



**NTN Corporation**

Q1 Financial Results Briefing for the Fiscal Year Ending March 2026

August 4, 2025

## Event Summary

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<b>[Company Name]</b>	NTN Corporation	
<b>[Company ID]</b>	6472-QCODE	
<b>[Event Language]</b>	JPN	
<b>[Event Type]</b>	Earnings Announcement	
<b>[Event Name]</b>	Q1 Financial Results Briefing for the Fiscal Year Ending March 2026	
<b>[Fiscal Period]</b>	FY2025 Q1	
<b>[Date]</b>	August 4, 2025	
<b>[Number of Pages]</b>	23	
<b>[Time]</b>	17:00 – 17:58 (Total: 58 minutes, Presentation: 17 minutes, Q&A: 41 minutes)	
<b>[Venue]</b>	Webcast	
<b>[Venue Size]</b>		
<b>[Participants]</b>		
<b>[Number of Speakers]</b>	4	
	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
<b>[Analyst Names]*</b>	Tsubasa Sasaki	UBS Securities
	Tatsuhiko Ito	Mizuho Securities
	Hirosuke Tai	Daiwa Securities
	Boqiong Wang	Nomura Securities

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\*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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## Presentation

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**Nagao:** As we have reached the start time, we will begin the NTN Corporation's Q1 financial results for the fiscal year ending March 31, 2026. Thank you very much for taking time out of your busy schedule today to participate in our briefing on our financial results.

To begin, I would like to introduce the attendees. Executive Officer, CEO Ukai.

**Ukai:** I am Ukai. Thank you very much for joining us today.

**Nagao:** CFO and Executive Officer Yamamoto.

**Yamamoto:** I am Yamamoto. Thank you for joining us today.

**Nagao:** The secretariat consists of Kouge from the Corporate Communications Department and myself, Nagao. Thank you for joining us today.

**Kouge:** Thank you for coming.

**Nagao:** Today's briefing will progress in line with the briefing materials that were sent to your registered e-mail address. The documents are also available on our website, so please go there if you do not have them.

Today, President Ukai will first explain the key points of the financial results, and that will be followed by a detailed explanation by CFO Yamamoto. A Q&A session will follow the presentation. We are scheduled to end at 6:00 PM.

Now, President Ukai, please begin.

**Ukai:** I am Ukai from NTN. Thank you very much for taking time out of your busy schedule today to attend our earnings presentation. We would also like to take this opportunity to thank our shareholders and analysts for their continued support.

CFO Yamamoto will explain the details of the financial results for Q1 of the fiscal year ending March 31, 2026, as well as an analysis of the increases and decreases in profits. So, I will explain key points of the results.

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# 1. Key Point of Financial Results



## FY2025 Q1

**Net Sales : ¥199.0 billion, ¥(11.8) billion YoY incl. Aftermarket ¥33.9 billion, ¥(1.5) billion YoY**  
**Operating income : ¥7.0 billion, +¥2.4 billion YoY Operating margin : 3.5%, +1.4pt YoY**

### □ Bearing and others

Net sales ¥83.0 billion, Operating income ¥2.3 billion, Operating margin 2.7%

#### **Sales and operating income decreased YoY**

- Sales for the industrial machinery and aftermarket increased, but sales for the automobile decreased due to lower demand mainly in Americas, Europe and China
- Selling price improvements were made, but could not offset the adverse impact of inventory valuation, leading to lower profits

### □ CVJ/Axle

Net sales ¥116.1 billion, Operating income ¥4.7 billion, Operating margin 4.1%

#### **Sales decreased YoY while operating income increased**

- In Japan, sales increased due to the full-scale launch of CVJs that used to be produced by certain automakers, but overall sales decreased due to decreased demand mainly in Europe and China
- Operating income increased through improvements in fixed costs, including cost reduction and structural reforms

## Forecast for FY2025 Full Year

### **No change from the previous announcement**

Net Sales : ¥790.0 billion, Operating income : ¥24.0 billion, Operating margin 3.0%

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Please see page two. Net sales were JPY199.0 billion, operating income was JPY7.0 billion, and the operating margin was 3.5%. While net sales decreased on-year due to the impact of the strong yen, in addition to a decline in volume, operating income increased on-year due to improvements in selling prices, cost reductions, and fixed costs, including the effects of structural reforms.

The aftermarket business posted sales of JPY33.9 billion, down JPY1.5 billion YoY, but flat on-year excluding exchange rate effects.

Sales of bearings and others were JPY83.0 billion, a decrease of JPY1.4 billion YoY. Although the appreciation of the yen had a negative impact on sales, a recovery in demand led to higher sales in the industrial machinery and aftermarket sectors in terms of volume. Operating income was positive at JPY2.3 billion. Despite efforts to improve selling prices, the decrease in volume for the automobile and the adverse impact of inventory valuation led to a JPY1.0 billion on-year decrease in earnings.

Sales of CVJ/axles totaled JPY116.1 billion, down JPY10.4 billion YoY. While sales in Japan increased due to the full-scale launch of CVJs that used to be produced by certain automakers, demand decreased in the Americas, Europe, and China. Operating income was a positive JPY4.7 billion. Cost reductions, including the effects of cost reductions and structural reforms, resulted in an increase of JPY3.5 billion YoY.

We maintain our initial forecast for this fiscal year because the impact of tariffs on business performance, both directly and indirectly, remains uncertain, despite the agreement reached by Japan and the US in July.

That concludes my explanation.

**Nagao:** Thank you, President Ukai. CFO Yamamoto will now explain the details. CFO Yamamoto, please go ahead.

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## 2. Key Financial Indicators of FY2025



	FY2024		FY2025		Diff.		
	Q1 Results ①	Full Year Results	Q1 Results ②	Full Year Forecast (Latest)	Total	Volume	Forex
(billion yen)							
Net sales	210.8	825.6	199.0	790.0	(11.8)	(3.1)	(8.7)
Operating income	4.5	23.0	7.0	24.0	2.4	1.6	0.9
Operating margin	2.2%	2.8%	3.5%	3.0%	1.4%		
Ordinary income	2.2	10.5	4.0	11.0	1.8	0.8	1.0
Extraordinary income (loss)	-	(19.1)	-	(8.0)	-	-	-
Profit (loss) attributable to owners of parent	0.2	(23.8)	1.2	(6.0)	1.0	0.3	0.7
Inventories	273.9	244.4	243.9	222.0	* (0.4)	(1.0)	0.6
FCF	(4.6)	19.7	10.8	20.0	15.4	-	-
Exchange rate	1USD	¥155.7	¥152.4	¥144.6	¥141.2	(¥11.1)	*Increase/decrease from the end of Mar.2025
	1EURO	¥167.7	¥163.6	¥163.8	¥160.9	(¥3.9)	

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**Yamamoto:** I am Yamamoto. Please see page three, key financial indicators. Q1 results were as follows: net sales of JPY199.0 billion, operating income of JPY7.0 billion, ordinary income of JPY4.0 billion, and the profit attributable to owners of parent for the period was JPY1.2 billion.

If you look a little to the right, you can see that excluding the impact of foreign exchange rates, net sales fell JPY3.1 billion and operating income rose JPY1.6 billion. Changes in operating income, inventories, cash flows, and the impact of tariffs will be discussed later.

As explained by Ukai, due to the uncertainty of the impact of tariffs on our business performance, we have left our full year forecast unchanged and have not divided our forecast into H1 and H2 of the fiscal year.

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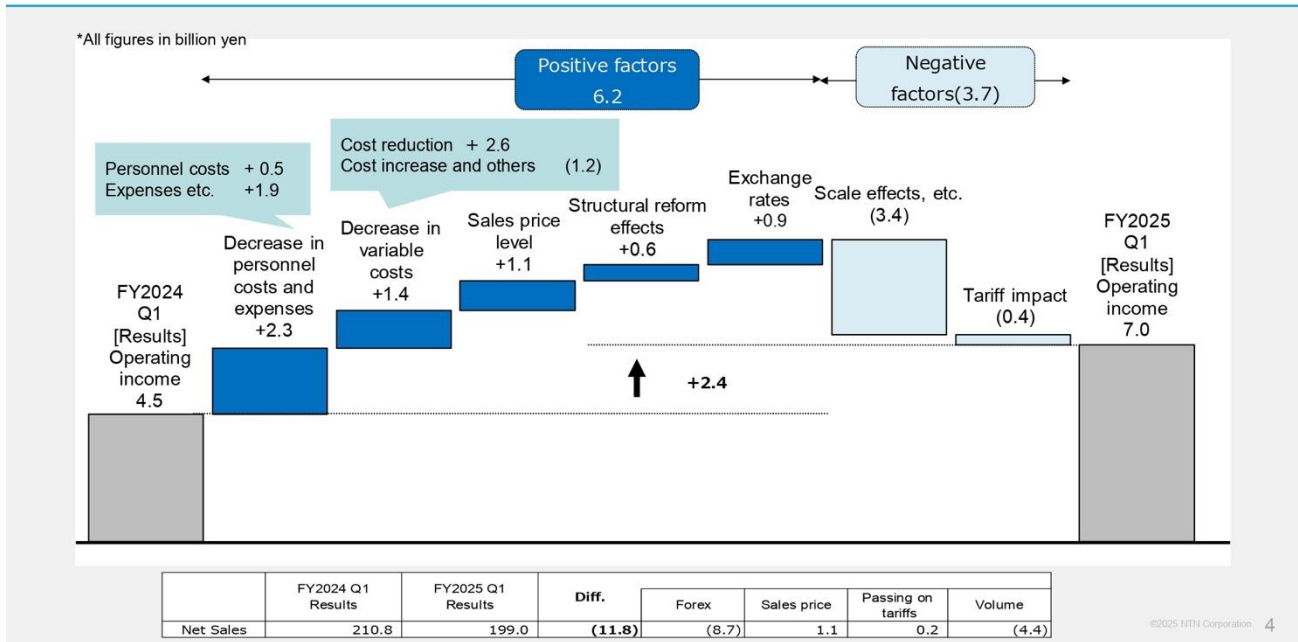
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### 3. Analysis of Operating Income

[ FY2024 Q1 Results vs FY2025 Q1 Results ]



Please continue to page four. This is a waterfall graph analyzing operating income increase/decrease compared with the same period of the previous year. The left end shows the amount of operating income for the same period of the previous year, and the right end shows the amount of operating income for the current period.

The chart below the graph shows the change in net sales. Excluding exchange rates and selling prices, sales volume decreased by JPY4.4 billion YoY. The righthand side of the profit decrease factors shows a negative JPY3.4 billion due to scale effects, including sales, production decrease, and inventory valuation. And the impact of tariffs is negative JPY0.4 billion . More details on the impact of tariffs are provided on the next page.

Meanwhile, factors increasing profit, which are shown on the left side are plus JPY2.3 billion due to reduction of personnel costs and expenses, plus JPY1.4 billion due to better variable costs from lower raw materials, etc., and plus JPY1.1 billion due to higher selling price levels. Also, the effect of structural reforms added JPY0.6 billion. This is in addition to the positive effect of foreign exchange of JPY0.9 billion. The positive effect of foreign exchange is due to the appreciation of the yen from the same period of the previous year, which reduced unrealized gains on inventories that would have had a negative impact on profit and loss.

This resulted in an increase of plus JPY2.4 billion YoY.

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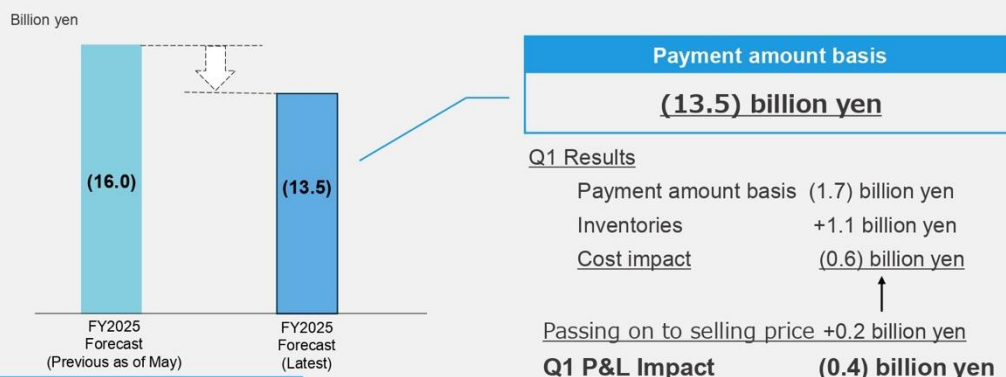


## 4. Expected Impact of U.S Trade Policy

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### Impact of U.S trade policy

Review based on Q1 results and the tariff conditions set forth in the U.S.-Japan agreement reached in July.



### Respond to tariff impact

**We will continue to reflect the increased costs resulting from tariffs in our selling prices, while also reviewing part of the supply chain related to U.S. imports.**

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Please go to page five, the impact of the tariffs. When we explained our financial results in May, we said that the annual impact would be up to JPY16.0 billion on a payment basis. The current forecast assumes a maximum payment of approximately JPY13.5 billion, as shown in the bar graph on the right.

The actual results for Q1 were JPY1.7 billion on a payment basis, of which the portion remaining in inventory was JPY1.1 billion, and the net effect on costs was a negative JPY0.6 billion. The effect on profit and loss was negative JPY0.4 billion as a result of a JPY0.2 billion increase from passing on to the selling price.

## 5. Net Sales by Company Location (Excluding intragroup sales)

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(billion yen)	FY2024		FY2025		Diff.		
	Q1 Results ①	Full Year Results	Q1 Results ②	Full Year Forecast (Latest)	Total ②-①	Volume	Forex
Japan	50.3	215.2	51.8	221.5	1.5	1.5	(0.0)
Americas	73.8	269.5	64.4	240.0	(9.3)	(3.5)	(5.8)
Europe	49.3	186.3	46.3	181.0	(3.1)	(2.3)	(0.8)
Asia and others	37.4	154.5	36.5	147.5	(0.9)	1.2	(2.1)
Total	210.8	825.6	199.0	790.0	(11.8)	(3.1)	(8.7)

\*From FY2024Q2, sales by region have been changed to sales by company location.

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Please continue to page six, sales by region. Please see the ② minus ①, Excluding Exchange Rate column on the right. This shows a total decrease of JPY3.1 billion. As I explained earlier, excluding the selling price level, sales decreased by JPY4.4 billion in terms of sales volume. In terms of increase/decrease on the basis of sales volume by region, Japan increased by JPY0.4 billion, the Americas decreased by JPY3.4 billion and Europe decreased by JPY2.5 billion. Asia and other areas added JPY1.2 billion, of which China accounted for a decrease of JPY0.8 billion.

## 6. Net Sales and Operating Income by Business Segment NTN

<b>&lt;Net Sales by Business Segment&gt;</b>							
(billion yen)	FY2024		FY2025		Diff.		
	Q1 Results	Full Year Results	Q1 Results	Full Year Forecast (Latest)	②-①		
	①		②		Total	Volume	Forex
Bearing and others	84.3	340.7	83.0	348.0	(1.4)	1.5	(2.9)
CVJ/Axle	126.5	484.9	116.1	442.0	(10.4)	(4.6)	(5.8)
<b>Total</b>	<b>210.8</b>	<b>825.6</b>	<b>199.0</b>	<b>790.0</b>	<b>(11.8)</b>	<b>(3.1)</b>	<b>(8.7)</b>

<b>&lt;Operating Income by Business Segment&gt;</b>						
(billion yen)	FY2024		FY2025		Diff.	
	Q1 Results	Full Year Results	Q1 Results	Full Year Forecast (Latest)	②-①	
	①		②			
Bearing and others	3.3	13.7	2.3	12.5	(1.0)	
CVJ/Axle	1.2	9.3	4.7	11.5	3.5	
<b>Total</b>	<b>4.5</b>	<b>23.0</b>	<b>7.0</b>	<b>24.0</b>	<b>2.4</b>	

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Please go to page seven, sales and operating income by business segment.

First, please see the Change in Net Sales, ② minus ①, excluding the Change in Foreign Exchange column in the upper row. Excluding the selling price level from this figure, bearings and others increased sales by JPY0.3 billion, while CVJ/Axle decreased sales by JPY4.7 billion.

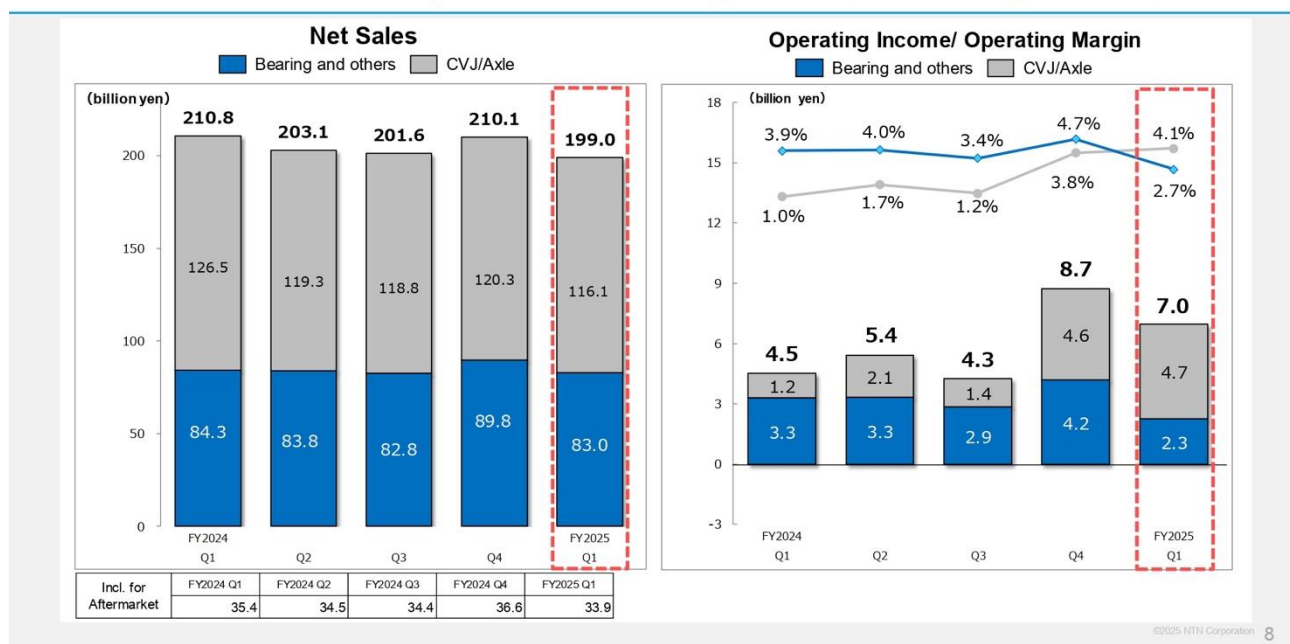
Operating income in bearings and others declined by JPY1.0 billion, as positive factors such as positive foreign exchange rates, improved selling prices, and fixed cost reductions were unable to offset the impact of reduced production scale and inventory valuation. However, CVJ/Axle posted an increase of JPY3.5 billion, as positive foreign exchange rates, improved selling prices, and better variable costs offset the impact of the decline in scale.

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## 7. Financial Results by Business Segment (Quarterly Trend) NTN



Please continue to page eight, quarterly sales and operating income and operating margins by business segment. Since I made a comparison with the same period of the previous year earlier, I will explain here with a comparison with Q4 of the previous fiscal year.

Sales of bearings and others declined JPY6.8 billion from JPY89.8 billion in Q4 to JPY83.0 billion, but excluding the effects of exchange rates and selling prices, sales declined JPY6.1 billion on a volume basis. Operating income decreased by JPY1.9 billion mainly due to the impact of this decrease in scale.

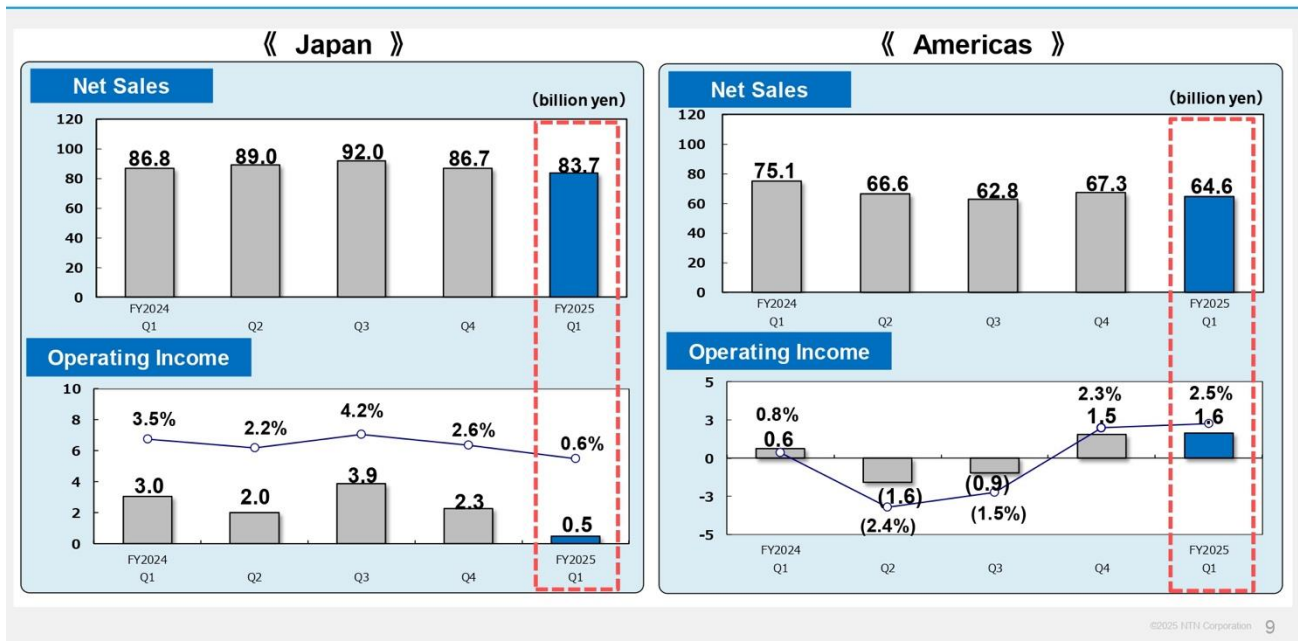
Sales of CVJ/Axle, meanwhile, declined JPY4.3 billion from JPY120.3 billion in Q4 to JPY116.1 billion, but excluding the effects of exchange rates and selling prices, sales declined only JPY0.8 billion on a volume basis. Operating income increased by JPY0.2 billion, mainly due to better variable costs resulting from increased production scale and cost reduction.

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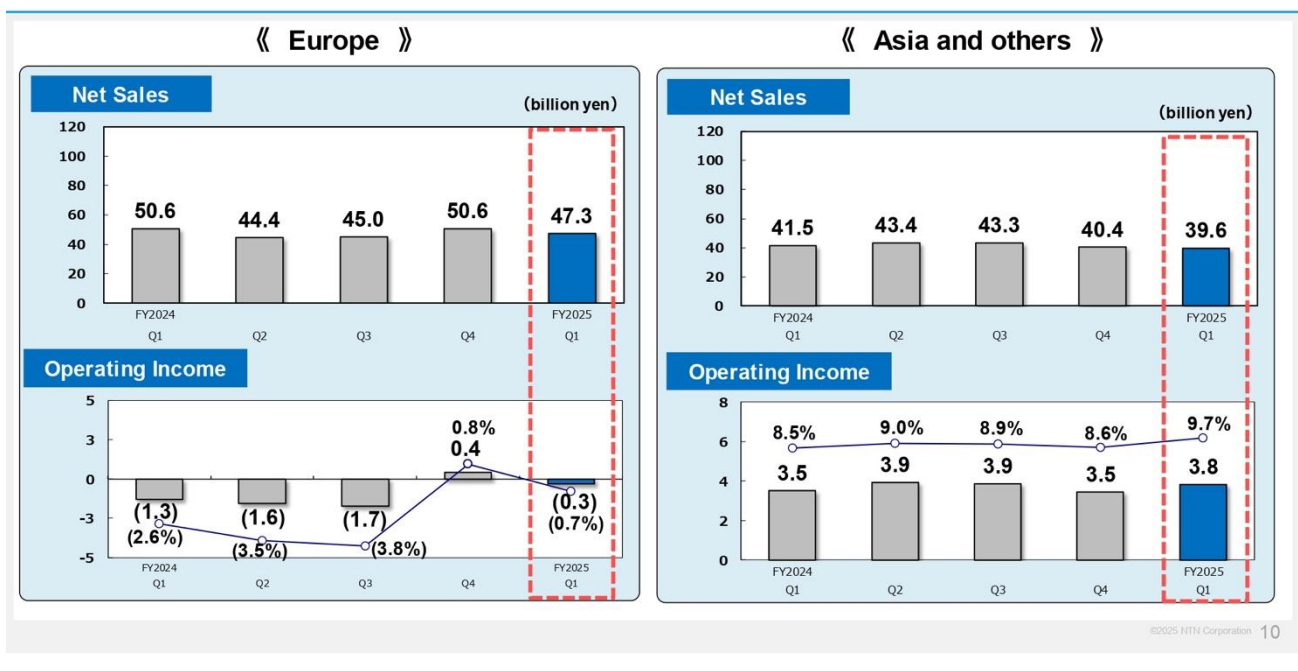
## 8-1. Net Sales and Operating Income by Company Location NTN



Please go to page nine. Quarterly sales and operating income by company location. Japan is on the left and the Americas is on the right. The upper row shows net sales and the lower row shows operating income. This is a comparison with the same period of the previous year.

As for Japan, operating income decreased by JPY2.5 billion and the operating margin deteriorated by 2.9 percentage points, mainly due to the impact of scale reductions, including inventory valuation, and the effect of foreign exchange rates. While the Americas business was affected by a decrease in scale, the operating margin improved by 1.7 percentage points with an increase of JPY1.0 billion, mainly due to an improvement in variable costs and a reduction in fixed costs.

## 8-2. Net Sales and Operating Income by Company Location NTN



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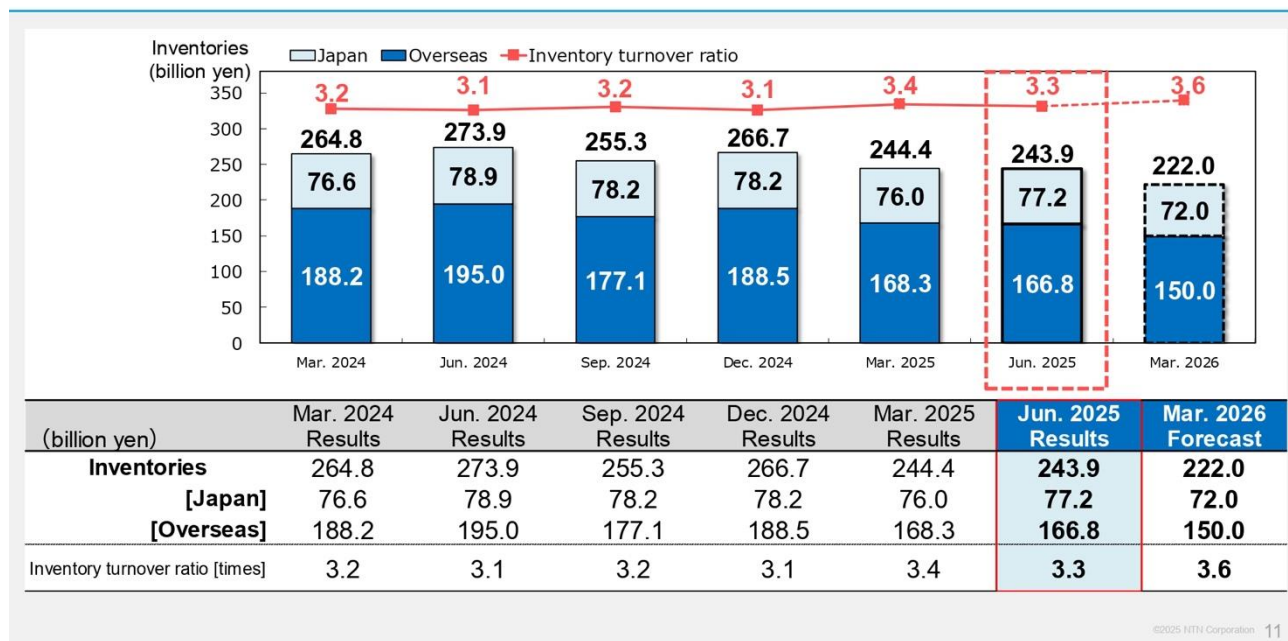
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Please continue to page 10. Again, this shows quarterly sales and operating income by company location. Europe is on the left and Asia and others is on the right.

In Europe, the deficit was reduced by JPY1.0 billion due to the reduction of fixed costs, including the effect of structural reforms, and improvement of variable costs, despite the impact of the decrease in scale reductions.

As for Asia and others, on the right, although there was a sales decline in China, a stable profit margin continued to be recorded.

## 9. Inventories



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Please go to page 11, inventories by quarter. Inventories at the end of June 2025 totaled JPY243.9 billion, a decrease of JPY0.4 billion from the end of the previous period, including a positive foreign exchange impact of JPY0.6 billion, resulting in a decrease of JPY1.0 billion in volume. Excluding the impact of tariffs, which I explained earlier, the reduction was JPY2.1 billion compared to the end of the previous fiscal year.

We will continue to reduce inventories to achieve the announced figures of JPY222.0 billion and a turnover ratio of 3.6 times as of the end of March 2026.

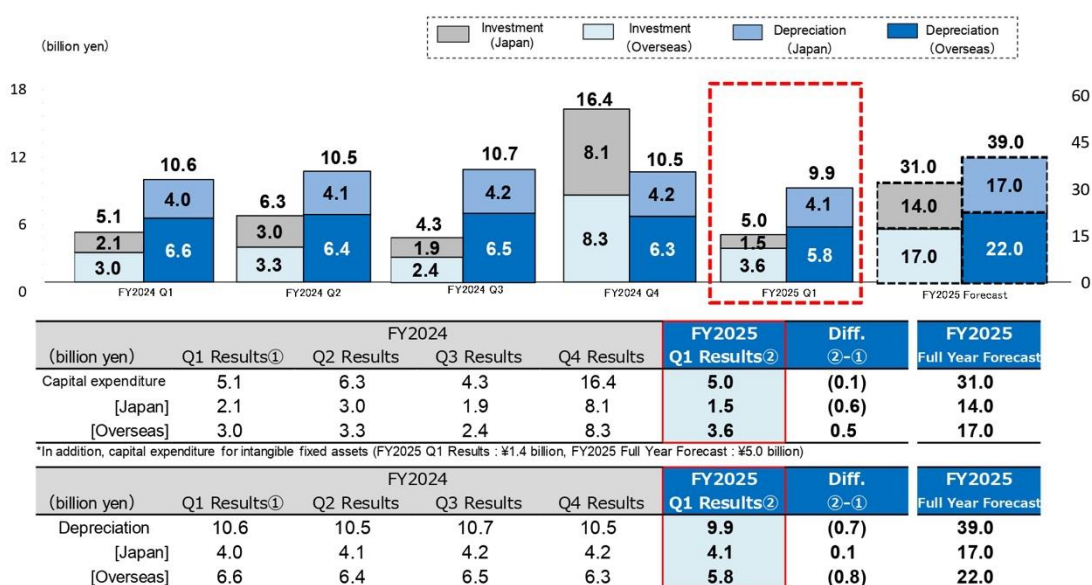
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## 10. Capital Expenditures and Depreciation

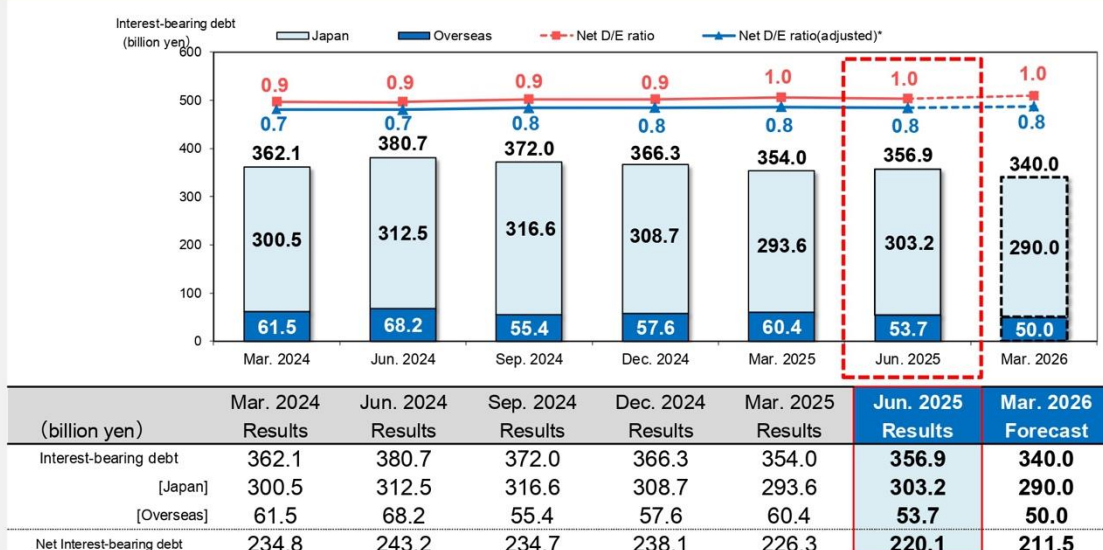


Next, please see page 12, capital expenditures and depreciation by quarter.

Capital expenditures in Q1 totaled JPY5.0 billion, and depreciation totaled JPY9.9 billion. Although there were some delays in capital investment, we believe that both investment and depreciation are in line with our full year forecast.

The breakdown of the JPY5.0 billion capital investment by region is as follows: JPY1.5 billion in Japan, JPY0.6 billion in the Americas, JPY1.9 billion in Europe, and JPY1.0 billion in Asia and others.

## 11. Interest - Bearing Debt



\*Taking into account a part of the subordinated bonds through public offering that is recognized as equity (50%).

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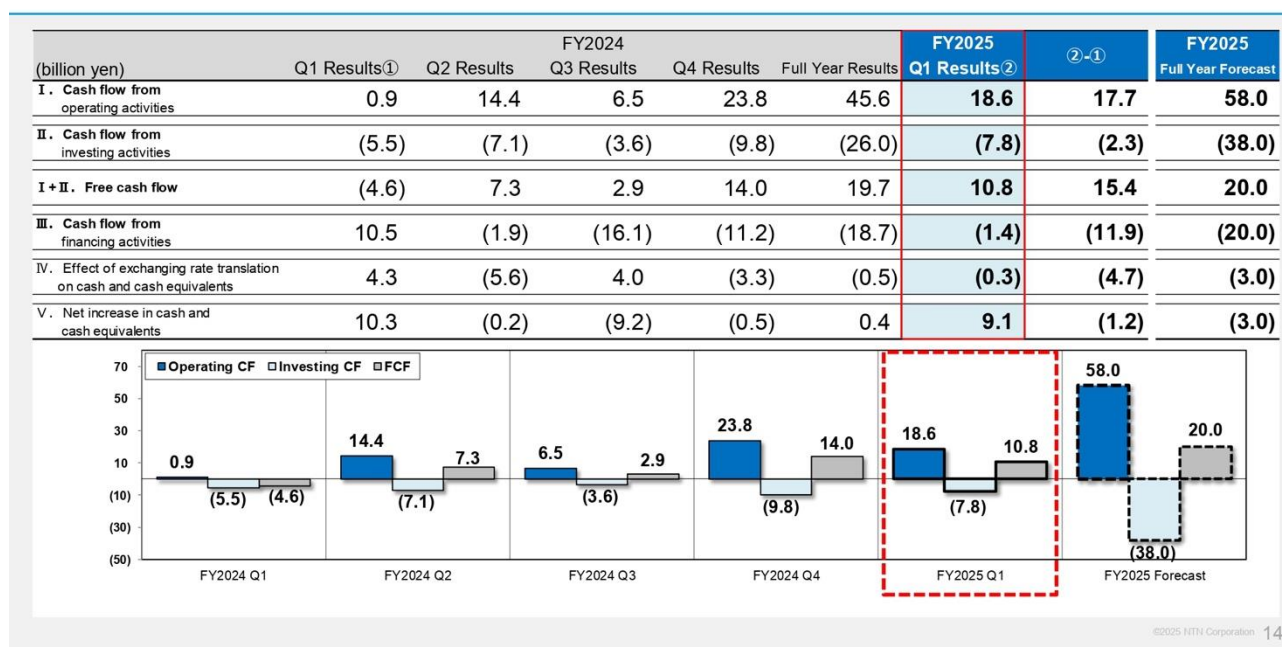
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Please continue to page 13, interest-bearing debt.

Net interest-bearing debt at the end of June 2025 was JPY220.1 billion and is shown at the bottom of the table. This was a reduction of JPY6.2 billion compared to the end of the previous fiscal year. The net DE ratio was 1.0, unchanged from the end of the previous period. We will continue to reduce net interest-bearing debt.

## 12. Cash Flows



Finally, please see page 14, quarterly cash flows.

Operating cash flow in Q1 was JPY18.6 billion, an increase of JPY17.7 billion YoY. Free cash flow was JPY10.8 billion, an increase of JPY15.4 billion YoY. We will continue to reduce inventories and other items in order to achieve our full year target of JPY20.0 billion in free cash flow.

That concludes my explanation.

**Nagao:** Thank you very much, CFO Yamamoto.

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## Question & Answer

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**Nagao [M]:** We will now begin the question-and-answer session. First is Mr. Sasaki of UBS Securities. Please go ahead and ask your question.

**Sasaki [Q]:** I am Sasaki from UBS Securities. Thank you for this briefing today. I would like to ask three questions.

The first one is to confirm the numbers and your performance. Please tell us how the factors of increase/decrease in CVJ and bearings performed in Q1. If you would please explain, based on those figures, how much of CVJ's JPY4.7 billion and bearings' JPY2.3 billion in operating income in Q1 reflects the actual situation and the actual value of the figures. Thank you.

**Yamamoto [M]:** I will answer. Should I explain the comparison with the same period of the previous year?

**Sasaki [M]:** Yes. First of all, please do that.

**Yamamoto [A]:** First of all, I think I mentioned that sales were down JPY4.4 billion in terms of volume, but the breakdown is as follows: bearings and others were up JPY0.3 billion, and CVJ/Axle were down JPY4.7 billion.

The impact of foreign exchange rates on bearings and others was negative JPY2.9 billion and that on CVJ/Axle was a negative JPY5.8 billion. If we deduct, the sales price level of bearings and others is JPY1.2 billion, including the on-passing of tariffs, and that of CVJ/Axle is JPY0.1 billion. This is the analysis of sales.

Next, I will explain operating income. The impact of the decrease in volume that I just mentioned, particularly in bearings and others, was a decrease in the scale of production and a negative inventory valuation. In terms of scale and other factors, bearings and others were minus JPY2.4 billion. CVJ/Axle was minus JPY1.0 billion due to scale, etc.

Also, the selling price level, which I mentioned earlier, is JPY1.0 billion for bearings and others, excluding the on-passing of tariffs, and JPY0.1 billion for CVJ/Axle. The impact of tariffs is minus JPY0.1 billion for bearings and others and minus JPY0.3 billion for CVJ/Axle.

Then there is the positive effect of unrealized foreign exchange, which is a factor of JPY0.45 billion for each, for a total of JPY0.9 billion in increased income.

Also, personnel expenses and cost reductions: bearings and others are plus JPY0.2 billion, and CVJ/Axle are plus JPY2.0 billion. Also, the effect of structural reforms was a positive JPY0.2 billion for bearings and others, and a positive JPY0.4 billion for CVJ/Axle. Variable costs were plus JPY1.8 billion for CVJ/Axle, and minus JPY0.4 billion for bearings and others. Is this sufficient explanation?

**Sasaki [Q]:** Thank you very much. How much has been generated by the reduced inventory valuation of bearings?

**Yamamoto [A]:** Think of the inventory valuation reduction as a few hundred million yen for the production scale reduction, and the rest is inventory valuation or composition.

**Sasaki [Q]:** So, it's about JPY2.0 billion for inventory valuation?

**Yamamoto [A]:** Yes. That's right.

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**Sasaki [Q]:** Based on the current figures, how much does the JPY7.0 billion operating income for Q1 actually reflect your company's actual performance? If, as mentioned earlier, the unrealized gain is JPY2.4 billion, and the inventory valuation down is JPY2.0 billion, I think this JPY7.0 billion figure relatively excludes such factors. How should we view this JPY7.0 billion figure? Could you please tell us about that first?

**Yamamoto [A]:** This is a difficult question, but since we have not revised our earnings forecast at this time, I think we are on track with our expectations.

**Sasaki [Q]:** I understand. Thank you. For my second question, I would like to know if you could give us an update on the tariffs. In terms of slide number five, please tell us what the tariff assumptions are for this JPY13.5 billion breakdown.

There is talk of shifting some of the cost onto the customer or reviewing the supply chain, but how much of the cost can actually be passed on to the customer at present? How effective is the supply chain review likely to be? Please share with us any updates you can give us on the current status of tariff measures. That is my second question. Thank you.

**Yamamoto [A]:** I will answer this as well. The JPY13.5 billion on a payment amount basis is based on the assumption that Japan's reciprocal tariffs and automobile tariffs will be 15% from August 1. At the beginning of the fiscal year, when the amount was JPY16.0 billion, this was 25%, so the amount has now been reduced to JPY13.5 billion, which is the assumption for the calculation.

We continue to assume that we will pass on to customers any cost increase caused by the tariffs. The reason why we did not change our forecast this time is that we cannot predict when we will be able to pass on the tariffs to our customers. We did not change our earnings forecast at this time due to the possibility of a shift in the timing, but it reflects our current outlook for the passing-on of costs.

**Ukai [A]:** If I may add a little more information, The presentation materials here show a sales price pass through of plus 0.2 billion yen. This is because customers in the industrial machinery sector have contracts that include payments for changes in tariffs, which are currently reflected as a plus of 0.2 billion yen.

In relation to automobiles, negotiations are still in progress. Some manufacturers have said that they will look at 100%, but even those manufacturers have to gather all the evidence, examine it carefully, and then report on alternative routes. That is the prerequisite, and that can only be done once negotiations are finished.

Among other customers, many of them are not saying either 100 or zero. In tough cases, there are some that are saying 50-50. We will need to negotiate on that distribution, and once that is decided, we will need to closely examine the contents and how to respond to them. At this point, we expect that tough negotiations will continue. That is all.

**Sasaki [Q]:** How should we think about the impact of the supply chain review?

**Ukai [A]:** In the review of the supply chain noted here, some products will enter the US from country A via country B, and some may enter from country C via a different route, for example, and this part is tentatively set at 15%, like for Japan. But some other countries are still in negotiations.

We will have to wait and see how the tariff negotiations unfold in the future to see which supply chains will be advantageous to our customers. That is being required of us, so we are carrying out those preparations, but we are not only simply passing the full selling cost on. If we can offer a supply chain that is even slightly advantageous to the customer, we will present it to the customer as one option, and the customer will make the final decision accordingly. Since this is what we will be doing, the current situation is that it is difficult to give specific figures.

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**Sasaki [Q]:** That is very clear. Thank you very much. Finally, my third question is about the slides numbered 11 and 14, which show that the operating cash flow was almost JPY20.0 billion and the free cash flow was JPY10.8 billion. At the same time, if you exclude tariffs and exchange rates, the inventory is also in a situation where it's going down QoQ.

Perhaps you have worked on cash flow management because of the background of the operating cash flow situation. Could you please tell us the background, including changes in operations? And, to conclude, tell us what kind of movements have led to this? Thank you.

**Ukai [A]:** I would like to comment. Inventories have been a major issue for NTN for some time, and they have not reached our target value, so we have been making various efforts to address this issue. Although it is still a work in progress, by expanding it on a global scale, we are finally starting to see some improvement in our performance.

As for tariffs, as I explained earlier, the fixed cost burden from structural reforms has gradually started to show results from Q1, and although this is still a work in progress, if the results come out as planned, I think the corporate structure will improve considerably. That is all.

**Sasaki [Q]:** Is it my understanding that the operating cash flow situation is also due to such results? What do you think?

**Ukai [A]:** Yes. We think so.

**Sasaki [M]:** I understand. Thank you very much.

**Nagao [M]:** Thank you for your questions, Mr. Sasaki. We will continue with questions from Mr. Ito of Mizuho Securities. Please go ahead.

**Ito [Q]:** I am Ito from Mizuho Securities. Thank you for taking my questions. My first question is in terms of scale, and I would like to know what kind of deviation from the plan you are considering and what you foresee.

The scale has been a negative factor, contributing to a decrease in profit, but is it correct to say that progress toward the full year plan is likely to be worse than expected?

In terms of customers, and in terms of the production plan, is where you are looking moving up or down? On a volume basis in Q1, and on an annual basis, how much has that line of sight changed? Could you please tell us about that? That is my first question.

**Ukai [A]:** This is Ukai. Regarding your first question, our leading indicator, machine tools, is gradually recovering, although there are some bumps in the road.

Another thing is that gearbox used for robots will gradually recover in H2, and although such talk has come and gone over the past few years, I think that this time we will see a gradual recovery.

In the automobile market, EVs are currently at a plateau, but hybrids and ICEs have been making a comeback. While there is a sizeable delay in EVs due to US policy, I wonder if other types of vehicles will be released to compensate for the delay in the supply base. Therefore, while there will not be a large increase in sales, they are expected to remain about the same, and overall, although there will be some lags in sales by region, my current impression is that overall sales will be in this manner in the current fiscal year. That is all.

**Ito [Q]:** Thank you. Also, I would like to confirm that I am not mistaken in my understanding of page five and the impact of these tariffs.

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As a result, what percentage of the so-called price pass-through was achieved, if we assume a figure out of 100? In other words, the cost impact is JPY0.6 billion and the price pass-through is JPY0.2 billion, so in other words, you have recovered about 30% of the cost? Is that correct?

If that is not the case, please correct me. And please give me an idea of how much of the total amount you plan to recover in the second half of the fiscal year. How much do you expect? How much of the price increase, if the cost increase is 100, do you see the company getting back? Could you give us some figures in that area, if you have them?

**Ukai [A]:** I would like to start by giving you an overview. As I mentioned earlier, some of our industrial machinery customers have already agreed in their contracts to pass on any tariff effects to the selling price, so the JPY0.2 billion figure mainly covers that.

As Mr. Ito just said, it is JPY0.2 billion of the impact of JPY0.6 billion, making it 30% in the current situation. But as I explained earlier, the automobile industry, or CVJ/Axle in our case, is still in the process of negotiations, or rather, has not yet entered into company-wide negotiations, and there are probably many cases where a decision will be made at the end of the fiscal year. Other companies also have an overwhelming number during the period. Considering the time required for negotiations and the amount of evidence behind any decision, we expect that it will take our customers a considerable amount of time to process the situation.

Even so, they will need to reach an agreement during the period, just as we must and all other companies need to, too. In that sense, I think recovery of cost will be quite concentrated at the end of the fiscal year.

However, it is possible that some items will be delayed. But we can only follow up to see how much the delay is likely to be and how much progress will be made in this area. The current situation is that we aren't able to make a numerical forecast. That's all from me.

**Ito [M]:** I understand. Thank you very much. That's all from me.

**Nagao [M]:** Thank you for your questions, Mr. Ito. Now, Mr. Tai of Daiwa Securities, please ask your questions.

**Tai [Q]:** My name is Tai. I have two questions. First, I believe that sales of bearings to China increased during the past three months compared to the same period of the previous year. If you are able to, could you please explain some of the characteristic industry types?

I would also like to know what is the situation in China in terms of bearings after the April to June quarter, so in July and in August, etc. This is my first question.

**Nagao [A]:** Mr. Tai, may I answer from the secretariat?

**Tai [M]:** Of course. I don't mind who answers.

**Kouge [A]:** The secretariat will answer your question. First of all, YoY, as you mentioned, bearings for industrial machinery and the aftermarket increased in terms of volume, excluding exchange rates.

First of all, China, as you mentioned, is characterized by an increase in sales of products for industrial machinery, such as gearbox and rolling stocks.

Sales for industrial machinery are also prominent in Japan. For example, construction machinery, gearbox, and machine tools increased compared with the previous year.

In the aftermarket, some demand in China and other parts of Asia is recovering, and is increasing compared to last year.

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**Ukai [A]:** As I mentioned earlier, we are seeing a slight recovery in the machine tools and gearbox sectors, and we are seeing a similar trend in China.

**Tai [Q]:** I understand. Thank you very much. On a completely different note, I was struggling to write down all the numbers that Mr. Yamamoto talked about, and my mind couldn't keep up. In Q1, CVJ sales fell more significantly than bearings, but CVJ profit and loss improved significantly and it became profitable, or rather, its profit increased significantly.

Bearings sales didn't fall that much but profit dropped quite a bit, and you mentioned earlier about unrealized inventory and production adjustments. I don't need detailed figures, but could you briefly summarize that discussion and why it became like this?

**Ukai [A]:** First of all, I would like to share my overall impression. First of all, I think CVJ/Axle's recovery, especially in the Americas, or rather, the improvement of its structure, is significant. Also, as I mentioned in my explanation, in Japan, we have begun to take over the entire CVJ business, which had been manufactured in-house by automobile manufacturers, and I believe this has contributed to our profits.

In the industrial machinery business, as I mentioned earlier, in comparison with last year, the same explanation applies, but the inventory valuation is a major factor, and although the sales figures have not declined, we are adjusting production while keeping an eye on the appropriate inventory of finished goods for factory output. I wonder if the figures are temporarily overlapping in Q1.

Also, I wonder if Yamamoto has anything to add.

**Yamamoto [A]:** Now that Ukai has mostly answered your question, I would like to add that CVJ/Axle, as well as the Americas and Europe, are also benefiting greatly from fixed cost reductions there.

**Tai [Q]:** That eventually leads to the story that the effects of structural reforms are gradually becoming apparent, doesn't it?

**Yamamoto [A]:** Yes. It does.

**Tai [Q]:** So, for the last time, CVJs are currently running with the target of earning a little more than JPY10.0 billion per year, but they may do much better than that if things continue as they are, while, on the other hand, bearings are starting quite low, aiming for a profit of a little more than JPY12.0 billion per year. However, if we exclude the impact of production cutbacks and inventory write-downs, the full-year figures will likely be somewhat in line with the target. Is that correct?

**Ukai [A]:** One point is that we are working very hard on structural reforms in Japan. While overseas we have been able to follow the plan to some extent, there are tariff issues in Japan and various reorganizations in other countries that make it difficult to reorganize on a one-to-one basis. However, there are tariff issues in Japan and various reorganizations overseas that make one-on-one reorganization difficult.

I believe that one of our tasks is to improve our corporate structure by doing this, and we would like to do this properly.

**Tai [M]:** I understand. That's all from me. Thank you very much.

**Nagao [M]:** Thank you very much, Mr. Tai. Now, Mr. Wang of Nomura Securities, please ask your questions.

**Wang [Q]:** Thank you very much. I am Wang of Nomura Securities. Thank you for taking my questions.

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First, I would like to ask about the passing-on of increased tariff costs. Within the assumed JPY13.5 billion, how much do you estimate for the aftermarket? We would like to know your current plans or progress on how you plan to pass on the increased cost of these tariffs.

**Ukai [A]:** Thank you very much. I am Ukai. First of all, as for the aftermarket, we will continue to revise the fixed price list as needed while keeping an eye on the market situation, so basically, we have not included it in the current JPY13.5 billion calculation base. The calculation is based on the supply volume to OEM customers and their tariffs, so the background is a little different.

**Wang [Q]:** I understand. Am I correct in understanding that cost pass-on can basically be done in the aftermarket, so there is no need to worry about it coming out of the net as a separate cost increase here?

**Ukai [A]:** Of course, whether or not we are able to pass on the cost to the customer is related to the market price, so we are going in that direction, but if we end up with a price that is out of line with the market price, there will be competition again. So, we will keep an eye on the situation.

The secretariat has now made a slight correction to my explanation. The aftermarket is about 10%, and the figure is included in this ¥13.5 billion. We apologize for the inconvenience.

**Wang [Q]:** I understand. Thank you. For my second question, you mentioned that there will be production adjustments in the industrial machinery business. What is the production plan here for Q2 and beyond?

**Yamamoto [A]:** I am Yamamoto. I think I explained earlier that the Q1-to-Q1 comparison shows a large impact from lower production and I explained the impact of that and inventory valuation, but for the Q2 comparison, I think there is not such a large difference between sales and production as there is for the Q1 comparison.

Also, inventory valuation is quarterly, so it will come out in Q1, and we do not expect such a large negative inventory valuation in Q2.

**Wang [Q]:** Thank you very much. For my third question, I would like to ask about profit increase/decrease. From what you said, it sounded like the progress in cost reduction and expense savings were in line with your plan, but were there any areas where things were actually better than expected?

**Yamamoto [A]:** To be honest, the exchange rate has been a bit positive, so I think it is slightly positive in that respect. We are also considering structural reforms, fixed costs, and variable costs, and cost reductions and suppression of cost increases are generally in line with expectations.

**Wang [M]:** I understand. Thank you very much. That's all from me.

**Nagao [M]:** Thank you for your questions, Mr. Wang. Now, we welcome Mr. Sasaki of UBS Securities again. Please go ahead and ask your questions.

**Sasaki [Q]:** Thank you for letting me ask more questions. I have two questions. I understand well what you said about the recovery trend in machine tools and gearbox regarding industrial machinery. What are the demand trends in other industries? Especially major industries such as construction machinery, aerospace, agricultural machinery, rolling stocks, etc., plus wind turbine, and if there are any other industries that are improving, worsening, or changing in any way, it would be helpful to know in an organized manner. Thank you.

**Nagao [M]:** Thank you for your question. The secretariat would like to answer this.

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**Kouge [A]:** This is the secretariat. I would like to add a few words about industrial machinery. As mentioned earlier, the industries that have increased on-year on a global basis are construction machinery, aerospace, gearbox, machine tools, and wind turbine.

The industries that saw a decrease from last year were agricultural machinery and office equipment. Sales of rolling stocks were almost on a par with the previous year. I mentioned trends in each industry on a global basis. Is that sufficient?

**Sasaki [Q]:** If you don't mind me asking, what is the current demand environment like for construction machinery, aerospace, agriculture, rolling stocks, and wind turbine, which account for a large percentage of the total?

**Kouge [A]:** First of all, construction machinery. As for construction machinery, we have seen a slight increase in sales compared to the previous year, although the demand trend is not as strong as that of the Japanese construction machinery manufacturers mentioned earlier. Until last year, we had to make adjustments to customers' inventory control, but now we are selling close to actual demand, and our current sales trend is an increase compared to last year.

Next is aerospace. As we have previously explained, demand is very strong in the European region, and our sales are increasing in line with this demand.

Next is agricultural machinery. As we have explained in the past, investment in agricultural machinery has been sluggish due to interest rates and unfavorable weather conditions, especially in the Americas and Europe. Even compared to last year, Q1 saw a decline. Sales of gearbox increased compared to last year.

**Nagao [A]:** I would like to add something. In particular, China, which was discussed earlier, has increased compared to last year. In addition, the number of gearbox is in an increasing trend in Japan.

**Kouge [A]:** In terms of market conditions, the similar precision gearboxes are in a recovery trend, and as we explained at the financial results briefing for Q3 or Q4 of last fiscal year, demand for gearbox is in a recovery trend.

**Ukai [A]:** To add a little more, wind power generation is only increasing for repairs but not so much for new installations. In China, the government itself controls the supply system within China, and for our customers outside of China, business is particularly strong in the area of aftermarket in America.

In Europe, we still have supply capacity for aerospace, but demand is so high that various parts cannot keep up with demand, or in other words, there are supply constraints. The reason is that there are some supply shortages in the supply chain, and although the market is growing, it is not growing enough to keep up. However, since the market is expected to grow in the mid- to long term, we are currently preparing to increase production by strengthening our production system. That is all.

**Sasaki [Q]:** Thank you very much. My final question is about the aftermarket. You mentioned at the beginning that aftermarket sales remained flat, excluding exchange rate fluctuations. Looking by region, what is the shape of the sales trend in the aftermarket? Could you please tell us about this in an organized manner, too? Thank you.

**Ukai [M]:** We will put in the numbers and the secretariat will respond.

**Kouge [A]:** Again, this is the secretariat. The amount for the aftermarket, as explained in the opening slide, is the total for the aftermarket, which includes bearings and CVJ/Axles. The total of the above figures is about the same as the previous year.

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Dividing a little into the aftermarket for bearings and CVJ/Axle, there was a slight increase in bearings for the aftermarket. This increase is taking the form of an increase in Asia and other regions, including China, where demand is recovering. Sales have increased as our backlog of orders was picked up by distributors once inventory was properly stocked.

But part of the aftermarket, which includes CVJ/Axle, has been stagnant, especially in Europe, so the number of CVJ/Axle for the aftermarket has decreased. The decline was due to the sluggish European market.

The result of the above trends is that aftermarket sales are on par with the previous year.

**Sasaki [Q]:** How was the aftermarket for bearings in Japan, the US, and Europe?

**Kouge[A]:** For Japan and the US, we are on par with the previous year. In Europe, however, the market has been negative due to the same reason of sluggish market conditions.

**Sasaki [M]:** I understand. Thank you very much.

**Nagao [M]:** Thank you very much, Mr. Sasaki. As our time is almost up, I would like to conclude this briefing on NTN Corporation's Q1 financial results. Thank you very much for your participation today.

**Company Representative [M]:** Thank you very much.

[END]

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