

# Management Commitment



Director  
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## Accelerating Transformation and Growth Centered on Contributing to the Environment — NTN Group’s Mission and Challenge —

The NTN Group has a mission to contribute not only to the development of industry but to the environment through energy-saving technologies and services. Based on this unwavering belief, we have defined our Vision for 2035 and launched the Medium-term Management Plan “DRIVE NTN100” Final from FY2024 as the first step toward its fulfillment. Our “Final” plan incorporates our determination to complete the revitalization of NTN. We continue to contribute to technological evolution and a sustainable society with our strong commitment to pass on a safe, secure and beautiful Earth to the next generation, pursuing technology not to stop operation, long product life and reduction of energy loss. In this message, I will reflect on the achievements and challenges of the first year of Final and share the overall picture of our future business strategy with you as a stakeholder.

### “DRIVE NTN100” Final based on NTN’s purpose

At the origin of NTN Group are the “Frontier Spirit” and the “Coexistence and Co-prosperity Spirit” honored since our founding. These encourage us to keep taking on challenges and develop together with society. Our corporate philosophy “We shall contribute to international society through creating new technologies and developing new products” also follows this spirit. We will contribute to creating a sustainable future through realizing our purpose, a “NAMERAKA Society,” while flexibly adapting to change.

With a view to medium- to long-term growth, NTN Group launched the Medium-term Management Plan “DRIVE NTN100” Final in FY2024. This plan was devised by identifying the desired state for 2035 and then working backward to map out the path to get there. What we aim for

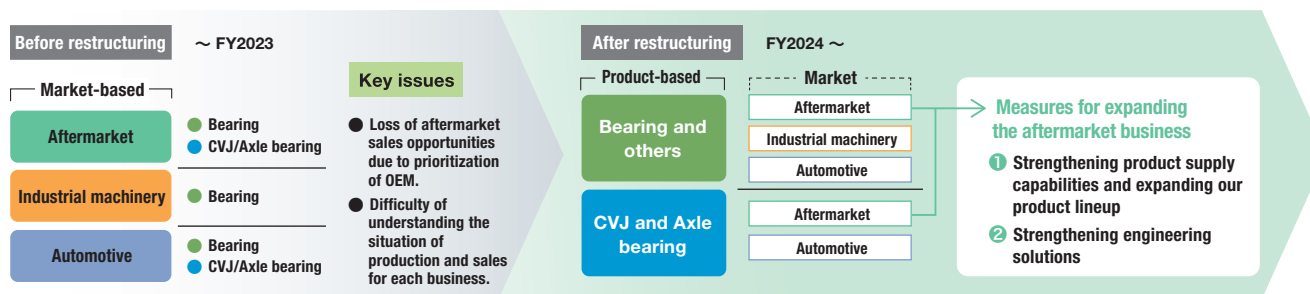
is “a company that enhances corporate value by improving economic value and environmental/social value together with our group’s stakeholders, and that is trusted and needed by stakeholders.” In terms of economic value, we set out to achieve and boost ROE to a level that constantly exceeds shareholder capital cost. As to environmental and social value, we have established the goal of achieving carbon neutrality and prosperous human development.

To realize these goals, we are formulating and implementing measures both by backcasting and forecasting. Specifically, we have identified priorities to be addressed over the three years from FY2024 while flexibly adapting to changes in the external environment.

To enhance our ability to execute, we have

transformed the organizational structure from the conventional three business headquarters system based on market axes (Aftermarket, Industrial Machinery and Automotive) to a two-business headquarters system comprising the Bearing Business HQ and the CVJ & Axle Bearing Business HQ. This enables rapid and accurate decision-making according to the business characteristics and will lead to accelerated structural reform. With regard to the urgent issue of improving profit margins for automotive bearings in particular, we are engaging in sincere dialogue with customers and steadily achieving results. At the same time, we are focusing on expanding aftermarket sales with stable and high profitability to strengthen our earnings base.

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## Concentrating on structural reform for medium- to long-term growth

The three years to FY2026 are viewed as a period of concentrated structural reform, with the goal of achieving ROE of 8%, and we are working on enhancing corporate value through our business activities. Specifically, we will transform our sales portfolio by strategically increasing the proportion of high-profit-margin aftermarket sales. Even assuming that current sales do not change significantly by FY2035, if we increase the composition ratio of aftermarket sales to 40% as targeted, stable operating income can be expected based on past performance. Furthermore, for OEM, which accounts for 60% of sales, we will add profits by reviewing unprofitable projects, opening prospects for structural reform toward achieving ROE of 8%. Note that portfolio transformation does not diminish the importance of OEM. OEM is the driving force of NTN Group’s technological innovation and an irreplaceable partner that continues to refine our production technologies through an established volume of orders.

Expanding aftermarket sales as targeted will require year-on-year growth of 6%. To achieve this, we will work on the following six themes. Number one is the evolution of “FIRST” our system for immediate delivery of popular products in our inventory. We will strengthen the delivery system by expanding the products for existing sales companies. Number two is improvement of lead times and increased production capacity. In addition to optimizing work-in-process inventory for high-profit products with low production frequency, we will strengthen the new production lines at our plant in Japan dedicated to aftermarket needs. Number three is training and utilization of distributor sales engineers. In addition to supporting education, training and technical seminars, we aim to enhance engineering solutions that lead to rapid response and problem solving by having our employees accompany them to customer locations. Number four is expansion of procurement and sales of “Controlled by NTN” products including external procurement. Small ball bearings have already been

## Challenges and achievements in the first year of “DRIVE NTN100” Final

“DRIVE NTN100” Final, launched with a new organizational structure, achieved lower sales and profit in its first year than the previous year but increased sales and profit compared to the announced figures. Amid headwinds of declining demand in vehicle production and industrial machinery markets, the impact of the weaker yen provided support, and sales beat the announced figures. Operating income was also affected by reduced scale, but as a result of improved selling prices and cost reductions in addition to the impact of the weaker yen, we achieved increased earnings compared to the announced figures. Inventories were also lower than at the end of the previous year, basically in line with the announced figures.

NTN Group’s sales composition is 65% automotive-related, with the remainder industrial machinery and aftermarket. In particular, 80% of automotive sales, or approximately half of total sales, come from CVJs and axle bearings. Sales and profit from CVJs & axle bearings and “bearings & others” decreased from the previous year, but the aftermarket sales composition ratio rose to 17% and has steadily grown from last year.

Regarding CVJs & axle bearings, we have been focused on building robust business foundations, responding to the new market needs arising from increased electrification. For

OEM, we have established a system that both responds to customer requests and secures profitability. In automotive application, more electrification is seeing the emergence of new needs such as ball screws for electric brakes. We will downsize by improving the reliability of materials and parts and reviewing the robustness of designs to handle future demand increases. We aim to become the top supplier of ball screws for Electric Mechanical Brakes (EMB), with production, sales, and technology teams working together as one.

On bearings, we have been engaged in dialogue with customers to improve profit margins in automotive applications. Many customers have accepted price adjustments after carefully explaining the situation based on evidence such as rising raw material costs in addition to cost reduction efforts. As to the resilience of supply chains, which had become an issue of business continuity for OEM customers, we continue to develop new suppliers including in India. Amid wrenching global change, we will work to establish a system offering multiple suppliers in order to maintain and strengthen mechanisms for continued supply of stable and cost-competitive products to customers.

Towards business structure transformation, we aim to break away from the OEM-oriented approach that has been the foundation of our business for more than 100 years by expanding sales for aftermarket, which offers stable and high profitability, thereby reducing our vulnerability to external conditions.

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completely transferred to overseas partner companies, and we will improve supply capacity by establishing the new finished product procurement department in SCM Strategy HQ. Number five is provision of technology solutions that prevent equipment downtime as “technology and services not to stop operation.” Using the CMS (Condition Monitoring System), we will prevent line stoppages due to bearings trouble and minimize customer losses. We will also expand sales for MRO (Maintenance, Repair, Overhaul) by providing high-value-added technology solutions. Number six is expansion of the global sales network. We will set target industries by region and country, discover optimal distributors and grow sales channels. We have established a new branch in Vietnam and are actively seeking new distributors in the Americas where demand is strong.

### Development of new business activities to build a sustainable society

In pursuit of sustainability, we are working on bearings lifecycle management. This is a service that supports the stable operation of equipment from bearing selection to delivery, usage, monitoring, analysis, replacement, and operational maintenance. For example, “Talking Bearings” incorporate sensors to monitor their condition, and by making the condition of bearing “visible” through its vibration, temperature, and rotation speed, unexpected shutdowns are prevented. Currently, as a time-limited promotion, we are providing a free monitoring service, continuously monitoring motor operating conditions at sites that require 24-hour full operation, such as power plants. The data will be collected and analyzed, enabling advance preparation of repair parts and preventive maintenance in future and contributing to the stable operation of important social infrastructure and customers’ production lines.

In wind power generation, we have deployed many 24-hour monitoring systems utilizing CMS in Japan, and AI-driven analysis has already been adopted. We have built a new business model where we share data with customers

and receive service fees by responding quickly when abnormalities occur. In the future, when data including “Talking Bearings” reaches a certain scale, we will expand subscription-type services for bearings.

NTN has developed the “HA-C Bearing” to meet the needs of the next generation of vehicles. We have achieved industry-leading load capacity with our special heat treatment technology. The HA-C Bearings, which achieved downsizing, lightening, dimensional stability at high temperature, contaminated lubrication resistance, and wear resistance, are now being offered for automotive applications such as e-Axles for EVs and HEVs.

Through the combination of these long-life products and technology not to stop operation, we will contribute to building a sustainable society. Not only will ceaseless operation of customers’ equipment lead to carbon neutrality, replacing bearings at the appropriate time will also expand our aftermarket business.

As a response to societal issues such as population decline and environmental problems, we are also focusing on developing technologies that lead to labor-saving and higher efficiency. A good example of labor-saving is high-speed and flexible appearance inspections using the wrist joint module i-WRIST (robot). As the automotive industry



moves to “gigacasting,” which is a casting technology that integrally forms major parts with large die-casting machines, gigacasting requires high-speed checking of large castings, so inquiries for robot systems using i-WRIST from carmakers and others are increasing.

One example of high efficiency improvement is the “Desktop Type Microscopic Coating Applicator”. We downsized the large liquid crystal repair device used for correcting defects in liquid crystal displays that was developed in the 2000s and converted it for use in the life sciences field. This device, which can apply highly viscous liquid agents in extremely small volume at high speed and with high precision, is being applied as a new bioprinting method to a technology that creates tissues and organs by layering living cells and biological materials. It has been adopted for research activities such as drug discovery experiments using iPS cells. NTN Group will continue to work on the innovative utilization of technologies we have developed to date.

### Responding to rapid changes in business conditions

A symbol of change in the business environment is US trade policy. While policy uncertainty is high and its impact is not incorporated into our FY2025 earnings forecast, calculations based on known tariff conditions show a negative impact of 13.5 billion yen on operating income. In terms of cost increases due to tariff impacts, we are appropriately passing them through to selling prices while also beginning to review parts of the supply chain. At present, it is our view that expanding local production in the United States would not bring any cost advantage, but we continue to take a flexible approach.

NTN Group has a global network corresponding to the five poles of Japan, Europe, the Americas, China, and India/ASEAN. We are particularly focused on the Indian market, which continues its remarkable growth. As carmakers increase their footprint in India, we will expand our factories and develop the human resources to meet demand. With

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the African market in our sights as the next growth region, we will expand our sales by harnessing our sales base in Dubai and collaborating with trading companies.

Supply chain reform is also an important challenge, and we are working on global optimization. As we look to build an efficient and competitive supply chain, we see some cases where pre-processes are handled in China and finished products are completed in Europe, for example. In advancing this reform, we will ensure rapid decision-making to organize our systems while keeping an eye on the US tariff situation, the impact of which cannot be avoided.

Regarding generative AI, which has suddenly drawn attention in recent years, we are utilizing it for efficiency improvement in prediction, search, and document creation in sales and management. In research and development, we are working on shortening development time using AI analysis systems and have reduced the man-hours spent on hub bearing design through MBD (Model-Based Development). In production and procurement, we are promoting automation and labor-saving of line operations through expansion of smart factories. This is in fact leading to transformation of production at Wakayama Works through visualization of data.

### ■ Evolution of ESG management for the next 100 years

NTN Group aims to realize a “NAMERAKA Society” through the practice of our corporate philosophy. To this end, through our sustainability activities, we will pass on to the next generation a beautiful planet on which humanity can live safely and securely.

To fulfill our responsibility as a manufacturing company, we aim to achieve carbon neutrality in our business activities and to provide products and services that contribute to the environment. We are working toward the goal of achieving carbon neutrality in Scope 1 and Scope 2 by FY2035, and in Scope 3 (covering the entire supply chain) by FY2050.

On the social front, based on the belief that “a company is its people,” human resource development is at the core of our business. We create a rewarding environment in which the diversity of employees is respected. We also focus on community activities as a social contribution. Executives visit NTN locations listen carefully to the issues and questions raised by employees in town hall meetings. This regular dialogue deepens trust and cooperation throughout the organization.

We are also continuously working on enhancing governance. We transitioned to a Company with Nominating Committee, etc. in 2019, and since June 2022, a female Outside Director has assumed the position of Chairperson of the Board of Directors. We are also working to improve transparency and fairness by strengthening the effectiveness of committees and enhancing the audit system.

### ■ Establishing a system for profit creation and further success

NTN Group will expand aftermarket sales and increase operating income in a steady and stable manner toward achieving ROE that exceeds shareholder capital cost. In addition, we are focusing on reducing inventories and tightening borrowing to strengthen our financial structure. We aim to achieve ROE of 8% in FY2026, and for inventory turnover ratio of 4.5 by achieving both an increase in net income and reduction in total assets.

Appropriate global immediate delivery inventory is essential to expanding the aftermarket sales. While inventories will tend to increase accordingly, we will thoroughly implement appropriate management of work-in-process inventory. We will also increase the inventory turnover ratio by deepening relationships with distributors who are the contact point with customers.

To carry out structural reform, ROE is expected to temporarily decline in the initial two years of “DRIVE NTN100” Final, but we aim to achieve 8% in the final year

and 10% early in the next medium-term management plan. Through these initiatives, we will meet the expectations of shareholders and investors while further building trust with all stakeholders. Specifically, we are enhancing our IR activities, including publication of presentation videos and scripts in Japanese and English, holding business briefings and plant tours, and providing opportunities for direct dialogue with senior management and Outside Directors.

Toward realizing our 2035 vision, I tell our employees that “I want you to have a management perspective yourself, regard everything as your own matter, and aim for your own growth.” Work is a stage for oneself, and if each person positively plays their own role, the stage becomes vibrant, and in turn, we can be well-received by stakeholders. Based on this thinking, we aim to enhance corporate value by achieving better performance, restore the faith of the market, and achieve sustained success in the medium to long term based on our purpose.

