

May 13, 2025

**NSK Ltd. Q&A Summary – Fiscal 2024 Q4 Financial Conference
(Fiscal Year Ended March 31, 2025)**

◆FY24 Q4 Results

Q1

I would like to know the background of the increase in operating income in FY24 Q4 in both the Industrial Machinery and Automotive Businesses.

A1

The reason for the increase in operating income is that Q4 includes income from unrealized gains on inventories from previous quarters. Therefore, we believe it is appropriate to look at the average of Q3 and Q4 to better grasp actual performance. Another factor behind the increase is that the effects of structural reforms and improvements that we started in the second half have begun to take effect.

◆Business Environment

Q2

For the Industrial Machinery Business, how is the current business environment in China?

A2

We did not see much change in the business environment and situation in the second half of FY24, although we had our eye out for a potential jump in demand in Q4 in anticipation of additional tariffs by the U.S. Ultimately, in FY25 Q1, we did not see any impact from the tariffs. Adjustments to inventory built up at customers in FY22 have finally settled down and are dropping off, but there was also no significant increase in sales in China in Q4.

Q3

How much do you expect to raise prices this fiscal year in response to the increased costs caused by the additional tariffs? Will it be concentrated in Q4?

A3

Since the situation is changing day by day, there may be a time lag in transferring increased costs to sales prices, but we have been able to negotiate price increases with our customers in the past, and we will do so again. Since negotiations are conducted on a quarterly basis, price negotiations based on Q1 results will be reflected in results from Q2 through Q4.

◆Progress of Mid-Term Management Plan 2026

Q4

You commented that profitability in the industrial machinery sector has recovered, but is the structure in place to further improve profitability once volume recovers?

A4

Once the volume of goods returns, we expect to return to double-digit profits in terms of operating income. In particular, the lack of volume is an issue for the profitability of precision machinery products. The E&E business is also expected to return to profitability, and if we can firmly grasp a recovery in demand, we believe we can aim for a double-digit operating profit margin in the industrial machinery business as a whole.

Q5

What were the actual results for ball screws for electric brakes? And how much of this has been factored into future forecasts?

A5

The actual sales of ball screws for electric brakes are about 15 billion yen, up about 30% from the same period last year, and we have a plan to increase the sales to more than 20 billion yen by FY26. In addition, we aim to expand sales to 30 to 40 billion yen in the future.

Q6

Is there a steady increase in business with local Chinese customers in the automotive business?

A6

Orders for eAxles, wheel bearings, and other products are steadily increasing, although business in the country tends to be very price sensitive.

Q7

What was the priority for additional structural reforms in Europe, was the focus quantity, profitability by product type, cost, or demand?

A7

We focused on cost competitiveness while taking into account the demand environment. We have strategically selected varieties that will continue to be produced locally, taking into account quality and customer demand for local procurement. In addition, most of the additional restructuring costs from FY25 onward will be automotive related. The effects of structural reforms include reductions in fixed and equipment costs at plants.

◆Regarding the Reacquisition of the Steering Business

Q8

What were the reasons behind NSK's decision to buy back the steering business, which JIS has turned profitable? Also, are you considering divesting the business in the future?

A8

The goals we set for each other were achieved, and both parties benefited from the improved profitability. Basically, our policy of finding a partner for the steering business has not changed.

Q9

I believe the steering business was about 9 billion yen in the red when it was sold, how were you able to improve profitability to 4.3 billion yen?

A9

Although the FY24 profit numbers include the sale of idle assets, the main effort was not only in procurement costs, but also in optimization throughout the entire supply chain. We have also made progress in negotiating sales prices by adopting a thoroughly lean, independent (stand-alone) mindset in production and sales.

Q10

I believe that the effect of the weak yen and the sale of idle assets contributed to the turnaround in the steering business, but even excluding such effects, is the business still profitable? In addition, I believe that, in general, profitability can be temporarily improved by stopping investment toward the future, can appropriate investments currently be made?

A10

I would like to reassure you that the business structure is profitable, excluding the effects of foreign exchange and other transient factors. In the future, there may be risks of additional tariffs and a decrease in production volume, but we aim to continue to be profitable even in such circumstances. We have considered business continuity to be a priority over the past few years and have reduced investment. On the other hand, we have been able to secure contracts for new projects starting from FY26 to FY27, and we have been investing in technology, equipment, automation, and maintenance for this purpose.

Q11

What is the cash outflow related to the reacquisition of the Steering Business? Please tell us in an organized manner, including cash in at the time of sale.

A11.

We are unable to give a clear answer on the reacquisition price as we have not disclosed it. The reacquisition price is higher than the sale price, but since the steering business has improved profits by approximately 15 billion yen, we believe that the cash in and cash out is appropriate in

terms of being able to share the improvement in profits.