

November 16, 2021

**NSK Ltd. Q&A Summary — Fiscal 2021 Q2 Financial Conference  
(Year Ending March 31, 2022)**

**Q1:**

**How is progress in passing on the increase in raw material prices to customers. In your presentation you mentioned you expect to substantially pass on cost increases in the second half, but how feasible is this? What are the reasons for not being able to fully pass on the cost increases throughout the year?**

**A1:**

The timing of reflecting cost increases in sales prices, especially to automakers, has been delayed by three to six months, so price increases will have a larger effect in the second half. The price of raw materials has increased more than expected, and we are gradually beginning to settle negotiations to increase our prices, and we project that about 80-90% of the increase in steel prices will be covered by increases to sales prices.

**Q2:**

**The industrial machinery business is close to past peak volume but has not reached double-digit profits. Is this due to a change in the revenue profile? Also, demand for precision machinery and parts is strong, are customers advancing orders due to tight supply?**

**A2:**

We do not believe that there has been any change in the revenue profile. The E&E segment within the industrial machinery business was impacted by COVID shutdowns in ASEAN in the first half of the year and the increase in steel prices. We believe that we can increase profitability in the second half. Although some customers are advancing orders, precision machinery and parts supply chain risk is not as high as that of other components, therefore we see low risk of a falloff in the second half.

**Q3:**

**How are lead times from order to shipment in the industrial machinery business?**

**A3:**

Lead times have slightly extended. We continue initiatives to prevent production capacity shortages, and although the situation differs depending on the product, overall, in the first half of the year we saw a recovery to about 95% of production capacity, and we expect some lines to operate at full capacity in the second half. Although delivering on time will be difficult in some circumstances, we will continue to work closely with customers to make adjustments.

**Q4:**

**With the unexpected production cutbacks in the automotive industry, has growing interest in EV affected the timing of new projects, such as advancing steering projects for EV, or changing plans for HEV and ICE projects?**

**A4:**

There have been no major changes in vehicle planning so far, such as the timing of start of production for steering projects and vehicle volume. As for powertrain projects, although new car sales have been affected by the current semiconductor shortages, there is no talk of advancing or delaying development schedules. However, there is risk of impact on development plans due to the longer vehicle delivery cycles.

**Q5:**

**SKF's sales for EV increased 80% year-on-year. Is NSK expecting sales for EV to increase starting in the second quarter or in the second half?**

**A5:**

We are not able to disclose the orders we have received, but we are pursuing orders in all directions, not only for vehicles but also for electric appliances, motors, and e-axle makers in China. It is showing in our business results, with NSK sales related to EV and HEV increasing and we expect that these sales will continue to increase steadily.

**Q6:**

**Taking into account the recent supply chain situation, are there any changes to capital investment in production facilities?**

**A6:**

There is no change to our basic policy of local production as before. As for new production facilities, as a first candidate, we are currently considering the expansion of production of small-sized ball bearings in Asia and ASEAN regions. In addition, we are building up inventory to prepare for unforeseen events in the supply chain, but we believe that, moving forward, we need to further consider inventory and procurement strategies.

**Q7:**

**What is your outlook on the industrial machinery business in the next fiscal year, and what results have you seen from recent strategic moves in this segment?**

**A7:**

With electrification accelerating, we have been taking in increased demand for 5G-related fan motors and air conditioners. In addition, we are improving our supply system for precision machinery products and precision products on the premise that the global capital investment boom will continue, so we expect further sales expansion in the future. In infrastructure, demand in railway and wind power sectors has temporarily entered an adjustment phase, but we expect it to return

from the next fiscal year. Taking in demand here could be a tailwind for us. We are also continuing to develop new products and consider mergers and acquisitions that meet our requirements.

**Q8:**

**What demand trends do you see in the industrial machinery business in China?**

**A8:**

In general, we believe that demand will continue to be strong. Although there are concerns about the impact of semiconductor shortages on smartphones and electronics manufacturing services (EMS), and the impact of a decline in the rate of new housing construction on the construction machinery sector, we believe that capital investment will remain strong overall.

**Q9:**

**Share prices and performance of companies in the wind power sector in Europe appear to be sluggish. B&K Vibro, the company that NSK acquired last year, provides solutions to the wind power sector, what is your perspective on B&K Vibro in the first half?**

**A9:**

Profits are in line with what we expected at the time of our initial investment, and we are generally making progress as planned, although wind power is experiencing a slight slowdown in new projects. We are also taking advantage of NSK's sales channels to start selling B&K Vibro solutions in the United States, Brazil, China, and ASEAN.

**Q10:**

**You expect automotive production volume for the year to be 76 million units, but this seems too low.**

**A10:**

This figure is based on the information we have collected from our customers. There are differences in the impact of semiconductor shortages on each company, but we do not consider this figure to be conservative.

**Q11:**

**Companies are increasing inventory in preparation for an economic revitalization, is the current level of NSK inventory appropriate? Is your inventory too low?**

**A11:**

We have been building up inventory in line with plans of automakers to increase production in the second half of the year, and we believe that the current inventory level is appropriate. We have increased inventory beyond our previous peak and this level is sufficient.

**Q12:**

**How will semiconductor shortages impact future production cuts?**

**A12:**

In the first half, compared to our initial estimate, semiconductor shortages reduced global automotive production volume by slightly under 6 million vehicles. In the second half we expect a reduction of 5 million vehicles.

Looking at the third and fourth quarter, we think that the impact of semiconductor shortages will be weaker in the fourth quarter and that the situation will normalize.

**Q13:**

**The impact of the increase in logistics costs was 400 million yen in the first quarter and 500 million yen in the second quarter, how much will it be for the full year?**

**A13:**

For the full year, we expect the impact to be approximately 2.5 billion yen.