Materiality

Risks and opportunities surrounding NTN

Our Group analyzes risks and opportunities across business environments including carbon neutrality, which is a global trend, as well as accelerating electrification, labor shortages, and human rights issues toward achieving carbon neutrality, and implements countermeasures in line with our materiality. To respond to drastic changes in the external environment, we are regularly reviewing anticipated risks and opportunities.

NTN's Business Environment		Risk and Opportunity(○ Opportunity , ▲ Risk)	Timing of Occurrence			Degree of Impact	Main Measures	Materiality
			Short-term	Medium-term	Long-term			
Response to paradigm shift	Spread of next-generation mobility	○ Expansion of demand for our products due to outsourcing of in-house CVJ production by automakers	●	●		■■	● Deepening partnerships with customers based on problem-solving and proposal capabilities	3
		○ Expansion of demand for high-performance products for EVs		●	●	■■■	● Providing next-generation mobility modules for EVs ● Expanding profits through higher functionality of CVJs and axles where we have high market share	3
		▲ Cost increases associated with high-performance development for EVs		●	●	■■■	● Consolidating production of high-performance products for EVs (Wakayama Works)	3
		▲ Decrease in the total number of bearings used per vehicle		●	●	■■■	● Improving aftermarket ratio (FY2035: 40%)	3
		▲ Decreased cost allocation to CVJs and axles due to value concentration in motors and batteries	●	●	●	■■	● Considering supply of high value-added EV products and technical specification changes that contribute to cost reduction	3
	Progress of decarbonized society	○ Expansion of demand for high-performance products due to increased needs for improving power consumption (fuel efficiency)	●	●		■■	● Providing lightweight and highly efficient driveshafts and low-friction hub bearings	3
		○ Expansion of demand for large bearings for wind power generation	●	●		■■	● Expanding sales of large bearings for wind power generation	2
		○ Expansion of demand for condition monitoring system (CMS) services	●	●		■■	● Expanding CMS sales	2
		○ Increasing demand for energy-saving machinery	●	●		■■	● Reducing CO_2 emissions through core products ● Differentiating from competitors through development of proprietary environment-friendly products	3
		○ Expansion of bearing refurbish business	●	●	●	■■	● Considering collaboration with business partners	3
		○ Acceleration of technology development for bearings for hydrogen energy-related equipment		●	●	■■	● Developing hydrogen-related products	2
		○ Expansion of product adoption and improvement of corporate value through achieving carbon neutrality goals			●	■■■	● Developing and providing products and services that minimize energy loss	1 3
		▲ Cost increases due to capital investment for energy saving and switching to renewable energy	●	●		■■■	● Setting budget frameworks and reflecting them in business plans	1
		▲ Decrease in transactions with customers due to failure to achieve carbon neutrality goals		●	●	■■	● Implementing carbon neutrality promotion activities across the Group	1
		▲ Cost increases in procurement and operations due to introduction of carbon taxes		●	●	■■	● Operating internal carbon pricing	1
	Spread of AI and IoT	○ Productivity improvement through utilization of digital technology	●	●		■■	● Achieving strong QCD through smart factory implementation ● Shortening development periods through utilization of digital technology	6
		○ Increasing demand for bearing sensing	●	●		■■	● Providing service solutions through CMS technology ● Developing "talking bearings" (= sensorization of bearings)	3
		▲ Decline in competitiveness due to delays in utilizing digital technology	●	●	●	■■■	● Building systems to strengthen IT governance ● Strengthening organization through training and acquisition of digital talent	6
		▲ Increased threats from computer viruses and cyber terrorism	●	●	●	■■■	● Global deployment of security measures ● Expanding security measures across the entire supply chain	6

Materiality

NTN's Business Environment		Risk and Opportunity(○ Opportunity , ▲ Risk)	Timing of Occurrence: Short-term	Timing of Occurrence: Medium-term	Timing of Occurrence: Long-term	Degree of Impact	Main Measures	Materiality
Response to sustainable society	Response to environmental issues	○ Expansion of demand for high-quality, long-life products	●	●		■■	● Development and provision of long-life products	3 6
		▲ Risk that substances previously usable can no longer be used due to strengthened environmental regulations	●	●	●	■■■	● Understanding regulatory trends ● Managing transition from prohibited substances	5
	Response to natural disasters	○ Expansion of demand for disaster prevention equipment	●	●		■■	● Providing street lights, disaster prevention warehouses, disaster toilets, charging stations based on independent power supply devices utilizing renewable energy	4
		▲ Suspension of operations at own factories and supply chain due to natural disasters	●	●	●	■■■	● Formulation of BCP and BCP training in the NTN Group ● Reorganization of partner manufacturers and streamlining the supply chain	7 8
		▲ Risk of heat stroke among employees at factories	●	●	●	■■	● Promoting proper operation of occupational safety and health management systems	8
	Human capital management	○ Improvement of employee satisfaction through promotion of health management	●	●		■■	● Promoting work style reforms	11
		▲ Increasing social demands for implementation of human rights due diligence (transition from soft law to hard law)	●	●	●	■■	● Promoting human rights due diligence ● Implementing sustainable procurement questionnaires ● Responding to conflict mineral surveys from customers	9
Changes in demographics	Labor shortage due to declining birth rate and aging population	○ Expansion of demand for solutions for automation, efficiency improvement, and labor saving at production sites (robot-related modules, etc.)	●	●		■■	● Providing robot-related modules such as i-WRIST in response to labor-saving challenges	4
		○ Productivity improvement through progress in labor-saving equipment	●			■■	● Automation and labor saving of line work through development and application of automation technology	4
		▲ Closure of suppliers	●	●	●	■■	● Supporting business continuity through dialogue with suppliers	7
		▲ Risk of being unable to operate due to inability to secure necessary personnel		●	●	■■■	● Ensuring sustainability through site consolidation, automation, and labor saving	10
	Extension of average lifespan	○ Expansion of demand for products and services that contribute to people's health		●	●	■■	● Utilization of precision coating equipment in the life sciences field	4
	Growth of emerging countries	○ Expansion of sales opportunities due to economic development in emerging countries and expansion of infrastructure demand		●	●	■■■	● Expanding product lineup and inventory ● Developing aftermarket business ● Integrated sales strategy for OEM and aftermarket	6
		▲ Rising wages in emerging countries	●	●	●	■■	● Passing on cost increases through pricing ● Suppressing cost increases through automation and labor-saving investments	6
		▲ Infringement of intellectual property rights	●	●	●	■■	● Strengthening countermeasures against counterfeit products	6
		▲ Intensified price competition for conventional products due to entry of emerging manufacturers	●	●	●	■■■	● Considering technical specification changes that contribute to cost reduction	6
Uncertain global situation	Globalization of business	○ Enhancement of NTN brand value in the aftermarket	●	●	●	■■■	● Efficient supply of general-purpose products ● Maximum utilization of global sales network	6
		▲ Profit pressure due to increased tariff costs	●	●	●	■■	● Suppressing cost increases through production site changes and localization	6
		▲ Suspension of production site operations due to geopolitical risks		●	●	■■■	● Formulation of BCP and regular training based on BCP	8
		▲ Supply chain instability due to geopolitical risks		●	●	■■	● Realizing the best mix of global and local procurement through procurement reform	7
	Changes in political and economic environment	▲ Sharp decline in production demand	●	●		■■■	● Passing on cost increases through pricing ● Reducing fixed costs	6
		▲ Rising energy procurement costs and raw material procurement costs	●	●		■■■	● Passing on cost increases through pricing ● Reducing purchase costs through design standard reviews	6