Business Strategy Strategy and Progress of the Industrial Machinery Business

Toward a new growth stage that will open up the future

My name is Tatsufumi Soda, and I was appointed head of the Industrial Machinery Business Division HQ in April of this year. Having been involved in the Industrial Machinery Business, both in Japan and overseas, since joining the Company, I have also taken on the challenge of growing and expanding the business by establishing sales and production bases in overseas markets such as Southeast Asia, the U.S., and China.

Under MTP2026, we are promoting measures aimed at "business growth and expansion" and "strengthening our business structure." For the former, despite delays in business growth due to unexpected changes in the external environment, we have achieved steady results by expanding our aftermarket business in the U.S. and India as well as our machine tool and semiconductor manufacturing equipment business in the industrial goods market. For the latter, we are promoting structural reforms. This includes reorganizing and improving the profitability of our production bases, devising ways to improve our business structure, and putting in place the foundation for future business growth. We are also building an accurate picture of social needs and technological innovation in such areas as electrification, automation, and environmental friendliness, while promoting the development of products and technical services that highlight NSK's technological superiority. We will continue to take on the challenges of achieving sustainable, profitable business growth based on our trusted brand.

NSK's Competitive Advantages

- Extensive product lineup as a comprehensive bearing manufacturer
- Technical capabilities based on core technologies
- Accumulated expertise in customer needs and technology for a wide range of industries and applications
- Manufacturing, supply, and technical support capabilities based on a global network framework

Changing Business Environment	Risks and Opportunities	Key Issues and Initiatives
Electrification, automation, etc., expanding capital investment demand Slowdown in the Chinese economy Prolonged inventory adjustments	**Risks** Prolonged slump in China Rise of Chinese competitors **Opportunities** Expand in markets that benefit from NSK's technologies - Semiconductors, machine tools, robots, railway, etc. New growth markets, including new energy	**Growth/Expansion** Strengthen supply capacity AM sales expansion/ enter new sectors **Improve profitability** E&E business production reorganization

Tatsufumi Soda
Executive Vice President
Head of Industrial Machinery Business Division HQ

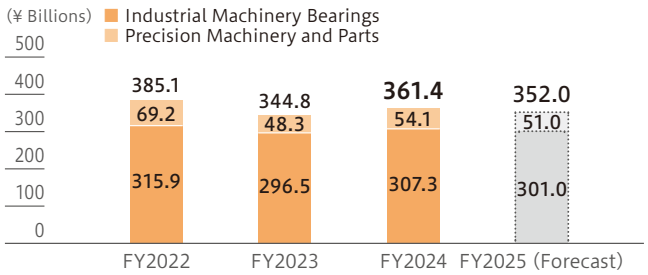
A look back at the business conditions for FY2024 and the forecast for FY2025

In addition to a gradual recovery in demand for capital investment, the weaker yen has had an impact, resulting in year-on-year increases in sales and profits for the consolidated fiscal year under review.

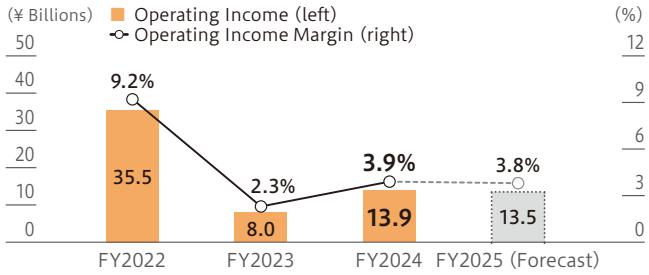
Looking at the Company's results by region, sales in Japan increased due to such factors as the upswing in sales for machine tools. In the U.S., sales grew due to strong demand in the aftermarket and for semiconductor manufacturing equipment. In Europe, demand remained sluggish due to the impact of worsening market conditions, particularly in the home appliance, electrical component, and aftermarket sectors, resulting in a decrease in sales. In China, sales for machine tool, electrical, and electronics as well as railway applications increased, resulting in higher sales.

As a result, sales in the Industrial Machinery Business totaled ¥361.4 billion, a year-on-year increase of 4.8%, and operating income was ¥13.9 billion, a year-on-year increase of 74.1%.

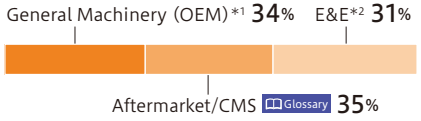
Sales Trends



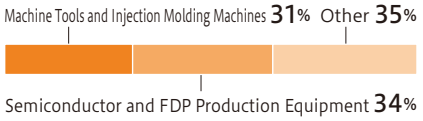
Operating Income/Operating Income Margin Trends



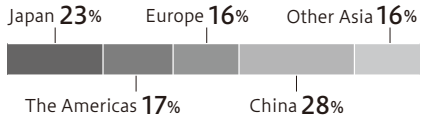
Breakdown of Sales of Industrial Machinery Bearings (Net sales: ¥307.3 billion)



Breakdown of Sales of Precision Components (Sales: ¥54.1 billion)



Breakdown of Sales by Region



*1 Machine tools, industrial robots, wind turbines, train cars, mining and construction machinery, pumps and compressors, steelmaking facilities, etc.
*2 Home appliances, information, PCs, in-vehicle motors, etc.

Progress of MTP2026 and growth engines

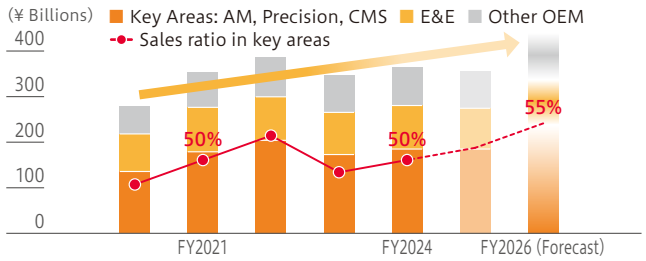
Recognizing mid- to long-term expansion in the electrification, automation, digitalization, and environmental markets as growth opportunities, we are working to expand our Industrial Machinery Business portfolio. In addition to the highly profitable aftermarket and precision machinery and parts sectors, we are positioning our CMS Business as a key area of focus and as a foothold for future service sales while aiming for business growth.

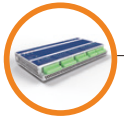
FY2026 Target

Sales
¥450.0billion

Segment income margin
10%

Expansion of Key Areas





Outlook for the CMS Business

By leveraging B&K Vibro's customer base and knowledge as well as use cases while expanding into the general industrial machinery sector, we will realize new value creation and business expansion that combine the strengths of the two companies primarily focusing on NSK's customer base.

Business Approach

Installation Equipment

Wind power industry	Petrochemical industry	Hydroelectric power generation industry
Number of CMS installations	Number of CMS installations	Number of CMS installations
More than 40,000	More than 10,000	More than 800

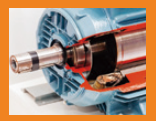
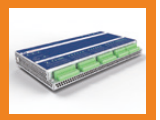
Technological Assets

- ISO-certified Machine Condition Monitoring Training Institution
- ISO-certified Machine Condition Monitoring Diagnostic Technicians

Six registered specialists (Cat. 4)

We are working to achieve sustainable business growth by delivering value throughout the entire product life cycle via PLM while strengthening synergies with our aftermarket business.

Key Areas

	Technology/Market Needs	NSK's Strengths
Aftermarket 	● Commercial: Product lineup, ease of product selection ● Repair: Global supply system, ability to ascertain remaining life and condition	● Provision of efficient product selection tools ● Optimal proposals for PLM implementation ● Optimal proposals from field engineers
Precision 	● Increase in difficult-to-cut materials ● Maintenance-free/stable operation	● High load capacity and high speed ≫ROBUSTDYNA Series
CMS 	● Visualizing soundness of facilities ● Reducing labor and improving operational efficiency by remote monitoring ● Extending equipment life through maintenance optimization	● Proposals for highly accurate diagnostics and improvements through AI and an equipment diagnostic specialist

Topics

Global Challenges and NSK's Solution Proposals

Keeping pace with the needs of such social issues as carbon neutrality and the decline in the working population, we are putting forward solutions. NSK will also continue to contribute to fields that are expected to expand in the future, such as new energy sources and humanoids.

Social issues/Technological innovation	Solutions
Carbon neutrality ● Expand renewable energy ● Electrify mobility ● Expand recycling	**Bearings for transportation and production equipment** We are working to contribute by developing bearings for liquid hydrogen pumps, which are intended for use in cryogenic environments, and bearings for the transportation and production of hydrogen, ammonia, perovskite solar cells, all-solid state batteries, and other new energy sources.  Hydrogen gas  Solar power generation  All-solid state batteries
Resource issues ● Growing demand for food ● Insufficient water resources ● Resource depletion	
Population/Labor issues ● Low birth rate, aging population ● Shrinking labor force	**Humanoid robots** We contribute to the parts that correspond to the joints and components that stretch and contract to correspond to muscle movements with our highly functional actuators, thin-wall bearings, and wave bearings. We also assist with humanoid hands by means of our MTA Series bearings and other products.  Humanoid robots
Automation/Smartification ● Automatic operation/ Remote control ● Preventive maintenance/ Condition monitoring ● Service/industrial robots	**eVTOL** By independently developing a new lubrication mechanism for the bearings used in the gas turbine generators of electric vertical take-off and landing (eVTOL) vehicles, NSK engineers significantly reduced the amount of lubricating oil required, thereby contributing to extending the flight range of eVTOLs.  eVTOL