/NSK\\_ComplianceGuidebook.pdf](https://www.nsk.com/sustainability/compliance/pdf/NSK_ComplianceGuidebook.pdf)

▶ For human rights and labor initiatives in the supply chain, please see our Sustainability Information website. <https://www.nsk.com/sustainability/supplier/>

# Compliance

## NSK's Approach

NSK has positioned compliance as one of its core values. The NSK Group aims 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 its corporate activities around the world, and by taking actions based on high ethical standards as a corporate citizen.

■ NSK's Efforts to Enhance Compliance Key initiatives to enhance compliance to date are as follows.

Item	NSK Group Initiatives
Strengthening Systems	Established the Core Values Committee (held four times a year)
	Established the Compliance Enhancement Office (a dedicated organization)
	Holds Global Legal and Compliance meetings (once or twice a year) with legal and compliance representatives outside Japan
Establishing Relevant Regulations and Systems	Holds a Compliance Conference (twice a year) with compliance representatives in Japan
	Operates a system for examining whether to participate in meetings attended by competitors
	Distributed the NSK Compliance Guidebook to officers and employees (revised in FY2022)
	Established the Rules for Compliance with the Competition Law
	Revised NSK's Operational Rules for Whistleblowing based on the Revised Whistleblower Protection Act
	Revised the Internal Regulation for Preventing Insider Trading, introduced a prior approval system for selling NSK stock, and prohibited the buying of NSK stock on the open market
Strengthening Education and Awareness Raising Activities	Established the Anti-Bribery Standards
	Formulated the Personal Information Management Regulations
	Regularly distributed the president's message calling for thorough compliance
	Implemented compliance e-learning for officers and employees
Strengthening Monitoring	Conducted compliance training at sales divisions, plants, engineering sections, and Group companies
	Started a regular Compliance Newsletter
	Designated July 26 as “NSK Corporate Philosophy Day”
Strengthening Monitoring	Internally shared compliance violation information
	Conducted internal audits of sales divisions relating to Antimonopoly Act compliance
	Inspected specific categorical risks in compliance for the NSK Group
	Conducted an employee engagement survey for the NSK Group (compliance awareness survey)
	Has in place and operates a compliance hotline (whistleblowing system) in each region

### NSK Corporate Philosophy Day

To revisit the lessons learned from past incidents, reconfirm the resolve of all NSK Group employees that no anti-competitive 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 the on-site inspection by the Japan Fair Trade Commission in 2011, has been designated as “NSK Corporate Philosophy Day” since FY2016. Moreover, awareness raising activities are undertaken each year.

In FY2021, 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, practical examples in animation form for “Look Across Activities” that are consistent with the Corporate Philosophy were introduced. Taking advantage of NSK Corporate Philosophy Day, group discussions were also held at each workplace on matters that are taken for granted to help employees reflect on their own behavior.



Animation for NSK Corporate Philosophy Day

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.

### 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 addition to looking back on the response to the cartel incident in Japan and overseas, in FY2021 we continued to implement the storytelling activities that had been started in FY2020 to pass on the facts and lessons learned from the incident, and 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 FY2021, we conducted operator-level employee training at six production sites in Japan, and all employees attended the course.

In engineering departments, we conduct training on the themes of fostering engineering ethics and preventing quality fraud such as data falsification. In FY2021, employees from all technical departments in Japan attended the course.

▶ Please see our website for more information. <https://www.nsk.com/sustainability/compliance/>

# Risk Management

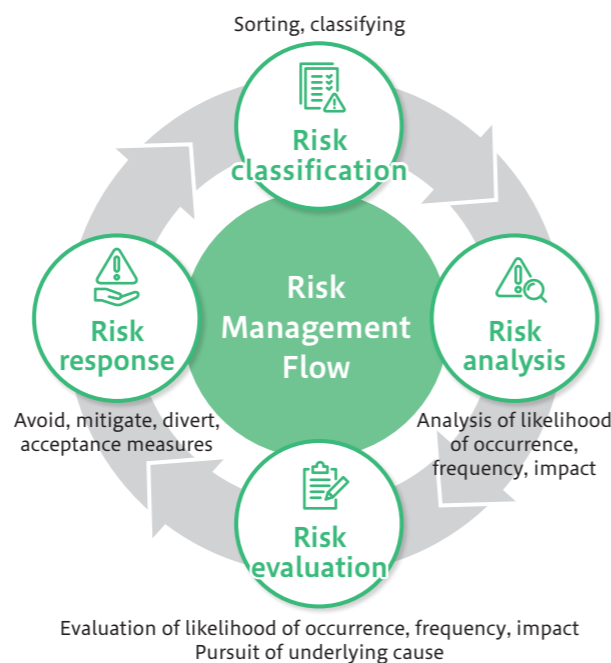
NSK works to build a risk management system based on clearly stipulated fundamental principles aimed at effectively enabling global Group management and internal control functions. Every year, all the business sites perform their own risk assessment, classifying, analyzing, and evaluating risks in accordance 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.

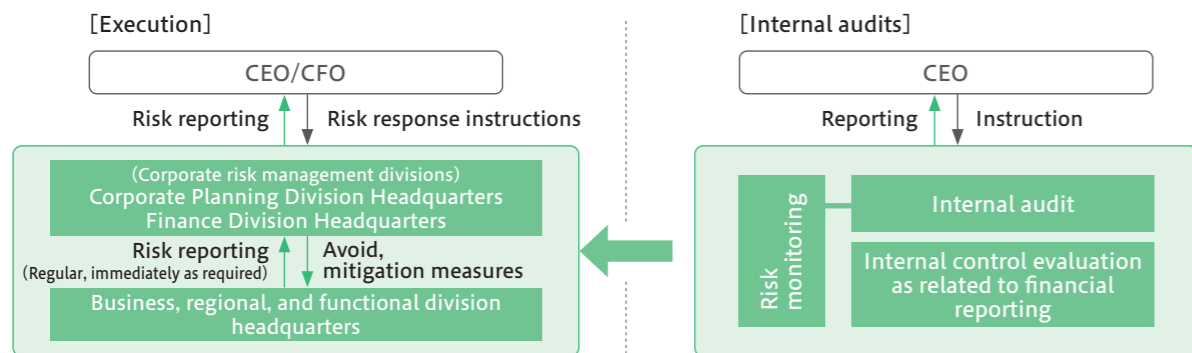
As NSK's business activities spread to more areas, the range of anticipated risks widens. The Company has identified 10 types of representative risks deemed of high importance according to what they entail and likelihood of occurring, their degree of impact, and mitigation measures.

Among the risks we present, the three types outlined in ①, ⑥, and ⑦ could lead to business opportunities for NSK, and we include details concerning these as well.

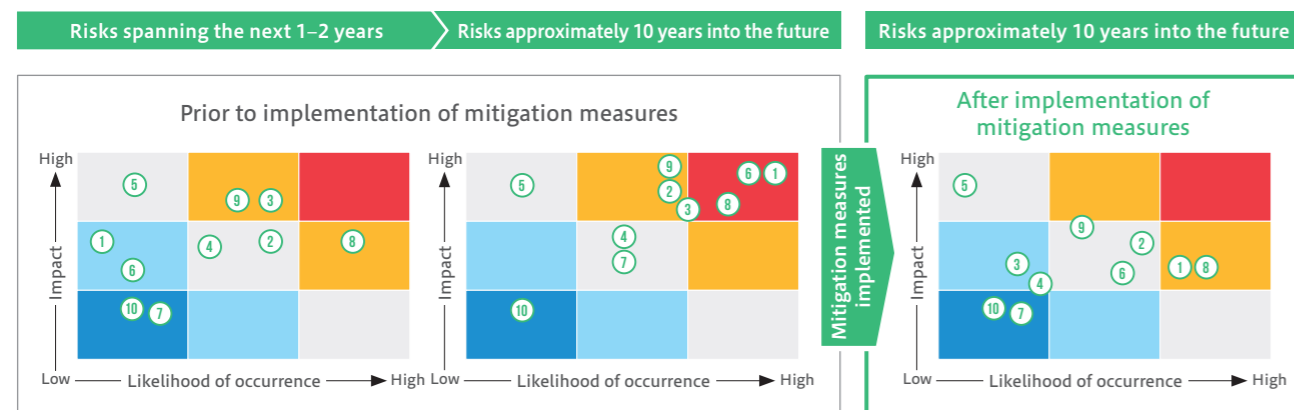
## Risk Management Flow



## 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"> <li>Risk of delayed product engineering response to market changes and customer technology demands brought on by technological innovation such as CASE and IoT</li> <li>Risk of being unable to respond to an increasingly competitive market populated by rival companies and new market entrants</li> </ul> <p><b>Opportunity</b> Create and expand new businesses through new products, technologies, and services <a href="#">▶ PP.32, 34</a></p>	<ul style="list-style-type: none"> <li>Understand the needs through close relationships with a broad range of customers</li> <li>Continually allocate resources to develop new products and new technology</li> <li>Leverage open innovation and alliances <a href="#">▶ PP.33, 45</a></li> </ul>
② Risk related to local situations and dependency on specific region	<ul style="list-style-type: none"> <li>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</li> <li>Risk associated with a halt in operations on account of deteriorating public order, outbreaks of riots, terrorism, or conflicts</li> <li>Risk of business losses and declined earnings due to changes in the trade rules of individual countries</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Expand and enhance a balanced presence in other regions</li> <li>Get an early grasp of information on dangers by strengthening the ability to gather information from each region</li> <li>Leverage and optimize the allocation of our global network based on the principle of local production and local procurement</li> <li>Create and implement an intellectual property rights acquisition scheme <a href="#">▶ PP.46-47</a></li> </ul>
③ Risks associated with safety, prevention of fire and disaster, and pandemics	<ul style="list-style-type: none"> <li>Risk of major industrial accident occurring</li> <li>Risk of a halt in operations due to inadequate BCP measures to address fires or natural disasters such as earthquakes and flooding</li> <li>Risk of being unable to secure a comfortable and safe working environment in neighboring regions, or for employees</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen and nurture safety awareness, thoroughly educate and enlighten employees</li> <li>Share case studies from other locations introducing what went right and what went wrong</li> <li>Conduct simulations of anticipated scenarios, prepare disaster countermeasures, and formulate a business continuity plan</li> <li>Implement thorough measures to prevent infection and strengthen remote collaboration between business sites including the promotion of remote work and online meetings and training <a href="#">▶ PP.42, 54</a></li> </ul>
④ Risk associated with quality	<ul style="list-style-type: none"> <li>Risk of compensation claims due to significant quality defects</li> <li>Risk associated with insufficient response due to improper quality assurance system or quality control management</li> <li>Risk of spoofed, falsified quality data</li> <li>Risk of being unable to respond to increasing quality requirements from customers</li> </ul>	<ul style="list-style-type: none"> <li>Secure high quality by strengthening process management aimed at enhancing design and product quality</li> <li>Realize zero defects through continued quality improvement activities</li> <li>Create a system to prevent data falsification and conduct thorough training</li> <li>Bolster reoccurrence prevention by leveraging the quality information system</li> <li>Ensure the execution of investments for quality improvement <a href="#">▶ P.43</a></li> </ul>
⑤ Risk with regard to compliance	<ul style="list-style-type: none"> <li>Risk of violating laws and regulations due to employee carelessness or misunderstanding, etc.</li> <li>Risk of further losing the trust of society due to bearing responsibility for criminal, civil, and administrative acts associated with the above</li> </ul>	<ul style="list-style-type: none"> <li>Undertake education on strict adherence to laws and regulations, and create a corporate culture and atmosphere interwoven with morals and manners</li> <li>Review compliance systems, policies, and related rules on an as needed basis to strengthen and improve</li> <li>Promote specific measures related to strengthening compliance, and follow up to confirm the status of implementation <a href="#">▶ P.51</a></li> </ul>
⑥ Risk concerning the environment	<ul style="list-style-type: none"> <li>Risk of being unable to respond to changes in environment-related laws and systems or to evolving environment-related technologies and market needs</li> <li>Risk of a leak of environmentally harmful substances or overrun of emission standards</li> <li>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</li> </ul> <p><b>Opportunity</b> Improve competitiveness in the market through environmentally friendly technologies <a href="#">▶ P.35</a></p>	<ul style="list-style-type: none"> <li>Ascertain information on legislation and the needs of the market related to the environment to establish and implement an environmental response road map</li> <li>Thoroughly implement environmental accident prevention measures, promote the elimination of environmentally harmful substances, and strengthen the environmental assurance system</li> <li>Promote CO<sub>2</sub> emission reduction through activities such as energy conservation initiatives, the transformation of manufacturing, and renewable energy procurement <a href="#">▶ PP.41, 48-49</a></li> </ul>
⑦ Risk associated with human resources and labor	<ul style="list-style-type: none"> <li>Risk of being unable to secure globally competent human resources, consequently hindering business expansion and execution of strategy</li> <li>Risk of impact on operations due to deteriorating labor relations</li> <li>Risk of delayed human resources and labor management response to work-style changes that have been accelerated by the COVID-19 pandemic</li> </ul> <p><b>Opportunity</b> Enhance competitiveness and avoid risks by promoting diversity and inclusion <a href="#">▶ PP.40, 50</a></p>	<ul style="list-style-type: none"> <li>Strengthen and thoroughly implement human resource management policies such as leveraging a diverse workforce, building more engaging workplaces, and providing opportunities for growth</li> <li>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)</li> <li>Create and implement human resources and labor management rules and standards corresponding to diverse work styles <a href="#">▶ PP.40, 50</a></li> </ul>
⑧ Risk with regard to procurement	<ul style="list-style-type: none"> <li>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, etc.</li> <li>Risk of impact from rising costs for raw materials or components</li> <li>Risk that CSR procurement initiatives will not make progress</li> <li>Risk of being unable to procure some parts and materials due to environmental changes during the COVID-19 pandemic and disasters</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>Cultivate and educate new suppliers based on high and increasingly sophisticated assessed purchasing capabilities</li> <li>Conduct supplier BCP inspections, as well as quality, environmental, and CSR audits, and support supplier improvement</li> <li>Ensure flexibility in procurement and carry out strategic inventory management to agilely respond to environmental changes <a href="#">▶ P.42</a></li> </ul>
⑨ Risk associated with information and communication technology (ICT)	<ul style="list-style-type: none"> <li>Risk of decline in competitiveness due to delayed digitization of management resources</li> <li>Risk of decline in business efficiency due to loss of stability in the IT system that underpins business operations</li> <li>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</li> </ul>	<ul style="list-style-type: none"> <li>Reform and bolster IT system infrastructure and improve ICT literacy based on trends in digital technology</li> <li>Ensure stability through backup and redundancy of IT system infrastructure and standardized system support</li> <li>Build and strengthen a management structure relevant to cybersecurity risks and educate and enhance knowledge internally regarding information security, and acquire external certifications <a href="#">▶ PP.33, 55</a></li> </ul>
⑩ Risk related to finance	<ul style="list-style-type: none"> <li>Risk relating to the collection of accounts receivable due to sales destination trust problems</li> <li>Risk of cost burden from problems that arise related to quality and litigation concerning business activities</li> <li>Risk of procurement of necessary funds and cash flow</li> <li>Risk related to mistakes in accounting estimates and accounting procedures</li> </ul>	<ul style="list-style-type: none"> <li>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</li> <li>Perform Group management and increase effectiveness based on the internal control system <a href="#">▶ PP.52, 60</a></li> </ul>

# Disaster Risk Management

## ● Crisis Management and Business Continuity Plan

Responses to risks such as natural disasters, pandemics, serious accidents/incidents

### NSK's Approach

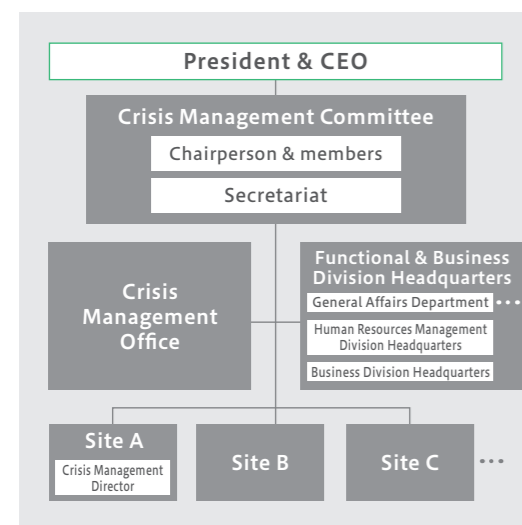
NSK's basic policy is to protect business infrastructures, including securing human lives as a top priority and to resume business activities as soon as possible in the event of crisis. On that basis, we are working to formulate and improve a Business Continuity Plan (BCP) to prevent crises from occurring as well as to minimize damage and shorten the recovery period if a crisis is materialized.

### Disaster Risk Management System

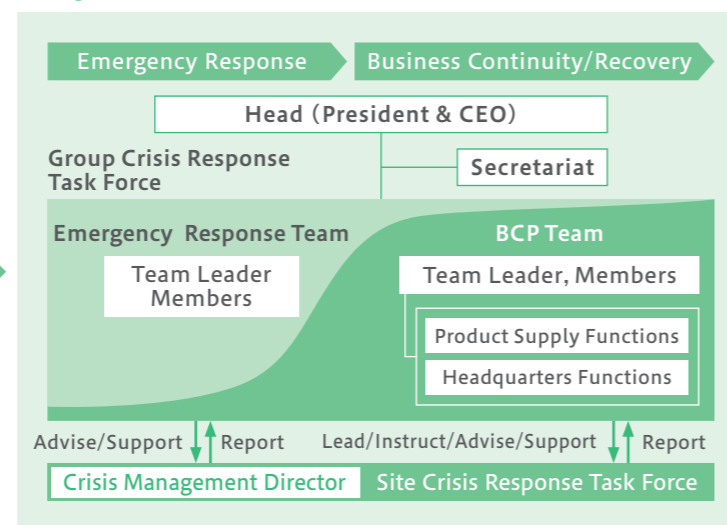
By establishing and improving crisis management systems to prepare for relevant risks, primarily natural disasters, pandemics, and serious accidents/incidents, etc., the Crisis Management Committee aims to minimize the damage in the event of an actual emergency, while playing a role in addressing such situations swiftly and effectively. Such organizations have also been established in each region outside Japan to supervise crisis management in their respective locations. When a relevant emergency occurs, the Crisis Management Committee in Japan works with the organizations concerned to deal with the crisis.

#### ■ Crisis Management Structure

##### Normal Times



##### Emergencies



### Examples of FY2021 Initiatives

#### Checking BCM/BCP Systems Based on Check Sheets

Concerning our Business Continuity Management (BCM) system, which was rebuilt following the Great East Japan Earthquake, we prepared a self evaluation sheet to ascertain the Company's level of preparedness and to check for any omissions, conducted inspections of headquarters functions in all regions, and identified any issues.

We also carried out a review of our BCP guidelines, inspected the implementation status of measures based on the check sheets at each business site, and clarified any areas in need of improvement.

#### Workshops Based on Specific Disaster Scenarios

To strengthen the capabilities of the Group Crisis Response Task Force, with the participation of relevant departments we held three workshops. Based on specific disaster scenarios, we identified emergency actions and the tasks needed to put them into effect.

More than 50 people attended each workshop. By holding group discussions on the propositions made in online conferences and sharing the results, this led to the identification of issues in preparation for an online conference of the Group Crisis Response Task Force.

▶ Please see our website for more information. <https://www.nsk.com/sustainability/disasterRiskmanagement/index.html>

# Information Security Management

### NSK's Approach

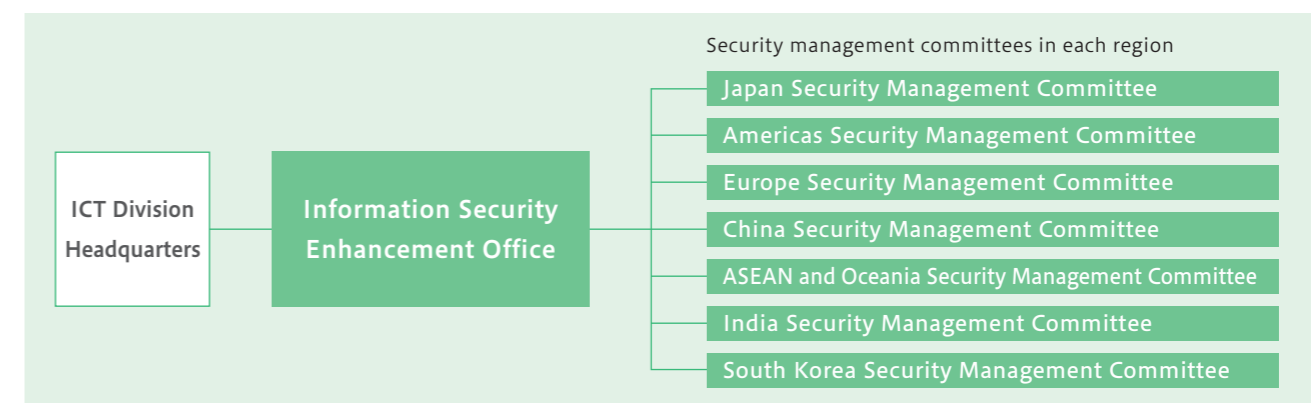
Recent advances in information and communications technology (ICT) have dramatically enhanced the convenience of information handling. However, in addition to the risk of mishandling information, there is a greater risk of information being stolen or leaked through sophisticated cyberattacks or due to the growing number of people working from home. Positioning information security management as one of its important management tasks, NSK is working to reduce risk and strengthen 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 established the Information Security Enhancement Office under the ICT Division HQ to implement more comprehensive information security enhancement measures globally. Moreover, regarding information security-related risks, in connection with the Corporate Risk Management System, the Board of Directors discusses issues related to information security measures and oversees risk mitigation for the entire Group. The Information Security Enhancement Office regularly holds global meetings, and plans and implements information security measures for the Group, working in cooperation with information security management committees in Japan, the Americas, Europe, China, ASEAN and Oceania, India, and South Korea.

#### ■ Information Security Management System



### Examples of FY2021 Initiatives

#### Status of System Preparations for Retaining ISO27001 Certification

The Company will continue efforts to retain ISO27001 certification at previously certified sites (Japan, South Korea, India).

In addition, based on demands from customers, in FY2021 the Company acquired TISAX, a security certification broadly adopted in Germany's automobile industry, at two new sites. Moreover, the Company is working to acquire this certification for three sites in China and two new sites in Europe.

#### Cyberattack Countermeasures and Training

As in the previous year, the Company provided targeted threat e-mail training to all NSK Group employees, including those at overseas sites, and conducted training that assumes the occurrence of incidents in cooperation with the Systems Management Department. Some of the technological measures the Company has promoted from the viewpoint of preventing damages from recent ransomware attacks include VPN device vulnerability assessments and countermeasures, as well as phishing e-mail monitoring enhancement countermeasures.

Moreover, given the growing risk of attacks against the supply chain, the Company enhanced security systems at its factories and implemented asset identification and risk assessments for control equipment.

▶ Please see our website for more information. <https://www.nsk.com/sustainability/infoSecurity/index.html>

# Corporate Governance

## 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

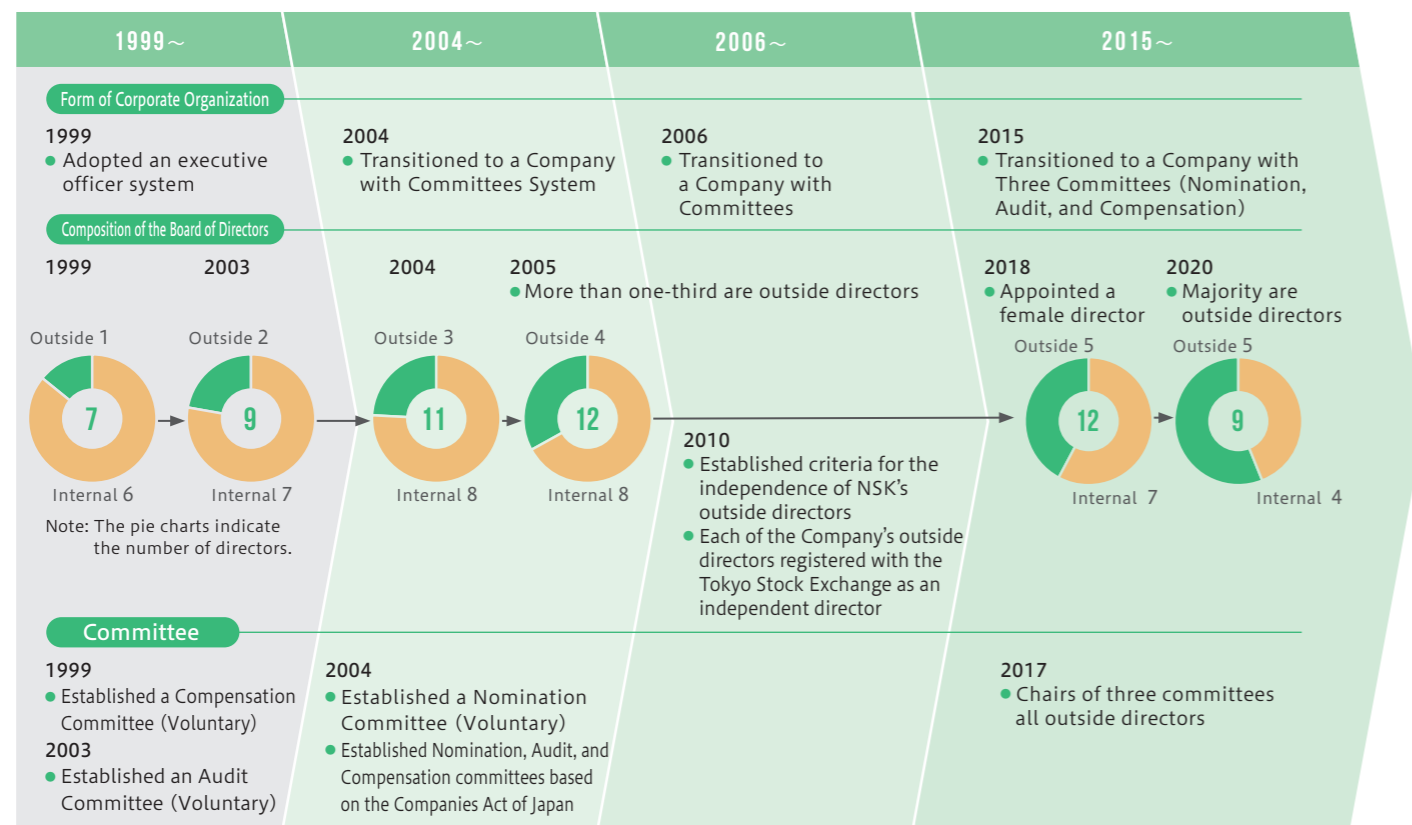
- To increase the efficiency and agility of management by proactively delegating decision-making on the execution of the operations from the Board of Directors to the Company's executive organizations.
- To ensure that supervisory organizations have oversight of executive organizations by clearly separating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

## Corporate Governance Systems

### Current Corporate Governance System

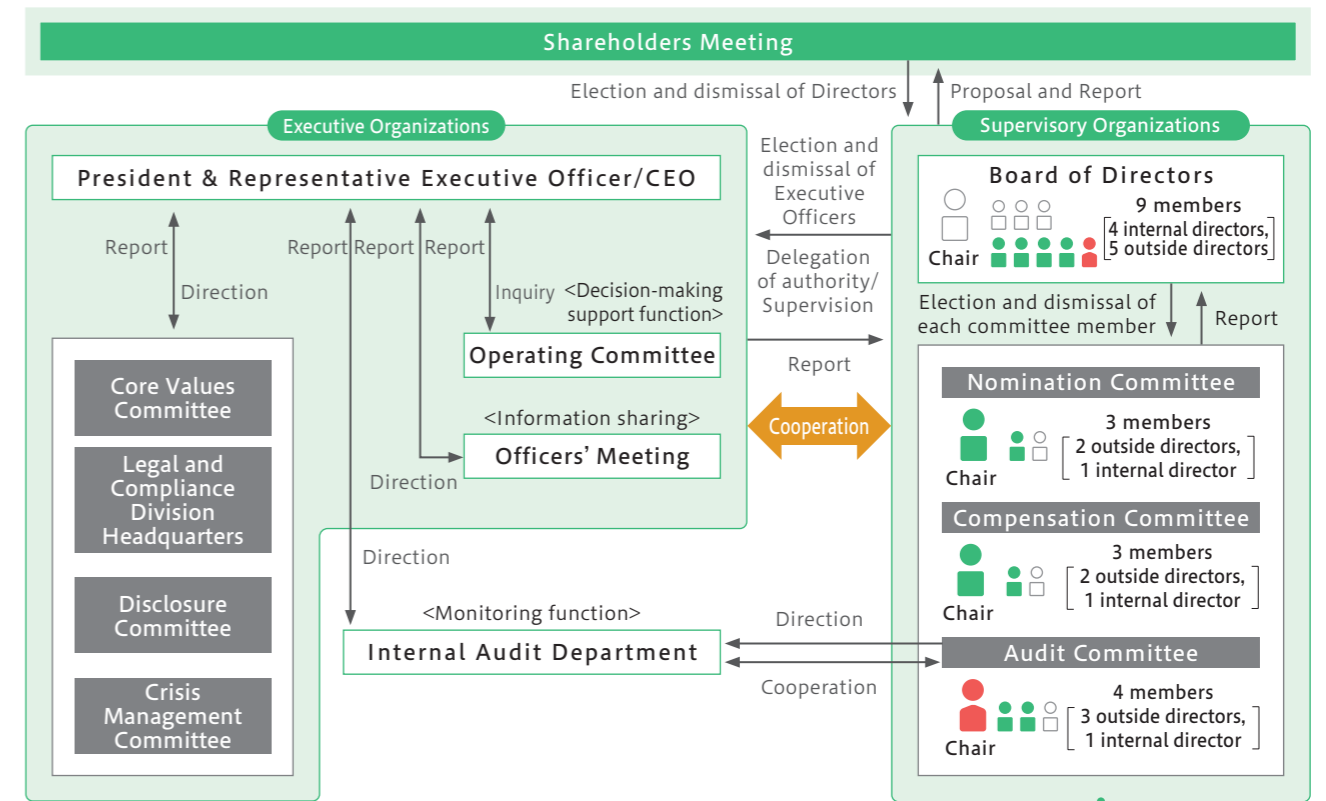
NSK has adopted a Company with Three Committees (Nomination, Audit, and Compensation) as the form of corporate organization to better achieve its basic approach. NSK's Board of Directors determines basic management policies, with the aim of achieving the Group's sustainable growth and increasing mid- 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 2022)

○ Internal director  
□ Outside director (Men)  
● Outside director (Women)



### Supervisory Organizations

Supervisory Organization	Number of times convened in FY2021
<b>Board of Directors</b>	<b>10</b>
<b>Nomination Committee</b>	<b>7</b>
<b>Compensation Committee</b>	<b>5</b>
<b>Audit Committee</b>	<b>14</b>

## 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

◎ Chair ○ Members

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	Finance/ Accounting/ Capital Policy			
Toshihiro Uchiyama		June 2012	●	●	●					
Akitoshi Ichii		June 2017	●	●	●		○			
Saimon Nogami		June 2013	●	●	●				○	
Kenichi Yamana		June 2021		●	●			○		
Yoshitaka Fujita	●	June 2019	●	●	●		◎	○		
Mitsuhiro Nagahama	●	June 2020	●	●	●			○	◎	
Koichi Obara	●	June 2021	●	●	●	●			○	
Junji Tsuda	●	June 2022	●	●	●	●	○			
Sayoko Izumoto	●	June 2022		●				◎		

## Initiatives to Further Enhance the Effectiveness of the Board of Directors

### FY2021 Initiatives

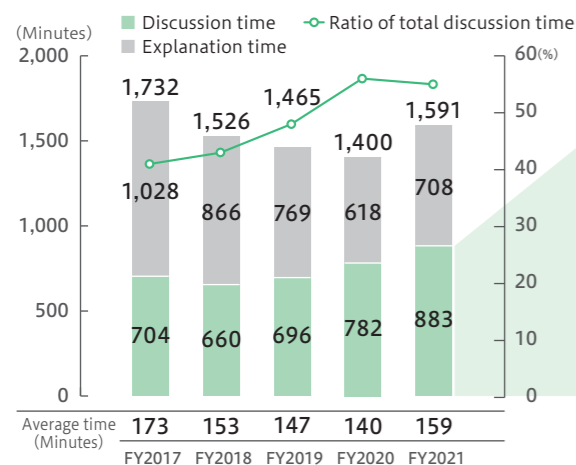
NSK is engaged in efforts to enhance the effectiveness of the Board of Directors to ensure sustainable growth and greater mid- to long-term corporate value.

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

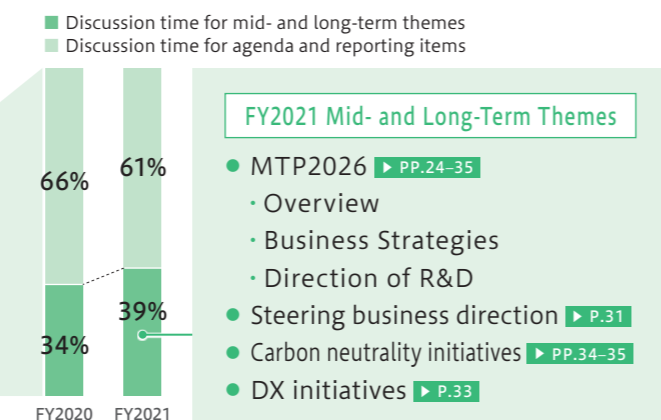
Board deliberations, the Company believes that it is important to provide information to directors in advance of the meeting. We provide information in an appropriate manner, including distributing materials to all directors in advance, and prior explanation by officers and the Board secretariat.

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

### Changes in Explanation and Discussion Times



### Breakdown of Discussion Time



### FY2021 Mid- and Long-Term Themes

- MTP2026 ▶ PP.24-35
  - Overview
  - Business Strategies
  - Direction of R&D
- Steering business direction ▶ P.31
- Carbon neutrality initiatives ▶ PP.34-35
- DX initiatives ▶ P.33

## Assessment of Effectiveness of the Board of Directors

### Overview

NSK has conducted assessments of the effectiveness of its Board function and has worked to further enhance performance every year since FY2015.

### Assessment Procedures

To maintain the objectiveness of these assessments, they are handled by external experts, which distribute questionnaires to all directors and hold individual interviews based on the results of these questionnaires.



### FY2021 Assessment

An assessment conducted in FY2021 by external experts concluded that improvements to the administration of NSK's Board of Directors have made progress. The main assessment results and issues are as follows.

Assessment	<ul style="list-style-type: none"> <li>● Efforts were made to improve the efficiency of the Board of Directors' administration, including narrowing the number of agenda items and expanding prior explanations of the agenda. The environment for discussing mid- and long-term themes is better organized now with more discussion time, for example.</li> </ul>
Issues	<ul style="list-style-type: none"> <li>● The importance of roles that must be fulfilled by directors has increased, and it is therefore necessary to reassess the roles of NSK's Board of Directors and reach an understanding regarding the items to be monitored.</li> <li>● As a result of the ongoing impact of the COVID-19 pandemic, opportunities for directors to communicate with each other and opportunities for outside directors to learn about the business through site visits have declined.</li> </ul>

### Main Future Initiatives

- ✓ Monitoring of specific measures under MTP2026 and their progress
- ✓ Provision of locations for outside directors to share opinions and of opportunities to learn about the business, etc.

## 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, etc., 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.

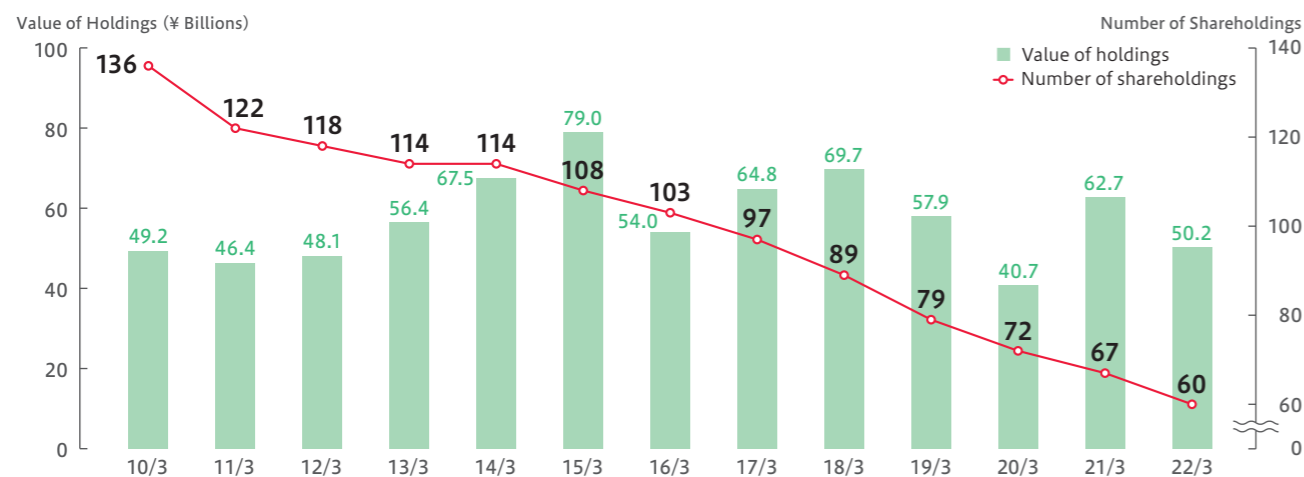
▶ English <https://www.nsk.com/company/governance/index.html>

## Cross-Shareholdings

NSK aims to reduce the crossholding 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. Based on the results of these studies, we will sell any cross-shareholdings for which we believe possession cannot be justified, considering stock prices and market trends.

The number of cross-shareholdings (disclosed in the Annual Securities Report) totaled 136 stocks as of the end of March 2010. However, this number had been reduced to 60 stocks as of the end of March 2022 (a reduction of seven stocks during FY2021 and 76 stocks over the 12 years from FY2009).

### Changes in Cross-Shareholdings



## Directors/Officers' Compensation

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

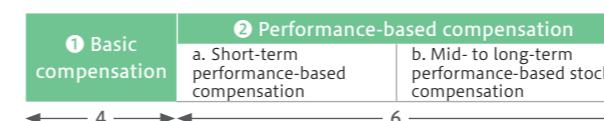
As a Company with Three Committees (Nomination, Audit, and Compensation), NSK makes decisions on executive compensation structure, compensation levels, and individual compensation, etc., at a Compensation Committee chaired by an independent director, and based on advice from external consultants as well 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 will target 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

The 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

The short-term performance-based compensation is determined based on metrics consistent with the 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 the ratio of new product sales to total sales as well as an achievement target for ESG goals for CO<sub>2</sub> emission reductions and safety and quality improvement.

The individual's level of achievement in one's 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 fluctuating stock 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 committees to which the director belongs and the Board of Directors.

#### 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 No. of Directors/Officers

The amount of compensation for directors and executive officers between April 1, 2021, and March 31, 2022, was as follows.

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)	137	5	120	—	—	3	17
Directors (outside)	74	6	66	—	—	6	8
Executive Officers	1,243	29	862	28	107	38	273

Notes: 1. Compensation (excluding stock compensation) for directors (internal) includes compensation for directors who also serve as executive officers. 2. The amount of performance-based salary is the planned amount to be paid on July 1, 2022, based on the results for the year ended March 31, 2022. For reference, the amount paid on July 1, 2021, based on the results for the year ended March 31, 2021, was ¥279 million. 3. The amount of stock compensation is the amount recorded as expenses for the current fiscal year. 4. Figures listed above are rounded down to the nearest one million yen.

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

The amount of compensation for directors and executive officers between April 1, 2021, and March 31, 2022, was as follows.

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	102	Director	NSK	7	—	—	—
		Executive officer	NSK	50	7	36	—
Brian Parsons	189	CEO	Consolidated subsidiary NSK Americas, Inc.	70	93	2	23

Note: Only individuals receiving ¥100 million or more in total compensation are listed.



# Interview with NSK's Outside Directors



## Yoshitaka Fujita

Appointed as a director at NSK in June 2019, after serving as representative director and executive deputy president of Murata Manufacturing Co., Ltd. He serves as Chair of the Nomination Committee and a member of the Audit Committee.



## Mitsuhiro Nagahama

Appointed as a director of NSK in June 2020, after serving as deputy 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.



## Koichi Obara

Appointed as a director at NSK in June 2021, after serving as deputy and representative director of Maeda Corporation. He serves as a member of the Compensation Committee.

NSK strives to improve its corporate governance system to achieve sustainable growth and increase corporate value in the mid- to long-term. We asked three outside directors to give us their assessment of NSK's governance, with a primary focus on discussions during the formulation of the new Mid-Term Management Plan (MTP2026).

Q1

**Mr. Obara, it has been one year since you were appointed as a director. How do you feel about the atmosphere of NSK's Board of Directors?**

### Mr. Obara

I was appointed as an outside director of NSK last year, and what I feel about NSK is that it is a sincere, serious, and stable company. There is an atmosphere of working to score 100 points in everything we do and then go above and beyond—of wanting to lead the bearing industry forward as an industry leader.

The Board of Directors makes resolutions on various matters to be resolved, after prior discussion of the details. I feel that that we have good debates and discussions, with all Board members expressing their opinions actively and unreservedly.

Q2

**How effective is the Board of Directors? Please let us hear your thoughts on how discussions should be conducted and how progress should be monitored during the formulation of MTP2026.**

### Mr. Fujita

There is a debate on the question of whether the Board of Directors should be a management board or a monitoring board, but I think that both functions are necessary. Corporate value will not improve with monitoring alone. It is important for us to discuss the overall framework of our strategies and the direction in which we should be heading, together, with the inclusion of outside directors. Outside directors currently hold a majority on the Board of Directors, with the Board comprising nine directors overall: two executive directors and seven non-executive directors. This has led to a shift toward the monitoring function, but in addition to matters normally resolved at Board meetings we are discussing current key issues such as mid- to long-term themes from the draft stages, including MTP2026.

Four of the five outside directors are also top-level corporate executives, all coming from different industries, enabling them to express opinions from various different perspectives at Board meetings. To evaluate the effectiveness of the Board of Directors, we appoint external consultants to conduct questionnaire-based surveys and interviews every year. Results are discussed at Board of Directors meetings and utilized to make improvements. I believe, for these reasons, that NSK's Board of Directors is highly effective.

For MTP2026, there are three major management issues: growth with profitability, enhancement of managerial resources, and ESG management. In this regard, we have carried over the major issues from the 6th Mid-Term Management Plan. With the 6th Mid-Term Management Plan, we fell far short of our targets so we began by reflecting on them. For MTP2026, outside directors were brought in from the drafting stages, so we were able to have in-depth discussions on each aspect of the plan, including the restructuring of NSK's business portfolio, structural reforms of the steering business, carbon neutrality, and digital transformation (DX). I believe that the complete Mid-Term Management Plan summarizes clearly what needs to be done in the future. At the same time, I believe that the challenge for the future lies in how the Board of Directors will monitor the progress of MTP2026.

### Mr. Nagahama

I think that, basically, the Board of Directors of a Company with Three Committees is a monitoring-type Board. From an external standpoint, the system is centered on outside directors. But as Mr. Fujita said, this alone will not directly lead to an increase in corporate value. When the Corporate Governance Code was enacted in 2015 there was a debate as to whether corporate value could really be improved simply by improving governance as a defense, which I think is exactly right. I think the problem is how to make a profit. Recently, we have heard people using the term "Board 3.0" regarding this.

The majority of NSK's outside directors are former top-level corporate executives. For our discussions on mid- to long-term themes, we are close to a Board 3.0 model. I would say that we are kind of a Board 2.5. As corporate executives, Mr. Fujita and Mr. Obara talk about extremely practical and strategic matters. In that sense, I believe that the effectiveness of NSK's Board of Directors is high.

In discussions on MTP2026, given that I am from a finance background, I am mindful of making comments to ensure that discussions are held not only on strategy but also frameworks. Mr. Bada\* and Mr. Fujita offer in-depth opinions when we are discussing sales and production issues, and because they speak with experience and insights from other manufacturing industries, I feel that we can have discussions with high added value.

As a Company with Three Committees, we delegate those matters that should be delegated to the executive side. I feel that we have been able to hold such in-depth discussions because of the time saved by doing so, and I hope that we can deepen the level of our discussions even further.

### Mr. Obara

Regarding MTP2026, the general managers of each business division and functional division also attended Board of Directors meetings, where they explained the current situation and engaged in considerable discussions on how the Company should approach the mid-term management plan this time. I think we have covered all the content needed for NSK to evolve. One thing I am particularly worried about,

though, is horizontal cooperation in vertically arranged organizational units. Developing technologies requires cross-divisional cooperation, and the reason why other businesses cannot incorporate new technologies even if they want to is the lack of such cross-divisional functionality.

Another issue is that, in the age of AI and IoT, technological development will be transforming at a fast speed, so it is important to be able to incorporate those technologies. When we are implementing our own strategies, our field of view narrows and we can find it difficult to look outside the box. For this reason, it is important to pay attention to external developments and incorporate them into our strategies. When considering a five-year mid-term management plan, it is also necessary to monitor waypoints, or milestones, and ensure agile development on the way to achieving our goals. In particular, it is important whether the image of achieving each milestone is in the minds of those who will actually implement these strategies. As outside directors we would like to know the progress of this process, and I think that we can give advice as to whether the strategies have a logical basis, with a reasonable probability of reaching the final stage.

Q3

**What kind of discussions has the Nomination Committee had over the past year? Please also tell us about your discussions on developing the next generation of leaders.**

### Mr. Fujita

Since there was a change of CEO last fiscal year, the Nomination Committee has mainly been discussing the composition of membership of the Board of Directors, a skills matrix focused primarily on outside directors, and the selection of candidates for outside directors as part of the creation of a new framework to support the new CEO.

As of this fiscal year, we would like to start training future CEOs. NSK has established an objective and transparent process for developing CEO successors. There are systems and organizational structures for the development of executives, and executive officers are selected through these systems. There is a process in which the requirements for the position of CEO are clearly defined, and candidates are selected based on them, while also factoring in evaluations by external organizations and observing them for a certain period. Based on that process, the Nomination Committee receives a report and makes a final selection.

This fiscal year we would like to start discussions on whether additional requirements will be needed in the future—including a review of the selection process and the definition of requirements for the position of CEO—and move forward with the successor development plan. We do have a sufficiently rigorous process in place already, though, so I don't think that we will be making any major changes to the current system.

**Q4** What changes did you make in MTP2026 regarding the compensation system?

**Mr. Nagahama**

In short, it hasn't changed much. We have approached the compensation system from a pioneering standpoint. As a result, our current system is a good one. The ratio of variable compensation to basic compensation is high, and it is designed strictly, so we decided that it is better not to change it right away. Another excellent feature is that there is little discretion involved in determining the amount of short-term performance-linked compensation. It is good that the system is well-structured from the perspective of shareholders and investors: that results are everything and compensation should be determined based on results.

However, there are some aspects that we made a point of changing this time. We have adopted new evaluation criteria for technological innovation as a performance indicator for short-term performance-linked compensation, from the perspective of expanding the Company's earnings base and ensuring actual profitability in the future. This is the ratio of new product sales to overall net sales. In addition to enhancing profitability through technological innovation, the precision of bearings reduces friction, which also has a great effect on Scope 3. From that point of view as well, technological innovation is important, so we added it to the list of performance indicators. In establishing the compensation system, we included targets that are consistent with the Company's mid-term management plan in almost all the evaluation criteria for short-term performance-linked compensation, and this is where the originality lies.

**Q5** How do you rate NSK's sustainability initiatives?

**Mr. Obara**

In terms of environmental initiatives, I think that aiming to become carbon neutral regarding Scope 1 and 2 by FY2035 is a high-level goal, and I get the impression that the Company is making considerable progress toward it.

NSK also conducts employee engagement surveys every year, and I think it is fantastic that they are handling this issue properly. With investment in human resources gaining more attention worldwide, the amount that NSK invests in human resources will also become important. At the same time, the issue is what kind of human resources we should invest in. When we consider what it means to invest in human resources, it is important to know the direction in which the Company is headed, how to orient employees in that direction, and what kind of education and investment in employees is needed with respect to that orientation. The Company needs to have a storyline.

**Mr. Fujita**

There is education in terms of investment in human resources, and education is certainly important for raising awareness. When it comes to actually developing human resources, though, as Mr. Obara said, the basic idea is to make them understand the Company's policies and the direction in which it is heading, to incorporate those ideas into their own mindset, to be convinced, and to grow with a sense of satisfaction and fulfillment. The Japan Management College and various in-house classroom trainings are designed to provide opportunities, but people don't actually grow and develop there. People feel satisfaction and grow through their work, as they tackle various challenges, face difficulties, and overcome them. Strategy is important, but I think it is also important for us to proceed with an emphasis on the power of the actual workplace.

**Q6** Finally, please give us your comments on your expectations for NSK.

**Mr. Obara**

This is something that I've been thinking about since my time at a construction company. Going into the future, we won't be able to survive unless we adapt to our environment. As long as there are things that move, I don't think that the need for bearings will ever disappear. But I do think that the fields and applications in which they are used will change, and they will be used in new fields as well. If so, then I think it will be necessary to look at fields in which NSK can further evolve its already established mainstay businesses and areas where it can enter new markets. I don't think that NSK needs to worry in that respect, but please don't forget that perspective.

Also, please keep in mind that, in the words of Steve Jobs, "people don't know what they want until you show it to them." Now, we have access to various types of data. I would like you to be aware that not only listening to what customers want but also investigating customer behavior will lead to value creation.

**Mr. Nagahama**

It is great that NSK has increased its corporate value to such an extent over the course of its history, spanning more than a century, with bearing manufacturing as its main focus. My interpretation of the concept of Bearings & Beyond—advocated in MTP2026—is to expand, not only in the fields of industrial machinery and automotive applications but also into new fields, based on NSK's high-level engineering capabilities and accumulated skills, while retaining its core focus on bearings. This is a challenge. With developments such as the acceleration in the shift toward EVs, there is a possibility that the number of bearings used in the future will decrease. Therefore, I would like NSK to make efforts to go beyond the current status quo. NSK has an equity ratio

of 50%. I believe that we have sufficient financial strength to absorb new risks. I want the Company to take the plunge and invest in what is really needed, without fear, and take firm steps forward. NSK has strengths that it has accumulated over the course of more than 100 years. It also has a solid track record of developing people as human resources. I would like NSK to have the confidence to carve out a path to new horizons, including new business areas and new technologies, and dive deeper into its existing business of bearings.

**Mr. Fujita**

Three years have passed since I was appointed as a director, and I have been able to check the state of activities at plants and many other sites. I feel that NSK is a solid company and is highly capable in handling day-to-day operations. In terms of challenging and dynamic movements, though, there is little change to be seen. To achieve "Change & Go Beyond" with MTP2026, it will not be enough to do the same as we have done before. We expect to see more challenging and dynamic

movement. There are three key points, the first of which is strategy and tactics. NSK has clearly decided what it needs to do, but I would now like it to pay attention to how it can work out the specifics. The second point is workplace capabilities. In the end, the ability to persevere and follow through on strategies and tactics is the power of the workplace. The Company's sales, development, production, and management departments are all frontline workplaces, so strength in these areas will dictate whether NSK has a competitive edge. I would like us to think about how to strengthen this area over the next five years. I think that a company is stronger when it has many employees who are convinced of the company's policies and move autonomously. The third point is inter-organizational collaboration. As I mentioned in the Integrated Report two years ago, in a global corporation, management functions are assigned to bases in Japan and overseas. Under this system, it is important to operate not by individual optimization but rather by overall optimization. I would like to see us strengthen that aspect of NSK as well.

## Messages from New Outside Directors

**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 a member of the Nomination Committee.



At Yaskawa Electric—for which the core business is factory automation—I spent 13 years in technical sales in Japan and 13 years posted in the United States as the person in charge of U.S. operations. I then served as general manager of the inverter division, general manager of the robotics division, and president and chairman, before becoming a special advisor this spring. Yaskawa Electric is the company that coined and spread the term "mechatronics" 50 years ago and has aimed to achieve sophisticated control of mechanical devices with electronics. I have now taken this opportunity to become involved in the management of NSK, which works to increase the sophistication of mechanical systems from a mechanical perspective. When I visited the Fujisawa Technology Center, I was captivated by the beauty of the mechanical systems there.

In my role as a director, I aim to contribute to NSK's corporate governance, with a view to the long-term enhancement of social value for all stakeholders.

**Sayoko Izumoto**

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



After working at an auditing firm for 40 years as a certified public accountant, I went on to experience auditing from a different perspective, serving as an outside officer of another company for a period of five years. We hear the term "audit" in many aspects of life, but for companies, there are CPA audits, audit board audits, and internal audits. Certified public accountants handle past information from the outside, audit committees audit management decision-making and future/forward-looking information as supervisors of the executive side of management, and internal audits handle business audits from within the organization. Audits contribute to the establishment of sound internal controls for companies, and well-established internal controls contribute to the optimization and efficiency of operations.

In line with NSK Vision 2026, Setting the Future in Motion, I will contribute to the improvement of NSK's corporate governance through audits from a new perspective and with a new sense of determination.

# Management



**Toshihiro Uchiyama**  
Director, Chairman

Years as Director at NSK Ltd. 10  
Company Shares Owned 106,600

Apr. 1981 Joined the Company  
Mar. 2006 Deputy Head of Procurement Division HQ  
Jun. 2008 Vice President, Deputy Head of Corporate Planning Division HQ  
Jun. 2009 Head of Corporate Planning Division HQ  
Jun. 2010 Senior Vice President, Head of Corporate Planning Division HQ, Responsible for IR & CSR Offices  
Jun. 2011 Responsible for Asia, Head of Corporate Planning Division HQ, Responsible for IR & CSR Offices  
Jun. 2012 Director (current)  
Jun. 2013 Representative, Executive Vice President, Member of the Compensation Committee, President's Assistant, Responsible for Administrative Divisions, Head of Corporate Strategy Division HQ  
Jun. 2015 President and Chief Executive Officer, Chair of the Nomination Committee  
Jun. 2017 Member of the Nomination Committee  
Apr. 2021 Chairman (current)

● **Significant concurrent positions outside the Company:**  
Outside Director of Sapporo Holdings Co., Ltd.  
Outside Director of IHI Co., Ltd.



**Saimon Nogami**  
Director, Representative  
Senior Executive Vice President  
Chief Financial Officer

C  
Years as Director at NSK Ltd. 9  
Company Shares Owned 63,800

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 (current), Executive Vice President, Member of the Compensation Committee, President's Assistant (current), Responsible for Administrative Divisions, Responsible for Asia, Head of Corporate Strategy Division HQ  
Jun. 2017 Chief Financial Officer (current)  
Apr. 2019 Senior Executive Vice President (current)  
Jun. 2021 Member of the Compensation Committee (current)



**Yoshitaka Fujita**  
Outside Director  
Independent Director

N ★ A  
Years as Director at NSK Ltd. 3  
Company Shares Owned 5,600

Apr. 1975 Joined Murata Manufacturing Co., Ltd.  
Jun. 1998 Member of the Board of Directors of Murata Manufacturing Co., Ltd.  
Jun. 2000 Member of the Board of Directors, Vice President of Murata Manufacturing Co., Ltd.  
Jun. 2003 Senior Executive Vice President of Murata Manufacturing Co., Ltd.  
Jun. 2005 Corporate Senior Executive Vice President of Murata Manufacturing Co., Ltd.  
Jun. 2008 Representative Director and Executive Deputy President of Murata Manufacturing Co., Ltd.  
Jun. 2017 Vice Chairman of the Board of Murata Manufacturing Co., Ltd.  
Jun. 2019 Director (current), Member of the Nomination Committee, Senior Corporate Advisor of Murata Manufacturing Co., Ltd.  
Jun. 2020 Member of the Audit Committee (current)  
Jul. 2021 Advisor of Murata Manufacturing Co., Ltd. (current)  
Jun. 2022 Chair of the Nomination Committee (current)

● **Significant concurrent positions outside the Company:**  
Advisor of Murata Manufacturing Co., Ltd.



**Akitoshi Ichii**  
Director, Representative,  
President and Chief Executive  
Officer

N  
Years as Director at NSK Ltd. 5  
Company Shares Owned 68,161

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)



**Kenichi Yamana**  
Director

A  
Years as Director at NSK Ltd. 1  
Company Shares Owned 21,179

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. 2  
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. 1  
Company Shares Owned 500

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



**Sayoko Izumoto**  
Outside Director  
Independent Director

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

Mar. 1976 Joined Tohatsu Awoki & Co. (current Deloitte Touche Tohmatsu LLC)  
Mar. 1979 Registered as a Certified Public Accountant  
Jul. 1995 Partner, Tohatsu & Co. (current Deloitte Touche Tohmatsu LLC)  
Jan. 2015 Member, Information and Communications Council, Ministry of Internal Affairs and Communications (current)  
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 (current)  
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  
Outside Director of Hitachi Transport System, Ltd.



**Junji Tsuda**  
Outside Director  
Independent Director

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

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 (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

## Executive Officers and Group Officers

President and Chief Executive Officer	Senior Vice Presidents	Vice Presidents	Group Officers
Akitoshi Ichii	Nobuaki Mitamura Kunihiko Akashi	Hayato Omi Narihito Otake	Minoru Arai Katsumi Kobayashi
Saimon Nogami	Masaru Takayama Guoping Yu Keita Suzuki Susumu Ishikawa	Hirofumi Takemura Tatsufumi Soda Michio Ozaki Hidenori Oka	Masami Shinomoto Jong-Won Lee
Tomoyuki Yoshikiyo Hideki Ochiai		Tamami Murata Ulrich Nass Brian Parsons Gen Murayama Hideaki Hayami	

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 FY2021 (the 161st) Ordinary General Meeting of Shareholders of NSK and Independent Directors/Auditors Notifications published on the following websites of the Tokyo Stock Exchange.  
▶ **Notice of the Ordinary General Meeting of Shareholders (Japanese Only)**  
<https://www2.jpx.co.jp/disc/64710/140120220524556491.pdf>  
▶ **Independent Directors/Auditors Notifications (Japanese Only)**  
<https://www2.jpx.co.jp/disc/64710/140120220524556127.pdf>

2. As of June 28, 2022 (number of the Company's shares owned as of March 31, 2022)

N : Nomination Committee  
C : Compensation Committee  
A : Audit Committee  
★ : Chairperson

# Financial and Non-Financial Highlights

## ► Financial Highlights

NSK Ltd. and Consolidated Subsidiaries

(Year)	JP-GAAP				IFRS							
	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 <sup>*4</sup>	FY2021	
Financial Data	Sales	733,192	732,842	871,742	974,885	975,319	949,170	1,020,338	991,365	831,034	747,559	865,166
	[By segment]											
	Industrial Machinery Business	255,835	216,142	242,969	276,361	243,395 <sup>*1</sup>	226,924	266,249	269,974	284,426 <sup>*2</sup>	275,226	345,785
	Automotive Business	444,585	490,545	590,545	656,998	705,511	696,271	723,564	689,658	521,857	449,722	482,547
	Others/Adjustments	32,772	26,154	38,226	41,525	26,411	25,974	30,524	31,732	24,750	22,611	36,833
	[By region]											
	Japan	363,754	333,348	329,136	328,837	318,434	330,512	372,134	367,537	314,281	275,777	317,612
	(Based on customer location)											
	The Americas	86,267	103,352	134,483	164,821	183,652	165,177	155,498	157,581	139,249	107,829	125,094
	Europe	107,958	102,667	124,590	133,752	131,830	121,920	137,856	130,127	110,075	94,800	111,890
	Asia (excluding Japan)	175,213	193,473	283,532	347,475	341,403	331,559	354,849	336,119	267,427	269,153	310,569
	China	89,068	91,442	167,239	210,237	204,361	201,185	212,097	194,994	148,525	166,660	182,036
	Other Asia	86,143	102,030	116,293	137,238	137,042	130,373	142,752	141,124	118,902	102,492	128,532
Operating income	44,417	32,361	68,049	97,327	89,534	65,341	97,875	79,279	23,604	6,364	29,430	
Ordinary income	42,004	30,310	66,785	91,002	—	—	—	—	—	—	—	
Net income attributable to owners of the parent	28,514	15,739	31,167	61,962	65,719	45,560	69,312	55,809	17,412	355	16,587	
Capital expenditures	54,619	48,025	45,448	49,197	54,996	58,602	68,788	81,102	54,927	37,303	52,311	
Depreciation and amortisation	35,807	34,598	35,079	38,568	43,048	43,354	46,785	48,801	53,926	54,527	56,585	
R&D expenses	10,373	10,432	9,919	10,660	11,155	13,858	17,059	19,023	18,265	16,820	19,175	
Net cash provided by operating activities (A)	57,158	53,797	70,342	67,709	108,622	67,936	83,746	92,617	72,387	53,842	22,733	
Net cash used in investing activities (B)	(56,090)	(45,262)	(42,402)	(46,335)	(45,212)	(54,243)	(53,001)	(72,673)	(39,784)	(51,096)	(19,973)	
Free cash flows (A) + (B)	1,068	8,534	27,940	21,374	63,410	13,692	30,744	19,943	32,602	2,745	2,759	
Dividends paid	6,491	5,943	8,650	15,161	18,425	20,174	21,245	20,737	15,550	10,367	12,958	
Acquisition of treasury shares	—	—	—	—	—	14,999	—	19,999	—	—	—	
Total equity attributable to owners of the parent (Shareholders' equity)	280,312	319,286	359,201	456,046	454,661	461,350	537,175	536,676	505,505	554,516	617,800	
Total assets	845,073	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	
Interest-bearing debt	296,750	305,102	315,532	326,400	278,152	267,399	250,908	274,780	279,170	332,440	303,457	
Per Share Data (Yen)	Earnings (Net income)	52.75	29.14	57.70	114.56	121.38	86.08	131.16	107.46	34.00	0.69	32.35
	Equity attributable to owners of the parent (Shareholders' equity)	518.56	591.36	664.74	842.69	839.56	873.11	1,016.30	1,048.18	987.01	1,081.88	1,204.63
	Cash dividends	12.0	11.0	16.0	28.0	34.0	38.0 <sup>*3</sup>	40.0	40.0	30.0	20.0	25.0
Financial Indices	Operating income margin (%)	6.1	4.4	7.8	10.0	9.2	6.9	9.6	8.0	2.8	0.9	3.4
	Return on average shareholders' equity (ROE) (%)	10.6	5.2	9.2	15.3	14.3	9.9	13.9	10.4	3.3	0.1	2.8
	Return on average assets (ROA) (%)	3.5	1.8	3.3	5.8	6.1	4.4	6.5	5.1	1.6	0.0	1.4
	Ratio of equity attributable to owners of the parent to total assets (%)	33.2	36.2	35.9	40.4	44.0	44.2	49.2	49.4	49.1	47.3	50.0
	Net D/E ratio (Times)	0.58	0.51	0.41	0.31	0.23	0.28	0.22	0.27	0.28	0.28	0.27
	Dividend payout ratio (%)	22.7	37.7	27.7	24.4	28.0	44.1	30.5	37.2	88.2	2,885.8	77.3
	Total return ratio (%) <sup>*5</sup>	22.7	37.7	27.7	24.4	28.0	77.1	30.5	73.1	88.2	2,885.8	77.3
	Period-end share price (Yen)	637	715	1,062	1,758	1,030	1,592	1,426	1,037	694	1,135	736
	Price earnings ratio (PER) (Times)	12.1	24.5	18.4	15.3	8.5	18.5	10.9	9.7	20.4	1,644.9	22.8
	Price book-value ratio (PBR) (Times)	1.2	1.2	1.6	2.1	1.2	1.8	1.4	1.0	0.7	1.0	0.6
Dividend yield (%)	1.9	1.5	1.5	1.6	3.3	2.4	2.8	3.9	4.3	1.8	3.4	
Exchange Rate Data	US\$1	79.02	83.10	100.24	109.93	120.14	108.42	110.86	110.91	108.75	106.06	112.38
	€1	109.40	107.14	134.37	138.77	132.58	118.84	129.70	128.40	120.83	123.70	130.56

\*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 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.

\*4 In FY2021, NSK finalized the provisional accounting treatment for business combination. The figures for FY2020 reflect the finalized data of the provisional accounting treatment.

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

(¥ Millions)

## Financial and Non-Financial Highlights

## ► Non-Financial Highlights

		SCOPE	UNIT	FY2017	FY2018	FY2019	FY2020	FY2021	
Environment	Environmentally friendly products* <sup>1</sup>	NSK Group	Products	224	226	232	238	239	
	Products that help reduce CO <sub>2</sub> emissions	NSK Group	×10 <sup>3</sup> t-CO <sub>2</sub>	1,249	1,361	1,448	2,320	2,335	
	Energy	Total energy usage	NSK Group	TJ	7,864	7,965	7,330	6,845	7,524* <sup>3</sup>
		Fuel and gas	NSK Group	TJ	2,425	2,456	2,295	2,079	2,229
		Electricity and heat	NSK Group	TJ	5,439	5,509	5,035	4,767	5,295
		Reference: Electricity and heat primary energy equivalent usage	NSK Group	TJ	14,747	14,815	13,577	12,860	14,334
		Rate of renewable energy use* <sup>2</sup>	NSK Group	%	0.2	0.8	2.2	6.7	8.3
	Greenhouse gases	GHG emissions (total for Scope 1 and 2)	NSK Group	×10 <sup>3</sup> t-CO <sub>2</sub> e	1,019	998	839	701	763* <sup>3</sup>
		Scope 1	NSK Group	×10 <sup>3</sup> t-CO <sub>2</sub> e	143	142	132	120	127* <sup>3</sup>
		Scope 2	NSK Group	×10 <sup>3</sup> t-CO <sub>2</sub> e	876	856	708	581	636* <sup>3</sup>
Reference: Scope 3		NSK Group	×10 <sup>3</sup> t-CO <sub>2</sub> e	2,039	2,705	2,194	1,928	2,199* <sup>3</sup>	
Rate of change in emissions (baseline: FY2017)		NSK Group	%	0 (base year)	-2.0	-17.6	-31.0	-25.1	
	Rate of change in emissions per unit of sales (baseline: FY2017)	NSK Group	%	0 (base year)	+3.5	+13.2	-6.1	-11.7	
Steel	Steel consumption	NSK Group	×10 <sup>3</sup> t	756	758	618	562	655	
Water	Total water withdrawal	NSK Group	×10 <sup>3</sup> m <sup>3</sup>	4,713	4,700	4,308	3,977	4,169* <sup>3</sup>	
	Groundwater	NSK Group	×10 <sup>3</sup> m <sup>3</sup>	1,869	2,011	1,789	1,659	1,826	
	General water	NSK Group	×10 <sup>3</sup> m <sup>3</sup>	2,325	2,194	2,028	1,922	1,978	
	Industrial water	NSK Group	×10 <sup>3</sup> m <sup>3</sup>	519	495	490	396	357	
	Rainwater and reused water	NSK Group	×10 <sup>3</sup> m <sup>3</sup>	—	—	—	—	8	
Waste and valuables* <sup>2</sup>	Total waste and valuables	NSK Group	×10 <sup>3</sup> t	225.5	230.1	201.8	181.9	203.1* <sup>3</sup>	
	Reuse and recycle (excluding energy recovery)	NSK Group	×10 <sup>3</sup> t	192.2	195.0	171.8	156.3	174.7	
	Total waste disposed (including energy recovery)	NSK Group	×10 <sup>3</sup> t	33.3	35.1	30.0	25.6	28.4	
	Landfilled	NSK Group	×10 <sup>3</sup> t	3.3	3.6	2.9	2.1	2.4	
	Incinerated with energy recovery	NSK Group	×10 <sup>3</sup> t	13.3	13.2	11.8	10.3	10.7	
	Incinerated without energy recovery	NSK Group	×10 <sup>3</sup> t	5.0	5.5	4.0	3.3	3.9	
	Other (e.g., water treatment)	NSK Group	×10 <sup>3</sup> t	11.7	12.8	11.3	9.9	11.4	
Air quality	Emissions of NOx	NSK Group	t	132	128	119	106	113	
	Emissions of SOx	NSK Group	t	50	42	38	39	33	
Water quality	Total discharged water	NSK Group	×10 <sup>3</sup> m <sup>3</sup>	3,040	3,159	2,847	2,519	2,757	
	Rivers	NSK Group	×10 <sup>3</sup> m <sup>3</sup>	453	729	591	575	646	
	Sewage system	NSK Group	×10 <sup>3</sup> m <sup>3</sup>	2,587	2,430	2,256	1,944	2,110	
	BOD (biochemical oxygen demand)	NSK Group	t	1.3	1.4	1.2	1.2	1.5	
Environmentally harmful substances	Handling of PRTR-designated substances (materials and parts)	Group in Japan	t	490	464	395	316	326	
	Discharge/transfer of PRTR-designated substances	Group in Japan	t	105	72	78	73	86	
	Emissions of VOCs	NSK Group	t	154	151	145	141	165* <sup>3</sup>	
Biodiversity	Biodiversity conservation initiatives (social contribution initiatives)	Group in Japan	Initiatives	3	6	6	3	5	
	Number of initiatives implemented								

\*<sup>1</sup> 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.

\*<sup>2</sup> Past data were revised following a change in the calculation criteria.

\*<sup>3</sup> Third-party verification is performed. ▶ P.85

		SCOPE	UNIT	FY2017	FY2018	FY2019	FY2020	FY2021		
Social	Number of employees (consolidated)	Total	NSK Group	Persons	31,861	31,484	30,747	30,378	30,577	
		Japan	Group in Japan	Persons	11,607	11,755	11,803	11,774	11,853	
		The Americas	Group in the Americas	Persons	3,080	3,093	2,804	2,617	2,696	
		Europe	Group in Europe	Persons	3,908	4,259	4,206	4,333	4,312	
		Asia	Group in Asia	Persons	13,266	12,377	11,934	11,654	11,716	
	Ratio of men/women employees	Men	NSK Group	%	82.4	80.9	81.0	82.0	82.0	
		Women	NSK Group	%	17.6	19.1	19.0	18.0	18.0	
	Average years of employment (average age)	Total	Group in Japan* <sup>1</sup>	Years (age)	16(41)	16(41)	17(42)	17(42)	17(43)	
		Men	Group in Japan* <sup>1</sup>	Years (age)	17(42)	17(42)	17(42)	18(43)	17(43)	
		Women	Group in Japan* <sup>1</sup>	Years (age)	10(37)	11(37)	12(37)	12(38)	13(38)	
Number of employees who took childcare leave	Total	Group in Japan* <sup>1</sup>	Persons	69	109	162	189* <sup>3</sup>	184		
	Men	Group in Japan* <sup>1</sup>	Persons	40	73	125	147* <sup>3</sup>	149		
	Women	Group in Japan* <sup>1</sup>	Persons	29	36	37	42	35		
Employment rate of people with disabilities	Group in Japan* <sup>1</sup>	%	2.09	2.25	2.24	2.45	2.56			
Occupational safety	Lost-time injury frequency rate	NSK Group	—	0.60	0.37	0.35	0.43	0.28* <sup>2</sup>		
		Health and wellness	Group in Japan* <sup>1</sup>	Percentage of employees participating in the Specific Health Guidance program	%	25.7	25.3	25.1	27.3	27.2
		Percentage of employees receiving stress checks		%	93.8	95.9	94.9	95.9	97.9	
Percentage of employees who smoke	%	39.1		37.6	36.6	33.8	31.9			
Human resource development	Number of participants in NSK Global Management College	NSK Group	Persons	14	13	12	0* <sup>4</sup>	0* <sup>4</sup>		
	Number of participants in NSK Japan Management College	Group in Japan* <sup>1</sup>	Persons	15	10	10	10	10* <sup>5</sup>		
	Number of participants in NSK Institute of Technology	NSK Group	Persons	466	451	527	518	493		
	Number of employees who have attained a TOEIC score of 730 or higher (cumulative)	Group in Japan* <sup>1</sup>	Persons	536	563	631	660	700		
Rate of labor union participation	Non-management employees	Group in Japan* <sup>1</sup>	%	100	100	100	100	100		
	All employees including managers	Group in Japan* <sup>1</sup>	%	82	83	83	83	84		
Employee engagement survey* <sup>6</sup>	Number of participants (officers and employees)	NSK Group	Persons	28,893	15,538	15,518	14,963	5,976		
Research and development	Number of patents held	NSK Group	Patents	6,987	7,499	8,052	8,172	6,226		

\*<sup>1</sup> NSK Ltd. and main group companies in Japan \*<sup>2</sup> The Company receives third-party assurances. ▶ P.85 \*<sup>3</sup> Revised to improve accuracy \*<sup>4</sup> Cancelled due to the spread of COVID-19 \*<sup>5</sup> Including those expected to graduate by September 30, 2022 \*<sup>6</sup> Conducted as a compliance awareness survey until FY2017

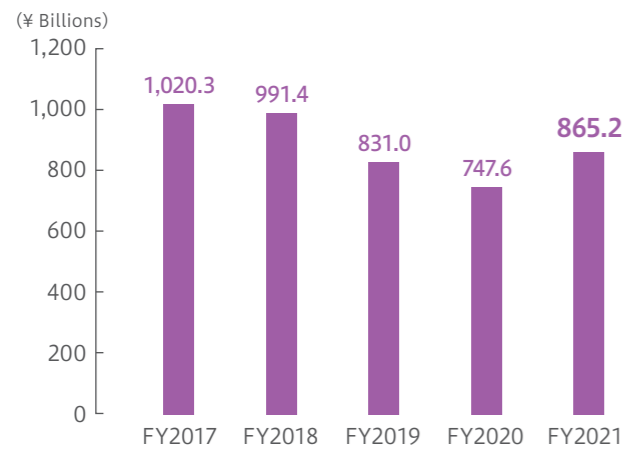
As of June 30		UNIT	2018/6*	2019/6	2020/6	2021/6	2022/6	
Governance	Composition of the Board of Directors	Number of directors	Persons	12	12	9	9	9
		Ratio of independent outside directors	%	41.7	41.7	55.6	55.6	55.6
		Ratio of males	%	91.7	91.7	88.9	88.9	88.9
		Ratio of females	%	8.3	8.3	11.1	11.1	11.1
		UNIT	FY2017	FY2018	FY2019	FY2020	FY2021	
Attendance at Board of Directors meetings	Number of times convened	Meetings	10	10	10	10	10	
	Average attendance rate	%	100	99	99	98	100	
	Average attendance rate of independent outside directors	%	100	98	98	98	100	

\*The appointment of one independent outside director took place in July 2018.

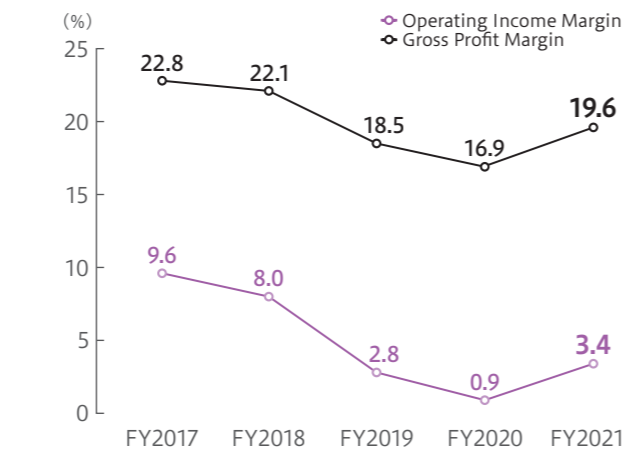
# Financial and Non-Financial Highlights

## ► Trends in Major Indices

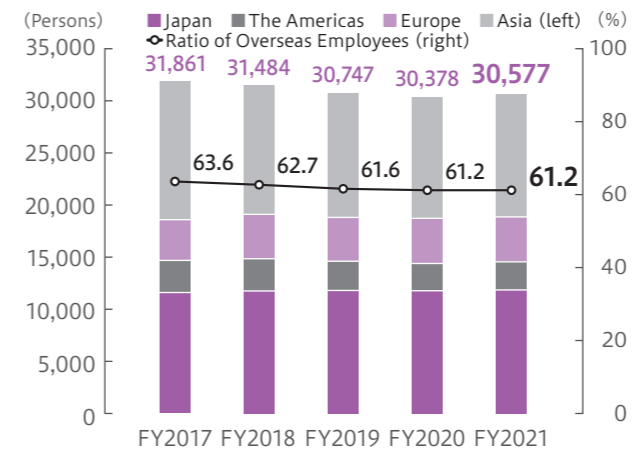
■ Sales



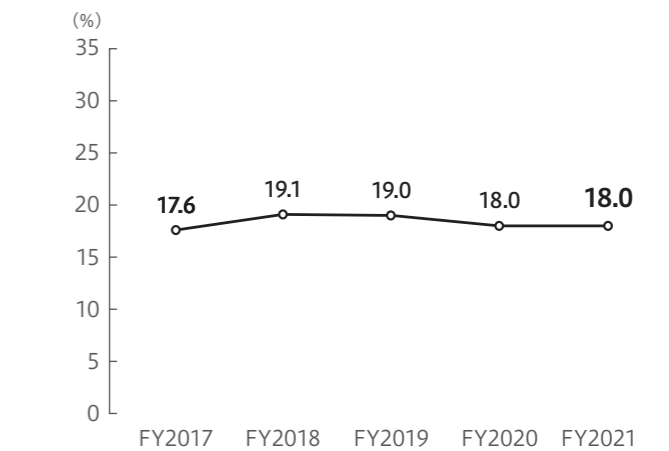
■ Operating Income Margin/Gross Profit Margin



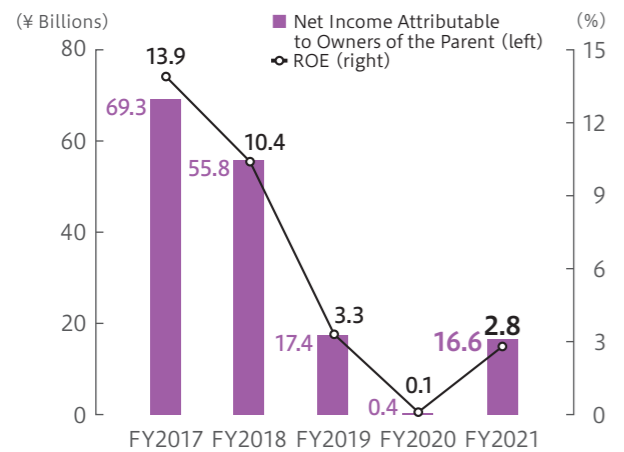
■ Number of Employees Worldwide/Ratio of Overseas Employees



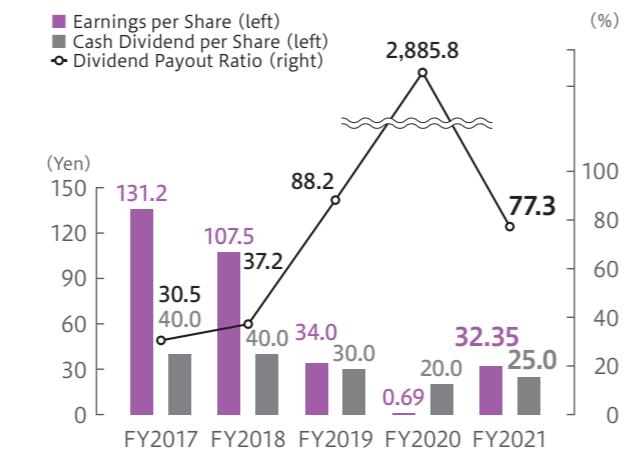
■ Ratio of Female Employees



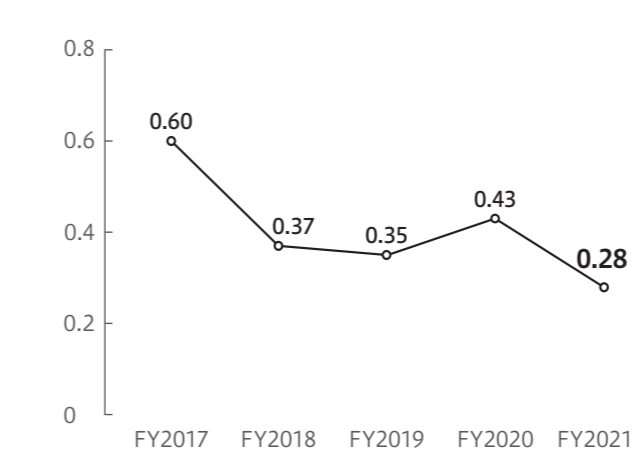
■ Net Income Attributable to Owners of the Parent/ROE



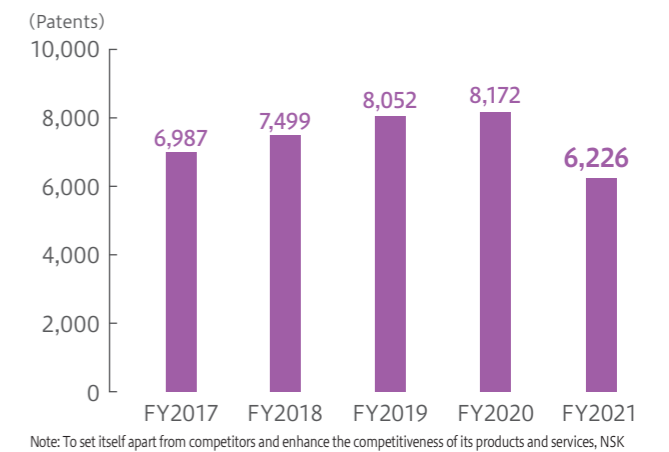
■ Earnings per Share/Cash Dividend per Share/Dividend Payout Ratio



■ Lost-Time Injury Frequency Rate

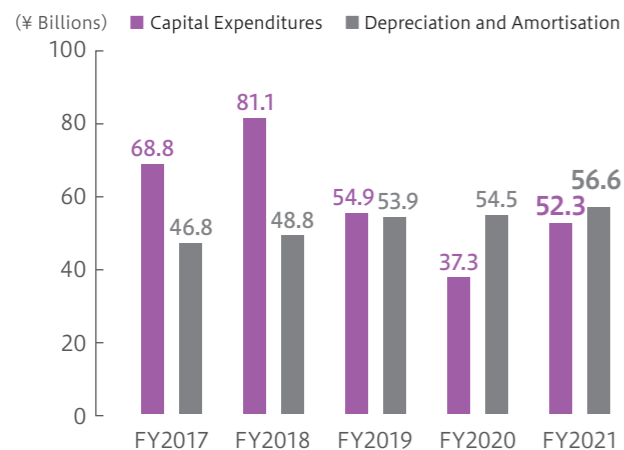


■ Number of Patents Held

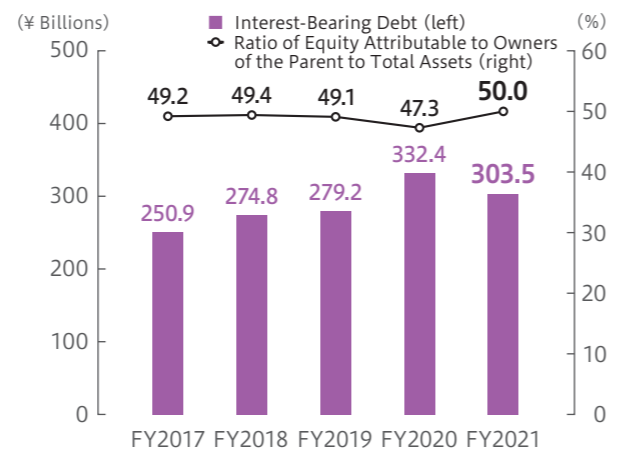


Note: To set itself apart from competitors and enhance the competitiveness of its products and services, NSK submits patent applications on an ongoing basis for any technological outcomes it produces. As a result of reorganizing patents with a low potential for future use, the number of removed patents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

■ Capital Expenditures/Depreciation and Amortisation

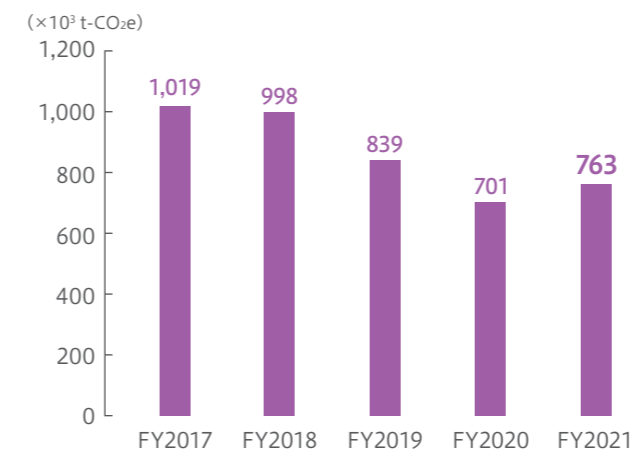


■ Interest-Bearing Debt/Ratio of Equity Attributable to Owners of the Parent to Total Assets

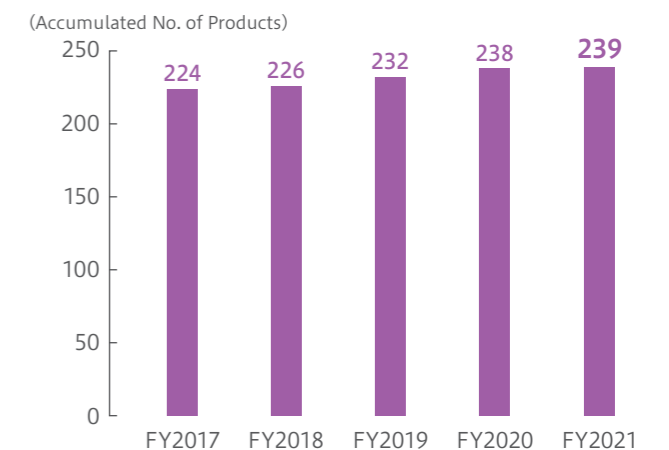


Note: In FY2021, NSK finalized the provisional accounting treatment for business combination. The figures for FY2020 reflect the finalized data of the provisional accounting treatment.

■ Greenhouse Gas Emissions



■ Number of Environmentally Friendly Products Developed



Note: Cumulative data from FY2002.

► PP.46-47 Global Business Foundation

► P.40 Diversity as a Driving Force of the Organization

► P.42 Safety Management

► PP.34-35 Promote Carbon Neutrality

# Consolidated Financial Statements

## Consolidated Statements of Financial Position (IFRS)

(¥ Millions)

		FY2020 (March 31, 2021)	FY2021 (March 31, 2022)
<b>Assets</b>			
Current assets	Cash and cash equivalents	176,638	137,504
	Trade receivables and other receivables	185,993	209,351
	Inventories	150,046	196,736
	Other financial assets	1,569	1,658
	Income tax receivables	4,670	5,562
	Other current assets	15,850	19,065
	<b>Total current assets</b>	<b>534,769</b>	<b>569,879</b>
Non-current assets	Property, plant and equipment	378,677	379,042
	Intangible assets	42,872	43,987
	Investments accounted for using equity method	29,773	30,824
	Other financial assets	79,203	66,094
	Deferred tax assets	10,962	15,128
	Net defined benefit assets	88,809	123,989
	Other non-current assets	6,632	5,603
	<b>Total non-current assets</b>	<b>636,930</b>	<b>664,672</b>
<b>Total assets</b>		<b>1,171,699</b>	<b>1,234,551</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Current liabilities	Trade payables and other payables	112,374	119,855
	Other financial liabilities	130,205	113,882
	Provisions	318	516
	Income tax payables	3,203	5,990
	Other current liabilities	54,888	56,758
	<b>Total current liabilities</b>	<b>300,989</b>	<b>297,003</b>
Non-current liabilities	Financial liabilities	223,211	214,684
	Provisions	2,919	3,050
	Deferred tax liabilities	45,521	56,084
	Net defined benefit liabilities	17,349	17,714
	Other non-current liabilities	8,139	8,555
	<b>Total non-current liabilities</b>	<b>297,140</b>	<b>300,088</b>
<b>Total liabilities</b>		<b>598,130</b>	<b>597,091</b>
Equity	Issued capital	67,176	67,176
	Capital surplus	80,338	80,374
	Retained earnings	397,837	410,872
	Treasury shares	(37,303)	(37,025)
	Other components of equity	46,467	96,402
	<b>Total equity attributable to owners of the parent</b>	<b>554,516</b>	<b>617,800</b>
	Non-controlling interests	19,052	19,659
<b>Total equity</b>		<b>573,569</b>	<b>637,460</b>
<b>Total liabilities and equity</b>		<b>1,171,699</b>	<b>1,234,551</b>

## Consolidated Statements of Income (IFRS)

(¥ Millions)

	FY2020 (From April 1, 2020, to March 31, 2021)	FY2021 (From April 1, 2021, to March 31, 2022)
Sales	747,559	865,166
Cost of sales	621,318	695,440
Gross profit	126,240	169,725
Selling, general and administrative expenses	125,425	144,724
Share of profits of investments accounted for using the equity method	4,076	3,785
Other operating income	–	10,225
Other operating expenses	(1,472)	9,582
Operating income	6,364	29,430
Financial income	2,137	2,229
Financial expenses	2,612	2,143
Income before income taxes	5,889	29,516
Income tax expense	6,637	11,851
Net income (loss)	(748)	17,664
Net income attributable to:		
Owners of the parent	355	16,587
Non-controlling interests	(1,103)	1,077
(Earnings per share attributable to owners of the parent)		
Basic earnings per share (Yen)	0.69	32.35
Diluted earnings per share (Yen)	0.69	32.26

## Consolidated Statements of Comprehensive Income (IFRS)

(¥ Millions)

	FY2020 (From April 1, 2020, to March 31, 2021)			FY2021 (From April 1, 2021, to March 31, 2022)		
	Before tax effect	Tax effect	Amount (net)	Before tax effect	Tax effect	Amount (net)
Net income (loss)			(748)			17,664
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurements of net defined benefit liability (asset)	25,333	(10,127)	15,205	32,433	(11,263)	21,170
Net changes in financial assets measured at fair value through other comprehensive income	28,028	(8,561)	19,467	(2,353)	710	(1,642)
Share of other comprehensive income of investments accounted for using equity method	206	(61)	144	235	(68)	166
<b>Total items that will not be reclassified to profit or loss</b>	<b>53,568</b>	<b>(18,751)</b>	<b>34,817</b>	<b>30,315</b>	<b>(10,621)</b>	<b>19,694</b>
Items that may be reclassified to profit or loss						
Exchange differences on translating foreign operations	23,783	–	23,783	35,774	–	35,774
Cash flow hedges	404	(123)	281	–	–	–
Share of other comprehensive income of investments accounted for using equity method	715	–	715	872	–	872
<b>Total items that may be reclassified to profit or loss</b>	<b>24,904</b>	<b>(123)</b>	<b>24,780</b>	<b>36,647</b>	<b>–</b>	<b>36,647</b>
<b>Total other comprehensive income</b>	<b>78,472</b>	<b>(18,874)</b>	<b>59,597</b>	<b>66,963</b>	<b>(10,621)</b>	<b>56,341</b>
<b>Total comprehensive income for the period</b>			<b>58,849</b>			<b>74,006</b>
Total comprehensive income for the period attributable to:						
Owners of the parent			59,290			72,220
Non-controlling interests			(441)			1,785

## Consolidated Financial Statements

## Consolidated Statements of Changes in Equity (IFRS)

(¥ Millions)

FY2020 (From April 1, 2020, to March 31, 2021)	Equity attributable to owners of the parent			
	Issued capital	Capital surplus	Retained earnings	Treasury shares
Opening balance	67,176	80,456	405,842	(37,662)
Net income (loss)	-	-	355	-
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	355	-
Purchase of treasury shares	-	-	-	(8)
Disposal of treasury shares	-	30	-	367
Share-based payment transactions	-	(147)	-	-
Cash dividends	-	-	(10,256)	-
Other	-	-	1,896	-
Total transactions with owners, etc.	-	(117)	(8,360)	359
Closing balance	67,176	80,338	397,837	(37,303)

	Equity attributable to owners of the parent							Non-controlling interests	Total equity
	Other components of equity				Total	Total	Total		
	Exchange differences on translating foreign operations	Cash flow hedges	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)					
Opening balance	(34,462)	-	17,166	6,988	(10,308)	505,505	21,013	526,518	
Net income (loss)	-	-	-	-	-	355	(1,103)	(748)	
Other comprehensive income	23,846	281	19,509	15,298	58,935	58,935	662	59,597	
Total comprehensive income for the period	23,846	281	19,509	15,298	58,935	59,290	(441)	58,849	
Purchase of treasury shares	-	-	-	-	-	(8)	-	(8)	
Disposal of treasury shares	-	-	-	-	-	398	-	398	
Share-based payment transactions	-	-	-	-	-	(147)	-	(147)	
Cash dividends	-	-	-	-	-	(10,256)	(1,519)	(11,775)	
Other	-	(281)	(1,879)	-	(2,160)	(264)	-	(264)	
Total transactions with owners, etc.	-	(281)	(1,879)	-	(2,160)	(10,279)	(1,519)	(11,798)	
Closing balance	(10,616)	-	34,797	22,286	46,467	554,516	19,052	573,569	

(¥ Millions)

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 interest 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	Total		
	Exchange differences on translating foreign operations	Cash flow hedges	Net changes in financial assets measured at fair value through other comprehensive income	Remeasurements of net defined benefit liability (asset)					
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 interest 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	

## Consolidated Statements of Cash Flows (IFRS)

(¥ Millions)

	FY2020 (From April 1, 2020, to March 31, 2021)	FY2021 (From April 1, 2021, to March 31, 2022)
Operating activities		
Income before income taxes	5,889	29,516
Depreciation and amortization	54,527	56,558
Impairment loss	132	10,222
Increase (decrease) in net defined benefit liability and net defined benefit asset	(2,658)	(2,442)
Interest and dividend income	(1,763)	(1,728)
Interest expenses	2,739	2,573
Share of profits of investments accounted for using the equity method	(4,076)	(3,785)
Loss (gain) on sales of property, plant and equipment	(291)	(10,048)
Decrease (increase) in trade receivables	(20,822)	(11,902)
Decrease (increase) in inventories	9,155	(34,821)
Increase (decrease) in trade payables	13,800	442
Other	5,591	(2,707)
Subtotal	62,225	31,876
Interest and dividend received	3,895	5,241
Interest expenses paid	(2,398)	(2,936)
Income tax paid	(9,880)	(11,447)
Net cash provided by operating activities	53,842	22,733
Investing activities		
Purchases of property, plant and equipment	(33,797)	(36,063)
Proceeds from sale of property, plant and equipment	878	10,829
Purchases of other financial assets	(130)	(20)
Proceeds from sale of other financial assets	3,804	11,290
Acquisition of shares of subsidiaries	(20,118)	-
Other	(1,732)	(6,010)
Net cash used in investing activities	(51,096)	(19,973)
Financial activities		
Increase (decrease) in short-term loans	39,194	(22,035)
Proceeds from long-term loans	16,727	9,000
Repayments of long-term loans	(10,142)	(9,304)
Payments for redemption of corporate bonds	-	(10,000)
Repayments of lease liabilities	(4,409)	(4,722)
Acquisition of treasury shares	(2)	(1)
Dividends paid	(10,253)	(10,259)
Dividends paid to non-controlling interests	(1,519)	(1,164)
Other	398	263
Net cash used in financial activities	29,992	(48,224)
Effect of exchange rate changes on cash and cash equivalents	6,602	6,330
Net increase (decrease) in cash and cash equivalents	39,340	(39,133)
Cash and cash equivalents at the beginning of the period	137,298	176,638
Cash and cash equivalents at the end of the period	176,638	137,504

Note: In the fiscal year ended March 31, 2022, NSK finalized the provisional accounting treatment for its business combination. The consolidated financial statements for the year ended March 31, 2021, reflect the revision of the initially allocated amounts of the acquisition price.

### 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. <https://www.nsk.com/investors/management/taxpolicy.html>



## NSK Group

As of March 31, 2022

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 JIKUJKE 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
	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	
	100.0%	Manufacture of condition monitoring equipment and sale and provision of condition monitoring services	
France	NSK FRANCE S.A.S.	100.0%	Sales of industrial machinery bearings, etc.

Region	Company Name	Consolidated Equity	Outline of Business
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
	AKS PRECISION BALL POLSKA SP. Z O.O.	100.0%	Manufacture and sales of steel balls
Denmark	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

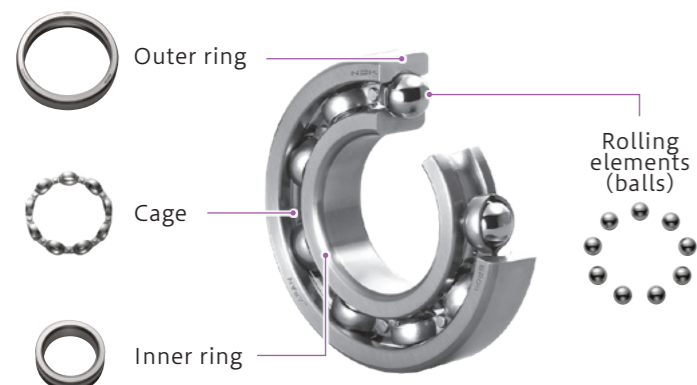
## ASIA

China	NSK (CHINA) INVESTMENT CO., LTD.	100.0%	Control of Chinese subsidiaries and affiliates, sales of bearings, etc.
	KUNSHAN NSK CO., LTD.	85.0%	Manufacture of automotive bearings, etc.
	NSK STEERING SYSTEMS DONGGUAN CO., LTD.	100.0%	Manufacture of automotive components
	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
	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.
TOHSHIN-NSK ROLLERS (SUZHOU) CO., LTD.	40.0%	Manufacture of automotive bearing parts	
Hong Kong	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.
	NSK BEARINGS (THAILAND) CO., LTD.	49.0%	Sales of industrial machinery bearings, etc.
Malaysia	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	NSK NEW ZEALAND LIMITED	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.

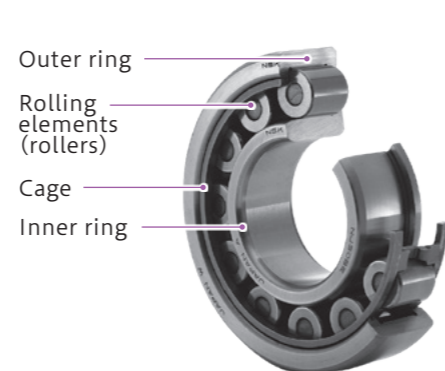
# Basic Knowledge of NSK Products

## 1 Bearings

### Ball Bearing



### Roller Bearing



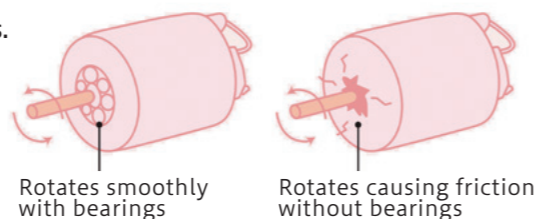
Bearings have a simple basic structure with four elements—an outer ring, an inner ring, rolling elements, and a cage.

### Bearings are products that contribute to the environment

Bearings work to reduce friction in the rotational motion of machines. Smooth movement makes the following three contributions.

- 1 Reduces breakdowns
- 2 Extends operating life
- 3 Reduces power consumption

Some estimates indicate that if bearings were not used in automobiles, an extra 600,000 kl of gasoline would be needed annually in Japan. Bearings are indispensable for fuel-efficient performance that enables vehicles to operate using less fuel.

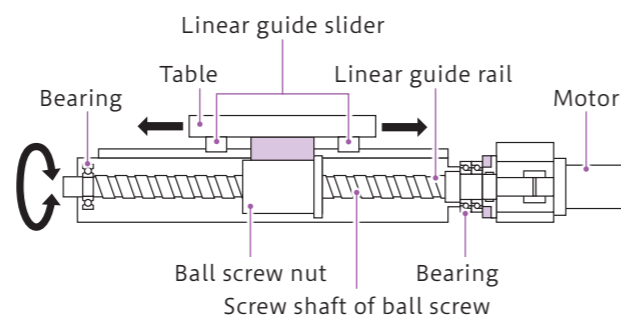
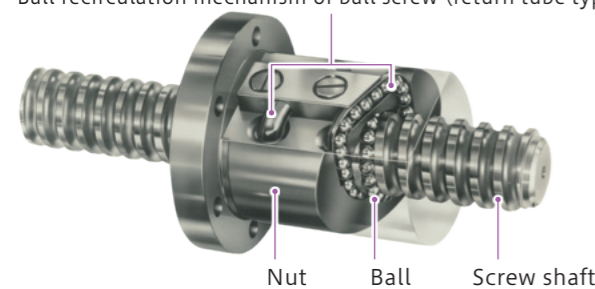


## 2 Ball Screws and Linear Guides

A ball screw is a component that converts rotational motion into linear motion or linear motion into rotational motion by applying the principles of bearings. Linear guides are products that guide linear motion by also applying the bearing principle. In ball screws, the nut advances axially as the screw shaft rotates. These items are widely used as components for precision positioning mechanisms mainly in machine tools, various types of robots, FA, OA equipment, semiconductor-related equipment, industrial machinery, and medical-related equipment.

### Precision Positioning Mechanisms and Ball Screw Movements

Ball recirculation mechanism of ball screw (return tube type)



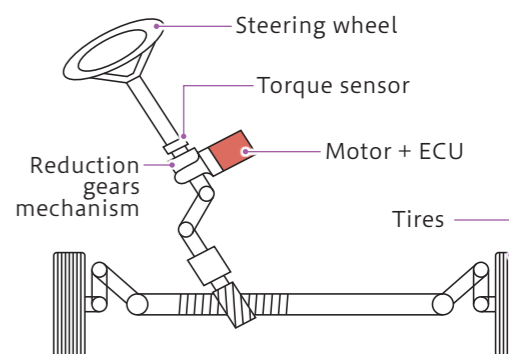
## 3 EPS (Electric Power Steering)

EPS is a product that assists driver steering wheel operation by using electric motors. NSK succeeded in mass-producing EPS for compact cars in 1988 and since then has been contributing to the production of fuel-efficient and environmentally friendly vehicles.

To accommodate differences in vehicle weight and structure, EPS is largely divided into four main types depending on the motor mounting position and reduction gears mechanism (Charts 1 to 4). Type 1 is most suitable for lightweight vehicles, while types closer to Type 4 are more suitable for heavier vehicles.

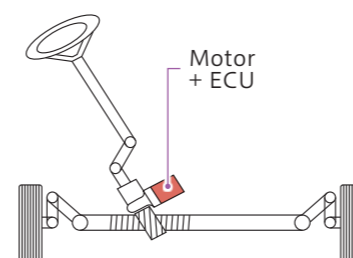
In recent years, electrification and improved automatic driving technology have enabled EPS not only to assist drivers in steering wheel operation but also help to create new value by enabling drivers to operate the steering wheel based on instructions from the vehicle.

### 1 Column-type

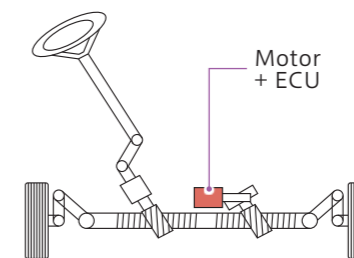


The motor-assisted type shown above is located closer to the steering wheel and is called **the upper assist type**, while the motor-assisted types shown below are located closer to the tires and are called **the lower assist type**.

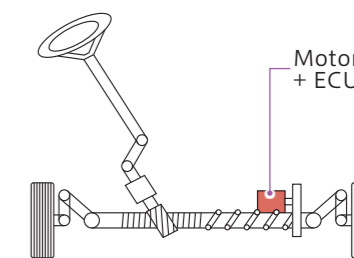
### 2 Single pinion type



### 3 Dual pinion type



### 4 Rack type



Light ← Vehicle weight → Heavy

### COLUMN

NSK's vision is "setting the future in motion," and NSK is developing advertisements that express this vision. Members of technological divisions participate in the creation of the advertisements, taking on the challenge of creating new movements while leveraging the strengths of the Company's products and technologies. The "with Motion & Control Running" advertisement released in 2020 won the Transportation Advertising Grand Prix 2021 in the Vehicle Digital Media Category. In the "with Motion & Control Connecting" advertisement released in 2021, we used Monocarrier™ and Megatorque Motor™ to create movements that connect the world toward the future.

▶ Please click here to view the advertisement videos. <https://www.nsk.com/special/>



## Glossary

Term	Meaning
Actuators	Actuators refer to mechanical components that, for example, play a role in the actuation of brakes and gear shifting of automobiles.
Aftermarket	Aftermarket refers to maintenance and repair demand. In NSK, aftermarket mainly means the demand and business for repair and replacement.
CMS	CMS stands for <b>C</b> ondition <b>M</b> onitoring <b>S</b> 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.
Conflict Minerals	Conflict minerals refer to minerals that lead to sources of funds for armed groups and antigovernment forces that violate human rights, the procurement of which gives rise to concerns about complicity in conflicts. Under the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act, companies listed on the U.S. market are obliged to investigate usage and disclose information every year regarding the four minerals (tin, tantalum, tungsten, and gold) mined in the Democratic Republic of Congo and adjoining countries.
CSR Procurement	CSR procurement refers to the procurement of raw materials and parts in consideration of compliance with laws and regulations, environmental protection, human rights, occupational safety, and health.
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.
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: <ol style="list-style-type: none"> <li>1. Creating products that contribute to energy and resource conservation during use by customers;</li> <li>2. Creating products that minimize energy and resource use during production;</li> <li>3. Creating products that realize zero use of environmentally harmful substances; and</li> <li>4. Creating products that contribute to people’s health and safety through low vibration, low noise, and low dust emissions.</li> </ol>
Friction	Friction refers to friction resistance. Friction becomes an important factor when applying different types of movement in machinery and devices. In terms of bearings, friction affects the smoothness of movement when the inner ring and outer ring turn, so reducing and controlling friction is essential.
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.
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.

Term	Meaning
LGBTQ+	LGBTQ stands for <b>L</b> esbian, <b>G</b> ay, <b>B</b> isexual, <b>T</b> ransgender, <b>Q</b> ueer/ <b>Q</b> uestioning (people who do not belong to a certain category and/or are uncertain about their own sexuality, etc.). By adding +, the term represents the diversity of sexuality.
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.
Needle Bearings	Needle bearings refer to bearings with needle-type rolling elements. Low cross-sectional height and high load capacity helps realize space saving.
NPDS	NPDS stands for <b>N</b> SK <b>P</b> roduct <b>D</b> evelopment <b>S</b> 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.
Per Production Unit	Per production unit refers to the standard amount of raw materials, workforce, power, etc., that is necessary to produce a certain amount of industrial products. “CO <sub>2</sub> emissions per production unit” means CO <sub>2</sub> (carbon dioxide) emissions discharged in the process of production of a certain amount of a product.
Powertrain	Powertrain refers to the main components that generate power and deliver to the drive wheel in automobiles.
PRTR Act	The PRTR Act stands for the <b>P</b> ollutant <b>R</b> elease and <b>T</b> ransfer <b>R</b> egister 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.
QCDDSM	QCDDSM stands for <b>Q</b> uality, <b>C</b> ost, <b>D</b> elivery, <b>D</b> evelopment, <b>S</b> ervice, and <b>M</b> anagement. The QCDDSM elements are generally focused on by the manufacturing industry including NSK.
SPI Management	SPI is an acronym for <b>S</b> ales, <b>P</b> roduction, and <b>I</b> nventory, and refers to the appropriate management and operation of sales, production, and inventory.
VOCs	VOCs stands for <b>V</b> olatile <b>O</b> rganic <b>C</b> ompounds. VOCs are one cause of photochemical smog.
XY Table	XY table refers to the positioning devices that move in the X-axis (left and right) and the Y-axis (forward and backward). By stacking mechanisms (tables) that can move in each direction, these devices can be positioned to the desired location. These devices are used for precision positioning of machine tools and semiconductor production equipment.

# IR Activities

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 mid- to long-term. 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.

## Dialogue with Institutional/Individual Investors

We hold financial conferences to discuss our financial results and the Mid-Term Management Plan where top management directly communicate on a variety of topics. Moreover, we hold events every year to engage in constructive dialogue regarding our management strategy and ESG.

In FY2021, we also held individual investor briefings online. We are actively disclosing information and responding to inquiries by, for example, having set up a website for individual investors to give them a concise understanding of NSK.

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.

### The 161st Ordinary General Meeting of Shareholders for the Year Ended March 31, 2022 (held June 28, 2022)

Number of shareholders present	Ratio of shareholder voting rights exercised
29	83.5%

The number of participants was smaller than typical years in similar fashion to the 17 participants of the previous year to prevent the spread of COVID-19.

### Number of Dialogue Opportunities in FY2021 Total of 390 Companies (excluding large meetings)

Financial conferences (large meetings)	4 times for a total of 427 companies
Individual IR interviews	Total of 266 companies
Institutional investor engagement visits	Total of 18 companies
President's small meetings	5 times for a total of 63 people
IR road shows outside Japan (online) Europe/North America/Asia	32 companies
Conference participation for investors outside Japan	3 times for a total of 11 companies

▶ Please see our website for NSK's disclosure policy. <https://www.nsk.com/investors/management/disclosurepolicy.html>

## 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 2022.

Member of Dow Jones Sustainability Indices Powered by the SIF Global CSA	<a href="https://www.spglobal.com/esg/csa/">https://www.spglobal.com/esg/csa/</a>	ISS ESG Prime	<a href="https://www.issgovernance.com/esg/ratings/">https://www.issgovernance.com/esg/ratings/</a>
FTSE4Good *1	<a href="https://www.ftserussell.com/products/indices/ftse4good">https://www.ftserussell.com/products/indices/ftse4good</a>	2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN) *4	<a href="https://www.msci.com/our-solutions/esg-investing">https://www.msci.com/our-solutions/esg-investing</a>
FTSE Blossom Japan *2	<a href="https://www.ftserussell.com/products/indices/blossom-japan">https://www.ftserussell.com/products/indices/blossom-japan</a>	2022 Sampo Sustainability Index	<a href="https://www.sampo-am.com/">https://www.sampo-am.com/</a>
FTSE Blossom Japan Sector Relative Index *3	<a href="https://www.ftserussell.com/products/indices/blossom-japan">https://www.ftserussell.com/products/indices/blossom-japan</a>		

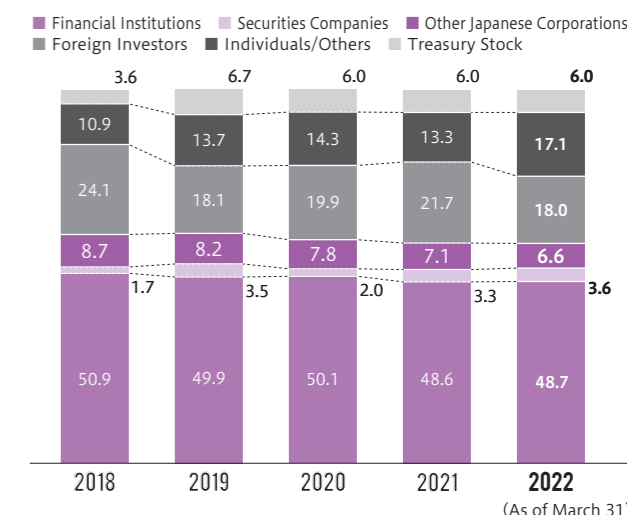
\*1 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that NSK has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index provider 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 is used by a wide variety of market participants to create and assess responsible investment funds and other products.  
 \*4 THE INCLUSION OF NSK IN ANY MSCI INDEX AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS, OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, OR PROMOTION OF NSK BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES. TRADEMARKS, SERVICE MARKS, OR INDEX NAMES HEREIN DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, OR PROMOTION OF NSK BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

# Share Information

As of March 31, 2022

<b>Common Stock</b>	
Authorized	1,700,000,000 shares
Issued	551,268,104 shares (including 32,914,926 shares of treasury stock)
<b>Number of Shareholders</b>	64,170
<b>Transfer Agent</b>	Mizuho Trust & Banking Co., Ltd. 1-3-3, Marunouchi, Chiyoda-ku, Tokyo 100-8241, Japan
<b>Listing</b>	Tokyo
<b>Security Code</b>	6471

## Breakdown of Shareholders (%) (by shareholder type)



# Third-Party Assurances

To ensure the reliability and accuracy of NSK Report 2022 as an integrated report, NSK obtained assurances from an external third party for the data information on the right described in this report.

## Items Subject to Assurance

- Energy usage ▶ P.70 / Greenhouse gas emissions (Scope 1, Scope 2, Scope 3) ▶ P.70 / Water withdrawal ▶ P.70 / Waste and valuables ▶ P.70 / Emissions of VOCs ▶ P.70 / Lost-time injury frequency rate ▶ P.71

▶ See here for our Independent Verification Report and Independent Assurance Statement. <https://www.nsk.com/sustainability/csrReport/>

## At the Time of Publishing the NSK Report 2022

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

The NSK Report 2022 reiterates NSK's value creation process, which aims both to contribute to the resolution of social issues and to achieve sustainable growth as a company under its corporate philosophy. It also presents details of the Mid-Term Management Plan 2026 (MTP2026), which began in April 2022.

In addition to technical evolution, the needs and the very state of society itself will change significantly going forward—with keywords such as electrification, automation, digital transformation, reducing environmental impact, and sustainability. This report explains where NSK is heading and what efforts we are currently engaged in—based on backcasting from the business environment we envisage 10–20 years from now, a review of our previous mid-term management plan, and recognition of our current situation. We hope that it

## Gen Murayama

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



successfully conveys our vision, strategies, and initiatives 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.