NTN Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending March 2026

November 5, 2025

Event Summary

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[Participants]	
[Number of Speakers]	6

	Eiichi Ukai	Director, Representative Executive Officer, President, Executive Officer, CEO
	Masaaki Yamamoto	Director, Representative Executive Officer, Executive Officer, CFO
	Ikuya Tateoka	Executive Officer, Corporate General Manager, CVJ & Axle Bearing Business HQ
	Keiji Yanagida	Executive Officer, Corporate General Manager, Bearing Business HQ
	Tatsuo Nagao	Manager, Corporate Communications Department, Group Management HQ
	Kazuhisa Kouge	Corporate Communications Department, Group Management HQ
[Analyst Names]*	Hirosuke Tai	Daiwa Securities
	Boqiong Wang	Nomura Securities

Tsubasa Sasaki	UBS Securities

*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.

Presentation

Nagao: It is now the scheduled time, so we will begin NTN Corporation's Q2 financial results briefing for the fiscal year ending March 2026. Thank you very much for taking the time out of your busy schedules to attend today's briefing.

First, I would like to introduce today's attendees. Executive Officer, CEO Ukai.

Ukai: I am Ukai. Thank you.

Nagao: Executive Officer and CFO, Yamamoto.

Yamamoto: I am Yamamoto. Thank you.

Nagao: Executive Officer, Corporate General Manager, CVJ & Axle Bearing Business HQ, Tateoka.

Tateoka: I am Tateoka. Thank you.

Nagao: Executive Officer, Corporate General Manager, Bearing Business HQ, Yanagida.

Yanagida: I am Yanagida. Thank you.

Nagao: From the secretariat, I am Nagao of the Corporate Communications Department, and with me is Kouge. Thank you.

Kouge: Thank you.

Nagao: Today's briefing will follow the presentation materials distributed to your registered email addresses. The materials are also available on our website, so please refer to them if you do not have a copy at hand.

First, President Ukai will explain the key points of the financial results, followed by CFO Yamamoto, who will provide details. After the explanations, we will have a Q&A session and plan to conclude at 4:30 PM.

Now, President Ukai, please begin your presentation.

Ukai: I am Ukai from NTN. Thank you very much for joining our financial results briefing today despite your busy schedules. I would also like to take this opportunity to express our sincere appreciation to our shareholders and analysts for their continued support.

CFO Yamamoto will later provide a detailed explanation of the financial results, full-year forecasts, and analysis of profit and loss factors. I will begin by explaining the key points of the financial results and the progress of our Medium-term Management plan, "DRIVE NTN100" Final.

1. Key Points of FY2025 H1 Financial Results

NTN

Sales decreased, operating income increased YoY :
Cost reductions and selling price improvement offset reduced scale and tariff impacts

- Sales decreased YoY due to decreased demand for automobiles mainly in Europe and China
- Operating income increased YoY as improvements in selling prices and reductions in variable and fixed costs offset the impacts of reduced scale and U.S. tariffs
- Inventories increased YoY, but decreased in volume excluding the impact of foreign exchange rates

	FY2024		FY2025	
(billion yen)	H1 Results①	Full Year Results	H1 Results②	YoY ①vs②
Net sales	413.9	825.6	402.3	(11.7) Excl. forex (1.1%)
Operating income	9.9	23.0	12.9	+2.9
Operating margin	2.4%	2.8%	3.2%	+0.8pt
Ordinary income	3.5	10.5	8.7	+5.2
Profit (loss) attributable to owners of parent	(2.1)	(23.8)	3.1	+5.2
Exchange rate 1USD	¥152.5	¥152.4	¥146.0	(¥6.5)
Exchange rate 1EURO	¥165.8	¥163.6	¥168.0	+¥2.3
Inventories	255.3	244.4	246.0	*+1.6
Capital expenditure	11.4	32.2	13.0	+1.6
FCF	2.8	19.7	14.3	+11.5

* vs FY2024 Full year results

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Please refer to page three. In H1, sales decreased while operating income increased YoY. Net sales were JPY402.3 billion. Demand for automobiles, mainly in Europe and China, remained sluggish, resulting in a JPY11.7 billion decrease YoY. Operating income was JPY12.9 billion.

Although there were impacts from reduced scale and US tariffs, these were offset by improvements in selling prices and reductions in variable and fixed costs, leading to a JPY2.9 billion increase in operating income YoY. Ordinary income was JPY8.7 billion. As a result, profit attributable to owners of parent was JPY3.1 billion, an improvement of JPY5.2 billion YoY from a loss in the same period of the previous year.

Inventories totaled JPY246.0 billion, an increase of JPY1.6 billion from the end of the previous fiscal year but decreased in volume excluding the impact of foreign exchange rates.

Free cash flow secured a positive balance of JPY14.3 billion, reflecting factors such as an increase in ordinary income and a decrease in inventories.

2. Key Points of FY2025 H2 and FY2025 Forecast

NTN

Full-year forecasts were revised upward :
Reflecting reduced scale and tariff impacts, but improved selling prices and cost reductions lead to increased sales and operating income compared to the previous announcement.

- Sales will increase due to factors such as passing-through of U.S. tariff and impact of exchange rates, despite decline in volume caused by sluggish demand for automobiles in Japan, Europe and China and a delayed recovery in aftermarket demand
- Operating income is planned to increase by promoting measures such as improving selling prices, reducing variable costs through procurement reforms, controlling fixed costs in line with reduced scale, despite decline in scale and tariff impacts
- Extraordinary income and losses remain unchanged from the previous announcement, and the structural reforms outlined in the Medium-term Management Plan are progressing advanced as planned in Japan, the U.S., and China
- FY2025 annual dividend forecast has been announced. Based on currently available information and projections, it expects an interim dividend of 5.5 yen and a year-end dividend of 5.5 yen, totaling 11 yen per share

		FY2024	FY2025					
(billion yen)		Full Year Results①	H1 Results	H2 Forecast	Full Year Forecast ②	②-①	Full Year Forecast (Previous announcement)③	②-③
Net sales		825.6	402.3	402.7	805.0	(20.6)	790.0	+15.0
Operating income		23.0	12.9	13.1	26.0	+3.0	24.0	+2.0
Operating margin		2.8%	3.2%	3.3%	3.2%	+0.4pt	3.0%	+0.2pt
Ordinary income		10.5	8.7	4.3	13.0	+2.5	11.0	+2.0
Extraordinary income (loss)		(19.1)	(0.4)	(7.6)	(8.0)	+11.1	(8.0)	0.0
Profit (loss) attributable to owners of parent		(23.8)	3.1	(7.1)	(4.0)	+19.8	(6.0)	+2.0
Exchange rate	1USD	¥152.4	¥146.0	¥145.0	¥145.5	(¥6.9)	¥140.0	+¥5.5
	1EURO	¥163.6	¥168.0	¥170.0	¥169.0	+¥5.4	¥160.0	+¥9.0
Inventories		244.4	246.0	230.0	230.0	(14.4)	222.0	+8.0
Capital expenditure		32.2	13.0	19.0	32.0	(0.2)	31.0	+1.0
FCF		19.7	14.3	5.7	20.0	+0.3	20.0	0.0

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Please refer to page four. Based on the results for H1 and the current business environment, we have revised upward the full-year forecast for FY2025, which was announced in May this year. Net sales are expected to decrease in volume from the initial forecast due to sluggish demand for automobiles in Japan, Europe, and China, as well as a delayed recovery in aftermarket demand.

On the cost side, we will reduce variable costs through improvements in selling prices, including the impact of US tariffs, and procurement reforms, while also reducing fixed costs in line with the decline in sales and production scale.

Extraordinary income and losses remain unchanged from the previous announcement, and structural reforms in each region are progressing as planned. As a result, after factoring in revised foreign exchange assumptions, net sales are projected to be JPY805.0 billion, operating income JPY26.0 billion, ordinary income JPY13.0 billion, and profit attributable to owners of parent a loss of JPY4.0 billion.

Inventories are forecast at JPY230 billion, an increase of JPY8.0 billion from the previous announcement, reflecting the revision of foreign exchange rates toward yen depreciation. Regarding dividends, although the forecast had been undecided due to difficulty in reasonably estimating the impact of US tariffs on the NTN Group, based on currently available information and projections, we plan to pay an interim dividend of JPY5.5 and a year-end dividend of JPY5.5, for an annual total of JPY11 per share.

3. FY2025 Forecast by Business Segment

NTN

(billion yen)		FY2025 Latest H1 Results		FY2025 Latest H2 Forecast		FY2025 Latest Full Year Forecast		Previous announcement Full Year	
Net sales Composition ratio	Bearing and others	167.7	41.7%	172.3	42.8%	340.0	42.2%	348.0	44.1%
	CVJ/Axle	234.6	58.3%	230.4	57.2%	465.0	57.8%	442.0	55.9%
	Total	402.3	100.0%	402.7	100.0%	805.0	100.0%	790.0	100.0%
Operating income Operating margin	Bearing and others	4.6	2.7%	6.4	3.7%	11.0	3.2%	12.5	3.6%
	CVJ/Axle	8.3	3.5%	6.7	2.9%	15.0	3.2%	11.5	2.6%
	Total	12.9	3.2%	13.1	3.3%	26.0	3.2%	24.0	3.0%

Net Sales (billion yen)

Operating income (billion yen)

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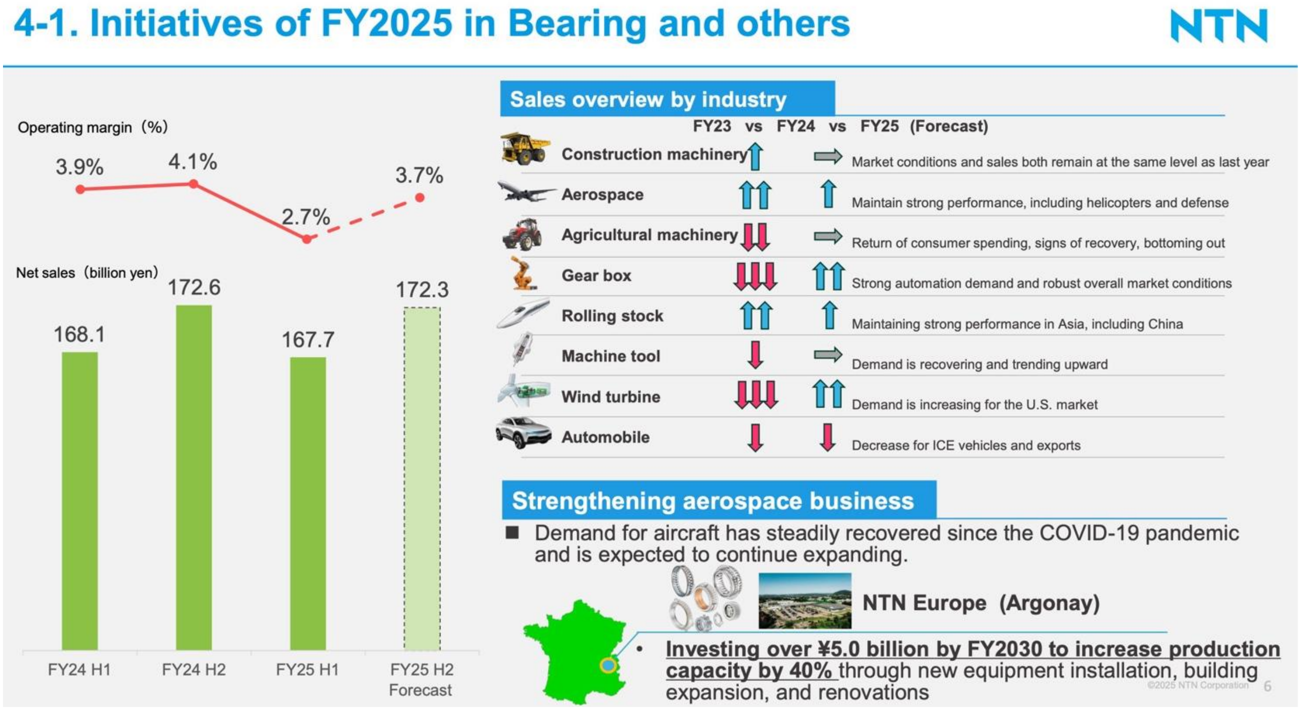
Please refer to page five. This page shows the performance forecast by business segment. For bearing and others, net sales have been revised to JPY340.0 billion, reflecting the delayed recovery in aftermarket demand mainly in the Americas and Europe. In addition, as it was not possible to offset the impact of the reduced scale through improvements in selling prices and cost reductions, operating income has been revised to JPY11.0 billion.

For CVJ/Axle, net sales have been revised to JPY465.0 billion, taking into account factors such as a smaller decline in volume than initially expected due to last-minute demand before tariff imposition in the Americas and changes in exchange rates. As profit improvement continues steadily through reductions in variable costs achieved by procurement reforms and reductions in fixed costs resulting from the effects of structural reforms, operating income has been revised to JPY15.0 billion.



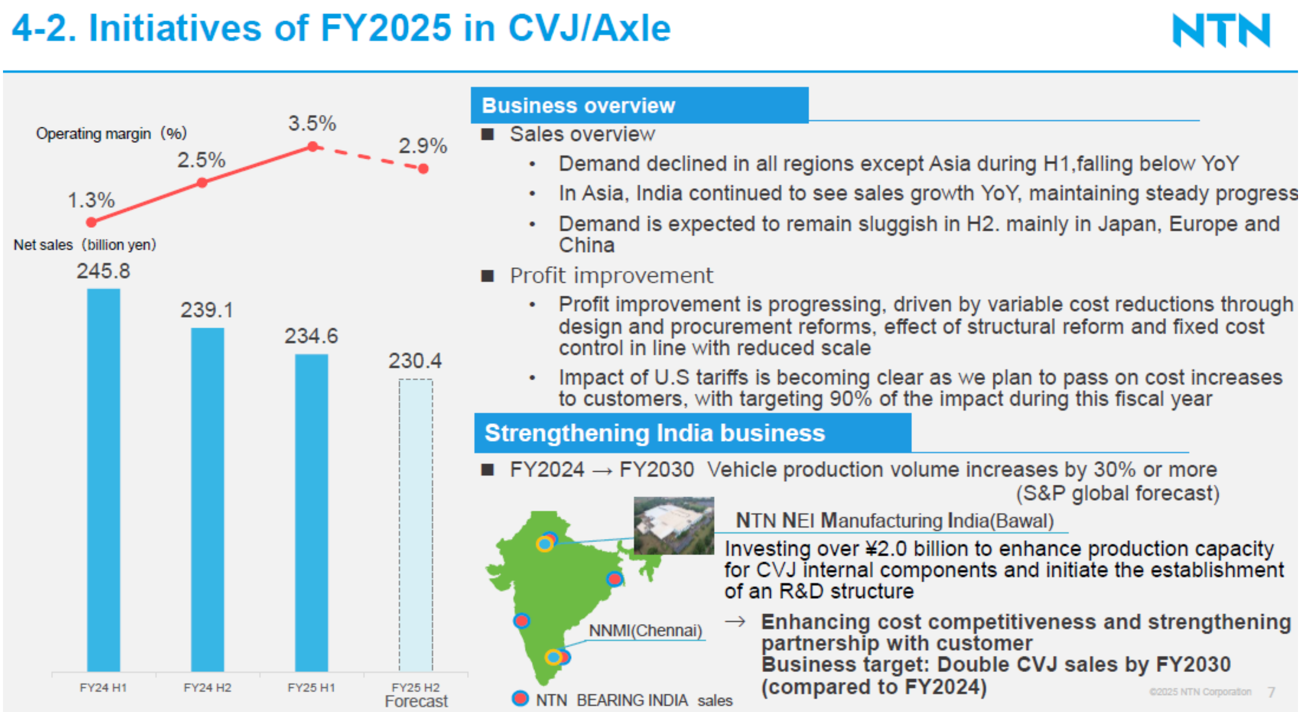
Please refer to page six. This page shows the sales overview by industry for bearing and others. Sales of construction machinery, agricultural machinery, and machine tools are expected to remain at the same level as the previous fiscal year. For construction machinery, market conditions are softer than initially expected due to lower coal prices in Indonesia and declining mining operation rates.

In agricultural machinery, signs of gradual recovery are emerging in the Americas, where there had been concerns about an economic slowdown caused by the impact of US tariffs. In Europe as well, there are signs of recovery in the business outlook, and sales are expected to bottom out from the previous fiscal year.

For machine tools, recovery is delayed as some capital investments have been postponed due to the impact of US trade policies. For automobiles, sales are expected to decrease from the previous fiscal year, mainly for ICE vehicles and exports from Japan.

On the other hand, sales of aerospace, rolling stock, and gear box are expected to increase from the previous fiscal year. Demand for aircraft and rolling stock is projected to rise, supported by growing medium- to long-term passenger demand. In particular, for aircraft, we plan to invest approximately JPY5.0 billion by 2030 in our bearing plant in France for aircraft applications to increase production capacity by 40%.

For gear box, although there are concerns that capital investment could be postponed due to US trade policies, current demand remains steady. On the profit side, we will continue to improve unprofitable businesses and control fixed costs in line with the decline of scale to further enhance profitability.



Please refer to page seven. In H1, sales of CVJ/Axle decreased YoY in Japan, the Americas, Europe, and China, except for Asia, where growth in India contributed to higher sales. In H2, demand is also expected to remain sluggish, mainly in Japan, Europe, and China.

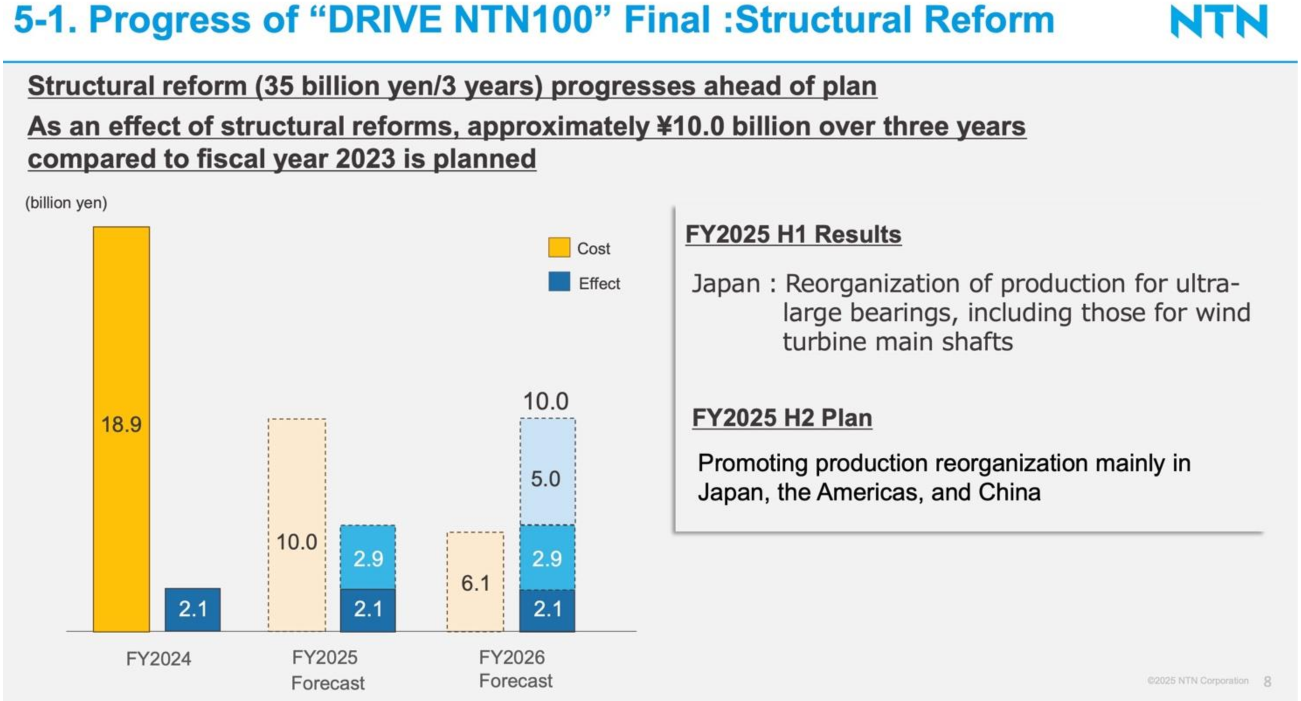
Although not yet reflected in the H2 sales forecast, there are several potential risks to automobile production, such as supply instability at a semiconductor manufacturer based in the Netherlands and suspension of supply due to a fire at a US plant of an aluminum supplier. We will continue to closely monitor these developments.

On the profit side, initiatives have been steadily producing results. Profit improvement is progressing through reductions in variable costs driven by procurement reforms, reductions in fixed costs resulting from the effects of structural reforms, and control of fixed costs amid weak demand.

Regarding the impact of US tariffs, which had been the greatest concern, negotiations with automobile manufacturers are progressing, and we expect to recover approximately 90% of the tariff impact within this fiscal year. Details will be explained later by Yamamoto in the financial section.

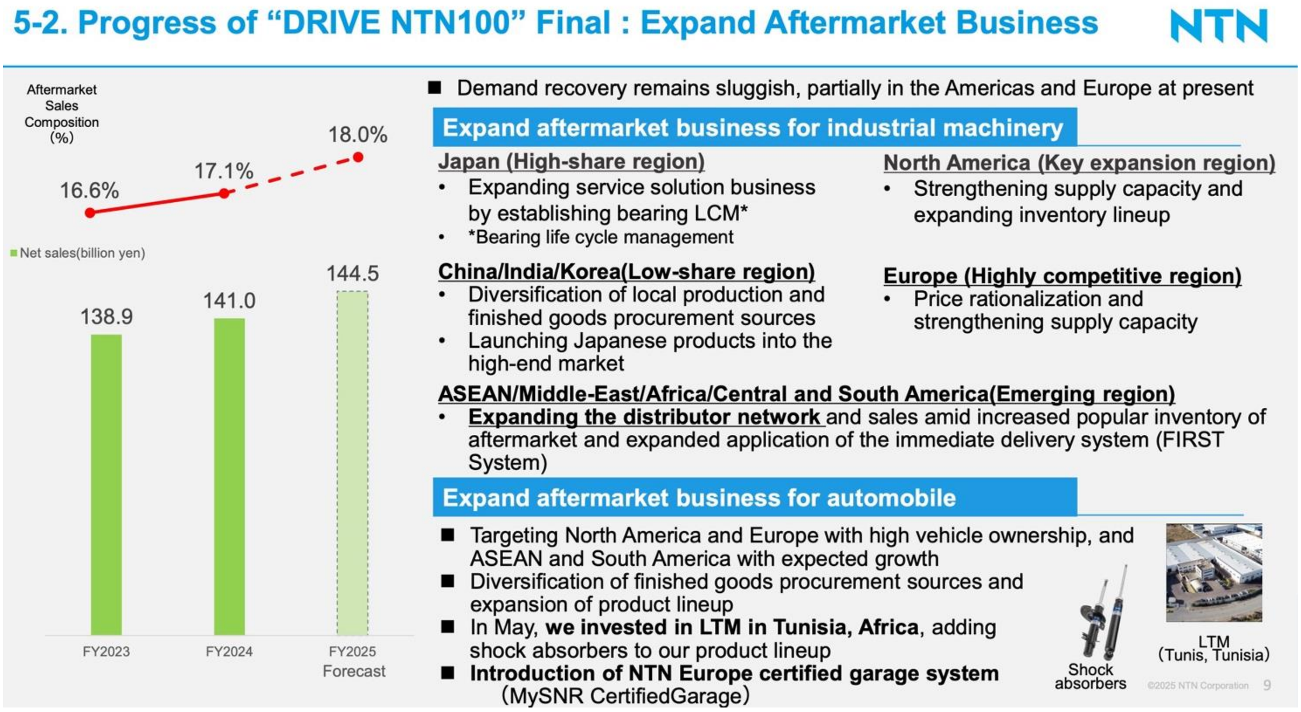
While structural reforms are underway in regions where past investments no longer match current demand, India remains one of the world's leading high-growth economies, with increasing automobile sales and production.

We announced an investment of approximately JPY2.0 billion in our plant in Bawal, northern India, to localize procurement of CVJ internal components and build an R&D structure. This investment will drive the expansion and renewed growth of the CVJ/Axle business, with the goal of doubling CVJ sales by FY2030 compared with FY2024.



Please refer to page eight. From this page, I will explain the key initiatives of "DRIVE NTN100" Final, beginning with the progress of structural reform. We expect extraordinary losses of JPY35.0 billion over three years as structural reform expenses, while projecting the effect of fixed cost reductions of JPY10.0 billion in FY2026.

Structural reform is progressing as planned. In H1 of this fiscal year, we decided and announced the reorganization of production for ultra-large bearings, including those for wind turbine main shafts, consolidating the production functions of NTN Houdatsushimizu Corporation into the Kuwana Works. Going forward, we will continue to steadily implement structural reforms to complete the revitalization of NTN, advancing the reduction of fixed assets and fixed costs.



Please refer to page nine. I will now explain the expansion of the aftermarket business. Demand in the aftermarket remains slow to recover due to factors such as restrained purchasing by distributors who are closely monitoring the impact of US tariffs, and an economic slowdown in Europe and other regions. Even under these conditions, we are steadily implementing various initiatives aimed at expanding the aftermarket business, as outlined in our Medium-term Management plan.

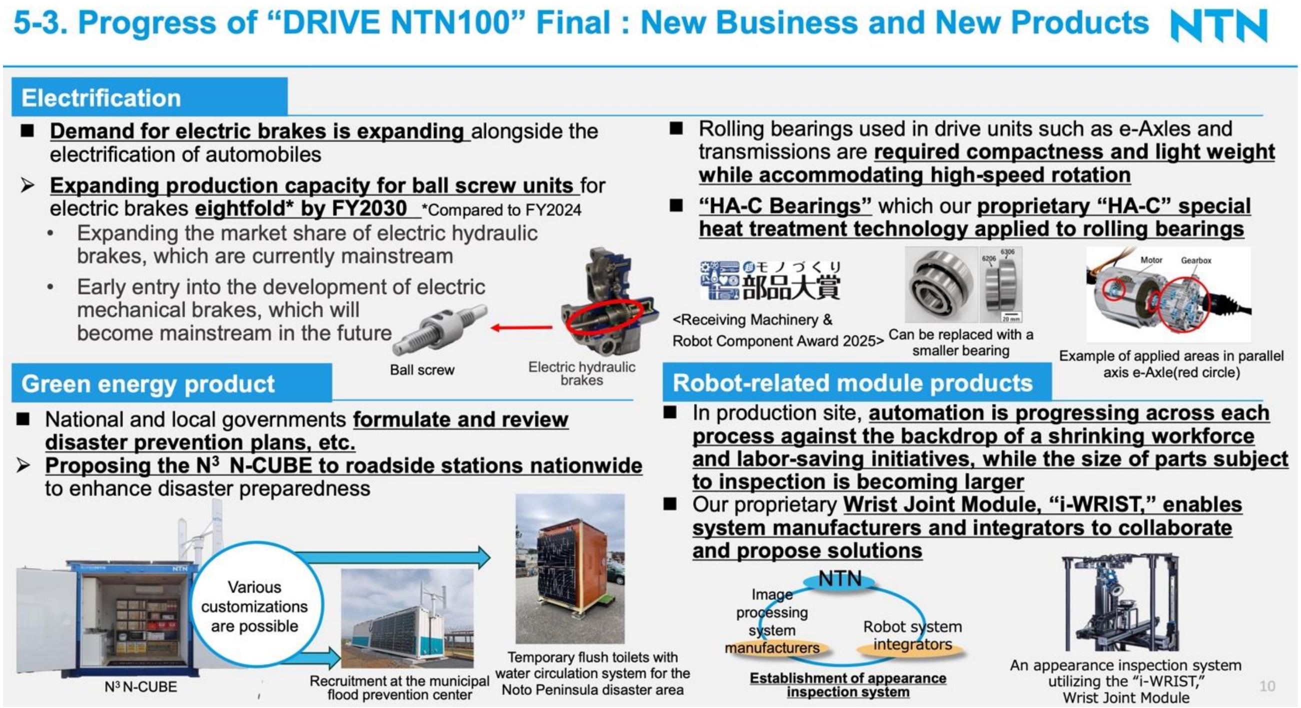
In the industrial machinery aftermarket, in addition to expanding inventories of popular products for aftermarket use and utilizing the immediate delivery system FIRST, we are strengthening our supply structure by diversifying procurement sources and increasing local production for high-demand products in each region. Leveraging this enhanced supply capacity, we are reinforcing and expanding our distributor network across regions.

For regions positioned as growth markets, ASEAN, the Middle East, Africa, and Central and South America, we are expanding the distributor network and increasing sales. For existing distributors as well, we are increasing the number of NTN products handled, broadening product coverage, and enhancing engineer training to help customers solve issues and further expand sales.

We are also promoting the establishment of an integrated management business, bearing life cycle management, which provides analysis, inspection, refurbishment, and replacement of bearings used in customers' equipment.

In the automotive aftermarket, we are targeting the Americas and Europe, where vehicle ownership is high and OEM share is large, as well as ASEAN and South America, where vehicle numbers are expected to grow. We are diversifying procurement sources for finished products and expanding our product lineup.

In Europe, we have launched a certified garage system that supports service providers by improving operational efficiency, enhancing skills, and promoting sales. Through these services, we aim to increase customer loyalty to our brand and expand our automotive aftermarket business.



Please refer to page 10. I will now explain our initiatives for new businesses and new products. In the field of electrification, we are working to expand our automotive ball screw business. Demand for electric brakes is expected to continue increasing. We will expand the market share of ball screw units for electric hydraulic brakes, which are currently the mainstream, while also advancing joint development with customers for ball screw units for electric mechanical brakes, which are expected to become the mainstream in the future.

The HA-C Bearings, introduced at the financial results briefing in May, received the 2025 Machinery and Robot Components Award in the 'CHO' MONODUKURI Innovative Parts and Components Award. By applying our proprietary special heat treatment technology, these bearings achieve compactness and light weight while maintaining operating life. This technology has been recognized as an innovation that contributes to improved fuel efficiency and carbon neutrality in automobiles, leading to this award.

In green energy products, the N^3 N-CUBE, transportable independent power supply utilizing renewable energy, is steadily expanding its business. Owing to its product characteristics suited for disaster prevention, we are collaborating with national and local governments and proposing installation at roadside stations across Japan.

In robot-related modules, reflecting the growing demand for labor-saving solutions due to the declining workforce in manufacturing, application cases of our proprietary i-WRIST wrist joint module in visual inspection processes are increasing. To provide optimal solutions tailored to customers' diverse needs, we have established a collaborative framework with image processing system manufacturers and system integrators, and plan to expand sales from early FY2026 for visual inspection of large die-cast components.

"DRIVE NTN100" Final, which began last year, has now reached the halfway point of its three-year plan. We will continue to steadily accumulate the various initiatives introduced thus far and strive to enhance our corporate value.

That concludes my explanation.

Nagao: Thank you, President Ukai. Next, CFO Yamamoto will provide a detailed explanation. CFO Yamamoto, please proceed.

1. Key Financial Indicators of FY2025

NTN

(billion yen)	FY2024 H1 Results ①	FY2024 H2 Results	FY2024 Full Year Results	FY2025 H1 Results ②	FY2025 Full Year Forecast (Latest)	Diff. ②-① Total	Diff. ②-① Volume	Diff. ②-① Forex	(For reference) FY2025 Full Year Forecast (Previous Announcement)
Net sales	413.9	411.6	825.6	402.3	805.0	(11.7)	(4.5)	(7.2)	790.0
Operating income	9.9	13.0	23.0	12.9	26.0	2.9	3.4	(0.5)	24.0
Operating margin	2.4%	3.2%	2.8%	3.2%	3.2%	0.8%			3.0%
Ordinary income	3.5	7.0	10.5	8.7	13.0	5.2	5.6	(0.4)	11.0
Extraordinary income (loss)	(0.6)	(18.4)	(19.1)	(0.4)	(8.0)	0.2	0.2	(0.0)	(8.0)
Profit (loss) attributable to owners of parent	(2.1)	(21.7)	(23.8)	3.1	(4.0)	5.2	5.4	(0.2)	(6.0)
Inventories	255.3	244.4	244.4	246.0	230.0	* 1.6	(3.5)	5.2	222.0
FCF	2.8	16.9	19.7	14.3	20.0	11.5	-	-	20.0
Exchange rate 1USD	¥152.5	¥152.4	¥152.4	¥146.0	¥145.5	(¥6.5)			¥141.2
Exchange rate 1EURO	¥165.8	¥161.5	¥163.6	¥168.0	¥169.0	¥2.3			¥160.9
FY2025 Annual Dividend				¥11.00 (Interim ¥5.5 / Year-end ¥5.5)					

* Increase/decrease from the end of Mar. 2025

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Yamamoto: I am Yamamoto, CFO. I will now provide the explanation.

Please turn to page 12, which shows the key consolidated financial indicators. For H1, net sales were JPY402.3 billion, operating income JPY12.9 billion, ordinary income JPY8.7 billion, and net income JPY3.1 billion. I will explain the analysis of changes in net sales and operating income, as well as the status of inventories and cash flow, later in this presentation.

In addition to these H1 results, we have revised our full-year forecast by reflecting review of exchange rates and the impact of US tariffs. I will also explain later the analysis of the differences in operating income between the previous and the current announcements.

2-1. Analysis of Operating Income [FY2024 H1 Results vs FY2025 H1 Results]

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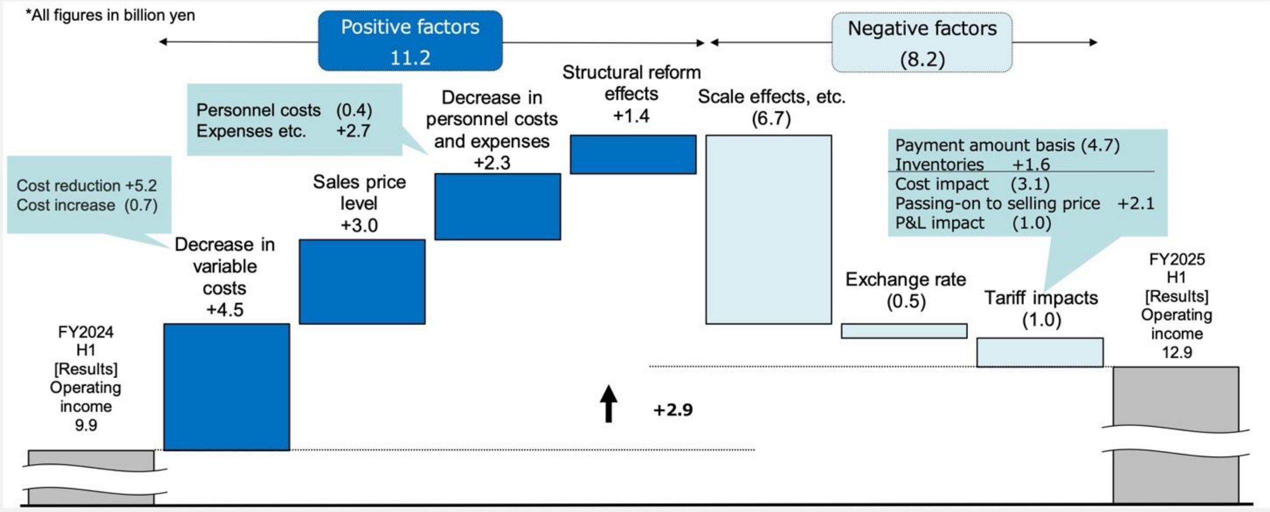

	FY2024 H1 Results	FY2025 H1 Results	Diff.	Forex	Sales price	Passing on tariffs	Volume
Net Sales	413.9	402.3	**(11.7)**	(7.2)	3.0	2.1	(9.6)

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Please refer to page 13. This waterfall chart shows the analysis of the changes in operating income between H1 of the previous fiscal year and H1 of the current fiscal year. The left end represents the operating income of H1 of the previous fiscal year, and the right end represents that of H1 of the current fiscal year.

Looking at the table below, the chart showing the changes in net sales, excluding the effects of foreign exchange rates and selling prices, shows that sales volume decreased by JPY9.6 billion YoY. Among the factors that reduced profits shown on the right side, the largest was the JPY6.7 billion decrease due to reduced sales and production volumes and inventory valuation. In addition, foreign exchange had a negative impact of JPY0.5 billion, and the impact of US tariffs resulted in a JPY1.0 billion decrease in profit after offsetting costs and selling price pass-through.

On the left side, among the profit-increasing factors, variable costs improved by JPY4.5 billion, selling price level by JPY3.0 billion, personnel and other expenses by JPY2.3 billion, and the effects of structural reforms contributed JPY1.4 billion.

2-2. Analysis of Operating Income [FY2025 Forecast [previous] vs FY2025 Forecast [latest]]

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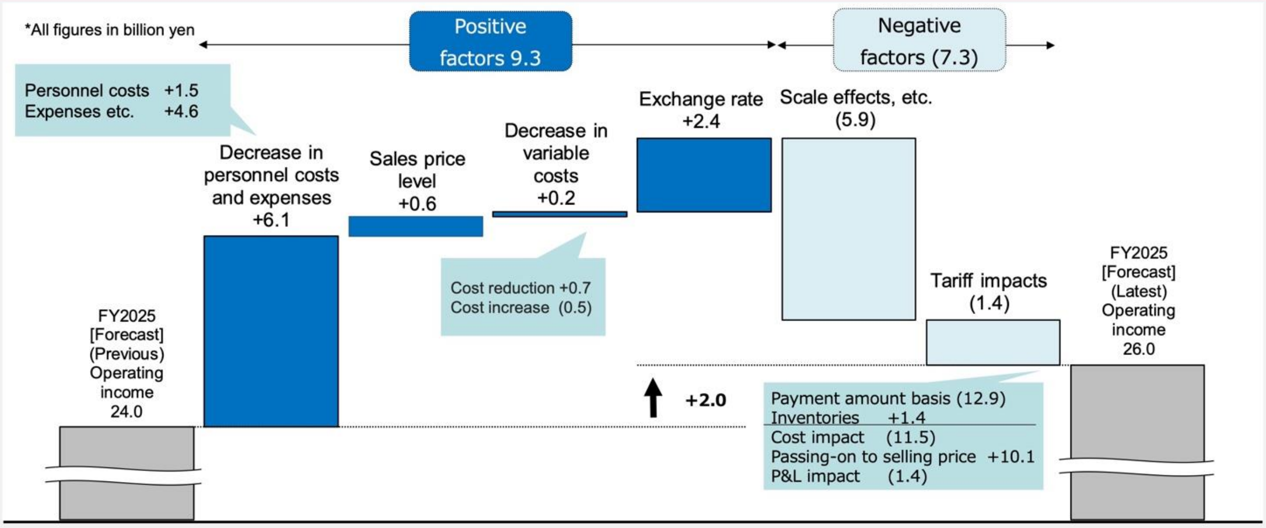


	FY2025 Forecast [Previous]	FY2025 Forecast [Latest]	Diff.	Forex	Sales price	Passing on tariffs	Volume
Net Sales	790.0	805.0	**15.0**	21.8	0.6	10.1	(17.5)

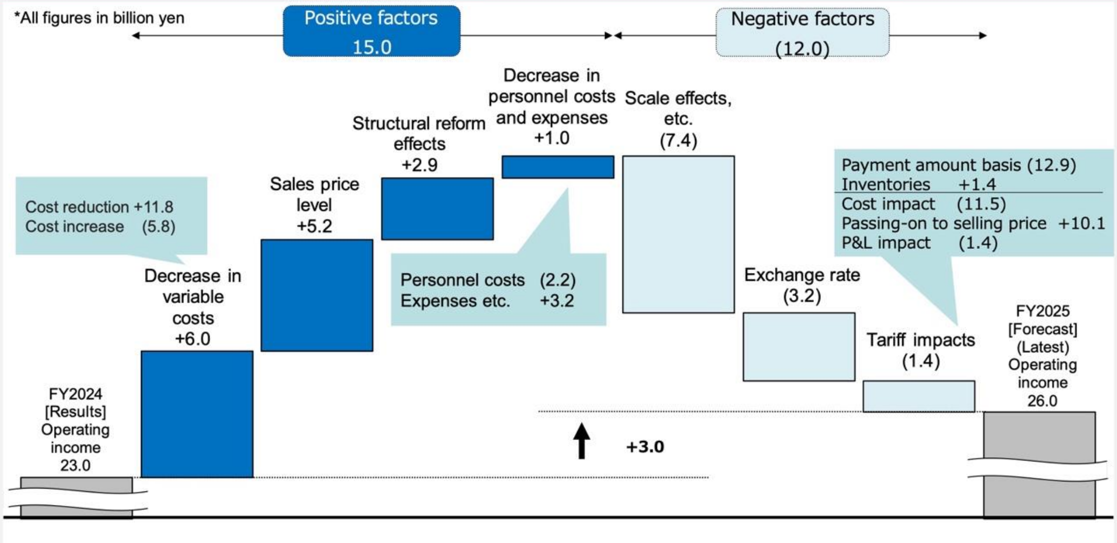
Please refer to page 14. This waterfall chart shows the analysis of changes in operating income between the previous and the current full-year forecasts. The left end represents the operating income from the previous forecast, and the right end represents that of the latest forecast.

Looking at the table below, the chart showing the changes in net sales, excluding the effects of foreign exchange rates and selling prices, sales volume is expected to decrease by JPY17.5 billion compared with the previous forecast. On the right side, among the profit-decreasing factors, the largest is the JPY5.9 billion decline due to reduced sales and production volumes, while the impact of US tariffs is expected to be a negative JPY1.4 billion.

On the left side, among the profit-increasing factors, personnel and other expenses are expected to improve by JPY6.1 billion, selling price level by JPY0.6 billion, variable costs by JPY0.2 billion, and foreign exchange effects by JPY2.4 billion.

2-3. Analysis of Operating Income [FY2024 Results vs FY2025 Forecast [latest]]

NTN



	FY2024 Results	FY2025 Forecast [Latest]	Diff.	Forex	Sales price	Passing on tariffs	Volume
Net Sales	825.6	805.0	**(20.6)**	(13.2)	5.2	10.1	(22.6)

Please refer to page 15. This waterfall chart shows the analysis of changes in operating income between the previous fiscal year’s full-year results and the latest full-year forecast. The left end represents the operating income of the previous fiscal year, and the right end represents that of the latest forecast.

Looking at the table below, the chart showing the changes in net sales, excluding the effects of foreign exchange rates and selling prices, sales volume is expected to decrease by JPY22.6 billion YoY. On the right side, among the profit-decreasing factors, the largest is the JPY7.4 billion decline due to reduced sales and production volumes, followed by a JPY3.2 billion negative impact from foreign exchange. The impact of US tariffs is expected to be a cost factor of JPY11.5 billion, while selling price pass-through will contribute a positive JPY10.1 billion, resulting in a net negative impact of JPY1.4 billion.

On the left side, among the profit-increasing factors, variable costs are expected to improve by JPY6.0 billion, selling price level by JPY5.2 billion, effects of structural reforms by JPY2.9 billion, and personnel and other expenses by JPY1.0 billion.

3. Net Sales by Company Location (Excluding intragroup sales)

NTN

(billion yen)	FY2024 H1 Results ①	FY2024 H2 Results	FY2024 Full Year Results	FY2025 H1 Results ②	FY2025 Full Year Forecast (Latest)	Diff. ②-① Total	Diff. ②-① Volume	Diff. ②-① Forex	(For reference) FY2025 Full Year Forecast (Previous Announcement)
Japan	104.5	110.7	215.2	**105.4**	**216.0**	**0.9**	**0.9**	**(0.0)**	**221.5**
Americas	139.8	129.7	269.5	**132.4**	**260.5**	**(7.4)**	**(0.8)**	**(6.6)**	**240.0**
Europe	92.4	93.9	186.3	**90.4**	**183.0**	**(2.0)**	**(3.7)**	**1.7**	**181.0**
Asia and others	77.2	77.4	154.5	**74.0**	**145.5**	**(3.1)**	**(0.9)**	**(2.2)**	**147.5**
Total	413.9	411.6	825.6	**402.3**	**805.0**	**(11.7)**	**(4.5)**	**(7.2)**	**790.0**

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

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Please refer to page 16. This page shows net sales by company location. Looking at ② minus ①,the volume column, sales decreased by JPY4.5 billion YoY. However, as explained earlier, this figure includes the impact of selling price levels and the pass-through of US tariffs. On a volume basis, sales decreased by JPY9.6 billion.

In terms of volume-based changes by region, Japan decreased by JPY2.2 billion, the Americas by JPY3.1 billion, Europe by JPY3.6 billion, and Asia and others by JPY0.7 billion, of which China decreased by JPY1.9 billion.

4. Net Sales and Operating Income by Business Segment NTN

<Net Sales by Business Segment>

(For reference)

(billion yen)	FY2024 H1 Results ①	FY2024 H2 Results	FY2024 Full Year Results	FY2025 H1 Results ②	FY2025 Full Year Forecast (Latest)	Diff. ②-① Total	Diff. ②-① Volume	Diff. ②-① Forex	FY2025 Full Year Forecast (Previous Announcement)
Bearing and others	168.1	172.6	340.7	167.7	340.0	(0.5)	1.7	(2.1)	348.0
CVJ/Axle	245.8	239.1	484.9	234.6	465.0	(11.2)	(6.2)	(5.1)	442.0
Total	413.9	411.6	825.6	402.3	805.0	(11.7)	(4.5)	(7.2)	790.0

<Operating Income by Business Segment>

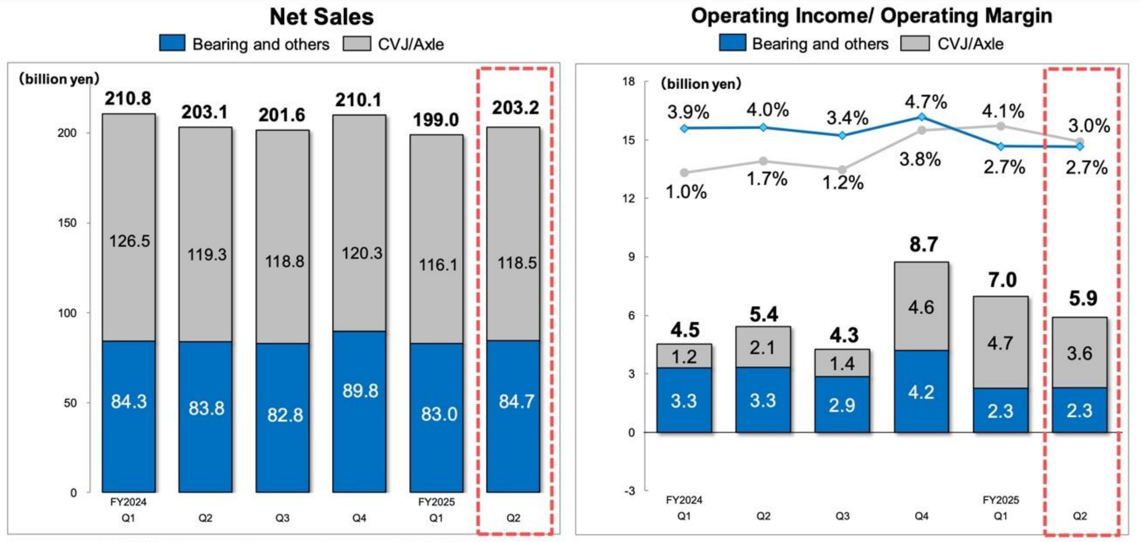
(billion yen)	FY2024 H1 Results ①	FY2024 H2 Results	FY2024 Full Year Results	FY2025 H1 Results ②	FY2025 Full Year Forecast (Latest)	Diff. ②-①	FY2025 Full Year Forecast (Previous Announcement)
Bearing and others	6.6	7.0	13.7	4.6	11.0	(2.1)	12.5
CVJ/Axle	3.3	6.0	9.3	8.3	15.0	5.0	11.5
Total	9.9	13.0	23.0	12.9	26.0	2.9	24.0

Please refer to page 17. This page shows net sales and operating income by business segment. First, looking at ② minus ①,the volume column of the upper part showing net sales, total sales decreased by JPY4.5 billion, but as explained earlier, on a volume basis, sales decreased by JPY9.6 billion. Of this, bearing and others decreased by JPY1.2 billion, and CVJ/Axle decreased by JPY8.4 billion.

Next, looking at the lower part showing changes in operating income, for bearing and others, although there were positive factors such as improvement in selling price levels, better variable costs, and reduction of fixed costs, these were not enough to offset the negative impacts of reduced scale, including inventory valuation, and foreign exchange, resulting in a JPY2.1 billion decrease YoY.

For CVJ/Axle, although there were negative impacts from reduced scale and foreign exchange, these were offset by improvements in variable costs, selling prices, and reduction of fixed costs, including the effects of structural reforms, resulting in a JPY5.0 billion increase YoY.

5. Financial Results by Business Segment (Quarterly Trend) NTN



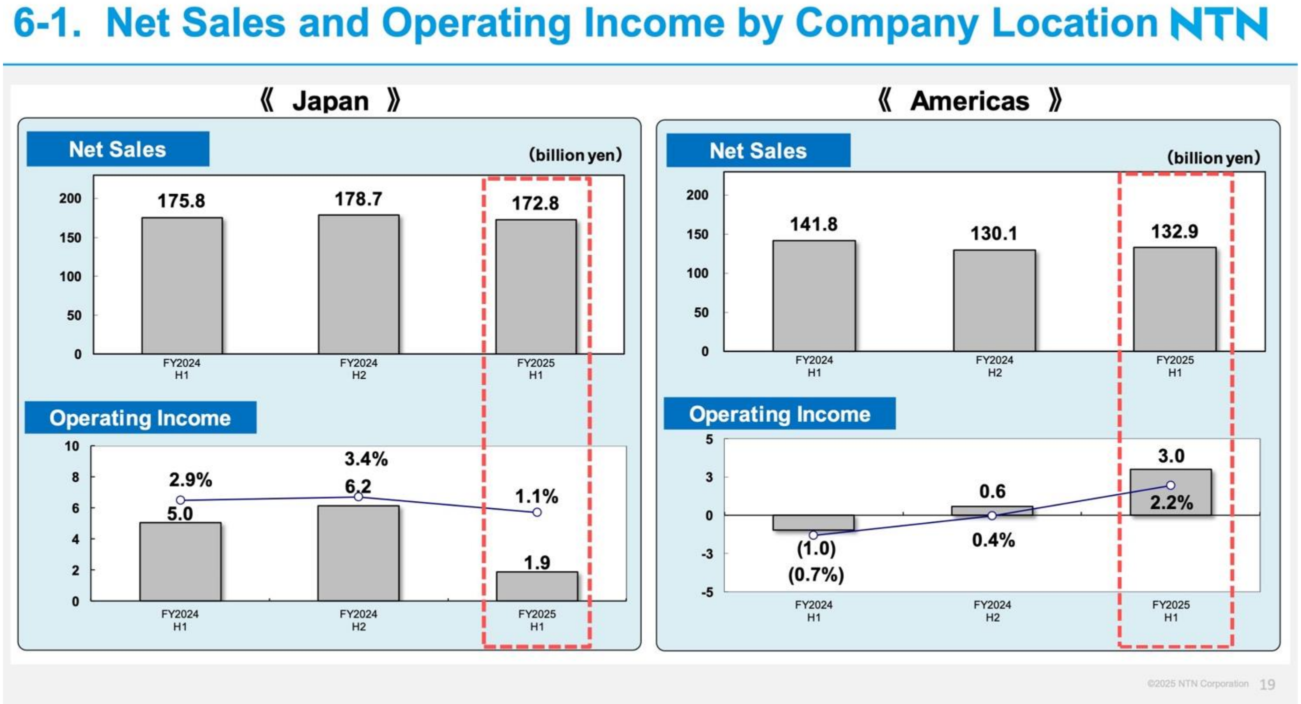
	FY2024 Q1	Q2	Q3	Q4	FY2025 Q1	Q2
Incl. for Aftermarket	35.4	34.5	34.4	36.6	33.9	36.5

 18

Please refer to page 18. This page shows the quarterly trends of net sales, operating income, and operating margin by business segment. The graph on the left shows the trend of net sales, while the graph on the right shows the trend of total operating income and operating margin. I will explain in comparison with Q1.

First, please look at the graph on the left. Net sales for bearing and others were JPY84.7 billion, an increase of JPY1.7 billion from Q1. However, there was a positive foreign exchange impact of JPY1.9 billion, and excluding this, sales decreased by JPY0.2 billion. On the other hand, net sales for CVJ/Axle were JPY118.5 billion, an increase of JPY2.5 billion from Q1. However, this includes a positive foreign exchange impact of JPY3.0 billion, and excluding this, sales decreased by JPY0.5 billion.

Next, please look at the graph on the right. Operating income for bearing and others was JPY2.3 billion, the same as in Q1, despite the effects of foreign exchange, and the operating margin also remained at 2.7%, the same level as in Q1. For CVJ/Axle, operating income was JPY3.6 billion, a decrease of JPY1.1 billion from Q1, due to factors such as foreign exchange impacts, US tariffs, and increased fixed costs. The operating margin declined by 1.1 points from Q1 to 3.0%.

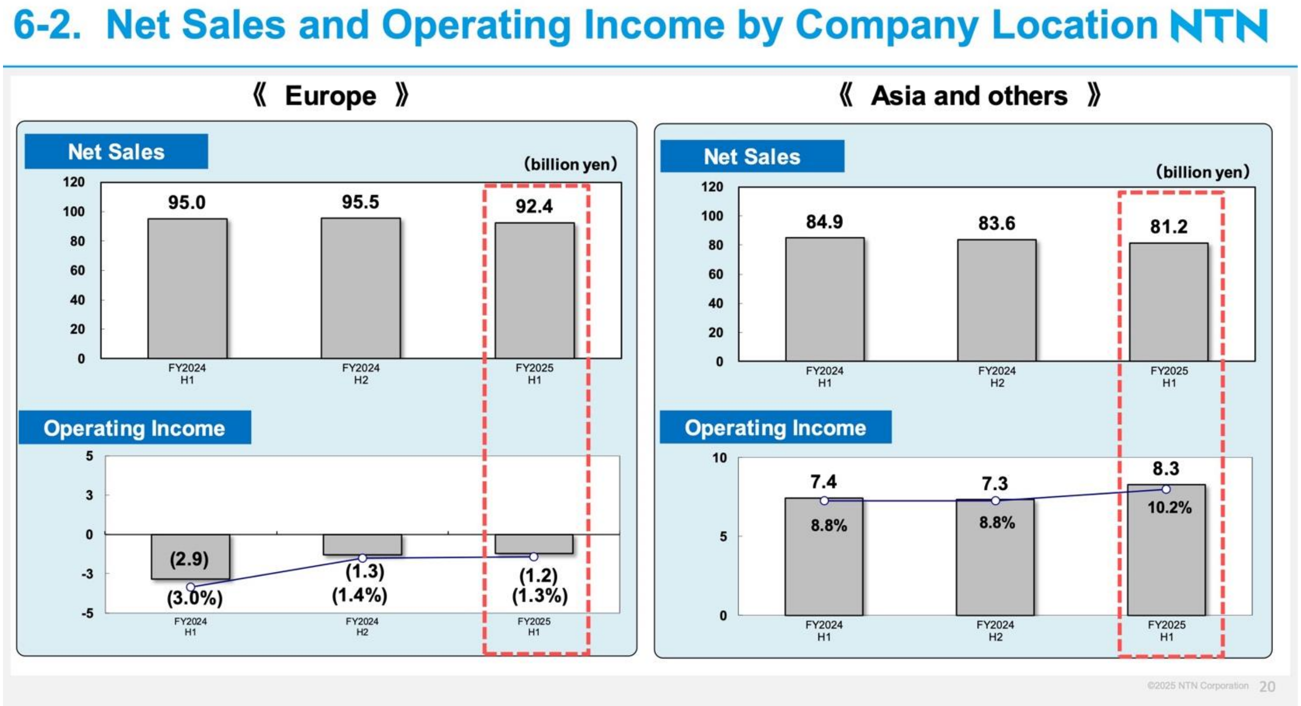


Please refer to page 19. This page shows H1 trends of net sales and operating income by company location. The left side shows Japan, and the right side shows the Americas. I will explain in comparison with the same period of the previous fiscal year.

First, for Japan, net sales were JPY172.8 billion. Excluding the negative foreign exchange impact of JPY1.4 billion, sales decreased by JPY1.6 billion YoY. Operating income was JPY1.9 billion, a decrease of JPY3.1 billion YoY, as improvements in selling price levels and variable costs were not enough to offset the negative effects of reduced scale, including inventory valuation and foreign exchange impacts.

Next, on the right, for the Americas, net sales were JPY132.9 billion. Excluding the negative foreign exchange impact of JPY6.3 billion, sales decreased by JPY2.6 billion. Operating income was JPY3.0 billion, an increase of JPY4.0 billion YoY, mainly due to improvements in variable costs and the reduction of fixed costs, including the effects of structural reforms.

6-2. Net Sales and Operating Income by Company Location

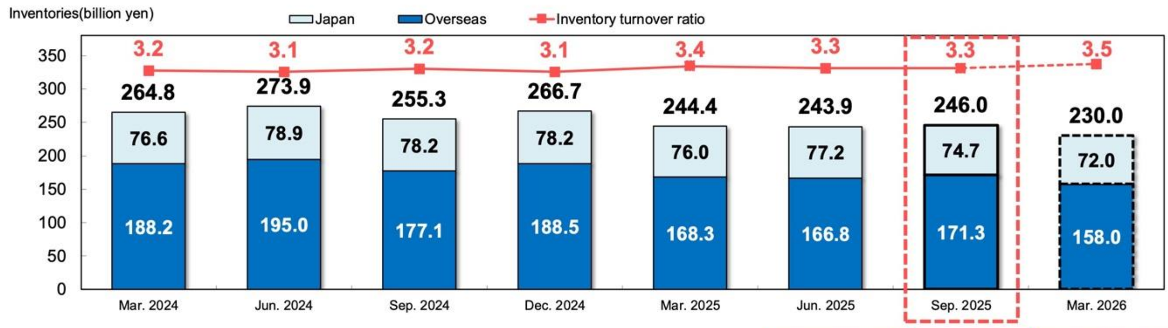


Please refer to page 20. This page also shows the half-year trends of net sales and operating income by company location. The left side shows Europe, and the right side shows Asia and others.

For Europe, net sales were JPY92.4 billion. Excluding the positive foreign exchange impact of JPY1.3 billion, sales decreased by JPY3.9 billion YoY. Although operating results were affected by reduced scale, improvements in variable costs and the reduction of fixed costs, including the effects of structural reforms, led to an improvement of JPY1.7 billion YoY, resulting in an operating loss of JPY1.2 billion.

For Asia and others, net sales were JPY81.2 billion. Excluding the negative foreign exchange impact of JPY2.5 billion, sales decreased by JPY1.2 billion YoY. Although there was an impact from reduced scale, the reduction of fixed costs, including structural reforms in China, and improvements in variable costs contributed to an improvement of JPY0.9 billion YoY, resulting in operating income of JPY8.3 billion.

7. Inventories



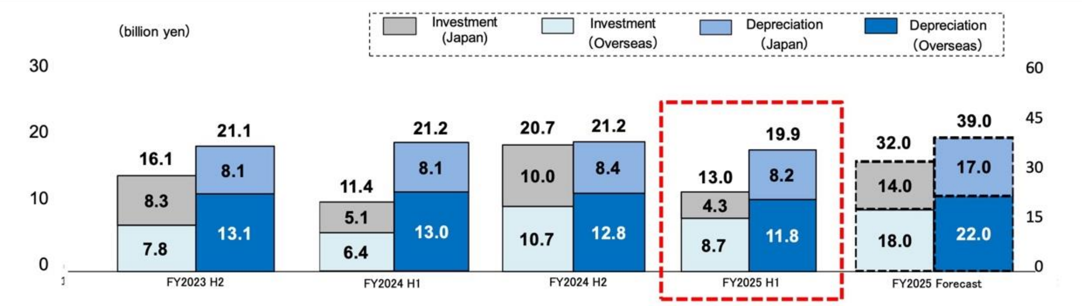
(billion yen)	Mar. 2024 Results	Jun. 2024 Results	Sep. 2024 Results	Dec. 2024 Results	Mar. 2025 Results	Jun. 2025 Results	Sep. 2025 Results	Mar. 2026 Forecast(Latest)
Inventories	264.8	273.9	255.3	266.7	244.4	**243.9**	**246.0**	**230.0**
[Japan]	76.6	78.9	78.2	78.2	76.0	**77.2**	**74.7**	**72.0**
[Overseas]	188.2	195.0	177.1	188.5	168.3	**166.8**	**171.3**	**158.0**
Inventory turnover ratio [times]	3.2	3.1	3.2	3.1	3.4	**3.3**	**3.3**	**3.5**

Please refer to page 21. This page shows the quarterly trends of inventories. As of the end of September FY2025, inventories were JPY246.0 billion, an increase of JPY1.6 billion from the end of March FY2025. However, this includes a positive foreign exchange impact of JPY5.2 billion and a positive impact of JPY1.6 billion from US tariffs, resulting in a JPY5.1 billion decrease on a volume basis.

Toward achieving the March FY2026 forecast of an inventory balance of JPY230.0 billion and an inventory turnover ratio of 3.5 times, we will focus on reducing work-in-process, components, and material inventories.

8. Capital Expenditures and Depreciation

NTN



(billion yen)	FY2023 H2 Results	FY2024 H1 Results①	FY2024 H2 Results	FY2025 H1 Results②	Diff. ②-①	FY2025 Full Year Forecast
Capital expenditure	16.1	11.4	20.7	* 13.0	1.6	32.0
[Japan]	8.3	5.1	10.0	4.3	(0.7)	14.0
[Overseas]	7.8	6.4	10.7	8.7	2.3	18.0

*In addition, capital expenditure for intangible fixed assets (FY2025 H1 Results : ¥1.4 billion, FY2025 Full Year Forecast : ¥5.0 billion)

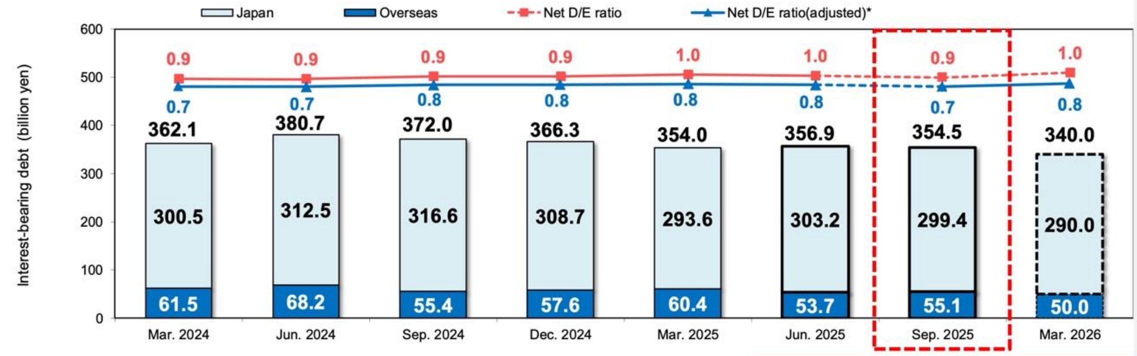
(billion yen)	FY2023 H2 Results	FY2024 H1 Results①	FY2024 H2 Results	FY2025 H1 Results②	Diff. ②-①	FY2025 Full Year Forecast
Depreciation	21.1	21.2	21.2	19.9	(1.2)	39.0
[Japan]	8.1	8.1	8.4	8.2	0.1	17.0
[Overseas]	13.1	13.0	12.8	11.8	(1.3)	22.0

 22

Please refer to page 22. This page shows the trends of capital expenditures and depreciation. Capital expenditures for H1 totaled JPY13.0 billion, and depreciation was JPY19.9 billion. Depreciation is progressing in line with the full-year forecast, while capital expenditures are slightly behind schedule.

The regional breakdown of the JPY13.0 billion in capital expenditures is JPY4.3 billion in Japan, JPY1.9 billion in the Americas, JPY4.4 billion in Europe, and JPY2.4 billion in Asia and others.

9. Interest - Bearing Debt



(billion yen)	Mar. 2024 Results	Jun. 2024 Results	Sep. 2024 Results	Dec. 2024 Results	Mar. 2025 Results	Jun. 2025 Results	Sep. 2025 Results	Mar. 2026 Forecast
Interest-bearing debt	362.1	380.7	372.0	366.3	354.0	**356.9**	354.5	**340.0**
[Japan]	300.5	312.5	316.6	308.7	293.6	**303.2**	299.4	**290.0**
[Overseas]	61.5	68.2	55.4	57.6	60.4	**53.7**	55.1	**50.0**
Net Interest-bearing debt	234.8	243.2	234.7	238.1	226.3	**220.1**	218.0	**214.5**

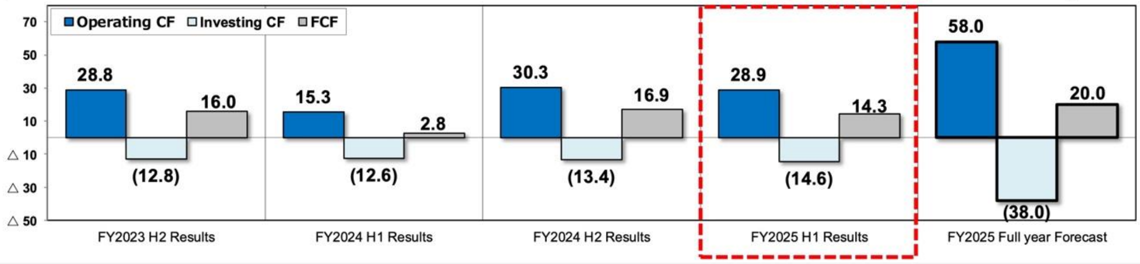
*Taking into account a part of the subordinated bonds through public offering that is recognized as equity (50%).

 23

Next, please refer to page 23. This page shows the trends of interest-bearing debt. As of the end of September FY2025, interest-bearing debt was JPY354.5 billion, net interest-bearing debt was JPY218.0 billion, and the net D/E ratio was 0.9, showing a slight improvement from the end of the previous fiscal year. As of the end of March FY2026, interest-bearing debt is projected to be JPY340.0 billion, net interest-bearing debt JPY214.5 billion, and the net D/E ratio 1.0.

10. Cash Flows

(billion yen)	FY2023 H2 Results	FY2024 H1 Results①	FY2024 H2 Results	FY2024 Full Year Results	FY2025 H1 Results②	②-①	FY2025 Full Year Forecast
Ⅰ. Cash flow from operating activities	28.8	15.3	30.3	45.6	**28.9**	**13.5**	**58.0**
Ⅱ. Cash flow from investing activities	(12.8)	(12.6)	(13.4)	(26.0)	**(14.6)**	**(2.0)**	**(38.0)**
Ⅰ+Ⅱ. Free cash flow	16.0	2.8	16.9	19.7	**14.3**	**11.5**	**20.0**
Ⅲ. Cash flow from financing activities	(34.4)	8.6	(27.3)	(18.7)	**(7.7)**	**(16.3)**	**(23.0)**
Ⅳ. Effect of exchanging rate translation on cash and cash equivalents	1.5	(1.3)	0.8	(0.5)	**2.3**	**3.5**	**(3.0)**
Ⅴ. Net increase in cash and cash equivalents	(16.8)	10.1	(9.7)	0.4	**8.9**	**(1.2)**	**(6.0)**



 24

Please refer to page 24. This page shows the trends of cash flows. Operating cash flow for H1 was JPY28.9 billion, and free cash flow was JPY14.3 billion, progressing generally in line with the plan. For the full-year, operating cash flow is projected to be JPY58.0 billion, and free cash flow is JPY20.0 billion.

That concludes my explanation.

Nagao: Thank you, CFO Yamamoto.

Question & Answer

Nagao [M]: We will now begin the Q&A session.

During the Q&A, the secretariat will call on participants who wish to ask questions. If you would like to ask a question, please use the Raise Hand button on the taskbar. The secretariat will call on you in order. Once your name is called, please unmute yourself, confirm that your microphone is on, and then proceed with your question.

Thank you for your prompt participation. We will begin with a question from Mr. Sasaki of UBS Securities.

Sasaki [M]: This is Sasaki from UBS.

Company Representative [M]: Thank you.

Sasaki [Q]: Thank you very much for the briefing today. I have three brief questions.

First, I would like to ask President Ukai. With the announcement of the H1 results and the upward revision of the full-year forecast, it seems that, although the business environment remains challenging, NTN has been able to secure profits through steady self-help efforts, including structural reforms.

President Ukai, given the H1 results and the revised full-year plan under "DRIVE NTN100" Final, could you share your thoughts on the Company's current performance and profitability? Specifically, how do you assess the results and the new plan, and what sense of progress or confidence do you have at this point? That is my first question.

Ukai [A]: Thank you. This is Ukai. As you mentioned, after the end of Q1, we had secured a certain level of profit. However, since the outlook was still highly uncertain at that time, we were unable to clearly indicate our dividend policy.

After entering Q2, although we are still facing difficulties in negotiations with customers and the situation regarding tariffs, it is by no means smooth sailing, but we have set a goal of firmly harvesting these results. As I explained today, we have now established a foundation with the aim of recovering 90% of the tariff impact within this fiscal year by the end of March.

At the same time, as mentioned in the presentation, structural reforms are progressing, starting with Europe and China, followed by the Americas, and now Japan is beginning to make steady progress. We plan to advance these reforms almost as scheduled. As also reported earlier, the effects of fixed cost reductions of about JPY10.0 billion are expected to become achievable within this fiscal year.

This effect will continue to contribute in subsequent periods as well. Although the external environment remains very severe, we will make every effort to bring the figures for the third year of the plan as close as possible to our targets. Up to this point, despite various changing factors, we have managed to keep pace with these changes, and I believe we are now in a position to achieve our goals. Thank you.

Sasaki [Q]: Thank you. As a follow-up, how do you, as management, view NTN's current management structure, profitability, and transformation as a company? I feel that these changes are now beginning to show in the numbers, but I would appreciate it if you could also share your sense of progress and the level of confidence you have in these areas.

Ukai [A]: As has often been pointed out by analysts during our IR briefings, one of our weaknesses has been that we were not generating sufficient cash flow. Ultimately, this stemmed from structural issues such as excessive inventory and our inability to manage it effectively.

We have now begun to address this by clearly differentiating and managing inventories, those necessary for finished products to expand our aftermarket business, and the minimum level of inventory required to increase throughput for other processes. Starting with initiatives in Japan, over the past three years, we have gradually been implementing reforms not only for NTN itself but also for upstream stages of the supply chain, as well as overseas logistics. We are working to reduce in-transit and floating inventories in shipments from Japan to overseas locations, while improving throughput at overseas plants as well. These initiatives have been steadily expanding and taking root. Although we are still on the way, I believe we are beginning to make solid progress in fundamentally transforming our corporate structure.

That is just one example, but in this sense, I believe that the mindset of all our employees is also steadily and surely changing.

Sasaki [Q]: Thank you. My second question is about the H1 results, referring to slide 13. If possible, could you break down the factors of increase and decrease in operating income by CVJ/Axle and bearing and others. Also, I would appreciate it if you could summarize how the H1 results for CVJ/Axle compared with the initial plan in terms of variances. That's my second question. Thank you.

Yamamoto [A]: This is Yamamoto. I will answer your question.

First, regarding the JPY9.6 billion decrease in sales volume, as I mentioned earlier, bearing and others accounted for minus JPY1.2 billion, and CVJ/Axle for minus JPY8.4 billion. Next, for selling price improvement, which totaled JPY3.0 billion, bearing and others contributed JPY2.4 billion, and CVJ/Axle JPY0.6 billion.

Then, the impact of tariffs was a net minus JPY1.0 billion, of which bearing and others accounted for minus JPY0.3 billion, and the remainder was CVJ/Axle. For variable costs, which improved by JPY4.5 billion, bearing and others contributed JPY0.4 billion, and the remainder was CVJ/Axle. For personnel and other expenses, which improved by JPY2.3 billion, bearing and others contributed JPY0.1 billion, and the remainder was CVJ/Axle. The effects of structural reforms totaled JPY1.4 billion, of which bearing and others accounted for JPY0.4 billion and CVJ/Axle JPY1.0 billion. The remaining difference comes from sales volume and part of foreign exchange. That's all.

Sasaki [Q]: Excuse me. Regarding the minus JPY6.7 billion in scale factors, how would that break down between CVJ/Axle and bearing and others?

Yamamoto [A]: The amount for CVJ/Axle is smaller. As I explained during the Q1 presentation, there was deterioration in the sales mix and other factors, so the larger portion is on the bearing and others side, at around JPY4.5 billion.

Sasaki [Q]: Based on that, could you explain how the H1 results differed from the initial plan for CVJ/Axle and bearing and others, respectively?

Yamamoto [A]: Although we did not disclose the plan figures, as mentioned in the presentation, for bearing and others, the recovery in aftermarket demand was slower than expected, which negatively affected profits. On the other hand, for CVJ/Axle, as also explained earlier, the effects of structural reforms were realized, resulting in higher profits than expected. That is the general image.

Sasaki [Q]: As for your company as a whole, how did the H1 results compare with the initial plan?

Yamamoto [M]: You mean the total for the Company?

Sasaki [M]: Yes.

Yamamoto [A]: There was also a positive effect from foreign exchange. Although we did not disclose this information, I feel that profits were slightly above the Company's initial plan. There was a foreign exchange gain, and while the impact of tariffs had not been included in the initial plan, we were able to absorb that as well, so overall, we finished slightly above plan.

Sasaki [Q]: Thank you. My third and final question refers to slide 14. I would like to ask about the JPY5.9 billion negative impact from scale, which seems quite large. Could you explain what this consists of?

Conversely, the JPY6.1 billion in personnel and other expenses reflects a considerable cost reduction, could you also elaborate on what factors contributed to that? I imagine that the scale reduction may be related to the sales mix or volume decline on the aftermarket side, but I would appreciate it if you could clarify this point.

Yamamoto [A]: First, if you look at the table showing changes in net sales at the bottom of the chart, you can see that sales volume declined by JPY17.5 billion. The scale and others item mainly reflects the impact of reduced production and sales volumes. Roughly speaking, around 30% or so of that is directly linked, which matches the overall figure. As for personnel and other expenses, while the structural reform effects that were separated out are progressing in line with the plan, in business sites where scale has declined, we have been very successful in containing personnel and operating expenses, and this suppression is a major contributing factor.

Sasaki [Q]: Thank you. Regarding the JPY17.5 billion decline in volume, could you break that down between CVJ/Axle and bearing and others to explain which segment experienced the larger drop?

Yamamoto [A]: Just a moment, please. To explain, the decline was mainly in bearing and others. For CVJ/Axle, the results were slightly better than expected. As explained earlier, we had initially assumed a significant decline, but the actual drop was smaller, so CVJ/Axle was slightly on the positive side, while nearly all of the decrease came from bearing and others.

Sasaki [Q]: Regarding the decline in bearings, in which areas has the volume dropped so significantly? Is this mainly in the aftermarket?

Yamamoto [A]: By region, the declines were seen in Japan, the Americas, and particularly in Europe. These three regions account for the largest decreases. For data by industry, please go ahead.

Kouge[M]: Mr. Sasaki, just to confirm, are you asking in comparison with the Company's initial assumptions?

Sasaki [M]: Yes, that's correct. Thank you.

Kouge[A]: In comparison with the Company's initial assumptions, although we have not disclosed specific figures, the decline was mainly due to slower-than-expected recovery in the aftermarket segment, which caused us to fall short of our initial expectations.

When broken down by region, the decline was greater in regions with larger sales volumes, such as the Americas and Europe. That concludes my explanation.

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

Company Representative [M]: Thank you.

Nagao [M]: Thank you, Mr. Sasaki, for your questions. Now, we will take a question from Mr. Tai of Daiwa Securities.

Tai [Q]: Excuse me, this is Tai. I would like to ask a question to President Ukai.

In slides eight, you summarized the overall progress of structural reform so far. With only about a year and a half remaining until the final year of "DRIVE NTN" Final, considering the current situation, including the JPY6.1 billion figure for FY2026, do you expect that amount to increase or decrease? Conversely, in terms of the effects of the reforms, do you anticipate any additional benefits or changes from what was initially planned? Has anything in the overall picture begun to change?

Ukai [A]: Thank you. This is Ukai. As explained earlier, we have been promoting structural reforms, starting mainly in Europe and China, and this has now expanded to South America and North America as well.

Over the remaining year and a half, the key focus will be on Japan. Although the hurdle is quite high, we intend to firmly proceed with these initiatives. As mentioned in the presentation, we believe we can accomplish nearly the entire plan, and we are determined to see it through to completion.

As I mentioned earlier, the external environment remains challenging, with possible issues such as semiconductor supply constraints or other disruptions. However, setting those aside, regarding the expenses we plan to allocate over these three years to complete the reforms, and the corresponding fixed cost reductions and structural improvements, we will carry them out as planned. At this point, we intend to fully achieve the Company's planned corporate structural reforms and improvements.

Therefore, we are not currently expecting any major changes in the figures we have presented here. That is all.

Tai [Q]: When you mentioned the hurdles, were you referring to the current situation where demand for industrial machinery bearings is not very strong globally? You mentioned earlier that tariff pass-through is progressing smoothly. So, is that the main area that remains a concern for you, or are there other factors that you are particularly worried about?

Ukai [A]: There are two main factors. The first relates to the US tariffs. There are cases, particularly involving plants that had been producing components in North America, where several years ago we began considering whether it might be better to supply those parts from Japan instead. With the imposition of tariffs, we are now at a point where we need to decide whether to shift that production outside the United States as a trade-off for the tariff burden. This timing has brought changes in various strategic aspects.

Although we have not yet reached a final conclusion in some areas, at this stage, we believe that continuing in line with our original plan would bring greater overall benefits for the total supply chain. However, the introduction of the US tariffs has caused some delays in the timing of these decisions, that is the first point.

The second factor concerns the progress of electrification. As I mentioned earlier in the new product section, for example, brake actuation systems using our ball screws, these EV projects at several auto manufacturers have been postponed or canceled. As a result, the supply of various components intended for these applications has been delayed compared with our original plan.

This has affected production sites in Japan, where we had been reorganizing facilities, allocating space, and securing personnel in preparation for mass production. These plans are not disappearing, but they are being pushed back by about two to three years due to these environmental changes. This makes decision-making extremely difficult.

For instance, if we proceed with the transfer ahead of schedule, we must determine how to manage personnel in the interim. Even though we know production will start two or three years later, there are cases where we cannot yet obtain a clear response from customers.

Therefore, the two major factors currently having the greatest impact are the US tariffs and delays in electrification, which have caused developments to diverge from our previous expectations.

Tai [Q]: Understood. Lastly, this may be a bit premature, but as the next fiscal year begins, or perhaps discussions have already started within the Company, I assume that internal deliberations are underway toward the next Medium-term Management plan. When you think about the next three or five years, what kind of vision or storyline do you expect to emerge? Rather than simply targeting sales of JPY1 trillion or JPY2 trillion, I imagine that enhancing profitability will be a major theme. Assuming that to be the case, remaining in a state of contractionary balance would not be desirable. How do you intend to build a narrative that raises profit margins while continuing to grow? If any preliminary discussions have already begun, even in part, could you please share some insight into what direction they are taking?

Ukai [A]: Of course, we cannot pursue anything unrealistic. The main purpose of the recent organizational restructuring under the CA Division was to position ourselves for the future. Even with the shift to EVs, components such as CVJs and axles, our core adjacent products, will continue to be used. Moreover, they will be required to deliver higher performance, including greater quietness, improved vibration characteristics, and increased strength to withstand higher torque.

As a specialized manufacturer, these are areas of our expertise. Our aim through this restructuring is to focus on developing innovative technologies that emerging countries cannot easily catch up with, and by doing so, to further strengthen our ability to generate earnings within the CA business.

In the bearing business, as I mentioned earlier regarding EVs, the HA-C bearings can be made smaller in size. This contributes to space saving in systems such as e-Axles, which are designed to maximize cabin space by minimizing the size of drive units.

We anticipate that the traditional three-shaft or two-shaft configurations will continue to evolve toward a single-shaft design. Even within that structure, bearings will need to be smaller while maintaining the same level of performance, and this ability to achieve compactness without sacrificing capability represents added value. We intend to fully leverage this strength.

Furthermore, as EVs continue to advance, new systems such as the braking systems mentioned earlier, as well as suspension systems designed to enhance ride comfort, will become increasingly important. As vehicles evolve toward autonomous driving, essentially transforming into moving living spaces, we aim to contribute through our technologies that improve cabin comfort and enhance the in-vehicle environment.

In addition, through our new products, we hope to further strengthen our initiatives to contribute to disaster preparedness and the global environment by applying our accumulated technological expertise to innovative, socially beneficial solutions.

In the current three-year Medium-term Management plan, our target is to achieve an ROE of 8%, which we regard as the first step. In the next Medium-term Management plan, our goal is to establish ourselves as a company capable of consistently generating corporate value with a stable ROE exceeding 10%. To achieve this, as I mentioned earlier, we will continue to evolve by applying new technologies that build on our existing strengths while adapting proactively to the areas where the world is changing. That is the scenario we envision.

Tai [M]: I understand very well. Thank you for all your answers. I appreciate it, and I look forward to speaking again.

Ukai [M]: Thank you.

Nagao [M]: Thank you very much, Mr. Tai. Next, we would like to take a question from Ms. Wang of Nomura Securities.

Wang [Q]: This is Wang from Nomura Securities. Thank you very much. I have just one question.

I would like to confirm a bit more regarding personnel and other expenses. In H1, there was a positive impact of JPY2.3 billion, but most of that seems to have appeared in Q1, and there was little positive impact in Q2. However, for the full-year forecast, you have revised it upward quite significantly. Could you tell me whether the increase in H2 is expected mainly in bearing and others, or in CVJ/Axle?

Since volumes have been reduced considerably, I was wondering whether this is simply a result of a natural decrease in variable costs accompanying lower production, or if it should be understood as reflecting the effects of structural reforms and other initiatives. Could you please clarify this point?

Yamamoto [A]: This is Yamamoto. First, regarding H1, as shown on the current slide, personnel and other expenses improved by JPY2.3 billion. At the same time, sales volume decreased by JPY9.6 billion, as shown at the lower right of the slide. Therefore, we believe that this reduction in personnel and other expenses corresponds roughly to the decline in production and sales volumes.

Next, regarding the full-year forecast, I believe this is the slide you are referring to.

Wang [M]: Yes, the full-year figures.

Yamamoto [A]: Here as well, sales volume is expected to decrease by JPY17.5 billion, and while the impact of scale and other factors is a minus JPY5.9 billion, personnel and other expenses are projected to improve by JPY6.1 billion, which is quite a large figure. When this JPY6.1 billion is broken down, it consists of approximately JPY3.1 billion for bearing and others, and JPY3.0 billion for CVJ/Axle. In addition to reductions corresponding to lower production and sales volumes, this also reflects improvements in production efficiency and other structural effects. Does that answer your question?

Wang [M]: Yes, that's very clear. Thank you very much.

Nagao [M]: Thank you, Mr. Wang, for your question. Next, we will take a question again from Mr. Sasaki of UBS Securities.

Sasaki [Q]: Excuse me. Thank you for allowing me a second question. I would like to ask two supplementary questions.

First, regarding tariffs, you mentioned that about 90% of price increases have already been secured. Could you please confirm whether it is reasonable to interpret that you have a high level of confidence in being able to pass on these tariffs to prices? In other words, how confident are you about achieving full price pass-through of the tariffs? That is my first question.

Tateoka [A]: This is Tateoka. We have a fairly high level of confidence. While negotiations with some customers are still ongoing, with more than half of our customers, we have already reached agreements fully in line with our policy of 100% pass-through. There are, however, a few particularly challenging customers where the current offer remains around 50% pass-through, but we are aiming to reach a conclusion on these by around the end of this month.

Overall, although there may be some timing differences in recognition, taking such factors into account, we are proceeding on the assumption that we will be able to recover roughly 90% of the tariff impact. That's all.

Sasaki [Q]: That's clear, thank you. I have one more question. Listening to today's explanations, compared with your initial assumptions, it seems that the aftermarket, which you had previously positioned as a high-margin area and intended to strengthen, is facing more difficulties this fiscal year than expected.

Could you please elaborate on the background of why aftermarket sales have been struggling? Conversely, although it may be difficult to specify timing, how do you see the outlook for recovery? Should we understand that, while aftermarket performance is weak this fiscal year, once it recovers, your overall business results will also improve accordingly? I would appreciate it if you could share your view on the current challenges in the aftermarket business and how you expect it to recover going forward. Thank you. Thank you.

Company Representative [M]: Thank you. Yanagida will answer regarding the industrial machinery business, and Tateoka will answer regarding the automotive business.

Yanagida [A]: This is Yanagida, in charge of the industrial machinery. Thank you.

I understand your question concerns the background behind the sluggish performance of the aftermarket business. First, one major factor is that, due to concerns about the economic impact of the US tariffs, many of our global distributors have been refraining from placing orders. In addition, in Europe, the economy has remained stagnant for an extended period, resulting in weak market conditions.

On the other hand, in the OEM segment, such as agricultural machinery and construction machinery, which are key volume sectors for us, the situation is not necessarily favorable, but it has begun to stabilize somewhat. We have strong expectations for economic recovery going forward, and as the economy improves, we believe that the high-margin aftermarket business will expand as originally anticipated. That concludes my comments on the industrial machinery market.

Tateoka [A]: This is Tateoka. I will respond regarding the automotive market. At present, sales in Europe, which is our largest market, have declined significantly. To address this, as noted here, we have introduced the garage certification system and newly added shock absorbers to our product lineup. We plan to expand sales by launching these new products.

As for other regions, including North America, South America, and ASEAN, where we have not yet fully developed our initiatives, we are currently reviewing our strategies. We intend to enhance our product offerings and lineups to match the characteristics of each local market. We are implementing these initiatives with the goal of increasing the aftermarket business ratio to 40% by FY2035. That's all.

Sasaki [M]: I understand very well. Thank you for taking my question a second time.

Company Representative [M]: Thank you.

Nagao [M]: Thank you, Sasaki, for your question. Are there any other questions? If anyone would like to ask a question, please raise your hand using the button. Anyone?

If there are no further questions, we will conclude the NTN Corporation Q2 FY2026 financial results briefing slightly earlier than scheduled. Thank you very much for your participation today.

Ukai [M]: Thank you very much.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [inaudible].*
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