# Management Commitment



Director
Representative Executive Officer, President
CEO (Chief Executive Officer)

**Eiichi Ukai**

## Advancing Business Structure Transformation: Building on the Results of the Final Year of the Medium-Term Management Plan Toward the Next Stage of Growth

In order to continue to be a company trusted and needed by society, including all of our stakeholders, NTN Group is committed to sustainably enhancing corporate value from both an economic and an environmental/social perspective as we work toward realizing a “NAMERAKA Society.” In particular, the transformation of our business portfolio to generate sustained profits that exceed the cost of capital is an extremely important management priority that will shape our company’s future, and we are advancing structural reform with firm resolve. Against this backdrop, the Medium-Term Management Plan “DRIVE NTN100” Final, which we have been pursuing since FY2024, has now entered its final year. In this message, I will reflect on our progress to date, take stock of where we stand in relation to our targets, and share our growth strategy looking ahead to the next medium-term management plan and our vision for FY2035.

### Review of the second year of “DRIVE NTN100” Final

Since our founding in 1918, NTN has always challenged itself to develop new technologies and products, built on the foundations of the “Frontier Spirit” and the “Coexistence and Co-prosperity Spirit.” Our flagship product, bearings, smooths every rotating part of machinery and forms a foundation that supports the movement of society. We have contributed to the development of society through our performance across a wide range of industries including automotive, aircraft, railway vehicles, and industrial machinery.

To further strengthen this business foundation and accelerate the transformation of our business portfolio, we reformed our organization in conjunction with the launch of “DRIVE NTN100” Final, to a two-headquarter structure comprised of the Bearing Business HQ. and the CVJ & Axle Bearing Business HQ. For the bearing and others business, we have established an integrated management structure for both OEM and aftermarket, and are advancing efforts to strengthen supply capabilities and enhance our solution-proposing capabilities for aftermarket business expansion. For the CVJ & Axle bearing business, we are strengthening our ability to expand profitability as well as our responsiveness to new market needs including electrification.

Under this structure, in FY2025, sales exceeded the previous year, driven by expanding demand in the aftermarket and for industrial machinery. Operating income also achieved growth, as a result of reforms pursued across procurement, production, sales, and design that began to materialize. In addition, steady progress was made on inventories, with the level—excluding foreign exchange impacts—meeting the announced targets, reflecting advances in production reform.

## Initiatives for the final year of “DRIVE NTN100” Final

The environment surrounding our company continues to change significantly, with impacts on supply chains from climate change and escalating geopolitical risks, as well as the evolution of digital technologies including AI. With this awareness, we position FY2026 as both the final year of “DRIVE NTN100” Final and as a year for building the foundations that will support growth from the next medium-term management plan onward. We are committed to further strengthening our competitiveness as a manufacturer.

One key initiative is the integration of “design and development” with “procurement (buying), production (manufacturing), and sales (selling).” In design and development, we will not only respond to customer requests, but also pursue proactive, forward-looking development that anticipates future needs. We will also fundamentally review product design itself, simplifying and standardizing component configurations to achieve both quality improvement and cost reduction simultaneously.

In production, based on the guiding principle of moving from partial optimization to overall optimization, we will streamline the entire supply chain in the OEM domain and shorten lead times while also establishing an efficient supply structure through production leveling and inventory reduction.

In procurement, we anticipate cost reductions through expanded global consolidated negotiations, development of new suppliers, and promotion of dual sourcing, while also advancing more sophisticated supplier risk management, operational efficiency through the introduction of supplier portals, and AI-driven price analysis, thereby strengthening cost competitiveness, ensuring stable procurement, and enhancing resilience.

In logistics, we are advancing reductions in transportation frequency by improving loading efficiency at major hubs, significantly cutting incoming shipments to external warehouses, and pursuing cost reductions through consolidation of hubs and warehouses, optimization of transportation and delivery, and review of supplier logistics. In sales, we will strengthen relationships with customers and review the cost structure of unprofitable segments to drive sustained improvements in profitability.

In driving these reforms, I repeatedly communicate to employees the concept of “Go to GEMBA.” Since our business exists because of our customers, it is essential to go to the site to understand what customers truly need. GEMBA—the frontline of business—refers to every place where people are present and new added value is created, and the solutions to many of our challenges can be found there. By gathering information through dialogue with people on the ground and working together to address issues,



the essential themes become clear. I also believe that feeding these insights back to the organization serves as the driving force that generates a sense of unity and proactive action.

In advancing these initiatives, our most important theme for this fiscal year is “turning time into value.” The intent is for all departments to pursue lead time reduction in their respective domains and to transform speed itself into a competitive advantage. This policy will be practiced as a guiding principle to be shared by all employees in their daily work.

## Structural reform supporting portfolio transformation

NTN Group is targeting a portfolio transformation by FY2035 to reach 40% aftermarket sales and 60% OEM sales. As the foundation for transforming our business structure and in line with our plans, we will execute structural reform measures totaling 35 billion yen over three years.

In FY2025, we advanced global reforms including production reform of extra-large size bearings in Japan, CVJs in the Americas, axle bearings in Europe, and bearing-related sites in China. At the same time, we pursued productivity improvement and review of cost structures to strengthen our earnings profile. The effects of these measures are materializing steadily, and we anticipate improvement effects exceeding 10 billion yen in FY2026.

One key factor in expanding the aftermarket business is immediate delivery capability—the ability to reliably supply products when customers need them. In the past, by prioritizing OEM, we inadvertently lost aftermarket customers. Learning from this experience, we have reviewed our organizational structure itself, and by managing OEM and

aftermarket in an integrated manner within the bearing and others business, we are fulfilling accountability to both markets while strengthening our immediate delivery capabilities.

Another pillar supporting aftermarket competitiveness is our engineering structure. By equipping ourselves to provide rapid solutions to customer challenges—in addition to product quality and extended product life—we deepen customer trust. This gives rise to the brand value of “a company we can confidently rely on,” leading to the capture of replacement demand. The aftermarket business ultimately rests on trust between people. Our brand is defined by customers choosing us over competitors offering equivalent performance and quality. We will strengthen our sales network and collaboration with distributors, and by staying close to customers on the ground, build a structure capable of responding swiftly when problems arise.

It should be noted that expanding aftermarket sales does not diminish the importance of the OEM business. OEM business is a critical foundation for developing products that meet sophisticated customer requirements, as well as for honing our mass-production technologies and QCD (Quality, Cost, Delivery) capabilities. This foundation also contributes to enhancing the competitiveness of our aftermarket business. By leveraging the respective strengths of OEM and aftermarket, we will advance our business portfolio transformation and build a business foundation capable of generating sustained profits even amid changing market conditions.

## Toward realizing a sustainable society

In terms of enhancing corporate value—which we have defined as our vision for FY2035—the creation of environmental and social value, in addition to economic value, is positioned as an important pillar. Realizing a sustainable society is the very purpose of NTN Group, and for a manufacturer, sustainability means nothing less than pursuing sustainable products and services and providing them to society. Toward this realization, NTN Group places “technology not to stop operation” and “long product life” at its core. Representative examples of the former include the “Condition Monitoring System (CMS) for Wind Turbines” and “Talking Bearings,” while examples of the latter include the “Grease Lubrication Unit for Grease Lubricated Bearings” and the “HA-C Bearing”

What we aim for is not simply to sell hardware, but to monitor signs that products are approaching the end of their service life and to keep customers’ equipment and plants operating longer and more stably. To this end, we have accumulated vast amounts of data. By analyzing this data and proposing appropriate maintenance timing, we prevent unexpected shutdowns and enable planned operation. Another one of our strengths is combining the technologies and know-how cultivated over more than 100 years in response to customer needs to create new solutions. For example, the “i-WRIST” Wrist Joint Module is one example of innovation born from such fusion of technologies, demonstrating our ability to provide optimal solutions for a diverse range of challenges.

We also have high expectations for AI as a technology that further expands the possibilities of data utilization. The evolution of AI is extremely rapid, and the gap between companies that can leverage it effectively and those that cannot will continue to widen. As one example, we are working on advancing smart factories at Wakayama Works. As labor shortages stemming from the declining birthrate and aging population continue to grow, automation and labor-saving in manufacturing are also important themes, and we are also considering the potential utilization of humanoids in the future. We are also advancing the use of AI agents in administrative operations, and will work to improve productivity by appropriately allocating tasks between those requiring human judgment and creativity, and those handled by AI and machines.



Regarding carbon neutrality initiatives, we first addressed energy conservation for air compressors at our plants through measures such as air leak countermeasures and pressure optimization. We have also been advancing efforts toward decarbonization of electricity, including the introduction of PPAs for procuring renewable energy power through long-term contracts with external parties. We are now transitioning to a second phase involving capital investment and organization-wide engagement. Going forward, we believe it is important to deepen our efforts at each site and ultimately as a company-wide activity to achieve even higher targets.

## Toward strengthening human capital and organizational capabilities

NTN Group, based on the belief that “a company is its people,” recognizes that the growth of each and every employee leads to the growth of the company. In the transformation toward FY2035, the accumulated small steps forward of each of our approximately 21,000 employees around the world will become a great driving force. To this end, we are promoting human capital management in alignment with the Medium-term Management Plan, working on job-based human resource management, development of autonomous human resources, and mindset transformation, and are transitioning from the phase of system development to implementation and embedding.

In alignment with our business strategy, we are advancing strategic talent placement through the creation of diverse opportunities for challenge and the development of management talent. We are working on developing specialist human resources in growth areas such as AI and DX, while supporting employees’ autonomous career development through internal job posting systems and other means. While employee engagement is showing an overall improving trend, we recognize the importance of further deepening mutual understanding between management and the frontline as we pursue further growth. The essence of human capital management is to provide every employee with opportunities for growth. Human development has no finish line. We will not only create a comfortable working environment, but also support growth through work and deepen dialogue to enhance organizational capabilities.

Governance, like human capital, is critically important as a foundation supporting sustained enhancement of corporate value. Since transitioning to a Company with Nominating Committee, etc. in 2019, we have been working on rapid decision-making, strengthening business execution, and improving management oversight functions. We are currently pursuing further governance enhancement, including ongoing consideration of making Outside Directors a majority on the Board of Directors.

## Passing on a better future to the next generation

Regarding the next medium-term management plan, we are currently forming multiple project teams and formulating specific measures. As our policy, we will first secure ROE of 8% and then advance the transformation of our earnings profile to target ROE of 10% beyond that. The various reforms we have deployed to date have been focused on restoring corporate value, but in the next medium-term plan, it is essential to firmly establish those results as profits and grow into a company capable of generating stable earnings power. In addition to ROE, we will work on improving ROIC, aiming for enhanced capital efficiency.



Finally, in May 2026, NTN resolved to advance discussions and deliberations toward a management integration with NSK Ltd. through the establishment of a joint holding company, and a basic agreement was reached. Until now, through individual structural reforms, we have looked ahead to the future on a scale of five to ten years. However, in today’s rapidly changing world, we believe it is also a significant responsibility to think broadly about the way we manage our business to pass on a better future to the next generation.

NTN will continue to advance its path of transformation toward realizing a “NAMERAKA Society” without pause, and will strive to enhance corporate value. We ask for the continued understanding and support of all of our stakeholders.

| Schedule | Events |
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| May 12, 2026 | Date of execution of Memorandum of Understanding |
| Within around six months after execution of the Memorandum of Understanding (planned) | Date of execution of Definitive Agreement for Business Integration (including preparation of share transfer plan) |
| June 2027 (planned) | Date of Companies’ annual shareholders meetings (resolution to approve the Business Integration by way of joint share transfer) |
| October 2027 (planned) | Date of establishment of Holding Company (effective date) and listing date |