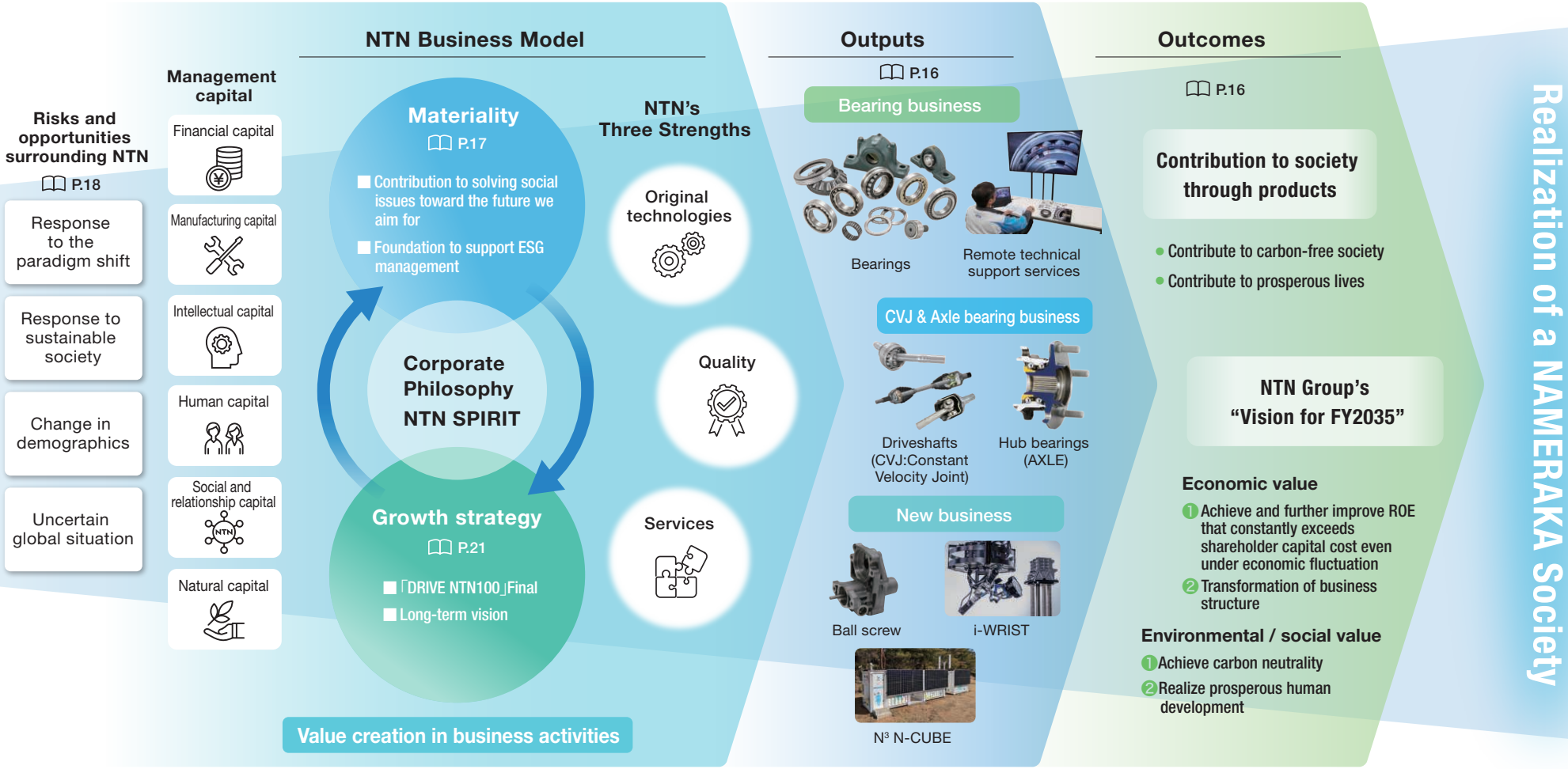
Value Creation Process

The NTN Group has identified materiality for addressing SDGs in order to solve social issues, and is conducting its business activities based on its corporate philosophy, utilizing the management capital and NTN characteristics that have been cultivated over our more than 100 years of history.

By providing products and technical services such as bearings and driveshafts and by creating environmental and social value, we aim to realize a “NAMERAKA Society” where people can easily lead a secure and fulfilling life in harmony with nature. Going forward, we will continue to promote ESG management to achieve sustainable growth and to contribute to solving social issues.



Analyzing Outputs and Outcomes

Outputs

NTN Products P.4 Strengthening the Business Model P.25～32

Three added values to contribute to a sustainable society

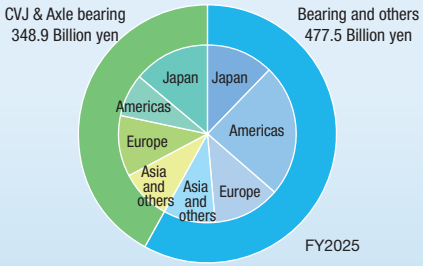
1. Technology not to stop operation
- Contributing to reducing customers' opportunity loss and controlling operation and maintenance costs

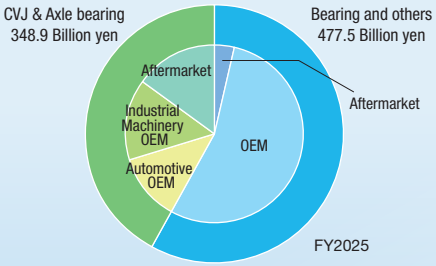
2. Technology for longer operating life
- Improving production efficiency

3. Reduce energy loss
- CVJs with reduced torque loss
- Axle units with reduced friction
- Bearings that support high-speed rotation and long service life

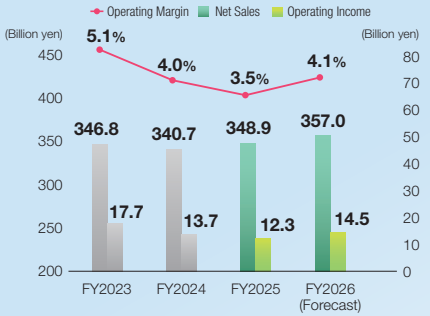
Change in organizational structure from market-based to product-based

- We have established the "Bearing Business HQ." and "CVJ & Axle Bearing Business HQ." to consolidate the bearing business that was previously distributed across different departments. This allows us to strengthen our supply capabilities and build a system that can provide solution proposals, including services. At the same time, we will focus on CVJs and axle bearings as product-based business lines, leveraging our strength in handling both products to enhance our ability to respond to new needs such as electrification.
- We have established the "Innovation & Business Development HQ." to accelerate strategy planning and development initiatives in new areas such as next-generation mobility modules, robotic related modules, and natural energy.

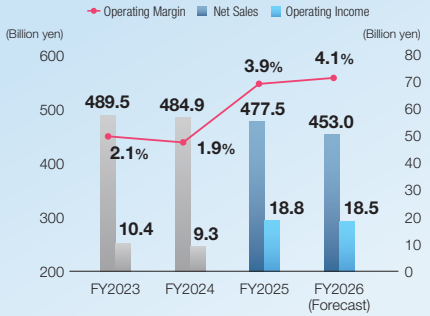




Bearing and others



CVJ & Axle bearing



Outcomes

Our vision

1. A company where the corporate philosophy is understood by all employees around the world, and where all employees think and act by themselves
2. A company that has a global presence with original new products and services appreciated for high quality and functions
3. A company which everyone involved can be proud of the "NTN" brand

Contribution to society through products

- Contribute to carbon-free society
- Realize a sustainable society using natural energy
- Reduce energy loss
- Develop environment-contributing product
- Contribute to prosperous lives
- Provide safety and comfort

NTN Group's "Vision for FY2035"

A company trusted and needed by stakeholders with enhanced corporate value through the improvement of economic, environmental, and social value

Economic value

1 Achieve and further improve ROE that constantly exceeds shareholder capital cost even under economic fluctuation
- Achieve ROE of 8% (FY2026) and early achievement of ROE of 10% from FY2027 and beyond
- Achieve ROIC of 6% (FY2026)

2 Transformation of business structure
- Sales ratio for aftermarket: 20% (FY2026), 40% (FY2035)
- New products sales ratio for bearing and others and CVJ/Axle: 20% (from FY2027)

Environmental/social value

1 Achieve carbon neutrality
- Reduce CO_2 emissions by more than 30% (FY2026 compared to FY2018)
- Achieve carbon neutral target (Scope 1, 2) (FY2035)
- Develop and provide products and services that minimize energy loss

2 Realize prosperous human development
- Securing and developing human resources Developing management talent to lead the Group
  →No. of succession plan candidates: 30 (FY2026)
- Fostering organizational culture
  Diversity, equity & inclusion
  →Percentage of female managers: 5% (FY2026)
  Childcare leave acquisition rate for male employees: 100% (FY2026)
  Percentage of mid-career hires: 30% (FY2026)
  Transformation to a workplace of bravery and mission
  →Scores related to "challenge" and "transformation" in Employee Engagement Surveys: 80% positive response (FY2026)

Materiality

Materiality identification process

In March 2015, the NTN Group signed the United Nations Global Compact, a global framework for the international community to realize sustainable growth, and we are working toward achieving the SDGs.

In December 2020, we identified 13 items of materiality that the Group should prioritize addressing in response to the SDGs. The Group will review its materiality as appropriate in response to changes in the business environment and societal expectations. For the materiality identified, we have formulated response measures for each fiscal year and each item, and we are driving efforts to implement these measures. Our initiatives to address our materiality are outlined in a roadmap for realizing a "NAMERAKA Society," and progress is regularly reviewed by the Sustainability Committee, which comprises members from across the organization, and reported to the Board of Directors as appropriate.

The identified materialities are also linked to NTN's corporate philosophy, "We shall contribute to international society through creating new technologies and developing new products." By promoting efforts to address our materiality, we will strive to achieve sustainable growth for the Group and create environmental and social value, with the aim of realizing a "NAMERAKA Society."

WE SUPPORT UN GLOBAL COMPACT

Identification process

STEP 1

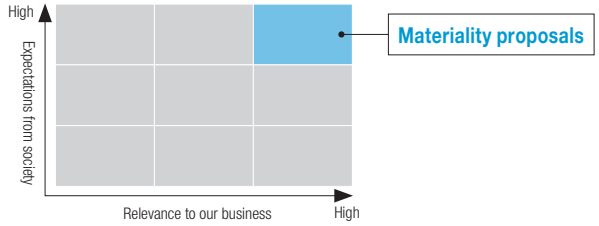
Extraction of materiality candidates

- Extract social issues with reference to the GRI Standard, which is an international framework in the field of sustainability.
- Extract items that are candidates for materiality based on the direction of structural changes that have a major impact on the economy/environment/society and the company's effort.

STEP 2

Evaluation and analysis of materiality candidates

- Evaluate the 99 items extracted in STEP 1 on a three-point scale from the perspectives of "expectations from society" and "relevance to our business."
- Organize items with high evaluations as materiality proposals.



STEP 3

Dialogue with academics and experts

- Collect suggestions and opinions from academics and experts in the field of CSR/sustainability, as well as Outside Directors regarding ideas about materiality identification and ESG strategies that should be focused on.

STEP 4

Validity assessment in overseas affiliated companies

- Conduct a questionnaire survey targeting the presidents of our overseas affiliated companies and confirm that all overseas affiliated companies agree with the materiality proposals.

STEP 5

Identify materiality

- The Board of Directors resolved 13 items of materiality.

Contribution to solving social issues toward the future we aim for

	Materiality	Related SDGs
Environmental	1 Respond to climate change	
Environmental	2 Realize a sustainable society using natural energy	
Environmental	3 Reduce energy loss	
Social	4 Provide safety and comfort	

Foundation to support ESG management

	Materiality	Related SDGs
Environmental	5 Resource recycling and pollution prevention	
Social	6 Improve the reliability of products and services (Quality assurance, stable supply)	
Social	7 Procurement activities with an emphasis on environment and society	
Social	8 Promote safety and health	
Social	9 Respect for human rights	
Social	10 Human resource development	
Social	11 Promote diversity	
Governance	12 Thorough compliance	
Governance	13 Strengthen governance	

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

Materiality

Materiality targets and results for FY2025

Materiality	Target Year	Target	Results
Respond to climate change	FY2030	● Reduce CO_2 emissions in business activities (Scope 1, 2) ➡ 50% reduction (compared to FY2018)	● Approximately 40.4% reduction compared to FY2018
	FY2035	● Reduce CO_2 emissions in business activities (Scope 1, 2) ➡ Achieve carbon neutrality	
	FY2050	● Reduce CO_2 emissions in business activities (Scope 3) ➡ Achieve carbon neutrality	● Conducted interview surveys with suppliers and global calculation trials
Realize a sustainable society using natural energy	FY2025	● External disclosure of technologies and activities related to renewable energy and hydrogen ➡ 1 or more per year	● 5 external disclosures (including adoption of Transportable Independent Power Supply "N^3 N-CUBE" at disaster-resilient roadside station "Shimotsuke," among others)
Reduce energy loss	FY2025	● External disclosure of technologies and activities related to electrification, EV, and power saving ➡ 1 or more per year	● 3 external disclosures (including development of high-performance ball-type sliding constant velocity joint for EVs, among others)
Provide safety and comfort	FY2025	● External disclosure of technologies and activities related to robot-related modules and services/solutions ➡ 1 or more per year	● 5 external disclosures (including launch of bearing diagnostic edge application "Bearing Inspector," among others)
Resource recycling and pollution prevention	FY2025	● Water consumption intensity ➡ 3.95 m^3/million yen (global)	● 3.25 m^3/million yen (global)
	FY2025	● Recycling rate ➡ 97.0% or more (global)	● 96.9% (global)
Improve the reliability of products and services (Quality assurance, stable supply)	Ongoing	● Maintain high level of customer satisfaction ➡ 90% or more rating "Excellent" or "Good"	● 96%
	Ongoing	● Maintain 100% certification rate for quality management systems (ISO 9001/IATF 16949)	● Maintained 100% certification
	Ongoing	● Strengthen information security measures across the Group	● Information security monitoring system (NTN-CSIRT) being deployed to overseas sites
Procurement activities with an emphasis on environment and society	FY2025	● Provide guidance to business partners based on responses to sustainable procurement survey	● Conducted detailed surveys with 5 companies based on survey responses
Promote safety and health	Ongoing	● Maintain certification as Health and Productivity Management Organization (Large enterprise category) "White 500"	● Maintained certification
	Ongoing	● Achievement rate of annual plan for risk surveys targeting manufacturing sites ➡ 100%	● 100%
Respect for human rights	FY2025	● Monitor and address the status of human rights respect across the NTN Group	● Confirmed status of human rights responses at Group companies; no issues of particular note
Human resource development	FY2025	● Training hours per employee (NTN) ➡ Increase year-on-year (FY2024 results: 21.0 hours)	● 24.1 hours
Promote diversity	FY2026	● Ratio of female managers (NTN) ➡ 5%	● 4.9%
	FY2026	● Male childcare leave uptake rate (NTN) ➡ 100%	● 89.6%
Thorough compliance	Ongoing	● Number of annual meetings of the Compliance Committee ➡ 2 times	● 2 times
	Ongoing	● Awareness of helpline in compliance awareness survey ➡ 90% or more	● 92.3%
Strengthen governance	Ongoing	● Enhance corporate governance	● Enhanced corporate governance

* Targets listed as "Ongoing" in the target year column are goals that we aim to achieve continuously every year.

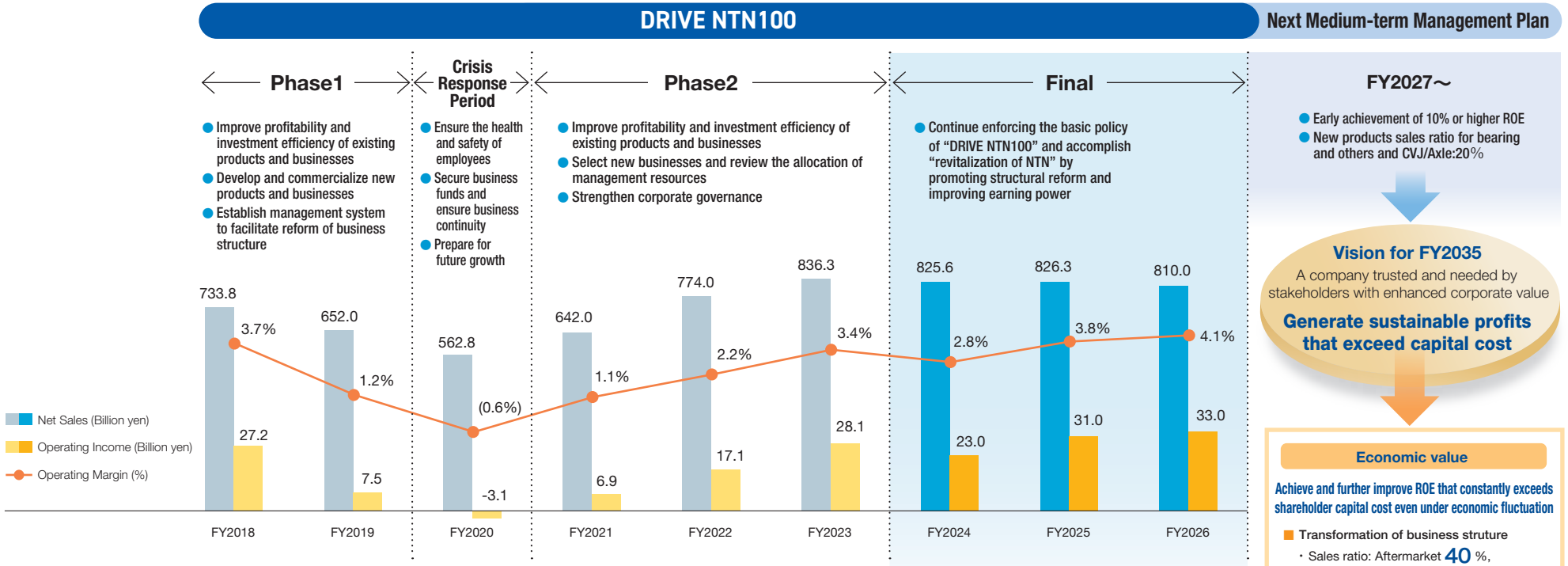
Related information on the website
Targets for FY2026 and Beyond

Review of DRIVE NTN100 and Long-term Vision

The NTN Group aims to realize a “NAMERAKA Society” through practicing its corporate philosophy and has established a “Vision for FY2035”. Under this long-term vision, we aim to enhance corporate value while improving economic value as well as environmental and social value together with all our stakeholders.

Furthermore, we have been pursuing the Medium-term Management Plan “DRIVE NTN100” Final since fiscal year 2024 by backcasting from our Vision for fiscal year 2035 while simultaneously forecasting on the basis of our progress to date. With our strong commitment to accomplish the revitalization of NTN, we will continue our initiatives with complete dedication in the final year of Medium-term Management Plan.

Related information on the website
Medium-term Management Plan



	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026
Inventory turnover ratio (times)	3.8	3.6	3.2	3.0	3.2	3.2	3.4	3.6	3.7
Net D/E Ratio	1.2	1.9	1.6	1.4	1.2	0.9	1.0	0.6	0.6
Equity to Capital Ratio	27.4%	20.6%	20.4%	23.1%	25.4%	29.0%	27.2%	33.8%	33.3%
ROE	(2.9%)	(22.8%)	(7.1%)	4.0%	5.0%	4.4%	(9.6%)	4.9%	5.2%
ROIC	3.3%	1.0%	(0.4%)	0.8%	2.0%	3.2%	2.6%	3.6%	3.9%
USD (yen)	110.9	108.7	106.0	112.3	135.5	144.5	152.4	150.7	150.0
EURO (yen)	128.4	120.8	123.7	130.5	140.9	156.7	163.6	174.7	175.0

* “Royalty” which was previously included in “non-operating income,” has been changed to be included in “net sales” effective from FY2020.

FY2027～

- Early achievement of 10% or higher ROE
- New products sales ratio for bearing and others and CVJ/Axle:20%

Vision for FY2035

A company trusted and needed by stakeholders with enhanced corporate value

Generate sustainable profits that exceed capital cost

Economic value

Achieve and further improve ROE that constantly exceeds shareholder capital cost even under economic fluctuation

- Transformation of business struture
  - Sales ratio: Aftermarket 40 %, OEM 60 %
  - Create and develop new businesses

Environmental/social value

Achieve carbon neutrality, fulfill prosperous human development

- Achieve carbon neutral target (Scope1, 2)
- Foster an organizational culture that works to increase economic and environmental/social value and develop diverse human resources that can work with job satisfaction

Message from the CFO



Even amid an uncertain environment, we will implement structural reforms and strengthen our business structure, enhance capital efficiency across the Group, and achieve sustainable growth in corporate value

Representative Executive Officer, Executive Officer,
CFO (Chief Financial Officer)
Masaaki Yamamoto

(billion yen)	FY2024 Results	FY2025 Results	FY2025 Year on year	FY2025 Previous forecast	FY2025 Difference	FY2025 4Q Results
Net sales	825.6	826.3	+0.8 (+0.1%) Excl.forex (10.3) (1.2%)	805.0	+21.3 +2.6% Excl.forex +7.1 +0.9%	**223.0**
Operating income Operating margin	230 2.8%	310 3.8%	+8.1 +1.0pt	26.0 3.2%	+5.0 +0.5pt	**11.7** **5.3%**
Ordinary income	10.5	23.5	+13.0	13.0	+10.5	**9.5**
Extraordinary income / loss	(19.1)	(8.3)	+10.8	(8.0)	(0.3)	**(5.3)**
Profit attributable to owners of parent	(23.8)	12.9	+36.7	(4.0)	+16.9	**9.2**
ROE	(9.6%)	4.9%	+14.5pt	—	—	
Inventories	244.4	245.9	+1.5	230.0	+15.9	
Capital expenditure	32.2	32.5	+0.3	32.0	+0.5	
FCF	19.7	30.9	+11.2	20.0	+10.9	
Exchange rates US$	¥152.4	¥150.7	(¥1.7)	¥147.8	+¥2.9	
€	¥163.6	¥174.7	+¥11.1	¥171.3	+¥3.4	

Review of FY2025 performance

Our Group launched the Medium-term Management Plan “DRIVE NTN100” Final in April 2024. In FY2025, the second year of this plan, demand for automotive applications remained sluggish; however, net sales reached 826.3 billion yen (up 0.1% from the previous year), supported by increased demand in the aftermarket and industrial machinery segments, as well as the effect of yen depreciation.

Operating income reached 31.0 billion yen (up 34.8% from the previous year), reflecting improvements in selling prices and variable costs, cost reductions, and the impact of exchange rates. Ordinary income was 23.5 billion yen (up 124% from the previous year) due to reduced foreign exchange losses. Net profit attributable to owners of parent was 12.9 billion yen, as we recorded extraordinary losses mainly due to structural reform costs, and the impact of tax effect accounting in Japan.

What we place greater emphasis on, however, is the extent to which our ability to generate cash has improved. In FY2025, progress was made in improving working capital, including a reduction in inventories, resulting in operating cash flow of 57.2 billion yen and free cash flow of 30.9 billion yen, both positive. Inventories totaled 245.9 billion yen, and excluding the impact of foreign exchange and U.S. tariffs, we achieved our target. In addition to improved profitability, our transformation into a business structure capable of reliably generating cash demonstrates that our management foundation is becoming increasingly robust.

Corporate value is formed as the sum of the present value of cash flows generated over the future. In this sense, we recognize that the achievements of FY2025 go beyond mere improvement in profits for a single fiscal year and are steadily contributing to the enhancement of corporate value through improved cash generation capacity.

The most fundamental objective for any company is to ensure its survival and the continuity of its business operations. In FY2025, amid significant fluctuations in the external environment, we were required to make numerous judgments; however, our guiding criterion of “business continuity” never wavered. We believe that our FY2025 results reflect the steady execution of initiatives necessary to ensure business continuity, including structural reform.

Progress of structural reform and business constitution improvements

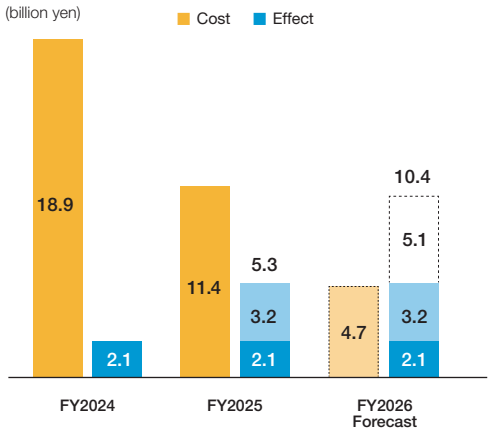
Advances in structural reform and business constitution improvements

Our Group anticipates extraordinary losses of 35.0 billion yen in total over the three-year period from FY2024 to FY2026 as costs for structural reform. In line with this, we recorded extraordinary losses of 18.9 billion yen in FY2024. In FY2025, we recorded extraordinary losses of 11.4 billion yen as a result of reviewing the production structure in Japan for extra-large bearings, including those for wind turbine main shafts, optimizing CVJ production bases in the Americas, and reorganizing bearing-related production bases in China.

While the plan to record cumulative extraordinary losses of 35.0 billion yen over three years is exceptional, we view this as an essential measure to secure future business continuity and strengthen our business structure in terms of both profitability and capital efficiency. In FY2026, we will continue to advance production reorganization, primarily in the Americas and China. As a result of these structural reform initiatives, we expect fixed cost reductions of approximately 10.0 billion yen in FY2026 compared to FY2023.

The significance of these structural reforms does not end with short-term cost recognition. The essence lies in enhancing future profitability and cash generation capacity through optimization of fixed costs, consolidation of business sites, and productivity improvements, thereby contributing to the enhancement of corporate value. By advancing profit improvement and the strengthening of cash generation capacity in an integrated manner, our Group is working to transform toward a leaner business structure.

Structural reform (35 billion yen/3 years) progresses ahead of plan
As an effect of structural reforms, we plan to achieve and an improvement of approximately ¥10.0 billion by the third year compared with FY2023



FY2025 Results
Japan：Reorganization of production for ultra-large bearings, including those for wind turbine main shafts
Americas : Production reorganization initiatives centered on CVJ production sites
China : Reorganization of bearing-related production sites

FY2026 Plan
Promoting production reorganization mainly in the Americas and China

Inventory reduction and improvement of turnover ratio

Reducing inventories, mainly work-in-process inventory, is essential for improving asset efficiency. Our Group has focused on production reform activities to reduce inventory levels, which had previously been high. The production reform activities are designed to drive a change in employee mindset based on the principle that “the only time that generates cash is the time spent processing, and it is important to reduce the time spent stagnating.” These activities began at our domestic sites and have since spread to our overseas operation, where they are now delivering results.

As a result, the inventory turnover ratio at the end of FY2025 was 3.4 times. Excluding the impact of volume decline, we recognize that we have reached a level close to our target. The improvement in operating cash flow was driven in large part by the collective efforts of employees involved in purchasing, manufacturing, and sales to reduce inventories.

We expect the inventory balance at the end of FY2026 to be 220.0 billion yen, a decrease of 25.9 billion yen from the previous fiscal year-end, and the inventory turnover ratio to be 3.7 times, an improvement of 0.3 times from the previous year. Going forward, we will continue to reduce inventories and improve the turnover ratio, leading to not only improved profitability, but also enhanced cash generation capacity.

Roadmap to achieving 8% ROE

Throughout the three years of “DRIVE NTN100” Final, our Group has worked to strengthen our financial foundation and transform toward a leaner business structure. In addition to the deterioration of the external environment—including the prolonged Ukraine war, U.S. trade policy, and dramatic changes in the situation in the Middle East—the relative decline in competitiveness of Japanese automotive manufacturers has also had an impact, and our current sales scale is nearly 100.0 billion yen below the assumptions of the Medium-term Management Plan. Even amid such an environment, we have accelerated structural reform activities while steadily implementing measures that contribute to improving operating margin, such as “expansion of the aftermarket business,” “improvement of selling prices,” and “reduction of variable costs through value chain reform,” as well as reduction in inventories and fixed assets. As a result, ROE, which had fallen to minus 9.6% at the end of FY2024, has recovered to 4.9% at the end of FY2025, an improvement of plus 14.5 percentage points.

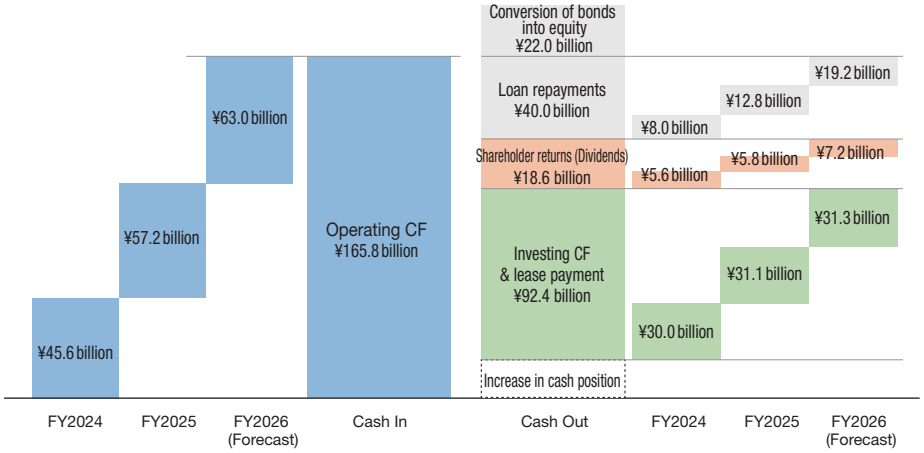
While our Group positions ROE as a key management indicator, we believe that its improvement should be supported not only by the recovery of profits, but also by improvements in asset efficiency and cash generation capacity. Indeed, improvements in working capital, including inventories, and the efficient use of fixed assets contribute to both improved capital efficiency and the enhancement of corporate value. In the final year of “DRIVE NTN100” Final, we expect net sales to decline by 16.3 billion yen compared to FY2025; however, we expect ROE to improve further through the continuation of various improvement initiatives. Going forward, we will continue to strengthen our business structure, aiming for the early achievement of 8% ROE in the next Medium-term Management Plan.

Cash allocation

Regarding cash allocation, at the time of formulating the Medium-term Management Plan, we assumed total cash inflows of 200.0 billion yen, comprising operating cash flow of 180.0 billion yen over three years and cash and cash equivalents of 20.0 billion yen. On the cash outflow side, we planned debt repayment of 60.0 billion yen, investing cash flow of 120.0 billion yen, and shareholder returns of 20.0 billion yen.

As of the end of FY2026, operating cash flow is expected to be slightly below the initial plan at just under 170.0 billion yen. On the other hand, while we had assumed drawing down 20.0 billion yen in cash and cash equivalents for debt repayment, convertible bonds of 22.0 billion yen, which were not incorporated in the initial plan, were converted into equity. As a result, while we had initially planned to reduce net interest-bearing debt by 40.0 billion yen over three years, we now expect to reduce it by approximately 62.0 billion yen including the convertible bonds. Regarding shareholder returns, while we had planned 20.0 billion yen over three years, we now expect approximately 19.0 billion yen. Overall, we believe we will be able to maintain the direction of the initial plan.

In a business environment where sales scale declined significantly from the first year of the Medium-term Management Plan, management as a whole shared a sense of urgency and worked together to accelerate the implementation of various measures. We recognize that the results of these efforts are steadily materializing not only in terms of improved profits, but also in the form of improved cash flow and financial structure.



Financial strategy direction

While the next Medium-term Management Plan is currently under consideration, we are working to further embed ROIC—a metric we have long used as a key evaluation indicator—throughout the organization and on-site operations. To help employees understand ROIC, we have encouraged a change in mindset by asking them, “How would you feel if something you bought with your own money sat unused in a corner of your home?” These efforts are steadily beginning to bear fruit, and improvements in ROIC are also contributing to improvements in ROE.

Going forward, while continuing structural reform, we are also considering investments in India, a growth market. By business segment, we will advance a shift toward higher value-added areas in automotive OEM, where the ratio of Japanese customers is high, while accelerating business expansion in aircraft-related fields including defense—a growth area outside of automotive—by also leveraging our European manufacturing bases. In addition, we will continue to invest in technological development, the realization of carbon neutrality, labor-saving measures, and digitalization, steadily improving both ROE and ROIC.

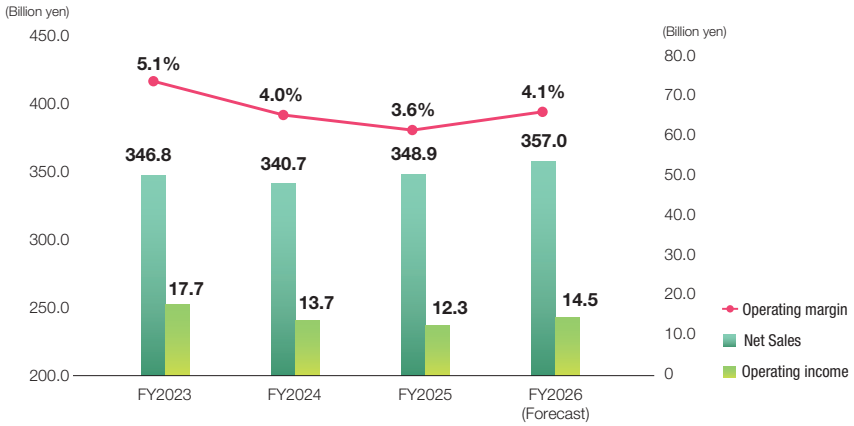
Through improvements in profitability, enhanced asset efficiency including inventories, our financial foundation has been steadily strengthened. Going forward, we will appropriately allocate these achievements to growth investments, the maintenance and enhancement of financial soundness, and shareholder returns, thereby contributing to the sustainable enhancement of corporate value.

The external environment remains unpredictable; however, we are committed to translating these ongoing initiatives into tangible results. With the achievement of a PBR of 1x and the sustainable generation of profits exceeding the cost of capital positioned as our top priorities, the entire NTN Group will work together toward achieving the targets of the final year of “DRIVE NTN100” Final. We ask for the continued support and encouragement of all our stakeholders.

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.

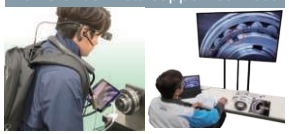
For industrial machinery OEM, we have classified the eight major industries as either expanding or maintaining categories,*while also identifying challenge industries that address specialized applications and operating environments where NTN has not previously established a presence. For the expanding 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

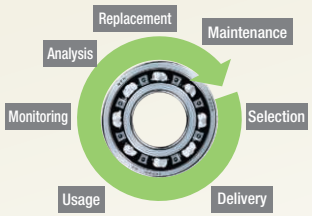
■ Strengthen supply capability

- 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.

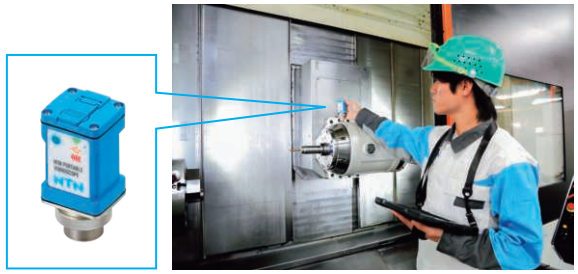
NTN has provided long-term equipment monitoring and diagnostics through its "Wind Doctor" condition monitoring system for wind turbines. Through its extensive operational experience in the domestic wind power sector, NTN has developed advanced expertise in condition monitoring.

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.

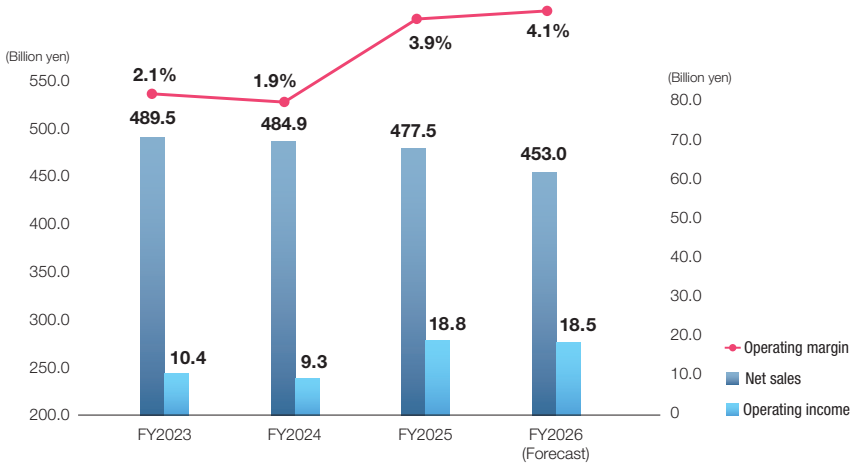
Securing bearing supply capacity is indispensable for achieving new growth. While domestic production will continue for aircraft bearings and precision bearings, transitioning high-volume products to overseas production and external procurement remains a key theme going forward.

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)

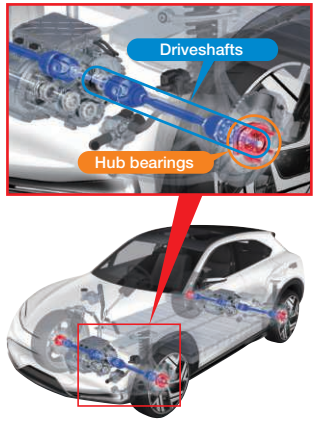
Driveshafts(CVJs)

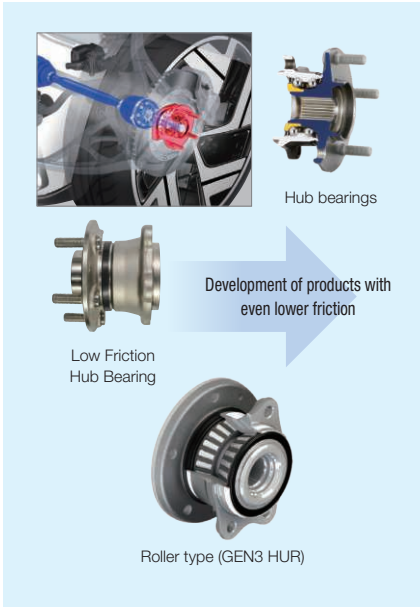
Products that transmit the driving force of engines and motors to tires.

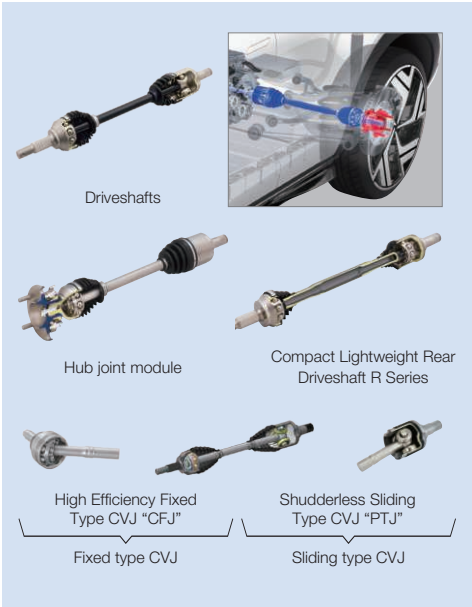


World's highest level of transmission efficiency
High Efficiency Fixed Type CVJ "CFJ"

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.

Strengthening Business Competitiveness Through the Use of AI-centered Digital Technologies

Under its global ICT strategy, the NTN Group has renewed its core systems and standardized business processes, establishing a foundation for the integrated utilization of data across its global operations. By enhancing collaboration among locations and accelerating decision-making, this foundation supports the advanced use of accumulated data and contributes to strengthening the Group's business competitiveness.

Key measures based on NTN's global ICT strategy

Objective : Strengthening "earning power" through safe and secure utilization of cutting-edge digital technology

1. Expand core system functions
2. Regularly update core system
3. Promote data-driven management
4. Improve efficiency with AI
5. Deploy security measures globally
6. Expand security coverage
7. Develop digital human resources
8. Reduce ICT operation and maintenance costs

From data foundation development to AI utilization

Until now, the NTN Group has advanced the standardization of business processes and development of a data infrastructure through initiatives such as the reconstruction of core systems and the renewal of communication tools. We are now focusing our efforts on maximizing the use of the vast amounts of internal data we have accumulated, together with advanced technologies, to drive transformation in our business and manufacturing operations. In addition to generative AI, which promotes business transformation, we are adopting cutting-edge technologies such as AI agents and physical AI to strengthen our business competitiveness in a way that goes beyond conventional operational improvement.

Building a management foundation premised on data utilization

Following the reconstruction of our core systems, we have standardized business processes and systems, and established an environment in which operational data generated across departments can be utilized in both cross-cutting and hierarchical ways through BI (business intelligence) tools.* Rather than treating digitalization as an end in itself, we emphasize building a foundation that supports advanced data utilization through data visualization and analysis.

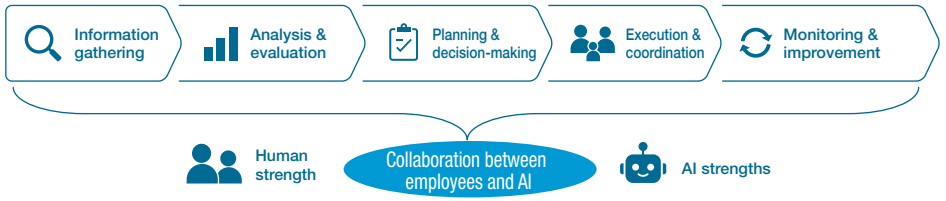
* A tool for aggregating and visualizing data, used for analysis and decision-making



Utilizing visualized data for analysis and decision-making

Advancing operations and decision-making through generative AI and AI agents

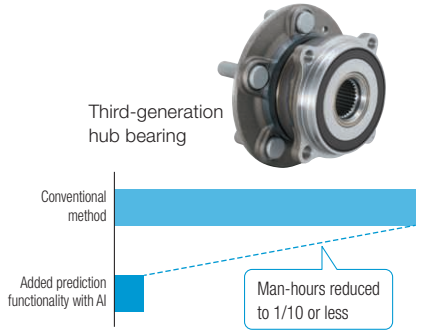
We are currently accelerating the use of generative AI across the entire company. In addition to its application to indirect operations such as document preparation and information retrieval, we are advancing the use of AI agents that operate autonomously in operational areas involving judgment—such as order planning and production scheduling. Through collaboration between employees and AI, we aim to improve operational efficiency, enhance the quality of decision-making, and reduce fixed costs.



Driving the advancement of research and development and manufacturing

The use of AI technology is expanding beyond administrative functions into research and development, quality control, and on-site manufacturing operations. In the design of automotive hub bearings, we have achieved, ahead of the industry, both design efficiency and quality through the use of AI.

In manufacturing, we are advancing the digitalization of equipment and the utilization of IoT data, working to improve productivity through the introduction of new productivity indicators and process analysis, while also leveraging physical AI in manufacturing operations to drive labor-saving and automation.



Comparison of FEM analysis workload with AI implementation

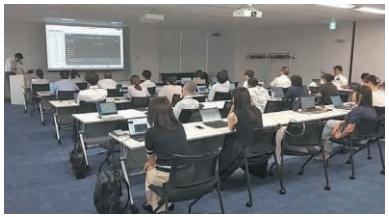
Accelerating the transformation of aftermarket business

On top of this, the NTN Group aims to create business models that go beyond conventional product sales by leveraging AI. We are challenging ourselves to evolve into a business that delivers new value centered on AI. For example, we use AI to analyze data acquired through equipment condition monitoring using sensing technology, as well as historical troubleshooting data, and connect these insights to engineering services that provide comprehensive support across all bearing lifecycle management, from bearing delivery, use, monitoring, analysis, and replacement through to maintenance and operation.

Developing AI talent and strengthening governance and security

To connect these initiatives to sustainable competitiveness, we are also working to develop human resources capable of effectively utilizing AI, as well as strengthening the governance and information security needed to enable efficient and effective use of data.

The NTN Group will work to strengthen business competitiveness and achieve sustainable growth through the use of digital technologies centered on AI.



Developing AI human resources through digital technology training and other programs

Special Feature 2

NTN's Inventory Strategy

As part of the business structural reforms to strengthen our "earning power," the NTN Group is focusing on "inventory reduction" and the "expansion of aftermarket business." With regard to "inventory," the key to these efforts, we are adopting an approach of reducing work-in-process inventory for OEM while increasing finished goods inventory for the aftermarket business, thereby improving efficiency while maintaining and enhancing our ability to respond to market demand.

Improving inventory stagnating in the OEM area and running short in the aftermarket area

In the OEM area, work-in-process inventory tends to accumulate at domestic and overseas sites and in transit on vessels in preparation for sudden demand fluctuations. Work-in-process inventory accounts for approximately 40% of our total inventory of approximately 200 billion yen. In the past, there were also cases where prioritization of production for OEM other than the aftermarket made it difficult to supply aftermarket products that should have been sellable.

OEM area

Measure Aiming for "overall optimization" to improve inventory efficiency

We have been working to reduce inventory across the entire OEM supply chain under the basic policy of "from partial optimization to overall optimization" through the production reform activities promoted by the NTN Group since FY2021. Specifically, we are reviewing domestic and overseas production and logistics sites from a perspective focused on efficiency, and pursuing "streamlining" to keep goods flowing without stagnation, lead time reduction, and production leveling.

Column Slimming down inventory through "streamlining" —small and frequent product flows: NDA*

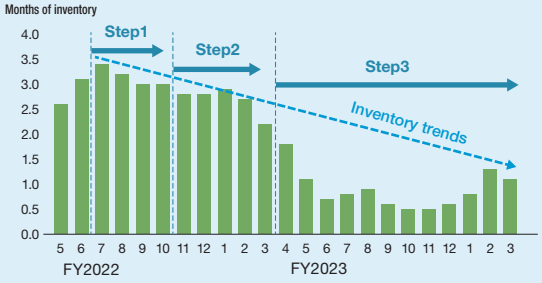
*NDA: NTN DRIVESHAFT ANDERSON, INC.

Approximately 70% of semi-finished products shipped from Japan to the North American CVJ plant are handled by Iwata Works; approximately 30% of these are shipped to NDA. NDA previously faced the problem of shipments concentrating at month-end, resulting in a large work-in-process inventory. With the cooperation of Iwata Works, we promoted the transition from monthly shipping to "weekly shipping," replenishing only what is needed each week. By adopting "streamlining"—small and frequent product flows—we achieved slimmer inventory while preventing stockouts.

The highest-volume products were selected for this, with weekly shipping launched in Step 1. The scope was expanded in Step 2 and Step 3, with Step 3 covering the stock numbers of approximately 80% of the relevant items.

NDA achieved an inventory turnover rate of 8.9 in FY2025 against a target of 7.1.

■ NDA inventory trend for weekly shipment items



Aftermarket area

Measure 1 Reforms for a product-based organization

In FY2024, we integrated the OEM and aftermarket businesses into product-based segments—the Bearing Business HQ. and the CVJ & Axle Bearing Business HQ.—and reformed their organization. This has established a framework that makes it easier to expand inventory and strengthen supply capacity in the aftermarket area.

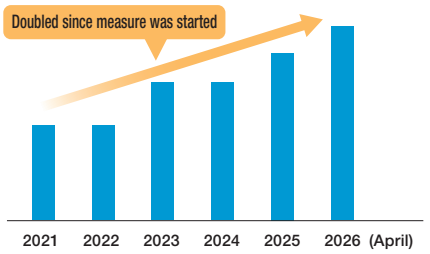
Measure 2 Achieving immediate delivery of best-selling products through "FIRST*"

*Fast moving Inventory Replenishment SysTem

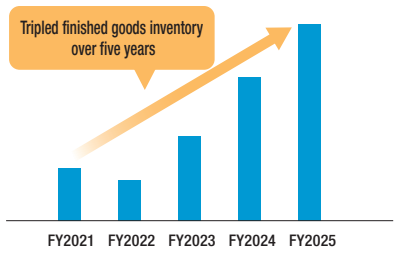
We established "FIRST," our system for immediate delivery of popular products, and maintain finished goods inventory in Japan for approximately 4,000 products. Over five years, we have tripled the inventory volume of popular products, strategically securing finished goods inventory for the aftermarket. This enables sales companies around the world to maintain safety stock and has established an immediate-delivery system capable of responding to sudden demand, contributing to stable supply for the aftermarket.

Going forward, we will increase the number of sales companies covered by "FIRST" to expand the global sales network, while also embarking on the establishment of an immediate-delivery system for approximately 800 semi-standard products with lower sales frequency, including those for MRO, to address demand in the long-tail area as well.

■ Trends in number of sales companies covered by FIRST (number of companies)



■ Trends in FIRST inventory (value)



Message from the CTO



Accelerating the Market Launch of New Products and Businesses through Further Enhancements in Development Speed

Executive Officer, CTO (Chief Technology Officer)

Yoshiyasu Nakano

Practicing concurrent development to support timely market introduction of products

The current Medium-term Management Plan, “DRIVE NTN100” Final, identifies key measures for transforming our business structure: strengthening the competitiveness of our OEM business through new product development and rapid market introduction, enhancing condition monitoring technologies that help prevent equipment downtime in the aftermarket business, and cultivating new businesses. Advances in research and technology development are essential to steadily driving these forward.

To that end, we are focusing on transitioning to a concurrent development framework. Previously, the engineering division led the development process, with other divisions joining once a certain stage was reached. However, issues sometimes came to light in the latter stages of the process, particularly in verifying manufacturability for mass production, resulting in rework. To commercialize products at the optimal timing and maximize first-mover advantages, it became necessary to identify challenges at an earlier stage and accelerate development speed.

To address this need, we advanced the transition to a concurrent development framework in which cross-functional teams comprising members from sales, engineering, manufacturing, quality, procurement, and other relevant divisions work together throughout the development process. Last year, we applied this approach to representative development themes to validate its effectiveness. In each case, development was completed within one year, giving us confidence that this approach can significantly reduce development lead times.

One of the outcomes of this approach was the establishment of production in the Chinese market for the “Resin Mold Insulated Bearing” for EV e-Axles. To address the Chinese market, which is at the center of EV demand, relevant divisions in Japan and China worked together as one on local supplier selection, process verification, and quality assessment. Throughout this process, Japan took responsibility for technical evaluation, and the results were leveraged to select suppliers in China, enabling accurate and speedy collaboration.

Vehicle development cycles in China are significantly shorter, with development periods leading up to mass production said to be roughly half those of automakers in Japan, the United States, and Europe. This pace of development could become the global standard in the future. The results achieved this time represent a significant gain in strengthening our ability to respond to future market conditions.

We plan to expand the use of concurrent development across all development themes. At the same time, we recognize that the most important factor is selecting the optimal framework for each theme based on its characteristics and accelerating the speed of market introduction with the minimum necessary resources.

FY2029 sales ratio targets for improved products and new business products expected to be achieved

As a KPI for research and technology development, we have set a target for improved products and new business products to account for 20% of global sales by FY2029. Under the current Medium-term Management Plan, this ratio has been steadily increasing, and if the projects currently under proposal proceed to mass production as planned, achievement of the target is well within reach. In addition, while KPI management currently focuses primarily on products developed in Japan, we plan to transition this fiscal year to global management that also encompasses our European research and development base, NTN Europe S.A. Taking these factors into account, we will monitor changes in circumstances and steadily pursue our efforts to achieve the overall target. However, the cancellation of EV-related development programs and the postponement of planned projects remain concerns that could affect achievement of the target. For products that have completed development, we will continue to promote them to customers through trade shows and other promotional activities as we work toward achieving our target.

Achieving tangible results across new business areas

Steady progress is being made across the new business areas currently under development.

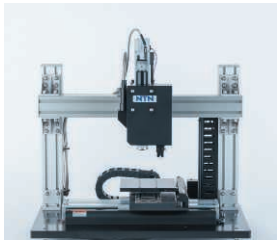
In the Mobility Module field, we are already mass-producing “Ball Screw Units” for Electro Hydraulic Brakes and now preparing for mass production following the receipt of new orders. In addition, we have been selected as a development partner for Electro Mechanical Brakes (EMB), and are participating in advanced development for this technology. We initially expected EMB adoption to accelerate in the early 2030s. However, demand is expected to grow more rapidly than anticipated in the Chinese market, where

EV adoption remains strong. In response to these developments, we are accelerating our development efforts while also advancing supply chain development and evaluating production locations. To establish a competitive advantage, we are working to further enhance development speed, as described above, while urgently establishing our supply structure.

In the Robot-Related Module field, the rollout of high-speed appearance inspection unit integrating "i-WRIST" Wrist Joint Module is progressing steadily. Adoption is expected to expand gradually at the factories of major die-casting manufacturers, and the number of projects with automotive and semiconductor manufacturers is also increasing. As customers require inspection of an increasingly diverse range of components and inspection items, the effort required for physical verification has grown, including validation of inspection takt times that take i-WRIST motion into account. By leveraging AI technology to perform simulation-based verification in virtual environments, we are accelerating the speed and quality of our proposals to customers.

In the Renewable Energy field, adoption of the Transportable Independent Power Supply "N^3 N-CUBE" is expanding. In addition to being installed at disaster prevention roadside stations designated by Japan's Ministry of Land, Infrastructure, Transport and Tourism as a renewable energy-powered recirculating flush eco-toilet, N^3 has been adopted for the first time in the defense sector as part of a deployable infrastructure system being introduced by the Japan Air Self-Defense Force. At the same time, new needs for N^3 are emerging, such as its use as evacuation and medical spaces for people and pets during disasters. Building on these achievements, we will strengthen our engagement with government agencies and local authorities and work to further expand adoption.

In the Life Science field, we have renamed our microscopic coating applicator, which has a proven track record in industrial applications, to the Precision Liquid Handling System "X-CELList," and are accelerating proposals for drug discovery and regenerative medicine applications. Leveraging the technology for applying minute quantities of liquid with high precision cultivated through our LCD repair equipment etc., we have expanded into bioprinting technology that efficiently and accurately positions iPS cell-derived cardiomyocytes on plates used in drug discovery experiments. Furthermore, as strengthening collaboration with external organizations is essential to expanding the application of this technology, we have joined "Osaka Life Science Nexus (O-Nexus)," a life science-focused innovation campus. By leveraging industry-academia collaboration and other co-creation initiatives, we will advance the development of new applications for this technology.



X-CELList

Precision Liquid Handling System "X-CELList"
Enabling highly precise dispensing of high-viscosity liquids in ultra-fine lines as thin as a human hair

In the Services & Solutions field, we are advancing development with a view toward aftermarket business. The aim is to enable planned maintenance by monitoring bearing condition and detecting abnormalities at an early stage. In addition to our proven Condition Monitoring System (CMS) for wind power generation and the NTN Portable Vibroscope, we have launched sales of the bearing diagnostic edge application "Bearing Inspector," which can be used across a wide range of system environments, thereby expanding our lineup of products and services related to condition monitoring. We are also continuing test marketing of our "Talking Bearings," which incorporate a power generator, sensors, and a wireless communication device. Having received highly positive feedback from customers regarding their sensing accuracy, we are developing business models for future service-based offerings.

Maintaining technological superiority through IP landscape analysis

In considering future technology development, we continue to focus on EV-related technologies. Constant velocity joints and bearings, two of our core products, play an important role in EVs as well. For constant velocity joints, we are pursuing the high efficiency improvements that have long been in demand, while also responding to wider operating angles required by changes in vehicle design driven associated with the expansion of cabin and cargo space. For bearings, high-speed rotation performance and electrical pitting resistance are the primary technical requirements. We believe that we maintain a technological advantage; however, the challenge is that it is difficult to foresee what new performance characteristics will be required in the future.

For this reason, it is important to closely monitor trends among automakers and Tier 1 manufacturers, leverage IP landscaping analysis—which combines patent information with market trends to identify technological needs—and consistently play a leading role in development. Two years have passed since we introduced IP landscaping, and we are continuing to promote its adoption throughout the organization. However, we still have some way to go. By further expanding workshop activities, we will strengthen its utilization and translate insights into valuable product development within our R&D division.

Building a framework for creating new business

The new business areas currently pursuing are focused primarily on commercializing products that have already been developed. Going forward, however, we must accelerate the development of new commercial products by combining our proprietary technologies with market needs. Based on the lessons we have learned, we recognize the importance of establishing dedicated structures and processes, separate from routine operations, to continuously create new businesses.

Alongside the concurrent development initiatives and the cultivation of new business domains being pursued under "DRIVE NTN100" Final, we are also establishing the structures and mechanisms needed to continuously create new businesses. Under the next Medium-term Management Plan, which will commence next fiscal year, we will place a strong focus on developing products that serve as the foundation for future new businesses.

Message from Executive Officer in Charge of Sustainability



Toward Further Sustainable Growth through a Two-Way Approach in Sustainability and Financial Strategy

Executive Officer

Tsuyoshi Kikuta

The Connection Between ESG Management and Financial Results

Now in my second year concurrently overseeing the Sustainability and Finance departments, I have come to more strongly recognize that sustainability activities are not something that produces short-term results directly tied to financial figures. Just as the profit growth achieved in FY2025 was the result of accumulated, ongoing transformation in each region, I believe that continuous day-to-day effort is essential to creating value through the twin engines of sustainability and finance.

Every year, our company holds town hall meetings at major sites, including overseas, where President Ukai engages in direct dialogue with employees. In addition to this initiative, I believe that when Executive Officers and department heads create opportunities for dialogue at multiple levels within their respective departments, these opportunities deepen understanding of the Company's policies and measures and lead to improved employee engagement.

I myself hold regular meetings with colleagues in the Financial Strategy Dept., Accounting Dept., ESG Promotion Dept., and Internal Control Dept. under my charge, and make a point of directly conveying my own thinking. In doing so, I am conscious of promoting mutual understanding between departments—for example, by conveying a financial perspective to the ESG Promotion Dept. and Internal Control Dept., and conveying to the Financial Strategy Dept. and Accounting Dept. the importance of ESG management for generating sustainable results. Furthermore, at company-wide forums such as the Environmental Management Committee, the Sustainability Committee, and the Risk Management Committee, I deliberately touch on financial results figures, so that participants can feel that each of their initiatives is connected to our financial performance.

A Management Perspective Using ROIC Has Taken Root

Since FY2019, our company has been working to explain our concept of corporate value—that is, the appropriate level of profit relative to invested capital—using indicators such as ROIC and ROE. In addition, we are advancing initiatives that balance asset efficiency with profit, such as incorporating ROIC targets into the evaluation indicators for Executive Officers and heads of certain departments, primarily in business divisions. Through these initiatives, in the past, emphasis was placed on profit results relative to plans and actual performance, but the perspective of how much return is generated relative to invested capital has now taken root within the Company. For example, whereas profit measures at fiscal year-end were once sometimes prioritized over inventory targets, it is now widely understood that an increase in inventory leads to a decline in ROIC, and this has brought about changes in decision-making and behavior. As a result, over the two years of FY2024 and FY2025, we achieved a combined inventory reduction of 33.0 billion yen on a volume basis, excluding the effect of exchange rates. I find it encouraging that these accumulated efforts are now showing up in the numbers.

ESG Management in the Final Year of the Medium-term Management Plan

The Medium-term Management Plan "DRIVE NTN100" Final, which began in FY2024, has now entered its final year, and further strengthening of our initiatives is also required in ESG management.

E:Environmental

I believe our products contribute directly to the environment by reducing energy loss to the utmost extent possible. Beyond improving the performance of bearings on a standalone basis, we also aim to provide products and services that enhance value for our customers. Specifically, this means developing products that contribute to improving our customers' cost competitiveness, ease of design, and ability to respond to various regulations. I believe that continuing to refine our technology so that customers choose NTN products will, going forward, contribute not only to environmental benefits but ultimately to our own financial results as well.

Regarding our carbon neutrality target, the Carbon Neutrality Promotion Committee shares progress and future outlook. Toward achieving carbon neutrality in FY2035, we have set a target of reducing CO_2 emissions by more than 30% in FY2026 compared to FY2018, and progress is currently proceeding smoothly. At the same time, when making capital investments to promote carbon neutrality, we are always mindful of building highly productive manufacturing processes that are premised on achieving both CO_2 reduction and cost reduction together, rather than simply pursuing CO_2 reduction alone. Furthermore, regarding Sustainability-Linked Loans, the number of deals increased again this fiscal year, bringing the cumulative total including last year's deals to 22,

with an outstanding balance of 50.0 billion yen. Through these initiatives, we believe that achieving our carbon neutrality targets will also lead to economic benefits in terms of financing.

S: Social

I believe that one factor behind the way management's policies and our approach to ROIC have taken root within the Company is the result of systematic human resource development. Since FY2021, we have introduced NTN Next Leader Program, a talent development program for the next generation of leaders, which provides young managers with opportunities to learn management-oriented thinking, the fundamentals and applications of management strategy, and organizational transformation. I myself was dispatched to an external training institution for several months about ten years ago, and I feel that the systematic learning and experience I gained through interaction with people from diverse backgrounds continue to serve as a foundation for my subsequent decision-making and actions.

In addition, approximately 70% of our net sales come from overseas markets through our sites around the world, making it essential to "collaborate" with people of diverse historical and cultural backgrounds. In recent years, the hiring of foreign national employees has also increased in Japan, and whether in Japan or overseas, employees (talent) with diverse backgrounds understanding and accepting each other's differences while joining forces toward common goals leads to both the organization and individuals having a wide range of options in various situations. I believe that this kind of "collaboration" with diverse talent around the world, together with continuous investment in human resource development, raises the perspective of the organization as a whole and contributes to strengthening the Company's overall capabilities.

On the other hand, in the past, a third-party assessment of our sustainability activities identified items that fell short of the standards expected by our customers, and we faced a situation in which, had the assessment not improved, it could have affected the continuation of certain business relationships. In response, we promptly shared this information at a meeting attended by Executive Officers, and following several months of intensified internal efforts toward improvement, we were able to steadily bring our performance up to a level that meets customer expectations. This was a case that reaffirmed that our response to sustainability is an important management issue that can also affect the continuation of business relationships.

This is just one example showing that, in advancing value enhancement on the financial side, it is essential to link this with the promotion of non-financial sustainability activities. As the Executive Officer responsible for both areas, I will continue to further strengthen this linkage going forward.

G: Governance

The "Domestic Affiliated Company Governance Strengthening Project," launched in 2023, continues to be advanced, taking on evolving forms. Specifically, we have conducted e-learning twice a year for officers of affiliated companies, aiming to foster compliance awareness and deepen their understanding of their roles as officers. We have also steadily continued to develop various internal regulations. In addition to strengthening this foundation, this fiscal year we established a structure in which Executive Officers from the head office also serve as Audit & Supervisory Board Members of multiple subsidiaries, and I myself have had opportunities to offer opinions in that capacity. Furthermore, we began conducting thematic audits that delve into specific issues each year, and in the first year, we carried out a review of the IT systems of affiliated companies, among other steps to strengthen control at the operational level.

Meanwhile, the Audit Committee, chaired by an Outside Director, regularly conducts on-site audits of major locations, including overseas, and in addition to raising site-specific issues, an increasing number of cases have led to improvement initiatives on the executive side regarding matters such as accounting-related issues and the state of internal controls. With the Nominating Committee and Compensation Committee also chaired by Outside Directors, active exchanges of opinions take place, and I believe the effectiveness of governance across the Group as a whole is steadily improving.

Review of Materiality in Line with the Next Medium-term Management Plan

Our current materiality items were identified in December 2020. At that time, with awareness of the response to the SDGs, we organized them along two axes: "expectations from society" and "relevance to our business." This framework remains valid to a certain extent today, and we recognize that it accurately captures our important management issues.

At the same time, in light of subsequent changes in the business environment and societal expectations, we believe it is necessary to reconsider the positioning of our materiality items. In particular, in recent years the concept of "double materiality"—capturing both the impact that companies have on the environment and society, and the impact that changes in the environment and society have on corporate value—has become more widespread, and we are also required to organize our approach with this perspective in mind. In addition, it is important to incorporate dialogue with stakeholders more than before, in order to enhance transparency and stakeholder understanding and buy-in.

In this review, we will verify the validity of our existing materiality items and revise and reorganize them as necessary. As a result, it is possible that no major changes will be made; even in that case, we believe there is significance in thoroughly discussing the matter afresh in light of the current business environment and societal issues.

In the next Medium-term Management Plan, which will start next fiscal year, we aim to strengthen the linkage between materiality and management strategy more than ever before, to more clearly show the connections with each initiative and KPI, and to present, in a way that is easy to understand both internally and externally, a clear path toward our sustainable growth.