

February 3, 2025

**NSK Ltd. Q&A Summary – Fiscal 2024 Q3 Financial Conference  
(Year Ending March 31, 2025)**

**◆Impact of Additional U.S. Tariffs**

**Q1**

**What is the impact of the additional tariffs by the U.S. on China, Mexico, and Canada and what is NSK's response? Also, how do you see the impact of additional tariffs imposed by the U.S. on Japan?**

**A1**

Although we do not have a production facility in Canada, we export to the U.S. from our production facilities in Mexico and China, and we assume an annual impact of about 4 billion yen based on the assumption of additional tariffs of 25% in Mexico and 10% in China. Most products exported from China to the U.S. were switched over to being produced in North America and Japan during the last Trump administration. Although we will need to consider the transfer of production to other regions while keeping an eye on costs, we will also proceed with negotiations on the transfer of increasing costs to sales prices.

An additional 10-15% tariff imposed on Japan could have the same magnitude of impact as the additional tariff impact on Mexico and China.

**Q2**

**Were the additional tariffs during the first Trump administration able to be passed on to sales prices? Also, how should we consider the impact of the current administration's additional tariffs on automotive production?**

**A2**

During the first Trump administration we successfully negotiated the tariff issue with our customers and reflected the cost increase in our sales prices. The same response is required this time as well, and we will continue to negotiate. Currently, Mexico produces approximately 4 million automobiles and Canada approximately 1.5 million automobiles bound for the US market, of which Japanese companies account for about 1/3 in Mexico and 60% in Canada, with the remainder coming from US companies. Therefore, we believe that the additional tariffs imposed by the current administration will affect not only Japanese automakers but also foreign automakers. In addition, there is a concern that if consumers begin to refrain from purchasing automobiles as a result of the tariffs, production growth will be sluggish.

## ◆Structural Reforms and Profitability

### Q3

**You have been working on structural reforms in Europe and are planning to take them further. What is the background to your decision-making process?**

### A3

This is due to the fact that the automotive business as well as the industrial machinery business in Europe are facing difficulties. We believe it is necessary to further reduce fixed costs, especially in administrative and sales divisions.

### Q4

**Please tell me about the Q3 profits of each business on pages 7-8 of the financial results presentation materials. The Industrial Machinery business had one-time expenses in Q2, but Q3 earnings were at the same level as Q2. On the other hand, the Automotive business had one-time expenses in Q3, but its earnings improved from Q2. Why is there a difference in profit generation between the two businesses despite the fact that both incurred one-time expenses?**

### A4

In the automotive business, volume growth offset the impact of one-time expenses. In the industrial machinery business, sales were mostly flat, but our inventories increased in Q3, which had an impact on unrealized profit. In the European aftermarket, inventories were increased in Q3 due to plans to increase sales at the beginning of the year. Excluding those factors, the industrial machinery business is approaching about 4% segment income, and we expect the automotive business to be about 4% at current volume.

### Q5

**I have the impression that progress in transferring costs to sales prices is weak, but will it proceed in Q4 or is it different from your assumption?**

### A5

The assumption was that all inflation and wage increases would be passed on to sales prices, but this has been partially difficult to achieve in China and Europe, and in addition, there has been a delay in passing on higher procurement costs, resulting in a divergence from the assumption. However, in Japan, wage increases are being passed on to sales prices.

### Q6

**Compared to the current period, NSK expects a 4 billion yen increase in profit next period due to a decrease in one-time expenses and a 5.5 billion yen increase as a result of structural reforms, for a total of around 9 billion yen in profit increase. Is this feasible in the current demand environment?**

**A6**

In the next fiscal year, we expect to realize about half of the 6.5 billion yen effect of structural reforms in addition to the 4 billion yen effect of one-time expenses of the current fiscal year. The continuation of a moderate recovery in the volume of goods is a prerequisite, but at the same time, the key issue is to what extent we can offset the increase in labor costs and other factors.

**Q7**

**Although it is difficult to foresee an improvement in the demand environment, what new measures, such as sales expansion and fixed cost reduction, can be taken to achieve the operating income of 75 billion yen that is set forth in the Mid-term Business Plan 2026?**

**A7**

We have two years remaining in our mid-term plan, and within that time, we must firmly expand sales beyond market growth. In addition, we must complete fixed cost reductions and unit cost reductions, including the structural reforms that we are currently undertaking. In addition, we will reduce costs as necessary.

**◆Industrial Machinery Business and Automotive Business**

**Q8**

**Could you elaborate more on the pace of recovery in the industrial machinery business? Are there any signs of a current recovery in each sector?**

**A8**

We believe that the recovery will be more moderate than we assumed in October, because we had expected a vigorous recovery in machine tools and semiconductors, but it was not what we had expected, and because we do not expect a large increase in the second half, although the Chinese market picked up in the first half. We believe that demand from the railcar industry will continue at its current high level, while demand from the wind power industry, which has fallen to 2/3 of its peak, will remain at its current level.

### **Q9**

**In the Mid-term Plan 2026, NSK had set the sales ratio for electric vehicles at 45%, but looking at the current status of EVs, we believe it will be difficult to achieve this goal. In that case, will the impact on NSK's performance be positive or negative?**

### **A9**

For the automotive business, points to consider are the negative impact of the decrease in the assumed volume of new orders for BEVs and the positive impact of the growth in HEVs. Furthermore, the production volume assumption in the medium-term plan is 94 million units instead of 92 million units, and there are concerns about the negative impact from stagnation in Europe and sluggish sales in China by Japanese automakers, which in total will inevitably have a negative impact if production volume declines.

### **◆Reorganization of various industries**

### **Q10**

**What is the impact of the business integration of Japanese automobile manufacturers? There is also talk of a reorganization of Japanese steel manufacturers.**

### **A10**

We believe that the increased presence of Japanese automakers as a result of the integration will be a positive factor. We do not believe that the reorganization of steel manufacturers will have a significant impact at this time.

### **Q11**

**While competitors are attracting attention by showing changes such as business spin-offs, NSK's P/B ratio remains at 0.5x. Since NSK has been generating cash through the sale of policy shareholdings and other means, we expect the company to use this cash to make its next move, but what are your thoughts on this?**

### **A11**

I can't mention anything definite because there are other parties to the story, but we are exploring various possibilities and are continuing to study them in order to respond quickly to the opportunity.