July 31, 2026

NSK Ltd. Q&A Summary
Fiscal 2026 Q1 Financial Conference (Fiscal Year Ending March 31, 2027)

◆ Q1 Financial Results

Q1
Profitability in the Industrial Machinery Business has been improving since the end of FY2024. Could you explain the reasons behind this? Also, can we consider the current level to represent the business's actual potential?
A1
There are two factors behind the improvement in profit margins. First, sales volumes of Precision Products and industrial machinery bearings have recovered in response to growing demand for AI-related products, which has boosted earnings. Second, the results of profit-improvement measures that do not rely on volume are now being realized. This includes the effects of initiatives such as the structural improvements advanced under Mid-Term Management Plan 2026 and structural reforms in Europe. We do not view the 7.8% operating income margin recorded in the Industrial Machinery Business for Q1 as peak potential. In addition to riding the tailwind of expanding demand, we will continue structural reforms both in Japan and internationally and remain committed to further improving profitability.

Q2
Regarding the business environment for Precision Products, I believe demand for machine tools and semiconductor manufacturing equipment in China remains strong, similar to around 2017. I would like to ask how you assess the current demand environment?
A2
Demand for machine tools and semiconductor manufacturing equipment, which recovered in H2 of FY2025, remains at a high level, and we expect this situation to continue through H2 of FY2026. However, we need to carefully assess whether our orderbook in Japan and China, our major markets, include orders that exceed actual demand. We currently anticipate that the favorable business environment will continue at least through FY2026.

Q3
Regarding Precision Products, are there any current trends toward customers booking orders in advance or orders with long lead times? Or can we assume that the current strong demands are based on actual demand? Please also explain how you plan to handle future increases in production.
A3
We recognize that current orders are based on actual demand, and we are producing and delivering products in accordance with orders placed in line with our customers' production expansion plans. Since demand for equipment is projected one to two years in advance, there is a risk of adjustments due to market conditions; however, the situation remains robust at present. While we do need to increase our workforce, our production facilities still have spare capacity, and we have not experienced any significant delivery delays at this time.

Q4
We understand that the Chinese market has been performing very well in FY2026 Q1, but currently, both China's manufacturing and non-manufacturing PMI appear to be showing signs of weakness. Do you have any insight into changes in the demand environment?
A4
At this point, we do not see any clear changes in the Chinese demand environment, and conditions remain strong. However, we recognize that trends in the Chinese economy are one of the sources of uncertainty heading into H2 of FY2026, and we must respond carefully to any future changes. The reason we have set the sales outlook for H2 of FY2026 somewhat conservatively relative to market expectations is that we have factored in this uncertainty.

◆ FY26 Full-Year Forecast

Q5
Regarding the new plan for the Industrial Machinery Business, it appears that the results from Q1 of FY2026 will continue into Q2 and beyond. Could you explain the background behind this? Please also let us know whether you are taking a conservative view.
A5
The Industrial Machinery Business has been performing exceptionally well since Q1, particularly in the machine tool and semiconductor manufacturing equipment sectors, and we have formulated our plan based on the assumption that this trend will continue throughout the full fiscal year. However, we have not factored in the possibility that the current strong performance will expand further on a quarterly basis; rather, we expect performance in Q3 and Q4 to remain at roughly the same level.
Furthermore, while growth in the Chinese market is supporting our current performance, we need to closely monitor whether this momentum will continue going forward. Given these circumstances, we are taking a somewhat cautious approach at this time and our forecast is flat.

Q6
Operating income for the Industrial Machinery Business in FY2026 Q1 was 7.8%, with Precision Products at 11%. What is the outlook for FY2026?
A6
We expect the full-year operating income margin for the Industrial Machinery Business in FY2026 to be 7.6%. Excluding one-time structural reform costs, the margin is expected to improve to 10% in H2 of FY2026. Specifically for Precision Products, since the operating income margin was 11% in Q1, we are targeting 11% or higher for the full year.

Q7
I recall that the operating income margin for Precision Products reached nearly 20% in the past. Is there a possibility it could return to that level?
A7
We achieved an operating income margin of nearly 19–20% in the past, specifically around 2017–2018 and during the pre-COVID economic boom. However, we have expanded production capacity for Precision Products, which has increased fixed costs and raised our break-even point.
Therefore, while a direct comparison with that period is not possible, regarding the full-year operating income margin forecast of 11%, we believe that further improvements in profitability can be expected if production volumes continue to increase due to growing demand.

Q8
I've heard that some view the current environment as favorable for semiconductor manufacturing equipment manufacturers to raise prices. Is the situation similar for component manufacturers like NSK, which acts as a supplier?
A8
Currently, various costs are rising, making it necessary to pass these increases on to selling prices. In that sense, we recognize that the environment is more conducive to doing so than in the past.

Q9
Is it correct to understand that the new plan for the Industrial Machinery Business was formulated based on the concept of quadrupling the results from FY2026 Q1 and adding a bit more?
A9
In terms of volume, as you understand, we have formulated the plan based on the assumption that the strong demand levels seen in Q1 will continue through the full fiscal year. In addition, we anticipate certain upward factors in the H2 of FY2026, such as an increase in operating days. In terms of profits, we have factored in the effects of improved selling prices, increased productivity, and cost reductions through the H2 of FY2026. However, since structural reform costs will also increase in the second half, these positive effects will be offset, resulting in profit levels remaining flat on a quarterly basis.

Q10
In the Industrial Machinery Business for FY2026 Q1, operating income excluding one-time costs was 8.4%. In contrast, the full-year profit excluding one-time costs is projected at 9.3%, suggesting a limited improvement. Is it correct to understand that you are conservatively estimating the effects of improved selling prices, productivity gains, and cost reductions?
A10
While we have factored in the effects of selling prices, productivity improvements, and cost reductions, we do not assume that these factors will lead to a significant improvement in profit margins. Although profits were relatively strong in Q1 due to the timing of expense recognition, we expect profit margins to improve only modestly for the full year, as we have taken this impact into account.

◆ Robotics Business

Q11
The company has announced a plan to achieve sales of ¥4.0 to 5.0bn in the Robotics Business by FY2028. How confident are you in achieving this target?
A11
At this point, we estimate the likelihood of achieving the FY2028 sales target to be about 50%; however, we are beginning to receive inquiries regarding specific sales opportunities and projects, and we are seeing progress toward commercialization. We expect the likelihood to become clearer around the beginning of FY2027, and we will strive to provide updates on our progress at that time.

Q12
I believe NSK already offers related products such as small-sized bearings and thin-walled bearings. How do you view business opportunities not only for actuators but also for bearings on their own?
A12
The plan to achieve ¥100.0bn in sales by FY2036 includes not only actuators but also bearings for robots. The reason we are emphasizing actuators this time is that we intend to cultivate them as a growth driver over the medium to long term. Although the scale is still limited because we have not yet reached the mass production stage for the humanoid robot market, our bearings are being adopted in prototypes developed by some customers.

◆ Other

Q13
Is the Steering Business still actively seeking partners? Please share any comments you may have.
A13
Regarding the Steering Business, we are currently continuing our search for a strategic partner. At the same time, in addition to this search, we are focusing on ensuring sustained profitability and enhancing business value by securing new projects.

Q14
Please provide a breakdown of the ¥5.0bn in costs related to the business integration with NTN that were included in the new plan. Also, please provide an update on the progress of the integration with NTN, to the extent that it can be disclosed.
A14
We will refrain from disclosing the breakdown of the ¥5.0bn in integration costs. While there are no major updates regarding the progress of the integration, we have established a preparatory committee for the integration. Previously, discussions were primarily between top management of both companies, but we have now also begun discussions at the “clean team” level.

Q15
Please let us know if there are any signs that customers are requesting price reductions in response to U.S. tariff refunds.
A15
We expect tariff refunds of approximately ¥2.0bn, and our policy is to reflect any changes in duties and tariffs in our selling prices.

Note: This document is an English translation of material written initially in Japanese. The Japanese original should be considered the primary version