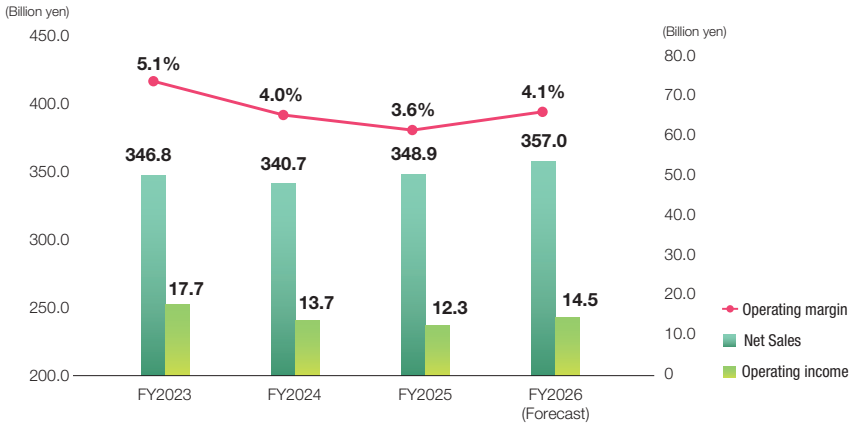
Strengthening the Business Model

Bearing and others

Performance targets



Overview

By consolidating the bearing business, which was previously handled separately for automotive, industrial machinery, and aftermarket, and by maximizing the use of management resources, we are working to further expand the aftermarket business, flexibly respond to electrification needs, and shorten development times.

For the aftermarket, we are expanding inventories of our best-selling products and meeting a wide range of requests for immediate delivery via optimal allocation and increased production capacity through integrated OEM and aftermarket operations, external purchasing, and expanded production outsourcing. We also aim to transform from selling hardware only to adding software and services by expanding the equipment condition monitoring business for customers.

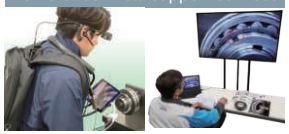
For industrial machinery OEM, we have classified the eight major industries as either expanding or maintaining categories,*while also identifying challenge industries that address specialized applications and operating environments where NTN has not previously established a presence. For the expanding categories, we are boosting production capacity and promoting sales; for the maintaining categories, we are strengthening competitiveness through improvements in costs and selling prices. For the challenge industries, our approach is based on market research to select target regions and customers, and we are advancing our approach to markets where bearings can provide added value. For automotive OEM, as a response to electrification, we are developing bearings adapted to needs that are at a higher level in EVs than conventional vehicles such as speed, low torque, and electrical corrosion resistance, leading to improved profit due to growing sales of high value-added new products.

*Expansion sectors: Machine tools, electric motors and generator, aerospace
Maintenance sectors: Construction machinery, agricultural machinery, gearboxes, rolling stocks, wind turbine

Main products and services

Aftermarket | Transforming toward a business that adds software and services

Remote technical support services



NTN Portable Vibroscope



Technical training / maintenance tools



Industrial Machinery OEM | Sales promotion through strategies tailored to each industry

Strengthen production capacity and promote sales for expanded sectors

Aerospace



Used for worldwide jet engine applications

Machine tools



Helping ensure high machining precision

Electric motors and generator



Low dust generation bearing for servo motors

Strengthen competitiveness through improvements in costs and selling prices

Rolling stock



Helping ensure safety of worldwide high-speed railways

Wind turbine



Support rotation of main shafts, gearboxes, generators, etc.



Wind Doctor

Improve wind turbine utilization rate through condition monitoring

Construction machinery



Applications for resource mining and civil engineering

Agricultural machinery



Helping ensure stable food production

Gearboxes



Helping ensure high robot productivity

NTN products also serve a wide range of other industries

Mining machinery



ULTAGE spherical roller bearings with high-strength cage EMA Type

Metal industry equipment



ULTAGE sealed four-row tapered roller bearings CROU..LL Type

Paper-making machinery



ULTAGE spherical roller bearings Type EA, Type EM

Food processing machinery



Bearing units stainless series

Cement equipment



Plummer blocks

Automotive OEM | Meeting customer needs through the development of high-value-added new products and a diverse product lineup



High-speed deep groove ball bearings for EVs/HEVs

Ultra-low Friction Sealed Ball Bearing

Ceramic Ball Insulated Bearing

Resin Mold Insulated Bearing

Mechanical Clutch Unit (MCU) for steering

Auto Tensioner

Rocker Arm

Thrust Needle Roller Bearings

Progress Update on “DRIVE NTN100” Final from Executive Officer

Policy

① Expand aftermarket business
② Improve profits in bearing OEM business
③ Develop products for electrification and strengthen market competitiveness by reviewing application standards and design criteria
④ Enlarge service solutions

Main strategy

Expand aftermarket business

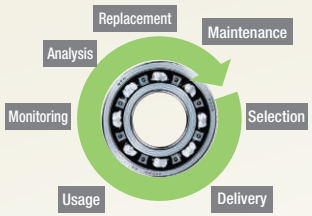
■ Strengthen supply capability

- Expand external purchasing and outsourcing
- Optimal allocation and expansion of production capacity through integrated OEM and aftermarket operation
- Expand inventories of popular products for the aftermarket

■ Strengthen engineering services

- Strengthen “bearing life cycle management” through integrated OEM and aftermarket operations
- Expand sales by expert organization for engineering solutions
- Expand service business such as bearing diagnosis and refurbishment

■ Bearing life cycle management



Improve profits in OEM business

- **Improve asset efficiency by reorganization of production bases in the Americas, Europe, China and Japan**
- **Drastic review on costs through production at optimal sites**
- **Price increases and reduction in unprofitable businesses**
- **Develop new products that meet market needs and introduce them to the market speedily**



“Resin Mold Insulated Bearing” for e-Axle



Improvement in decision-making speed and profit margins

Two years have passed since the transition to the new business headquarters system, and one year since I assumed responsibility for the Bearing Business HQ. In FY2025, the second year of “DRIVE NTN100” Final, we achieved growth in both net sales and profit, and the foundation for renewed growth is steadily taking shape. The establishment of the product-based business structure has enabled issues to be shared within business headquarters, and a wide range of measures to be rolled out horizontally across the organization.

Because bearings are simple products, price competition is unavoidable, particularly in the volume zone. However, easy cost reductions that sacrifice quality invite greater risk. What we aim to achieve is competitiveness that customers recognize as delivering value, while safeguarding trust in the NTN brand. To this end, while reliably fulfilling our responsibilities for quality and stable supply under appropriate risk management, we are also boldly pursuing new cost reduction measures unbound by conventional thinking.

The results of these efforts are clearly materializing. For example, significant cost reduction measures for high-demand aftermarket products are taking shape within a short timeframe. Progress is being made at a speed that would have been impossible under conventional approaches, and the driving force behind this is the transformation in mindset of each and every employee.

Mindset transformation now taking root

We have asked our engineers to clearly identify risks and propose solutions. For example, if a product could be developed in as little as one year but three years are being allocated to avoid risks and ensure that every precaution is taken, we ask them to consider how to recover the profit forgone over those two years.

By reframing the question, discussions have shifted from focusing solely on “who is responsible when problems occur” to “how can we achieve this?” At the same time, we have made it clear that while engineers present proposals, it

is management's responsibility to make the final decisions after taking risks into account. When development proceeds at a speed that gives us a competitive advantage, and the anticipated risks have been properly identified, all relevant functions—including sales and management—implement countermeasures together, and the organization bears responsibility for the outcome.

A similar transformation in mindset has taken root in the sales division as well. Previously, an entrenched mindset prioritized winning orders above all else, treating profit generation as an internal matter. However, as raw material and energy costs have continued to rise, securing adequate profitability has become increasingly difficult. Through management-led efforts to transform this mindset, an approach of "winning orders while aiming for appropriate profit" has taken root, raising awareness of the risks of excessive price reductions while also enabling more constructive dialogue with customers.

Furthermore, amid intensifying price competition, we will advance sales measures that precisely balance scale and profit to maximize overall profitability.

Expanding aftermarket sales and optimizing inventory

In the aftermarket segment, the global rollout of "FIRST," our immediate delivery system, has enabled centralized management of inventory for popular products, achieving more stable supply and reduced waste. We have accumulated inventory of approximately 10 billion yen across more than 4,000 popular products, and sales are growing steadily through our global network of subsidiaries.

This approach to inventory management has enabled each sales company to formulate more reliable sales plans, giving rise to a virtuous cycle of improved production planning accuracy and greater operational efficiency. Going forward, we will take into account regional differences in demand as we advance data-driven analysis to optimize our part number composition and inventory levels.

In addition, we will expand our standing inventory of our semi-general-purpose products characterized by intermittent demand and long lead times. Through a long-tail strategy to strengthen supply capability, we will enhance our market presence by establishing a reputation that "products can always be sourced from NTN when needed."

Visualizing production status to improve profit margins

On the production side, the challenge is to maximize plant profitability through securing production volume and building a stable supply structure. In order to secure volume amid sluggish overall global demand, the key lies in identifying markets where NTN can demonstrate its competitive advantage, then concentrating resources accordingly. To this end, we are renewing our focus on segmentation and targeting, the fundamentals of marketing.

At the same time, building on the data we have accumulated, we are working to visualize plant load conditions based on long-term trends. We forecast load conditions for each production line within each plant on a six-month to one-year horizon, and when risks are anticipated, business headquarters optimizes the balance among sales, manufacturing, and supply.

When any supply-related challenges are anticipated, we engage with customers at an early stage to coordinate accordingly, while ensuring that the supply we have committed to is delivered without fail. To that end, we are advancing the introduction of visualization mechanisms at selected manufacturing facilities.

Furthermore, we will build an optimal portfolio balancing small-lot orders that offer high expected profitability against orders with relatively lower margins that nonetheless contribute to maintaining production volume. At the same time, we will maximize plant operating efficiency to improve productivity and reduce the burden of fixed costs, thereby aiming to maximize overall profitability.

These initiatives can never be advanced by manufacturing alone. In particular, we are strengthening our ability to respond to demand fluctuations through closer coordination between manufacturing and sales, and we are working to reinforce organizational capability so that business headquarters as a whole—including relevant functions such as engineering and quality—collaborates to resolve the various issues that emerge from this process.

Service solutions supporting stable equipment operation, made possible by NTN's expertise as a bearing manufacturer

Leveraging the technology and expertise cultivated as a bearing manufacturer, NTN promotes bearing lifecycle management activities that support the stable operation of customers' equipment throughout the entire bearing lifecycle, from bearing selection and operation to maintenance and replacement. Condition monitoring services are a key part of this effort. By continuously monitoring equipment vibration data, these services enable the early detection of signs of failure, support visualization of equipment conditions, and facilitate planned maintenance.

Bearings are used in many types of rotating machinery, including manufacturing equipment and various types of industrial machinery. As a critical component supporting the rotation of machinery, the condition of a bearing has a significant impact on the operation of the equipment as a whole. In addition, a considerable number of equipment failures can be attributed to bearing-related issues. As a specialist bearing manufacturer, NTN's condition monitoring goes beyond simple abnormality detection to include estimation of cause of failure and proposals for appropriate maintenance measures. This enables us to make a significant contribution to the stable operation of customers' equipment and the optimization of maintenance costs.

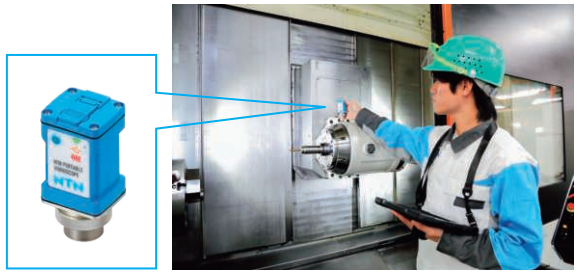
NTN has provided long-term equipment monitoring and diagnostics through its "Wind Doctor" condition monitoring system for wind turbines. Through its extensive operational experience in the domestic wind power sector, NTN has developed advanced expertise in condition monitoring.

In addition, for wind turbines that have been in operation for more than ten years, there is a growing need to assess equipment condition while minimizing new capital investment. To meet this need, we offer a rental-based

fixed-fee service with reduced upfront investment, as well as short-term measurement and diagnostic services available for use only as long as they are required. This enables customers to utilize condition monitoring services flexibly according to their equipment conditions.

Leveraging the technology and expertise cultivated in the wind power field, we began offering a condition monitoring system for general industrial machinery this fiscal year. Amid growing needs for remote equipment monitoring and predictive maintenance, we support equipment maintenance and stable operation for customers across a wide range of industries.

Furthermore, for customers for whom large-scale system installation is difficult, we also offer the NTN Portable Vibroscope, a patrol-based monitoring device. Despite its compact size, the device can not only detect bearing abnormalities but also estimate the damaged location within the bearing. It can also communicate wirelessly with smartphones and tablets and is easy to use, which has been well received by many customers.



The NTN Portable Vibroscope contributes to the reliable operation of production equipment by enabling easy and highly accurate measurement and analysis.

In addition to condition monitoring, NTN also offers linked analysis services. Leveraging the expertise accumulated through many years of research, development, and manufacturing, we conduct lubricant degradation surveys, foreign matter analysis, bearing load estimation, material composition analysis, and life prediction. By combining operating data obtained from equipment with analytical technology, we support a deeper understanding of customers' equipment conditions and help advance maintenance planning and equipment operation.

Going forward, NTN will continue to enhance customer value and contribute to a sustainable society through integrated solutions that combine the technologies, products, and services only a bearing manufacturer can provide.

Sense of urgency toward the rise of emerging market manufacturers

Through my operational experience in ASEAN and China, I have long harbored a sense of urgency regarding the rise of competing manufacturers, particularly Chinese ones. Against this backdrop, we have shifted toward speed-oriented decision-making, even to the extent of revising our approach to risk management.

At the same time, our ability to resolve customer challenges that emerging market manufacturers are unable to adequately address represents a significant strength for NTN. Effectively solving these challenges requires a deeper understanding of the actual usage conditions of the bearings in question than even the customers themselves possess. This is not a capability that can be acquired overnight; it requires the accumulated know-how built up over many years. We will leverage this strength as the axis of differentiation to secure competitive advantage.

Nevertheless, price competition with emerging market manufacturers cannot be avoided. NTN is pursuing continuous cost reduction while maintaining quality and reliability, and is expanding the business areas in which we can secure profitability.

As a new initiative, we are developing relationships with non-traditional suppliers, while also focusing on external procurement of finished products leveraging our know-how. Collaborative efforts involving our affiliated companies are already progressing, and we will work to expand the range of target items and procurement regions going forward.

In parts procurement as well, efforts to strengthen competitiveness through supply chain optimization are yielding results. While China currently holds an advantage in terms of cost, we will advance a review of our procurement mix going forward, including sourcing from India, with the aim of building a more flexible and resilient supply structure.

At the same time, our conventional supply chain centered in Japan is underpinned by long-cultivated relationships of trust and high quality capability, forming an important foundation supporting our differentiation strategy. We will continue to further strengthen collaboration with suppliers to enhance our business competitiveness.

Eliminating waste and building a lean business structure

In "DRIVE NTN100" Final, we are advancing the consolidation of bearing production facilities, building a resilient business foundation that eliminates waste. Going forward, we will connect these efforts to a new growth strategy, while looking ahead to the next Medium-term Management Plan.

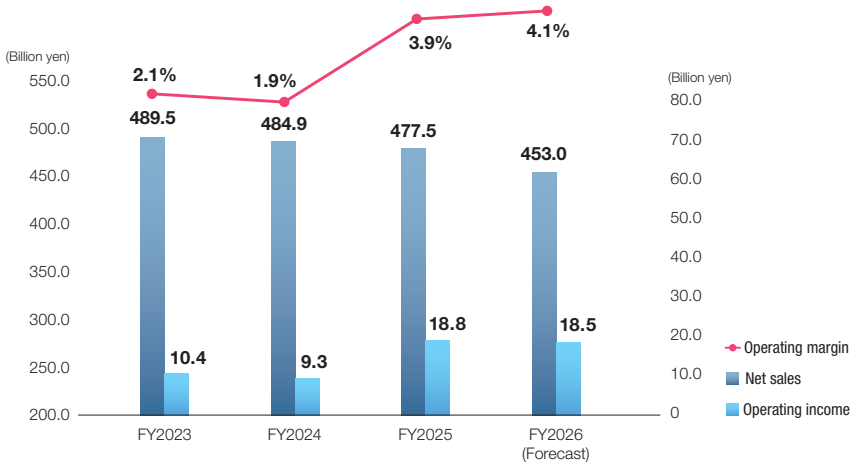
Securing bearing supply capacity is indispensable for achieving new growth. While domestic production will continue for aircraft bearings and precision bearings, transitioning high-volume products to overseas production and external procurement remains a key theme going forward.

In a rapidly changing and uncertain market environment, competition is expected to intensify further. What we are focused on is a thorough market orientation, the provision of high-value-added products and services, the advancement of differentiation, rapid response, and the utilization of AI. A "Bearing Core Technology Enhancement Project" has also been launched to deepen bearing technology.

In order to respond to the new environment surrounding the machinery industry, we will advance integrated global management and further enhance the competitiveness of the bearing business by optimally combining sales strategies around the world with Japan's technology development, manufacturing and supply strategies.

CVJ & Axle bearings

Performance targets



Overview

In the automotive market, where electrification and the shift to EVs is advancing, driveshafts (CVJ: Constant Velocity Joints) and hub bearings (axle bearings), which are the flagship products of the CVJ & Axle Bearing Business, are required to deliver performance that addresses the needs for greater efficiency and enhanced control performance, directly linked to extending vehicle range. As the leading manufacturer in the power/drivetrain domain, we develop and supply high-performance products that meet world-leading standards in energy-saving performance, lightweight and compact properties, durability, and quietness, contributing to improved fuel and electrical efficiency and reduced CO_2 emissions.

With an eye on the medium-to-long-term shift to electrification, we are strengthening our competitive advantage through the introduction of high-value-added new product series and improvements in developmental speeds by utilizing AI and digital technologies. In growth markets such as India, we are advancing investments centered on localization and production at optimal sites to achieve both cost competitiveness and supply capacity.

In the aftermarket segment, we are expanding our lineup of automotive aftermarket parts centered on corner modules and strengthening our global supply structure.

Furthermore, we are reducing variable costs through reforms in design and procurement within the value chain, as well as optimizing fixed costs through production restructuring, and working to build a resilient business foundation with enhanced profitability and capital efficiency.

Main products and services

Hub bearings

Bearings that allow tires to rotate smoothly, and support the weight of the vehicle.



Reducing rotational friction by 66%
"Low Friction Hub Bearing" Series

Improves EV electricity efficiency by 0.76% and extends driving range by 2.2 km (NTN estimate)

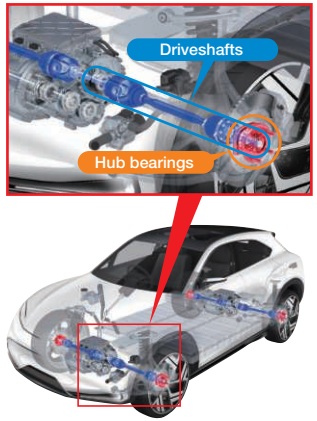
Driveshafts(CVJs)

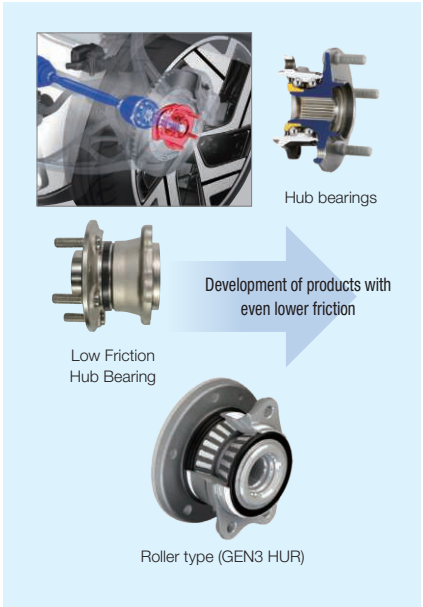
Products that transmit the driving force of engines and motors to tires.

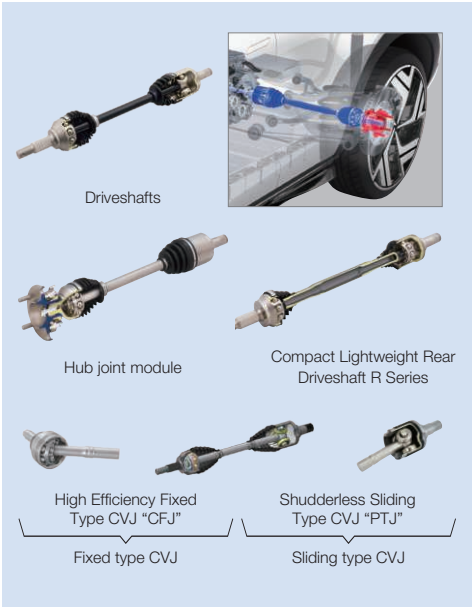


World's highest level of transmission efficiency
High Efficiency Fixed Type CVJ "CFJ"

Optimal for EVs and SUVs that require both large mounting angles and efficiency







Executive Progress Update on “DRIVE NTN100” Final

Policy

① Pass-on price and set selling prices appropriately
② Improve profit margin of existing projects by value chain reform
③ Ensure profits and return on investment expected when receiving new orders
④ Respond to EV market needs

Main strategy

Improve profits of OEM business

- **Improve asset efficiency by reorganization of production bases in the Americas, Europe, China and Japan**
- **Improve unprofitable businesses and adjust prices in line with market conditions**
- **Deepen partnerships with customers based on problem-solving and proposal capabilities**
- **Procurement reform, design reform, and cost reduction by design not trapped in the conventional design concepts and reviewing materials**
- **Maximize profits by expanding external purchasing, and restructuring supply chain of parts and finished products**
- **Develop new products that meet market needs and bring them to market speedily**

Expand aftermarket business

- **Strengthen supply capability**
  - Develop alternative products and outsource production
  - Expand product lineup through external purchasing
  - Enhance axle and CVJ-related kit products
- **Relocate aftermarket headquarter functions to Europe and establish sales expansion system**



Promoting reforms to strengthen the business foundation

Two years have passed since we reorganized into a two-business-headquarters structure comprising the CVJ & Axle Bearing Business HQ. and the Bearing Business HQ. As a result of advancing structural reforms in line with the Medium-term Management Plan, net sales declined; however, our earning power was strengthened, resulting in improved profitability. During this period, in addition to structural reforms, we have also worked on design reform and procurement reform to transform our business structure. All of these initiatives are being promoted globally across regions, and the foundation for our next stage of development is steadily being established.

The CVJ & Axle Bearing Business HQ. has established a system that clearly identifies personnel, materials, and capital by site and plant for both the CVJ and Axle businesses, and calculates business profit and loss accordingly. By visualizing each indicator, we are now able to accurately grasp the status of the business HQ. as a whole as well as individual sites. The next challenge is how to swiftly implement finely tuned, region-specific measures based on current conditions, such as reducing fixed and variable costs.

In addition, to promote a change in employee mindset, we have repeatedly communicated with employees through town hall meetings. After recognizing and expressing our gratitude for employees’ efforts since the first year of the Medium-term Management Plan, we have shared the current position and future direction of the CVJ & Axle Bearing Business, and made every effort to help employees understand KPIs such as ROE and ROIC as matters directly relevant to them.

Over the last two years since the establishment of the business HQ., we have focused on generating synergies by unifying the mindset of members belonging to the CVJ-related and Axle-related departments. CVJs play a role in transmitting power within the powertrain, while axle bearings support tire rotation as part of the chassis. These business

units differ significantly in their function and in the organizational cultures cultivated over time. To integrate these two areas, we have promoted personnel exchange across technologies, production, and sales functions to advance unification. In doing so, we have placed particular emphasis on sharing customers' challenges and working collaboratively to generate solutions. The results of this series of initiatives are already beginning to emerge, with jointly developed products now reaching the prototype delivery stage to customers.

Establishing a stable earning base and advancing capital investment for the future

Regarding the OEM business, we have been negotiating to pass on cost increases, while taking into account government policy and social demands. We have achieved this by presenting detailed evidence on a plant-by-plant basis. In doing so, we gained the understanding of our Japanese customers and secured approval for price pass-through covering energy costs and labor costs, among other factors. With European and American companies, we have gained the understanding for appropriate price adjustments by consistently providing logical explanations.

The next challenge in strengthening our earning base is responding to Japan's declining labor force and the aging of our workforce. As concrete measures, we are advancing labor-saving and modernization initiatives. Given that veteran employees account for a certain proportion of the workforce at our major plants, we have a strong sense of urgency regarding the sharp increase in retirements expected over the next five to ten years.

When advancing production reorganization in Japan, it is also necessary to renew equipment to be more people-friendly, taking the aging workforce into consideration. We are budgeting for capital investment based on our vision for the future, and advancing initiatives to improve production efficiency and sophistication. Personnel freed up through labor-saving measures are being redeployed to expand their roles in other departments, and these efforts are contributing to the enhancement of our earning power.

Another pressing issue we are addressing is the transfer of know-how cultivated by veteran employees. For example, we are moving quickly to establish a system for converting tacit knowledge—such as the subtle adjustments involved in handling tools during the production process, which has traditionally depended on individual expertise—into explicit, shareable knowledge.

An essential investment with a view to the future is the expansion of the production system for the High Efficiency Fixed Type CVJ "CFJ," which dramatically improves transmission efficiency among CVJ products. Since the production of the "CFJ" requires equipment different from that used for existing CVJ products, we will proceed in a planned manner with global investment to support this highly promising strategic product.

Strengthening the aftermarket structure

Regarding the automotive aftermarket, we have transferred our head office functions to the European region, which accounts for a large share of sales, and have accelerated global expansion while leveraging the expertise cultivated locally. Europe possesses sales know-how in the automotive aftermarket that has been accumulated over time, and continues to expand its business. For example, Europe also possesses know-how in ODM—that is, products designed and manufactured by contracted manufacturers and sold under our Group's brand—and we intend to deploy these strengths to other regions.

NTN as a whole has a target of increasing the aftermarket sales ratio to 40% by FY2035. Judging that the further strengthening of our structure is necessary to achieve this target, we have newly appointed a Global Automotive AM Manager. Going forward, under this new structure, we will rebuild our regional strategy centered on Europe, encompassing Japan, North America, and the ASEAN region.

The regions where the NTN brand is strong are North America and ASEAN. In contrast, in the Europe region, our subsidiary's brand holds a competitive strength. Taking these regional characteristics into account, we are reorganizing our brand strategy while deploying measures optimized for the differing needs of each region. At the same time, we are expanding our ODM product lineup and focusing on expanding new partners capable of supporting design and development.

Promoting reforms through task teams

To strengthen our earning power amid a challenging business environment, we have organized numerous task teams since FY2024 and rolled out various measures. Approximately 15 teams have been organized by theme—such as reducing setup time at plants and reducing inventory assets—with a person in charge assigned to each team, and KPIs clearly defined to enhance effectiveness.

For example, internal components of CVJs are manufactured in Japan and deployed globally, and we are working to reduce inventory through measures such as optimizing specifications and switching from monthly to weekly shipments. In terms of logistics reform, we have also undertaken a review, including reducing the number of domestic warehouses, and steady progress is being made in improving the inventory turnover ratio.

As a result of this series of initiatives, we achieved our target of increasing profit year over year in FY2025. In the final year of the Medium-term Management Plan, we will continue to pursue various reforms, striving to strengthen our resilience against external factors, and thereby further enhance our earning power.

The future challenge is to accelerate the speed of task team activities and their global rollout in order to further enhance our earning power. In the automotive market, given changes such as the slowdown in the shift toward BEVs, prompt responses will be required to keep pace with the future direction of automakers' development strategies. In addition to these market changes, there are also developments related to tariffs in the Americas market and the USMCA (United States-Mexico-Canada Agreement). To respond to these changes, we must maintain a global perspective at all times. Amid the need for various decisions, our criterion for judgment is whether it will enhance our earning power, and we will strive to respond swiftly and accurately.

Proposal capability and speed as the next challenge

In the automotive market, business opportunities are generally secured up to three years in advance; however, we must dispel conventional assumptions and accelerate our momentum toward the next stage of growth in order to keep pace with automakers' development speeds. The CVJ & Axle Bearing Business, needs to continue steadily executing reductions in fixed and variable costs with the flexibility to remain unaffected by external conditions. Through a series of reforms undertaken to date, the foundation of the business is steadily being established, and the next challenge is the speed of execution.

We need to advance the integration of CVJ and Axle to a new dimension, enhancing not only our ability to solve customers' issues but also our capability to propose new products. The key to enhancing proposal offerings is to translate market needs—specifically, the issues our customers face—into our own words and understand their essence. Thorough understanding of the essence of an issue, combined with fast and high-quality proposals, is essential.

As a result of reforms to the proposal process, we are now able to advance joint development from the initial stages with customers with whom we have built collaborative relationships over many years. Proposals that incorporate development technology and manufacturing costs are steadily leading to results.

Regarding market changes, while the slowdown in BEVs is one notable trend, the expansion and enlargement of SUVs is another growing trend. In response to these changes, value propositions such as securing interior space and improving quietness—achieved through the integration of CVJ and Axle and higher operating angles for CVJs—are becoming increasingly important.

Another factor that should not be overlooked is the progress of commoditization, an opposite trend symbolized by Chinese manufacturers. As automakers work to accelerate their development speed, what is required of us is proposal capabilities that contribute to that acceleration.

We are working to capture customer requirements during the development process and to make proposals quickly without the need for prototypes or physical testing. Utilizing AI is essential to achieving this. By leveraging the vast amount of test data we have accumulated to date, we aim to improve analytical precision and thereby strengthen our proposal capabilities. Through the use of AI based on our proprietary data, we will propose data-driven products that customers can adopt with confidence, contributing to accelerating the speed of development.

Themes with a view to the next Medium-term Management Plan

Having developed our business based on the Medium-term Management Plan to date, we have once again keenly recognized the importance of responding accurately to market changes. We have pursued structural reform in order to solidify this foundation.

Having optimized the scale of our business and advanced the rebuilding of our foundation, the next priority is to place greater emphasis on speed—strengthening our earning power, including expanding the aftermarket, and increasing sales in growth and advantaged markets. We will also respond proactively to changes in the business environment, including the slowdown in BEVs and negotiations to review the USMCA.

We have positioned India, where market expansion continues, as a future growth market. We are making capital investments at existing production sites to localize the procurement of CVJ internal components, thereby shortening lead times and strengthening cost competitiveness. In addition, by enhancing our research and testing functions, we have also established a system that can respond swiftly to local needs.

Regarding tariffs in the Americas, while a certain degree of fluctuation is expected to continue, we do not believe they will be abolished. In the automotive sector, localization is once again being advanced, and given NTN's strengths in responding to this trend, the Americas represents an advantaged market for us. Regarding the supply chain, in addition to efforts to rebuild supply chains in response to geopolitical risks in North America, the trend toward reshoring to North America is accelerating, against the backdrop of negotiations to review the USMCA. Under the USMCA, CVJ & Axle products are required to meet a regional value content threshold at least 75%. We will leverage our strength in already having upstream processes located in North America.

Although the momentum toward electrification has slowed somewhat compared to before, we recognize that it will continue to advance steadily over the medium- to long-term. Infrastructure development is also progressing, and while there are regional differences, we believe it is unlikely that this trend will significantly reverse in Europe, the United States, and Japan. We will continue to focus on developing high-value-added products that respond to electrification, aiming to become a "leading manufacturer in power/drivetrain systems" that surpasses competitors in both speed and functionality.

Advancing a change in mindset to strengthen earning power

Over the past two years, employee awareness of profit and earning power has evolved significantly. Through continuous communication, understanding of indicators such as ROE and ROIC has also deepened. Employees have also come to recognize the need to reduce inventory assets as an issue that is directly relevant to themselves.

As a result, reforms at manufacturing sites, such as productivity improvements, have progressed, and design reform has also strengthened our earning power, steadily reinforcing our organizational resilience. Furthermore, improvement proposals that go beyond mere extensions of past approaches are emerging, and proposal capabilities are also steadily increasing. What can be sensed from this series of developments is a steady improvement in on-site capability.

Going forward, we will further accelerate these reforms, establish a business structure that is not affected by external conditions, and continue to demonstrate steady results.