October 30, 2026

NSK Ltd. Q&A Summary

Fiscal 2026 Q2 Financial Conference (Fiscal year Ending March 31, 2027)

◆ Demand Environment for the Industrial Machinery Business

Q1

How does NSK view the current order intake and inquiry levels for precision machinery products and precision bearings, and the sustainability of demand going forward, including the possibility of advance orders?

A1

Based on discussions with customers and current order trends, we expect the strong demand environment to continue through at least the second half of FY2026 and the first half of FY2027, with potential for further expansion. Demand is broad-based across sectors such as AI/data centers, aerospace, and defense, making a sharp downturn unlikely. At the same time, we recognize that some orders may include advance purchasing based on anticipated future demand and will continue to monitor this carefully.

Q2

How has the recent surge in demand affected lead times and production capacity, and what is NSK's policy regarding future capacity expansion?

A2

While production equipment still has some available capacity, the primary bottleneck at present is labor. During the first half, we were unable to fully capture the available sales opportunities because workforce recruitment and deployment could not keep pace with rapidly increasing demand. For the second half, we expect production volumes to increase by approximately 10% to 20% compared with the first half through workforce expansion and training initiatives. Lead times have remained stable at approximately two to three months. Although backlogs exist, we are working closely with customers to coordinate delivery schedules.

Q3

Given the strong demand environment, how is NSK approaching profitability improvement through pricing optimization and capacity investment funded by such improvement? Is there potential to utilize new contract structures such as Long-Term Agreements (LTAs)?

A3

Rising material and labor costs, as well as additional expenses associated with requests for shorter lead time, have created room for customer understanding regarding pricing adjustments. In particular, for projects with clear long-term demand visibility, we believe we can discuss incorporating the costs necessary to secure production capacity, quality, and delivery performance into pricing and contract terms. While future demand remains difficult to forecast with certainty, we are also considering contractual frameworks, including LTAs, that would better align demand visibility with production capacity planning.

Q4

In industrial machinery bearings in China, has intensified competition from local Chinese manufacturers resulted in market share losses or price declines?

A4

NSK products continue to be adopted in next-generation, high-performance machine tools, where demand is growing. At present, we have not experienced significant market share erosion or sales price declines. However, we recognize the need to further strengthen our cost competitiveness in anticipation of intensifying competition over the medium to long term.

◆ **Progress of Initiatives under the Mid-Term Management Plan**

Q5

How should current sales price improvements be viewed within the framework of Mid-Term Management Plan 2028's profitability improvement initiatives? Given the strong demand environment, is there further room for price increases?

A5

Under the Mid-Term Plan, profitability improvements encompass more than just sales price improvement. Inflationary impacts, including higher material costs, electricity and operating expenses, and logistics costs, are addressed through pricing adjustments where possible. However, certain costs, such as labor expenses in some regions, are difficult to pass on to customers and must instead be absorbed through productivity improvements and procurement cost reductions. We view the combined benefits of these initiatives as profitability improvements. While achieving pricing gains beyond those incorporated in the Mid-Term Management Plan may be challenging, we will continue to evaluate opportunities for incremental improvements on a case-by-case basis.

Q6

Orders for ball screws for electric brakes are increasing. What level of future sales growth and profit contribution does NSK expect?

A6

Compared with traditional commodity products, ball screws for electric brakes are expected to improve profit margins by approximately five to ten percentage points. Sales are projected to grow from approximately ¥14 billion in FY2024 to roughly double that level by FY2028. Furthermore, as the industry transitions toward electro-mechanical braking systems, the number of units installed per vehicle is expected to increase. As a result, we aim to expand sales by an additional two to 2.5 times compared with FY2028 levels by 2036.

Q7

Given tight demand conditions for precision products, can production transfers from the Fujisawa Plant proceed as planned? Will the transfers affect capacity, delivery performance, or restructuring costs?

A7

The transfer plan incorporates productivity and capacity improvements at the receiving facilities, and we expect to execute the transfers as scheduled without affecting customer supply. Should demand expand significantly beyond current assumptions, revisions to existing plans or additional capacity investments may need to be considered. However, based on current expectations, the transfers can proceed according to plan.

Q8

Could labor shortages become a risk to production transfers or production expansion initiatives?

A8

We plan to optimize workforce allocation across the company by transferring personnel from existing facilities to receiving plants, utilizing support from other plants, and leveraging resources from indirect functions as needed.

Q9

Given the challenging business environment in China's automotive market, could structural reforms become necessary in China as well?

A9

Although demand related to internal combustion engine vehicles and Japanese automotive manufacturers is declining in China, sales have not fallen to the same extent due to growth in new products such as ball screws for electric brakes and increased sales to Chinese domestic manufacturers. Accordingly, we do not currently see a need for large-scale structural reforms involving plant closures. At the same time, optimization efforts are already underway in areas where excess capacity exists, including the transfer and downsizing of production lines. Going forward, we will continue optimizing the business structure through the expansion of new products and local-customer sales, as well as by reallocating automotive-related production assets and plant space to industrial machinery applications.

◆ **Robotics Business**

Q10

What are NSK's technological strengths in robotics and physical AI, and what technologies and competitive advantages does the company aim to develop through data collection and utilization?

A10

NSK's core strength lies in tribology, the scientific analysis and control of friction. In robotics, we believe that, in addition to component performance supporting durability and safety, the ability to control and calculate friction-related physical responses in machines will become increasingly important in the age of physical AI. Accordingly, we see our role not as developing AI software itself, but as providing components and technologies capable of meeting the increasingly sophisticated demands generated by AI systems. We also intend to apply the knowledge gained through external partnerships to the utilization of robots and automation within our own manufacturing operations.

Q11

To what extent has NSK advanced the commercialization of its robotics business? Could collaboration initiatives accelerate the sales projections presented in the FY2026 Q1 financial results presentation?

A11

At present, collaboration partners have not yet reached mass-production stages, and we are not in a position to disclose specific order values. While individual projects have not accelerated significantly beyond original plans, discussions with customers and the number of prototype shipments are increasing, indicating steady progress toward future commercialization.

◆ **Business Integration with NTN Corporation**

Q12

Regarding the proposed business integration with NTN Corporation, does NSK plan to disclose a definitive agreement or related developments by November 12, 2026, six months after the signing of the Memorandum of Understanding (MOU) in May 2026? If a definitive agreement is not reached by that date, will NSK issue a separate disclosure?

A12

Since signing the MOU, we have been conducting discussions with the aim of reaching a definitive agreement within approximately six months. However, the timing may vary depending on the progress of negotiations and discussions. Should there be any material developments in the status of the negotiations and discussions, we intend to provide timely and appropriate disclosure.