Conference held on February 4, 2026

NSK Ltd. Q&A Summary – Fiscal 2025 Q3 Financial Conference (Fiscal Year Ending March 31, 2026)

◆Results and Outlook

Q1

What is the background for the upward revision of the Steering Business this time, and why is a loss forecast for Q4?

A1

The upward revision was based on higher-than-expected volume, which led to Q3 operating income exceeding projections. Additionally, some expenses originally anticipated for Q3 were deferred to Q4, resulting in the Q4 loss forecast. While Q4 could potentially exceed the current forecast, uncertainties such as semiconductor supply issues limit us from being overly optimistic. Nevertheless, even considering these factors, we expect to maintain profitability for the full year.

Q2

The revision shows a -¥1.5 billion impact from volume/mix and a +¥1.0 billion impact from operational improvements. What is the situation by business segment?

A2

The proportion of volume impact and operational improvements attributable to each business segment is roughly equivalent for both the Industrial Machinery Business and the Automotive Business. The negative volume mix impact stems from weaker-than-expected recovery in European aftermarket demand for Industrial Machinery as of November, and for the Automotive Business, reduced orders due to inventory adjustments following the end of China's stimulus subsidy, compounded with some rare earth material impact.

Q3

Why is the full-year operating income forecast for the Industrial Machinery Business improved significantly from around 4% in Q1-Q3 to 7% in Q4? Also, is the 7% profit margin in Q4 a sustainable profit level?

A3

The Industrial Machinery Business sees its strongest sales growth in Q4, so inventory is typically built-up heading into December each year. This often creates a gap in inventory unrealized profits between Q3 and Q4. Therefore, we consider the profit level of the Industrial Machinery Business to be the average of the second half (combining Q3 and Q4) as the more accurate performance figure.

Q4

The full-year forecast as of Q2 point showed an inflation-adjusted labor cost increase impact of -¥8.3 billion, but this has now become -¥14.3 billion. Where did this difference originate? Also, the volume/mix as of Q2 point was -¥2.0 billion, but the revised forecast shows -¥2.1 billion. What is the reason for this discrepancy, and why does it differ from the -¥1.5 billion volume/mix figure stated at the top of the same page?

A4

As of Q2, the impact of U.S. tariffs was reflected in the net figure for costs and sales prices in the revised forecast. This time, the figures were reflected separately in inflation and sales price improvements, hence the different presentation method. The difference compared to the previous forecast excluding tariff impacts was compressed from ¥8.3 billion to ¥5.3 billion because the impact of steel prices, logistics costs, consumables, etc., was smaller than initially assumed. Similarly, regarding volume/mix, the Q2 report projected a +¥1.0 billion adjustment due to volume and other factors. However, actual volume did not increase, resulting in the observed difference.

◆**Business Environment**

Q5

Regarding the Industrial Machinery Business, is it correct to understand that recovery is not yet visible? We hear signs of recovery in the semiconductor sector, but is there no change indicating a full-fledged recovery in orders?

A5

Semiconductor-related orders are starting to pick up, and we see the possibility of a full-fledged recovery from late March through the first half of next fiscal year. However, the extent to which this will continue remains uncertain. For machine tools, there is movement in Japan's high-functionality/high-value-added products and export-oriented items, but unit growth remains weak. We anticipate that capital investment in general-purpose equipment will start to pick up next fiscal year. If this trend is accompanied by a recovery in the aftermarket, we believe next fiscal year holds promise.

Q6

Regarding the aftermarket, we understand Europe is sluggish, but what is the situation in other regions?

A6

Japan's domestic sales are essentially flat. Sales in North and South America are positive due to expanded sales efforts, but the underlying momentum still feels sluggish. China is showing positive growth compared to last year but has not yet returned to peak levels.

Q7

Regarding precision machinery and equipment for semiconductor manufacturing, comments indicated movement in orders from the U.S. based on actual results. What is the status of orders by region?

A7

Regarding precision machinery and equipment orders, we are seeing a recovery overall. Compared to the January-March period last year, after an initial recovery, orders remained flat, but we are now seeing a gradual recovery trend. Semiconductor-related demand had been sluggish for a long time. However, Japanese manufacturing equipment manufacturers have started to move, which is significant. In discussions with manufacturers, we have been told that movement is expected from March-April onwards. We intend to reliably secure this demand for the next fiscal year.

Q8

Regarding the actuator for humanoid robots developed in collaboration with Taiwan's Delta Electronics, which was also promoted at the December robotics exhibition, has there been any progress in business negotiations?

A8

Technical discussions have begun with several Japanese robot manufacturers, but we are not yet at the stage where mass production orders are imminent.

◆Next Mid-Term Management Plan

Q9

For the next MTP, the target ROE is 8%. Is it correct to understand that this target is to be achieved by the fiscal year ending March 2029? Also, while a long-term target of over 10% has been stated, European competitors have ROEs around 13% to 15%, which is not considered sufficient. Does the company also aim for a level around 15% in the long term?

A9

We are considering setting a goal to achieve 8% ROE by the fiscal year ending March 2029. As you pointed out, we understand the need to aim for 13-15%, but our policy is to increase it step by step. We will discuss this internally again, taking your opinion into account.

Q10

We understand the policy of setting a lower limit of 2.5% for the DOE. However, in the next mid-term plan, to what extent do you plan to raise DOE?

A10

We cannot disclose the figures for the next mid-term plan at this time. We recognize that many institutional investors have expressed opinions regarding whether 2.5% is appropriate, and this is acknowledged internally. However, some investors also suggest that growth investments should be prioritized over increasing dividends. We will consider all opinions received.

Q11

The current mid-term management plan set a target of ¥75.0 billion in operating income on sales of ¥900.0 billion. Why did we fall short of this target? Furthermore, if we cannot reach the ¥70.0 billion range within the next 2-3 years, measures to reduce the denominator of ROE will be necessary. What is your thinking on this point?

A11

The current mid-term management plan set a policy of improving fundamentals by ¥15.0 billion from 2024 to 2026. In addition to this, the plan anticipated an increase in profits of over ¥30.0 billion driven by volume growth, aiming for total profits of ¥70.0 billion. While we have made progress on the structural improvements, we now anticipate falling short on the volume growth target. Therefore, in the next mid-term management plan, we aim to achieve profits exceeding ¥70.0 billion by covering half of the shortfall through fixed cost improvements and the remaining portion through portfolio reforms and sales expansion. We also believe measures to moderately reduce assets will be necessary to achieve the ROE target. This point is currently under internal review.

Q12

Regarding the PLM business and CMS, which are key to growth in new areas, what distinguishes them from previous efforts? Recent performance shows sluggishness in Europe's MRO segment, with Japan also underachieving, giving the impression of lacking momentum.

A12

The key difference this time lies in restructuring our sales approach to combine condition monitoring services with industrial maintenance for fields like wind power generation and paper manufacturing equipment. Previously, CMS and MRO sales operated separately, dispersing resources. Going forward, we will focus sales activities on key targets based on industry-specific and customer-specific longlists. This will establish a system where progress can be clearly tracked, leading to accumulating results.

Q13

Will the mid-term plan be announced including the Steering Business? Or will it be a plan premised on selling it during the mid-term period?

A13

At this stage, we are preparing for both scenarios. Our policy to continue seeking a partner for the Steering Business remains unchanged. However, given the current business environment, it may not be possible to complete the sale within three years. Therefore, we believe it is necessary to consider both a plan including the Steering Business and a plan excluding it. In either case, we intend to set a target ROE of 8% or higher.