



NTN Corporation

Dialogue with Investors and Analysts by Outside Directors

January 20, 2026

Event Summary

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[Participants]		
[Number of Speakers]	8	
	Eiichi Ukai	Director, Representative Executive Officer, President, Executive Officer, CEO
	Masaaki Yamamoto	Director, Representative Executive Officer, Executive Officer, CFO
	Tatsuo Nagao	Manager, Corporate Communications Department, Group Management HQ
	Kazuhisa Kouge	Corporate Communications Department, Group Management HQ
	Yuriya Komatsu	Outside Director
	Akira Murakoshi	Outside Director
	Yasuo Kitani	Outside Director
	Tatsuhiko Toshita	Outside Director

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Presentation

Nagao: Okay, now the time has arrived, so we will begin. Thank you very much for taking time out of your busy schedule today to participate in this dialogue with Outside Directors of NTN Corporation.

First, let me state the purpose of today's meeting. We hope that constructive dialogue between capital markets and our Outside Directors will promote an understanding of the need to strengthen governance and sustainably enhance corporate value. Thank you very much for your cooperation today. The event is scheduled to end at 2:00 PM.

I would like to introduce the Outside Directors present today. First of all, here we have Ms. Komatsu, Chairperson of the Board of Directors.

Komatsu: My name is Komatsu. Thank you for your cooperation.

Nagao: This is Mr. Murakoshi, Chairperson of the Nominating Committee.

Murakoshi: My name is Murakoshi. Thank you for your cooperation.

Nagao: Mr. Toshita, Chairperson of the Compensation Committee.

Toshita: This is Toshita. Thank you for your cooperation.

Nagao: Mr. Kitani, Chairperson of the Audit Committee.

Kitani: My name is Kitani. Thank you for your cooperation.

Nagao: Next, this is Mr. Ukai, Director and Representative Executive Officer of our company.

Ukai: This is Ukai. Thank you for your cooperation.

Nagao: Likewise, Mr. Yamamoto, CFO, Director and Representative Executive Officer.

Yamamoto: My name is Yamamoto. Thank you for your cooperation.

Nagao: I, Nagao, and Kouge of the Corporate Communications Department will serve as the secretariat.

Kouge: Thank you for your cooperation.

Nagao: I would now like to begin the dialogue. First, let me thank you for the questions you submitted in advance. Due to the limited time available today, I will begin by introducing the questions we received. Then, the Outside Directors related to the content of those questions, Directors Toshita, Kitani, Murakoshi, and Komatsu, will respond in turn. After that, I would like to take your questions.

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■ Initiatives under the current Medium-term Management Plan “DRIVE NTN100” Final

1. Evaluation of the current management team’s capabilities
—strengths and areas for improvement
2. Issues and progress related to management execution speed
—with specific examples
3. Assessment of structural reforms

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Let me introduce the first question. We have received a question regarding our efforts to address each of the measures in our current Medium-term Management Plan, “DRIVE NTN100” Final. The question is about three points: evaluation of the current management team’s capabilities, challenges and progress related to management execution speed, and assessment of structural reforms.

Director Toshita will answer to this question. Director Toshita, please answer to the question.

Toshita: Now, I would like to explain our situation regarding the question.

First, regarding our evaluation of the current management team’s capabilities, in a nutshell, we greatly appreciate their strong willingness to reform the business structure and their initiatives.

Of course, we believe that the various business environments have changed significantly since the time this medium-term management plan was formulated. There are many issues to be considered, such as US tariff policy and responses to various geopolitical risks. However, even amid these issues, their willingness to engage in structural reform remains unchanged, and we feel their strong commitment on the execution side.

It is also very important to strengthen earning power, and we believe that the Company is making solid efforts to optimize selling prices and reduce costs.

As for inventory optimization, which we frequently identify as a challenge, it is very important that the awareness itself is passed down to the front lines and that it actually changes there. In terms of strengthening initiatives carried out together by manufacturing and sales teams, we think it may be taking some time, but we see that progress is being made little by little. We hope that they will make further efforts to strengthen the initiative to reduce inventory going forward.

I would like to continue by reporting on the challenge and improvements related to management speed, which we have touched. I believe we are making progress in addressing unprofitable businesses that have been facing various challenges. We appreciate the progress that has been made, especially in Europe and the US.

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The main focus will be the domestic structural reforms. Now, the Company is addressing this area, and the overall concept is gradually being finalized. I hope that they will accelerate the implementation and execution of the plan.

In terms of speed of implementation, as I mentioned earlier, employee awareness of structural reforms is extremely important. Although it is not immediate, I believe momentum is gradually accelerating.

As we carry out structural reforms in the future, the external environment will not wait for us. It will be difficult to achieve results if we continue to work at our own speed. Headwinds inevitably tend to build up at the bottom of vulnerable organizations or weaker organizational structures. In that sense, I think it is very important to further accelerate efforts to resolve those vulnerable areas as soon as possible.

There are constant changes across each area, each market, and the broader business environment. Under this medium-term management plan, we will adjust our responses flexibly from year to year and from quarter to quarter, applying the gas pedal or the brake as needed. I believe it is very important to respond flexibly to these changes. In that sense, I have been asking them on a daily basis to be thorough in determining who will do what and by when.

Finally, I would like to touch on the third point in the question, the assessment of structural reforms as a whole. As I mentioned earlier, we have reported that the initiatives for overseas unprofitable businesses in Europe, the US, China, and other countries are generally progressing as planned. However, as we continue to work on structural reforms, we cannot shake off the concern that structural reforms themselves, which are only a means to an end, have become an objective. We are already keeping a close watch on these reforms, and we will continue to verify them so that the results of structural reforms are realized in concrete terms.

We will work hard to create a profit structure that is not affected by the external business environment so that we do not lose sight of why we are undertaking this structural reform.

Since we have reorganized the organization since the start of the plan in FY2024, I think it is extremely important to share information across organizational boundaries and to carry out activities without blurring in the direction of the plan. We would like to examine these issues carefully.

We have summarized and reported on these three points. That is all.

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■ Balance of equity and debt

1. Involvement in financial discipline

■ Views on low ROE and PBR

1. Initiatives to improve ROE and PBR
2. Initiatives to build an optimal cash allocation framework

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Nagao: Thank you very much, Director Toshita.

Next, in terms of involvement in financial discipline, we would like to ask Director Kitani regarding the views of ROE and PBR. Thank you, Director Kitani.

Kitani: This is Kitani. Let me answer. The first is the question of involvement in financial discipline. I think this relates to how deeply we, as Outside Directors, are involved in the Company's financial ratios.

Financial discipline is a check on whether progress is being made in a balanced manner between offense and defense, but if the bias in one direction becomes stronger than the other, I think it is necessary to express my opinion on safety and other aspects.

At present, our discussions are still centered on meetings of the Board of Directors. At these monthly meetings, we receive explanations on the progress of the business plan and on KPI progress across various indicators. At that time, we check the figures from various perspectives, such as capital adequacy, inventory, and whether debt is increasing as the operating income base increases, and actively exchange opinions. At present, I believe that the involvement of Outside Directors in financial discipline is well established.

In addition to that, if I may briefly touch on how we evaluate our current situation, one major indicator is the debt-to-equity ratio. From a safety point of view, since there was also the redemption of CBs recently, the level of 0.9 is now in the 0.7 range, which I think is well within the acceptable range compared to the general indices. Also, I understand that we are maintaining a solid profit structure and a reasonable level of financial discipline, even amid very challenging sales conditions, such as the Trump tariffs.

However, considering the high interest rates in the future, I think we need to make further progress in reducing inventories. One of our Company's weak points is its low level of capital adequacy, and we need to build up profits to address this issue. I think that reducing inventories and strengthening the capital adequacy will be the most important theme for the future.

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The Company has been able to maintain cash flow, and I am aware that we have been rather restrained investment cash flow in the recent past. I think it would be a good balance to raise the operating cash flow to a higher level through structural reforms and to maintain a steady level of investment cash flow and investments, such as amortization, each year.

Then, I understand that another question is about efforts to improve ROE and PBR and to build cash allocation. As you know, P/B ratio is a ratio of share price to net assets, so we have no choice but to hope for the share price itself. That said, we believe it is important to work toward that outcome by demonstrating our commitment to shareholder returns and by steadily improving profitability.

Therefore, I think the main focus is on ROE. Unfortunately, due in part to structural reforms, the level of ROE is not at a level to be evaluated. By delivering clear results from this structural reform, we will raise net income and bring ROE to around 8% as soon as possible. From there, a correlation with PBR will emerge. Therefore, I understand that the key issue is to achieve this as early as possible.

Also, as I mentioned earlier, as a result of this, we believe that generating a stable and solid operating cash flow will enable us to make more focused investments, which in turn will help build our future competitiveness and growth foundation. In this respect, I believe governance is working well, with Outside Directors actively voicing their views at nearly every board meeting. That is all.

3-(3) Pre-submitted Questions



■ The direction of the Next Medium-term Management Plan

1. Board discussions on the next Medium-term Management Plan
2. Expectations for the next Medium-term Management Plan

■ Policy and process for the appointment of Directors and Executive Officers

1. Approach to board diversity, including the appointment of non-Japanese Directors
2. Assessment and challenges of NTN's succession planning

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Nagao: Thank you, Director Kitani.

I will continue with the third question. Regarding the direction for the next medium-term management plan and process for appointing directors and Executive Officers, Director Murakoshi will provide a summary of this point. Director Murakoshi, thank you.

Murakoshi: Regarding the direction of the next medium-term management plan, FY2026 is the final year of the current medium-term management plan. I understand that the discussion on the next medium-term management plan has already started at the end of the year on the executive side. The Board of Directors

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would like to be involved in the formulation of the next medium-term management plan for FY2026, after thoroughly aligning understandings and views with those of the executive side.

As for expectations for the next medium-term management plan, I believe we are aligned on fully seeing through the structural reforms under the current plan. In this sense, I would like them to firmly carry out the structural reforms during the current mid-term plan and, on that basis, begin discussing our next growth strategy. In this context, as Director Kitani mentioned earlier, the Company is aiming for 8% ROE and even 10%, and they may achieve these targets as soon as possible, or business structural reforms. This is mainly in anticipation of how strategies can be formulated to expand business to the more profitable aftermarket.

Amid an extremely severe external environment, the Company is discussing how to build a corporate structure that is less affected by external conditions. While the Company has stated that it will complete the structural reforms under the current medium-term management plan, we are discussing that building a corporate structure remains an ongoing challenge as the environment continues to change.

The next item is the policy and process for the election of Directors and Executive Officers. Regarding the topmost one, the concept of diversity of Directors, including foreign nationals, we believe that we have already achieved an appropriate balance in terms of gender and background, including Directors and Outside Directors, in the current board. Of course, as a global company, we aim to ensure diversity on the Board, including foreign nationals, through ongoing consideration.

The evaluation of the succession plan for the Executive Officers and Directors and the challenges they face. Executive Officers and Directors work with the executive side to assess management capabilities using a skills matrix and to develop talent through transfers and other career development measures.

The Nominating Committee has been discussing the next generation of management personnel for the past three or four months. We have been exchanging views with the executive side on an ongoing basis and are discussing what kind of personnel should be responsible for NTN's next phase of management. That is all.

3-(4) Pre-submitted Questions



■ Roles and assessment of Inside Directors in committee composition

1. Advantages and disadvantages of including Inside Directors on each committee

■ Issues and initiatives to address information gaps between Inside and Outside Directors

1. Measures to support Outside Directors
2. Issues in the secretariat's staffing and functions, with additional opportunities for improvement

■ Governance-wide issues and directions for improvement

1. Areas for improvement in the governance framework

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Nagao: Thank you very much, Director Murakoshi. Finally, I would like to ask the Chairperson, Director Komatsu, to answer to the following points: the role of Inside Directors in the composition of each committee, issues and efforts to correct the information gap between Inside and Outside Directors, and overall governance issues and their direction for improvement. Director Komatsu, thank you.

Komatsu: My name is Komatsu. Thank you for your cooperation. Regarding the first point, the role and assessment of Inside Directors in the committee composition, as you can see here, the biggest advantage is the internal situation.

For example, in my case, I serve as a member of the Compensation Committee. While we do meet Directors at board meetings, when it comes to evaluating the performance of Executive Officers, it is very important to be able to hear directly from Inside Directors and to share information quickly when issues or challenges arise. From that perspective, I believe that having Inside Directors who have a deeper understanding of internal personnel as members of committees, such as the Compensation Committee or the Nominating Committee, is a significant advantage.

On the other hand, the biggest drawback is that if there are many Inside Directors or if a single Inside Director plays a dominant role on the board, there is a high risk that the Board may be influenced by the views and judgments of the executive side. I see this as the main disadvantage.

In the future, we would like to make the committee more active, for example by ensuring that the number of Inside Directors does not become too large and by conducting more interviews with individuals other than Inside Directors. We would like to move in this direction.

Regarding issues and efforts to close the information gap between Inside and Outside Directors, I would like to explain what the Company is doing to fill the information gap at this point.

First, the President and the Executive Officer in charge of corporate planning provide Outside Directors with opportunities to hear explanations on the discussions and issues addressed at key meetings, namely, management meetings and meetings attended only by executives. Of course, we can review the documents. In addition, while the explanations are given verbally, they are detailed, so we are fully informed about the management issues being discussed and the decision-making process.

In addition, when I took office, for example, I was given the opportunity to directly interview members of the accounting department and finance department below the head of the department. I also had the opportunity to interview the human resources department individually to find out what type of systems they are currently implementing and what issues they are facing.

In addition, they are generally very open to office visits, both in Japan and overseas, and readily accommodate such visits when requested. I believe that we have ample opportunities to hear the opinions of those actually on the ground and to directly discover issues and problems.

In terms of operational improvements, since assuming the chairpersonship, I have been working to improve the efficiency of regular reporting. Conversely, the committee makes effective use of available time to devote more discussion to important topics, such as the appropriateness of management decisions and overseas businesses. We also have a well-established framework to monitor the progress of internal initiatives from both qualitative and quantitative perspectives and to respond in a timely manner. We also have opportunities to make concrete recommendations that encourage appropriate management decisions, and I believe we have ample opportunities to gather information and express our views.

However, room for improvement is at the secretariat. I believe that staffing constraints may be one factor. However, under the current secretariat structure, there may be limits to the level of support provided to

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clarify the focus of agenda items and improve their quality, including explanatory materials, in order to enable more in-depth discussions at Board of Directors meetings. I would like them to strengthen its support in this area going forward.

Finally, regarding the overall governance challenges and directions. As for issues to be addressed, I personally believe that governance of overseas subsidiaries needs to be strengthened. I have also been saying that internal controls at workplaces, regardless overseas subsidiaries, require further improvement.

At present, monitoring frameworks are fairly well established domestically, and I believe the Board of Directors is functioning effectively in this regard. However, with respect to subsidiaries, particularly overseas, I think it is necessary not only to strengthen monitoring structures but also to raise the overall level of internal control itself. It is the first line of defense to start with, especially overseas. We have seen cases where, at the frontline, internal control systems were not fully in place and improper processing occurred due to a lack of understanding of what was wrong. As a result, efforts are being made to promote a shift in awareness at frontline workplaces and to ensure that this awareness is firmly embedded.

In addition, with respect to overseas subsidiaries and second-line functions, there is a need to raise the skill levels of the people involved so that control, execution, and monitoring can be carried out properly. I believe that the Company is actively promoting human resource development in this area as well, and if there are no appropriate personnel, then they will replace them.

With respect to second-line functions or subsidiaries, or what might be described as a “2.5 line,” we believe it is important to strengthen efforts so that the head office can clearly grasp the situation and provide support internal controls for the second line. These initiatives are already under way.

As for other issues, diversity is also a key area. Given the Company’s significant overseas operations, we have raised the need to further promote diversity not only at the Board of Directors level but also on the execution side, including the appointment of overseas personnel as well as the acquisition and development of talent. In this regard, we believe the Company is taking concrete steps to address these issues. That is all.

Nagao: Thank you very much, Director Komatsu.

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Question & Answer

Nagao [M]: Now that we have answered the questions we received in advance, we would like to take questions from the today's participants.

Okay. Mr. Gamou of Nomura Asset Management, thank you very much for your question. Please ask your questions.

Gamou [Q]: This is Gamou from Nomura Asset Management. Thank you always. I would like to ask you two questions. First, I think Ms. Komatsu mentioned earlier that you need to improve the level of internal control overseas. Could you tell us, as much as you can, what is currently lacking and what needs to be addressed? What she just said was somewhat abstract and difficult to understand, so please tell us one thing that you need to do, for our future reference.

Secondly, Mr. Kitani is on the Audit Committee this time. I would like to touch about incident of Horimasa Kogyo, which happened two years ago. Now, I would like to ask how you are addressing internal audits in Japan following the fraud at Horimasa Kogyo, along with some specific examples. These are the two questions from me.

Nagao [M]: Thank you, Mr. Gamou. Is it correct that Director Kitani, the Chairperson of the Audit Committee, will answer both points? Okay, Director Kitani, please answer.

Kitani [A]: Regarding overseas internal control, as Ms. Komatsu explained, in Japan, the management audit department and members of the Audit Committee make frequent site visits as the third line, conducting visual inspections and interviews. Through these activities, we are able to capture information and feed it back to the first and second lines, which allows us to maintain effective oversight. By contrast, for overseas operations, it is not easy to conduct site visits across regions, such as Europe, the US, ASEAN, India, China, South America, and the Middle East.

Because these operations are spread across various regions, there are practical limits on the manpower available to fully carry out monitoring from the head office in Japan. Rather than simply tightening the monitoring framework itself, we believe it is necessary to strengthen second-line internal control functions in each region, as well as internal controls at each subsidiary. I believe that these two points must be strengthened and a system must be established.

In that sense, there have been incidents in various areas where, for example, mistakes in the way inventory is handled have gone undetected. We are now working on a project to strengthen the second-line internal control functions in each area.

At the same time, each subsidiary is also working to reinforce the importance of internal control and to strengthen the capabilities of those responsible for it. Through closer coordination with the third line in Japan, we are working to establish solid internal controls across the Company on a global basis. Is this explanation sufficient?

Gamou [Q]: I would like to ask you a supplementary question. I used to work in the accounting department, and although it is different from an accounting audit, basically it is still based on statement, checking vouchers, and checking various business transactions. I understand that the basic part of an audit is to properly prepare the data and check various aspects of it.

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In terms of strengthening second-line, I still think there are areas where the system is organized and areas where it is not. If possible, could you be more specific, for example, by indicating which regions you see as relatively strong or weak? Could I also ask, as a follow-up, whether there are any areas that still need to be strengthened and what needs to be done?

Kitani [A]: At this stage, for example, the fast-growing India region. We are still in the process of establishing sites, manufacturing systems, and R&D. Since the growth in the area has been remarkable, internal controls have been lagging behind in keeping pace with that trend. While this is somewhat unavoidable, we believe it is the region that needs to be strengthened going forward.

In addition, since ASEAN is a group of countries that straddle the boundaries of each other, it is now seen as a challenge in terms of applying internal control to the region as a second line of defense across each country. In the US, there was an issues in inventory management, and we are now re-strengthening our efforts to correct the issue. We have long recognized that internal controls are well established in Europe, and we also understand that internal controls in China are at a relatively high level. This is the extent of the disparity between regions. I hope I have answered your question.

Gamou [M]: Yes. I understand. Thank you very much.

Kitani [A]: With regard to the Horimasa case, this involved accounting fraud by a distributor that is important to our company. While the counterparty's financial institutions were not able to detect the issue, we are reviewing the matter from the perspective of whether there were any warning signs that we could have identified through our business transactions. We have reinforced the practice of reliably obtaining customers' financial statements on a regular basis. In addition, the Audit Committee has been providing guidance to the sales organization on how to review and interpret those financial statements.

At the same time, it is important to capture qualitative information on an ongoing basis. In light of this case, we have strengthened the practice of holding thorough discussions with each distributor every year to verify the acceptable range of sales for continuing transactions, and this has now become a routine process.

Gamou [M]: Understood. That's all from me. Thank you.

Nagao [M]: Thank you very much, Mr. Gamou and Director Kitani. Next, Mr. Shitamori of Mitsubishi UFJ Trust and Banking Corporation, please ask your questions.

Shitamori [Q]: This is Shitamori of Mitsubishi UFJ Trust and Banking Corporation. Thank you very much for this valuable opportunity.

I think this is a question for Mr. Murakoshi. In the diversity section of the Board of Directors, you mentioned that you are considering non-Japanese members. Looking at past notes and such, this topic has been around for about 10 years now.

In the case of your company, which is expanding globally and has many overseas sales, I think it would be a good idea to appoint a non-Japanese person to the Board of Directors. I would like to understand whether this has not happened due to internal resistance, difficulty in finding a right person, or because conditions have not yet been met. May I ask what obstacles have been preventing progress in this area, which has been discussed for a long time?

Nagao [M]: Thank you, Mr. Shitamori. Now, Director Murakoshi, would you please answer the question?

Murakoshi [A]: As we always discuss in our Nominating Committee meetings, we recognize that diversity in the general sense is very important in terms of consolidating various opinions and diversifying perspectives

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while ensuring diversity. We have always recognized that one of these issues is gender, for example, or national issues.

As you pointed out, the majority of our sales are overseas, so naturally we need a global perspective. I think one reason is that it is difficult to find the right candidate at this time, rather than that there are any obstacles.

One way to look at this is that there has naturally been discussion about diversity among Executive Officers as a step preceding diversity at the board level. As you can see, in reality the executive board is still composed entirely of Japanese nationals.

This is an issue of corporate governance, or more broadly, of the chain of command across the Company, including overseas operations. I understand that there were specific examples in the past, but they did not function well, and I believe addressing this should be the first step. I hope I have answered your question.

Shitamori [Q]: Thank you. Conversely, is it correct to say that even if Directors and Executive Officers are all Japanese, there is no particular problem with global expansion at this point, so it is not something that you need to think about urgently?

Murakoshi [A]: I think you are right. At this point, I do not believe that the fact that the Board is currently composed of Japanese members has become a major issue or challenge for the Company. However, I believe we should always remain mindful of whether this view will truly be sufficient going forward.

Shitamori [M]: Very well understood. Thank you very much. That's all from me.

Ukai [A]: Sorry. This is Ukai. I would like to provide a supplemental explanation of the past history to Mr. Shitamori's question.

Starting around 15 years ago, we have had senior management talent in each region globally. From among these individuals, we have invited those who were willing to work in Japan to come and take on roles here, in what could be described as a reverse assignment. We also hired professional managers locally under compensation structures different from the standard salary system. Through trial and error, we have been exploring how best to integrate them into the Company in ways that contribute to management while assessing their capabilities.

The challenge I think is where to put the headquarters. There are challenges for overseas personnel when relocating to Japan with their families, given that the headquarters is located in Japan. Not only the work itself, but also the person's daily life, and life itself, would change drastically.

In terms of diversity, given that more than 70% of our business is conducted overseas, we would like to create a management style that is appropriate for this situation. However, at this point, we have not yet been able to successfully apply a management system that meets our current objectives in a way that allows foreign human resources to work in Japan after repeated trial and error.

I do not think these efforts were unnecessary. While various systems were put in place during their time in Japan through different initiatives, I recognize that we have not yet been able to produce a successful example of a foreign national serving effectively in Japan as a member of the management team or the board. I have provided a few additional explanations. Thank you very much.

Shitamori [M]: Thank you very much. I understand that you are hiring and utilizing local people in the field. Thank you very much.

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Nagao [M]: Thank you. Thank you very much, Mr. Shitamori and Director Murakoshi. Next, Mr. Miyazaki of Sumitomo Mitsui Trust Asset Management.

Miyazaki [Q]: Thank you for your time today. I would like to ask one question. Any Outside Director is welcome to answer. I would appreciate comments from anyone who has an opinion.

I saw a cross-talk article between the Outside Directors and the Executive Officers in the integrated report. I think the content showed that active discussions were taking place. On the other hand, I feel that the content of the discussion was somewhat weighted toward operations at the production site.

I, and I suspect the stock market as well, recognize that the framework of the business environment has changed dramatically in recent years. Specifically, the shift from internal combustion engines to EVs, the declining competitiveness of Japanese manufacturers, and the fact that competitors in emerging countries are catching up and improving their competitiveness are some of the recent changes that we are aware of.

I would appreciate it if you could introduce the recognition of issues by the Outside Directors regarding the medium- to long-term management policy in response to these changes in the framework of the business environment itself, or what kind of discussions are being held by the Board of Directors. In the integrated report, there is some discussion about aiming for a 40% aftermarket ratio, but I would like to understand how you plan to increase the aftermarket ratio going forward.

I would appreciate it if you could share a substantive discussion on where NTN is headed and how far it has progressed in terms of concrete measures. Thank you.

Nagao [M]: Thank you, Mr. Miyazaki. Now that you have introduced the integrated report, Director Toshita, who has joined the crosstalk, will answer to your question.

Toshita [A]: Now, I would like to answer to your question. As you mentioned, I am aware that the business environment is changing and that we need to change our framework accordingly.

The speed of EV electrification itself has slowed down considerably compared to our initial plan, but I feel that the major trend itself has not changed. I think it is very important to carefully assess each event and the overall trend, and how we should adjust our company structure.

First of all, in terms of strengthening the corporate structure in this medium-term management plan, we have started by addressing the profit-challenged areas in North America, Europe, and other regions. In addition, when it comes to strengthening our organizational structure, as I mentioned earlier in my remarks, it is extremely important to consider how we should shape our production structure for the domestic market, where population decline and market shrinkage are expected over the long term.

As you pointed out, I also believe that the issue of how to rebuild the supply chain both domestically and internationally and how to establish a domestic production system are very important issues, and we are discussing these issues on a regular basis.

Looking ahead, we aim to position ourselves for each market, especially those expected to grow in the future. For example, we are considering how to take early action in anticipated growth areas, such as the Indian market, and we will incorporate this into the next medium-term management plan to determine our direction. I hope I answered to your question.

Miyazaki [M]: Yes, thank you. I understood very well. Thank you very much. That is all.

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Nagao [M]: Director Komatsu also participated in the crosstalk. If there is anything you would like to add, please.

Komatsu [A]: I don't think there is not much to say since Mr. Toshita has already explained it well. If I may add, I think that the effectiveness of the growth strategy has not yet been proven to the market despite the current structural reforms.

One of them is the expansion of aftermarket. As Mr. Toshita mentioned, I believe that a review of the geographic business portfolio is also necessary in the future. I also believe that we need to deepen the discussion on how to position automotive OEMs in the future. That is all.

Miyazaki [M]: I understand that you all have various awareness and discussion about such challenge. Thank you. That's all from me.

Nagao [M]: Thank you very much, Mr. Miyazaki, Director Murakoshi, Director Toshita, and Director Komatsu. Does anyone have any other questions?

Ukai [M]: Excuse me. My name is Ukai. This is not the place for me to speak from the execution side today, but there is some time.

In addition to the views shared by Outside Directors, we have been providing explanations through IR and other channels. Over the past three years, as we enter the final year of our medium-term management plan, we have focused on strengthening our earning power by reducing costs to enhance competitiveness while at the same time seeking market recognition of our value through fair pricing.

We are reducing fixed costs through structural reforms, and we expect to achieve a fixed cost reduction effect of about JPY5 billion this fiscal year. Also, for the next fiscal year, the Company will produce a fixed cost reduction effect of JPY10 billion, which means that the fixed cost portion of the cost will be improved firmly. At the same time, we are promoting diversification of global procurement for variable costs. By promoting this, we are striving to provide value to our customers while maintaining our BCP in the current chaotic global situation.

We have declared that we will invest JPY35 billion in structural reforms over the three years. While we are unfortunately forecasting a net loss for the current fiscal year, we are determined to return to profitability by the third year. At the same time, for the next medium-term management plan starting after April 2027, which we have just begun discussing, we are targeting an ROE of 10% and aim to build a corporate structure capable of achieving that level. We are following ROIC and ROE closely, and as a result, we will bring PBR to the expected figures.

On the other hand, while we have converted CBs, this has involved some dilution risk for our shareholders. By delivering solid profits, we intend in the next medium-term management plan to consider measures such as share buybacks and ensure that we appropriately return the value of our shares to shareholders.

As for our growth strategy, we have already invested JPY2 billion in the automobile industry in India, which we mentioned earlier. We have heard that there is a backlog of aircraft bearings for the next 10 years, so we are planning to invest JPY5 billion in France by 2028 so that we can respond to this backlog. We will also invest in defense-related demand, which is expected to grow in the future, both in Japan and overseas.

As we work on improving our underlying structure, we are also clearly shaping our growth strategy. Maintaining strong competitiveness and offering high value-added products in existing areas, such as industrial machinery and EVs, remain our foundation. In addition, shifting further toward the aftermarket

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continues to be a key and unchanged direction. We would like to increase our corporate value while holding firmly to such a growth strategy, and we look forward to your continued support. Thank you.

Nagao [M]: Thank you, President Ukai. This concludes the dialogue with the Outside Directors of NTN Corporation. We will post the content of today's Q&A session on our website at a later date, and we hope you will take a look.

Thank you very much for your participation today.

[END]

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