

August 1, 2025

**NSK Ltd. Q&A Summary – Fiscal 2025 Q1 Financial Conference
(Fiscal Year Ending March 31, 2026)**

◆ **FY2025 Q1 Results and Future Outlook**

Q1

Operating income for the Industrial Machinery Business in the first quarter fell to around 2% even after considering one-time expenses, which appears low compared to the past. Please explain the factors behind this, including the impact of production levels.

A1

The impact of production levels was minimal. However, the decline in sales to the aftermarket segment affected our product mix, and since the Industrial Machinery Business relies more on exports from Japan compared to the Automotive Business, the appreciation of the yen had a significant impact. Additionally, one-time expenses, increased labor costs in Japan, and the impact of U.S. tariffs also contributed to the decline. Moving forward, we will continue to pass on increasing costs to sales prices. Furthermore, in the fourth quarter of FY2024, we recorded one-time gains, so it appears that there is decrease in profit due to the irregular income.

Q2

The regional sales trends are shown on page 9 of the financial results presentation materials. Could you provide details on regional and industry-specific trends for the Industrial Machinery Business?

A2

Sales in the aftermarket were weak. This was due to customers holding back on purchases until the direction of additional tariffs in the U.S. becomes clear. In Europe, the economy has not yet recovered, which is also a factor. In China, there was a slight increase in E&E due to replacement demand for air conditioners and spot demand for EV-related machine tools.

Semiconductors peaked in the third quarter of FY2024 and have been slowing down through the first quarter of FY2025, basically scraping the bottom. Machine tools rebounded slightly in the first quarter, but concerns remain about production plan revisions due to overproduction in China, and recovery is expected to be slow.

Q3

Operating income for the Industrial Machinery Business in the first quarter was low due to factors such as the strong yen, tariffs, mix, and one-time expenses. How quickly will the business recover? Will the full-year forecast of 3.8% operating income be achieved? Are there any measures to drive recovery, such as cost reductions or sales price improvements?

A3

The first quarter was a challenging start, impacted by various negative factors. However, as we move into the second half, we expect improvements to emerge from the cumulative effects of structural reforms, as well as progress in passing on inflationary pressures such as wage increases and tariff cost hikes through price pass-through. While demand trends and exchange rate impacts remain uncertain, we are confident in our ability to achieve the initial plan.

◆ Business Environment

Q4

Compared to the FY2024 full-year results, are there any changes in demand trends for the first and second halves of the Industrial Machinery Business by industry?

A4

We expect demand to remain largely flat from the first half to the second half. Compared to the previous quarter, machine tools saw slight increases in China for EV-related applications and in Japan, and we expect this trend to continue in the second half. Semiconductor manufacturing equipment is slowing down, and we expect recovery to take some time. Robots have not seen a strong rebound, and construction and agricultural machinery remain stagnant.

Q5

We understand that there are monthly fluctuations in orders for precision machinery products, but we feel that the pace of recovery is somewhat slow. We would like to hear your views on whether this is due to market factors or individual company factors.

A5

In sectors such as semiconductor manufacturing equipment, recovery is lagging behind. Looking at the first quarter alone, precision machinery products for the U.S. market performed relatively well, but this was partly due to tariff issues, which led

to some advanced demand coming in to avoid the tariffs. For the second quarter and beyond, we need to closely monitor the situation, including a potential reversal after increased procurement by customers in the first quarter. Many Japanese companies are also taking a cautious approach for the second quarter and beyond, and we anticipate a weak recovery.

◆ **Impact of U.S. tariff policies**

Q6

We have heard from some automotive parts manufacturers that the likelihood of price increases due to the additional U.S. tariffs is rising. Is this an accurate assessment? Please provide separate information for the automotive and industrial machinery sectors.

A6

We believe that the likelihood of reflecting these costs in sales prices is increasing. In the first quarter, we were able to recover up to 70% of the impact for both Automotive and Industrial Machinery. Once the tariff rate between the U.S. and Japan is finalized at 15%, we believe we will be able to further negotiate prices as the impact becomes clearer.

Q7

Why is the recovery rate for passing on the additional U.S. tariffs expected to be around 70% rather than 100%?

A7

Our policy remains unchanged to reflect 100% of tariff impacts in sales prices. However, negotiations with Tier 1 and Tier 2 suppliers take time, and there is currently a time lag between cost incurrence and recovery. Additionally, some cases may not be fully accepted in current negotiations, and considering these risks, we anticipate a 70% recovery.

Q8

There was an explanation that the impact of the additional U.S. tariffs has been revised from 12.0 billion yen at the beginning of the period to 9.0 billion yen. Could you explain the background behind this revision? Does this revision reflect only the impact of the tariff rate reduction, or does it also include supply chain restructuring? Additionally, since the first-quarter actual amount is 14.0 billion yen, can we assume that the remaining approximately 7.5 billion yen will be reflected in the second quarter or later?

A8

The background to the reduction from 12.0 billion yen to 9.0 billion yen is the change in tariff rates. In the supply chain, we are taking measures such as shifting production from China to Japan and changing procurement routes to minimize the impact, but the effects of these measures are not included in the revision to 9.0 billion yen. We estimate the impact from the second quarter onwards to be approximately 7.5 billion yen.

Q9

When considering the impact of tariffs, how should we view the role and existence of NSK's Mexico plant going forward?

A9

This will depend on future tariff policy developments, but currently, the conditions of the USMCA (United States-Mexico-Canada Agreement) have not changed. As long as these conditions remain unchanged, we plan to continue utilizing our production facilities in Mexico. For products that do not meet the local content requirements, we are planning to adjust the supply chain to increase the local content ratio. Additionally, we are not currently considering relocating or expanding production capacity in Mexico and plan to maintain the current status quo.

◆Structural Reforms

Q10

We have planned to recognize one-time expenses of 6.5 billion yen for the full year, but the actual amount for the first quarter was 0.4 billion yen. On the other hand, isn't the amount of expenses recognized relatively small compared to the scale of personnel reductions?

A10

The 6.5 billion yen planned for the year is not simply divided into four equal parts;

the amount recognized each quarter varies. The first half will primarily involve recognition in the Industrial Machinery Business, while the second half will see more significant structural reform costs centered on the European Automotive Business.

Q11

One-time expenses are planned at 6.5 billion yen for this fiscal year, but what will happen to these expenses in future fiscal years? Are there plans to advance structural reforms in regions other than Europe, such as the United States and China?

A11

At this point, we expect the 6.5 billion yen for FY2025 to be the peak. We are currently discussing the next three-year mid-term management plan and future initiatives leading up to May next year. If unfavorable market conditions persist in China and Japan, we will consider additional structural reforms within that framework.

◆Other

Q12

Please provide the sales and profit results for the Steering Business in the first quarter, along with year-on-year changes.

A12

There was a profit of approximately 0.2 billion yen from equity method gains. Sales were approximately 40.0 billion yen, and this is roughly flat compared to the previous year.

Q13

Looking at the cash flow statement in the summary, there is a net decrease of approximately 30.0 billion yen in short-term loans. Please provide details on this.

A13

As of September 1, the equity-method affiliate of our company, the Steering Business, which is scheduled to be consolidated as a subsidiary, had borrowings from financial institutions. However, to reduce interest expenses, these borrowings were converted into loans from our company.

Q14

In the difference of 1.1 billion yen between the operating income of 4.8 billion yen and the operating income excluding one-time items of 5.9 billion yen stated on page 5 of the financial results presentation materials, I understood 0.4 billion yen as restructuring costs. What are the other components?

A14

The main component is foreign exchange gains or losses on foreign currency-denominated assets and liabilities. Since foreign exchange gains or losses fluctuate depending on exchange rate movements, we have excluded the foreign exchange impact from the presentation.