



## **NTN Corporation**

Q3 Financial Results Briefing for the Fiscal Year Ending March 2026

February 3, 2026

## 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>	Q3 Financial Results Briefing for the Fiscal Year Ending March 2026	
<b>[Fiscal Period]</b>	FY2026 Q3	
<b>[Date]</b>	February 3, 2026	
<b>[Number of Pages]</b>	22	
<b>[Time]</b>	17:00 – 17:43 (Total: 43 minutes, Presentation: 18 minutes, Q&A: 25 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>	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.

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## Presentation

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**Nagao:** Now that the time has arrived, we will begin the NTN Corporation's financial results briefing for Q3 of the fiscal year ending March 31, 2026. Thank you very much for taking time out of your busy schedule today to participate in our financial results briefing. First, let me introduce the attendees. This is Ukai, President and CEO.

**Ukai:** I am Ukai. Thank you for your cooperation.

**Nagao:** This is Yamamoto, CFO.

**Yamamoto:** I am Yamamoto. Thank you for your cooperation.

**Nagao:** The secretariat is Kouge from the Corporate Communications Department and myself, Nagao. Thank you for your cooperation.

**Kouge:** Thank you.

**Nagao:** Today's briefing will follow the briefing materials distributed to your registered email address. The documents are also available on our website. If you do not have them, please check them on.

Today, Mr. Ukai, President, will first explain the key points of the financial results, and then Mr. Yamamoto, CFO, will explain the details. After the presentation, there will be a Q&A session, and the meeting will end at 6:00 PM.

CEO Ukai, please, start.

**Ukai:** I am Ukai of NTN. Thank you very much for taking time out of your busy schedule today to participate in our financial results briefing. 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 and forecasts, as well as the analysis of profit increase/decrease, in detail. I will explain the key points of the third-quarter financial results for the fiscal year ending March 2026.

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# Key Point of Financial Results



## FY2025 Q1-3

**Net Sales** : ¥603.3 billion, ¥(12.2) billion YoY  
**Operating income** : ¥19.3 billion, +¥5.1 billion YoY

### □ Bearing and others

Net sales ¥251.8 billion, Operating income ¥6.7 billion, Operating margin 2.7%

### Sales increased YoY while operating income decreased

- Sales for the industrial machinery and aftermarket increased due to higher demand, but sales for the automobile decreased due to lower demand mainly in Japan
- Selling price improvements and variable cost reduction progressed, but could not offset the adverse impact of scale decline including inventory valuation, leading to lower profits

**incl. Aftermarket** ¥106.6 billion, +¥2.2 billion YoY  
**Operating margin** : 3.2%, +0.9pt YoY

### □ CVJ/Axle

Net sales ¥351.5 billion, Operating income ¥12.6 billion, Operating margin 3.6%

### Sales decreased YoY while operating income increased

- Sales decreased due to lower demand mainly in Americas, Europe and China, as well as the impact of the semiconductor supply shortage
- Despite the decline in scale, profit increased due to cost reductions and progress in passing U.S tariffs on selling prices

## Progress in Structural Reform (Q1-3)

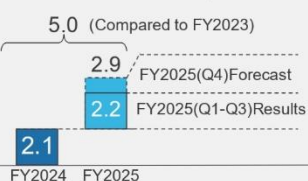
### Extraordinary loss

FY2024 Results : ¥18.9 billion

FY2025 Plan : ¥10.0 billion

FY2025 Q1-3 Results : ¥3.3 billion

### Effect of structural reform (billion yen)



## Forecast for FY2025 Full Year

### No change from the previous announcement

(For reference) Net Sales : ¥805.0 billion,

Operating income : ¥26.0 billion, Operating margin 3.2%

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Please see page two.

Net sales were JPY603.3 billion, operating income was JPY19.3 billion, and operating margin was 3.2%. Sales decreased YoY, but operating income increased YoY due to cost reductions and price pass-through. Sales for aftermarket were JPY106.6 billion, an increase of JPY2.2 billion YoY.

In bearing and others, demand for automotive applications declined, especially in Japan, and although there were improvements in selling prices and reductions in variable costs, these were not enough to offset the decline in scale and other factors, including inventory valuation. As a result, net sales reached JPY251.8 billion, operating income was JPY6.7 billion, and the operating margin stood at 2.7%. Compared to the same period last year, this represents increased sales but decreased profits.

In CVJ Axle, demand declined, except in Asia, but fixed costs were controlled, variable costs were reduced, and the effects of structural reforms were realized. As a result, net sales reached JPY351.5 billion, operating income was JPY12.6 billion, and the operating margin stood at 3.6%, representing a decrease in sales but an increase in profit compared to the same period last year.

In structural reforms, an extraordinary loss of JPY3.3 billion was posted by the third quarter. Progress is being made as planned. The effects of these efforts, mainly on the CVJ axle business, amounted to JPY2.2 billion, and the company's structure has been improving.

The forecast for the current fiscal year remains unchanged from that announced last November.

That is all from me.

**Nagao:** CEO Ukai, Thank you very much. CFO Yamamoto, please continue with your detailed explanation.

**Yamamoto:** I am Yamamoto, CFO. I will explain from here.

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# 1. Key Financial Indicators of FY2025



(billion yen)	Q3 Results	FY2024 Q1-3 Results ①	Full Year Results	FY2025			Diff.		
				Q3 Results	Q1-3 Results ②	Full Year Forecast (Latest)	Total	Volume	Forex
Net sales	201.6	615.5	825.6	201.1	603.3	805.0	(12.2)	(11.6)	(0.5)
Operating income	4.3	14.2	23.0	6.4	19.3	26.0	5.1	5.1	(0.0)
Operating margin	2.1%	2.3%	2.8%	3.2%	3.2%	3.2%	(0.9pt)		
Ordinary income	2.3	5.8	10.5	5.3	14.0	13.0	8.2	8.2	0.0
Extraordinary income (loss)	(5.0)	(5.6)	(19.1)	(2.5)	(2.9)	(8.0)	2.7	2.7	(0.0)
Profit (loss) attributable to owners of parent	(6.1)	(8.3)	(23.8)	0.6	3.7	(4.0)	12.0	12.0	0.0
Inventories	266.7	266.7	244.4	260.7	260.7	230.0	* 16.3	1.3	15.0
FCF	2.9	5.7	19.7	(1.6)	12.6	20.0	7.0	-	-
Exchange rate	1USD	¥152.3	¥152.4	¥152.4	¥154.1	¥148.7	¥147.8	(¥3.7)	
	1EURO	¥162.5	¥164.7	¥163.6	¥179.3	¥171.8	¥171.3	¥7.1	
FY2025 Annual Dividend				¥11.00 (Interim ¥5.5 / Year-end ¥5.5)					

\* Increase/decrease from the end of Mar. 2025

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Please see page three. Consolidated key indicators.

Cumulative results for Q3 were as follows: net sales of JPY603.3 billion, operating income of JPY19.3 billion, ordinary income of JPY14 billion, and net income of JPY3.7 billion. Inventories totaled JPY260.7 billion and free cash flow was JPY12.6 billion.

Analysis of changes in sales and operating income, inventories, and cash flows will be discussed later.

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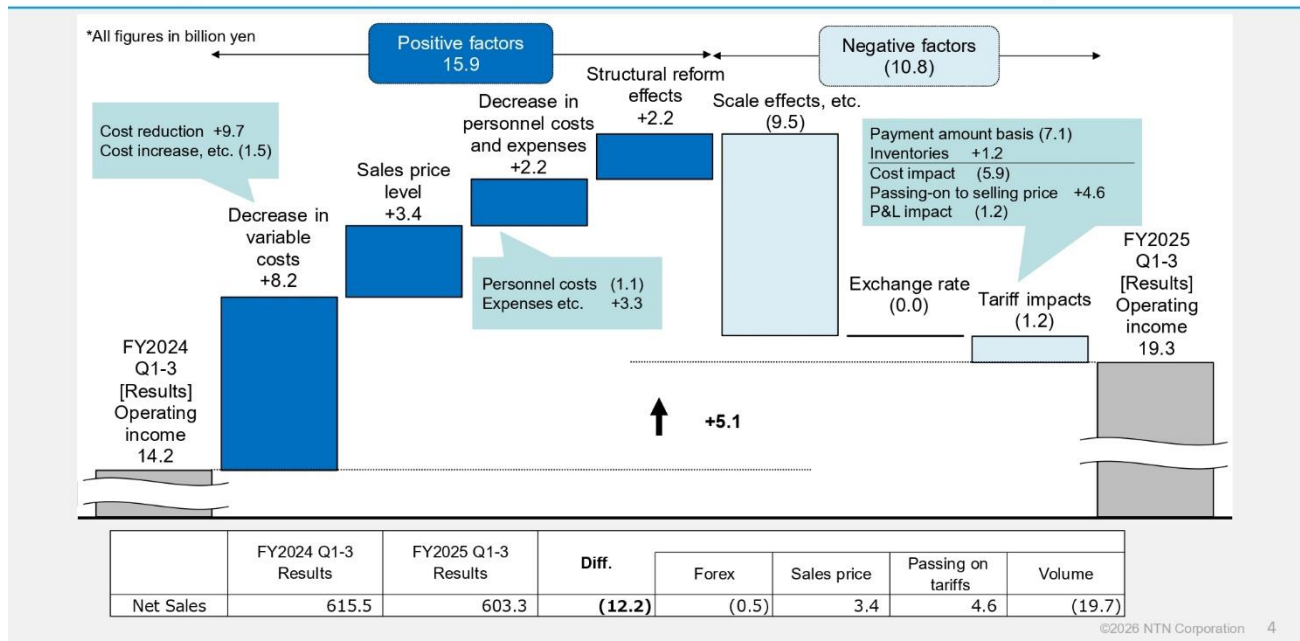
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## 2. Analysis of Operating Income

[ FY2024 Q1-3 Results vs FY2025 Q1-3 Results ]



Please see page four. This is a waterfall graph of the analysis of changes in operating income between the previous year's cumulative Q3 results and the current year's cumulative Q3 results. The left end shows the amount of operating income for the previous period and the right end shows the amount of operating income for the current period.

See the table of changes in sales below the graph. Excluding the impact of forex-related selling prices, sales volume was down JPY19.7 billion YoY.

The largest factor in the decrease in profit on the right side is minus JPY9.5 billion, including the scale effects of the decrease in sales and production and inventory valuation. In addition, the impact of the US tariffs, net of costs and price pass-through, was a minus JPY1.2 billion factor.

On the other hand, the factors increasing profits on the left side are: better variable costs (plus JPY8.2 billion), improved selling price levels (plus JPY3.4 billion), and reduced personnel costs and expenses (plus JPY2.2 billion). Besides, the effect of structural reforms was an additional JPY2.2 billion.

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



(billion yen)	Q3 Results	FY2024	Full Year Results	Q3 Results	FY2025		Diff.		
		Q1-3 Results ①			Q1-3 Results ②	Full Year Forecast (Latest)	②-①	Total	Volume
Japan	55.2	159.7	215.2	53.5	158.9	216.0	(0.8)	(0.8)	(0.0)
Americas	62.6	202.4	269.5	61.5	193.9	260.5	(8.5)	(3.6)	(5.0)
Europe	43.9	136.3	186.3	47.3	137.7	183.0	1.4	(4.8)	6.2
Asia and others	39.9	117.1	154.5	38.9	112.9	145.5	(4.2)	(2.5)	(1.7)
Total	201.6	615.5	825.6	201.1	603.3	805.0	(12.2)	(11.6)	(0.5)

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

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Please see page five. Sales by company location.

See ②-①, volume column. Sales are down JPY11.6 billion YoY, but as explained earlier, this includes the increase in selling price levels and the pass through of the US tariffs, so sales are down JPY19.7 billion in terms of volume.

In terms of volume-based changes by region, Japan was down JPY4.7 billion, the Americas was down JPY8.3 billion, Europe was down JPY4.4 billion, and Asia and other regions were down JPY2.2 billion, of which China was down JPY3.4 billion and Asia and other regions were up JPY1.2 billion.

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

<Net Sales by Business Segment>							(For reference)			
(billion yen)	Q3 Results	FY2024 Q1-3 Results ①	Full Year Results	Q3 Results	FY2025 Q1-3 Results ②	Full Year Forecast (Latest)	Diff. ②-①			FY2025 Full Year Forecast (Previous)
							Total	Volume	Forex	
Bearing and others	82.8	250.9	340.7	84.2	251.8	340.0	0.9	0.4	0.5	340.0
CVJ/Axle	118.8	364.6	484.9	116.9	351.5	465.0	(13.1)	(12.1)	(1.0)	465.0
Total	201.6	615.5	825.6	201.1	603.3	805.0	(12.2)	(11.6)	(0.5)	805.0

<Operating Income by Business Segment>							Diff.		FY2025 Full Year Forecast (Previous)
(billion yen)	Q3 Results	FY2024 Q1-3 Results ①	Full Year Results	Q3 Results	FY2025 Q1-3 Results ②	Full Year Forecast (Latest)	②-①		
Bearing and others	2.9	9.5	13.7	2.2	6.7	9.0	(2.8)		11.0
CVJ/Axle	1.4	4.7	9.3	4.3	12.6	17.0	7.8		15.0
Total	4.3	14.2	23.0	6.4	19.3	26.0	5.1		26.0

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Please see page six. Sales and operating income by business segment.

First, please look at ②-① volume column, in the upper section of the sales. The total sales decrease is JPY11.6 billion, but as I explained earlier, on a volume basis, the sales decrease is JPY19.7 billion. The breakdown is minus JPY3.1 billion for bearing and others and minus JPY16.5 billion for CVJ/Axles.

Next, please look at the column for changes in operating income in the lower section. In bearing and others segment, factors to increase profits, such as improved selling price levels, better variable costs, and fixed cost reductions, could not offset the effects of scale reductions, including inventory valuation, and tariffs, resulting in a JPY2.8 billion decrease YoY.

Regarding the CVJ/Axle segment, while impacted by reduced scale and tariffs, improved variable costs, higher selling prices, and fixed cost reductions including structural reform effects offset these factors, resulting in a JPY7.8 billion increase in profit YoY.

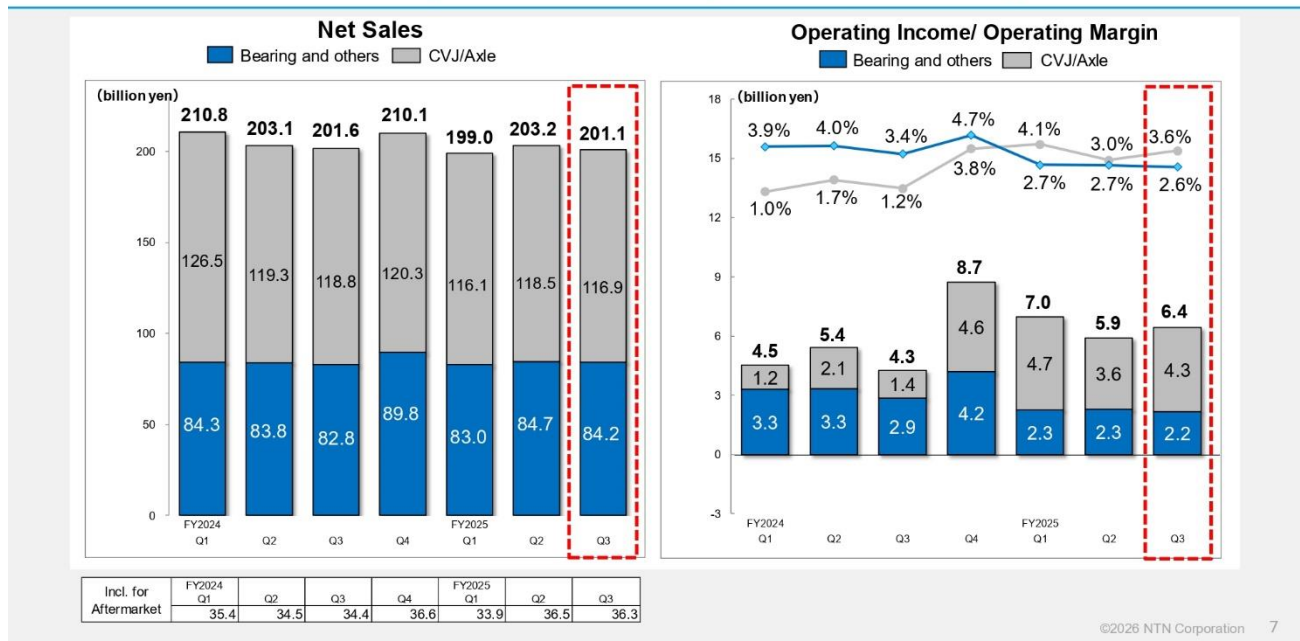
Based on the results through December, the operating income forecast for bearing and others is JPY9.0 billion, down JPY2.0 billion from the previous forecast, while the operating income forecast for CVJ/Axle is JPY17.0 billion, up JPY2.0 billion from the previous forecast.

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



Please see page seven. Quarterly trends in net sales, operating income, and operating margin by business segment. The graph on the left shows the change in net sales, and the graph on the right shows the change in operating income and operating margin.

This is explained in comparison with Q2. First, please see the graph on the left. Sales of bearing and others were JPY84.2 billion, down JPY0.5 billion from Q2, but excluding the positive effect of JPY2.3 billion from exchange rates, sales were down JPY2.7 billion. Sales of CVJ/Axles totaled JPY116.9 billion, down JPY1.6 billion from Q2. However, foreign exchange effects added JPY3.8 billion to this figure. Excluding this impact, sales decreased by JPY5.5 billion.

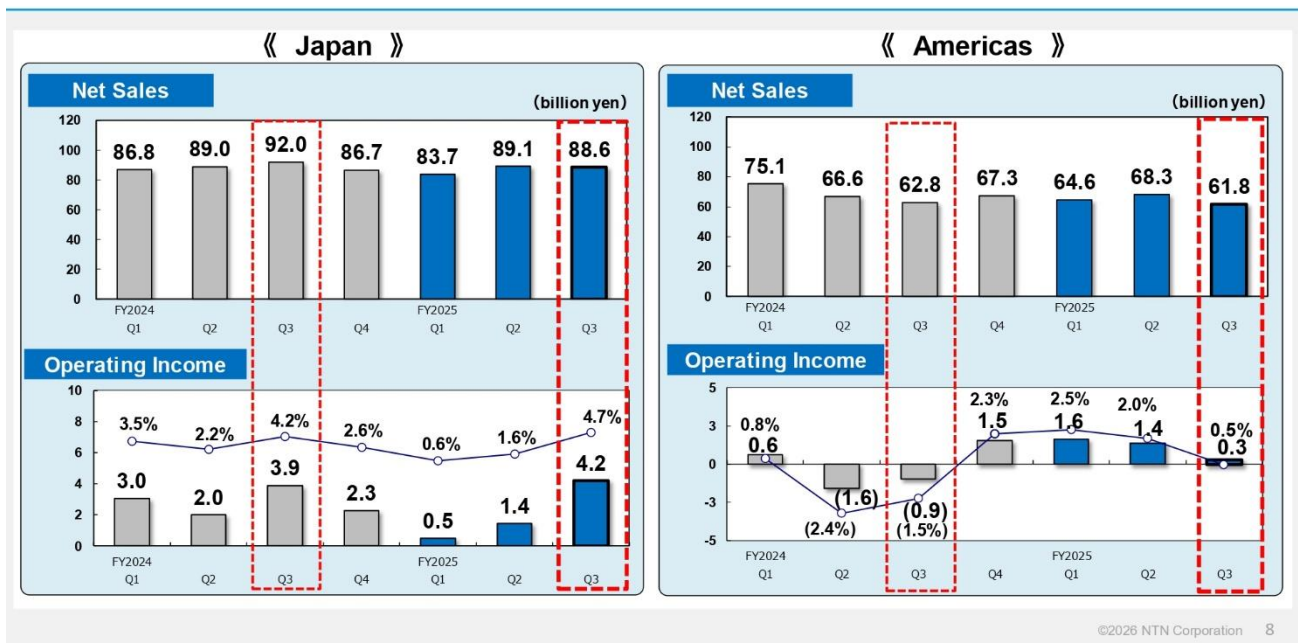
Next, please see the graph on the right. Operating income for bearing and others business decreased by JPY0.1 billion from Q2 to JPY2.2 billion, with an operating margin of 2.6%. This was due to the impact of reduced scale, despite improvements in variable costs and favorable exchange rates. Operating income for the CVJ/Axle business, while impacted by reduced scale, increased by JPY0.7 billion compared to Q2 to JPY4.3 billion, driven by improvements in variable costs and favorable exchange rates. The operating margin stood at 3.6%.

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## 6-1. Net Sales and Operating Income by Company Location NTN



Please see page eight. Quarterly trends in sales and operating income by company location. Japan is on the left and the Americas on the right. I will explain by comparing the same period last year.

Sales in Japan totaled JPY88.6 billion, a decrease of JPY3.4 billion YoY. However, the impact of exchange rates added JPY0.8 billion. Excluding this effect, sales decreased by JPY4.3 billion. Operating income increased by JPY0.3 billion YoY to JPY4.2 billion, despite the impact of reduced scale, due to higher selling prices and foreign exchange effects.

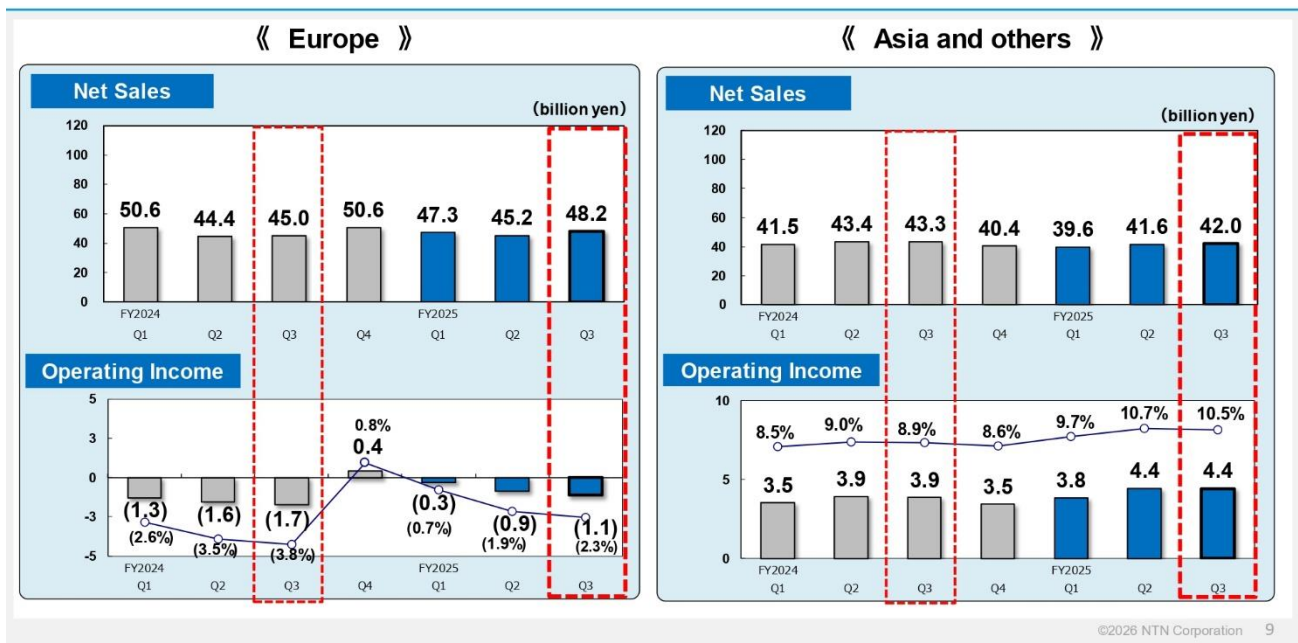
Next, sales in the Americas totaled JPY61.8 billion, a decrease of JPY1.0 billion YoY. However, impact of exchange rates added JPY2.2 billion to this figure. Excluding this impact, sales decreased by JPY3.3 billion. Operating income increased JPY1.2 billion YoY to JPY0.3 billion, mainly due to improved variable costs and reduction of fixed costs including the effect of structural reforms.

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



Please see page nine. Similarly, this shows the quarterly trends in sales and operating income by company location. Left is Europe, right is Asia and others.

Sales in Europe totaled JPY48.2 billion, an increase of JPY3.2 billion YoY. However, this included a positive foreign exchange impact of JPY4.9 billion; excluding this impact, sales decreased by JPY1.7 billion.

Operating income improved by JPY0.6 billion YoY to a loss of JPY1.1 billion, despite the impact of reduced scale, due to improvements in variable costs and reductions in fixed costs, including the effects of structural reforms.

Sales in Asia and other regions totaled JPY42.0 billion, a decrease of JPY1.2 billion YoY. However, the positive impact of foreign exchange rates amounted to JPY1.0 billion. Excluding this impact, sales decreased by JPY2.2 billion compared YoY.

Operating income increased by JPY0.5 billion YoY to JPY4.4 billion, driven by fixed cost reductions including structural reforms in China and improvements in variable costs.

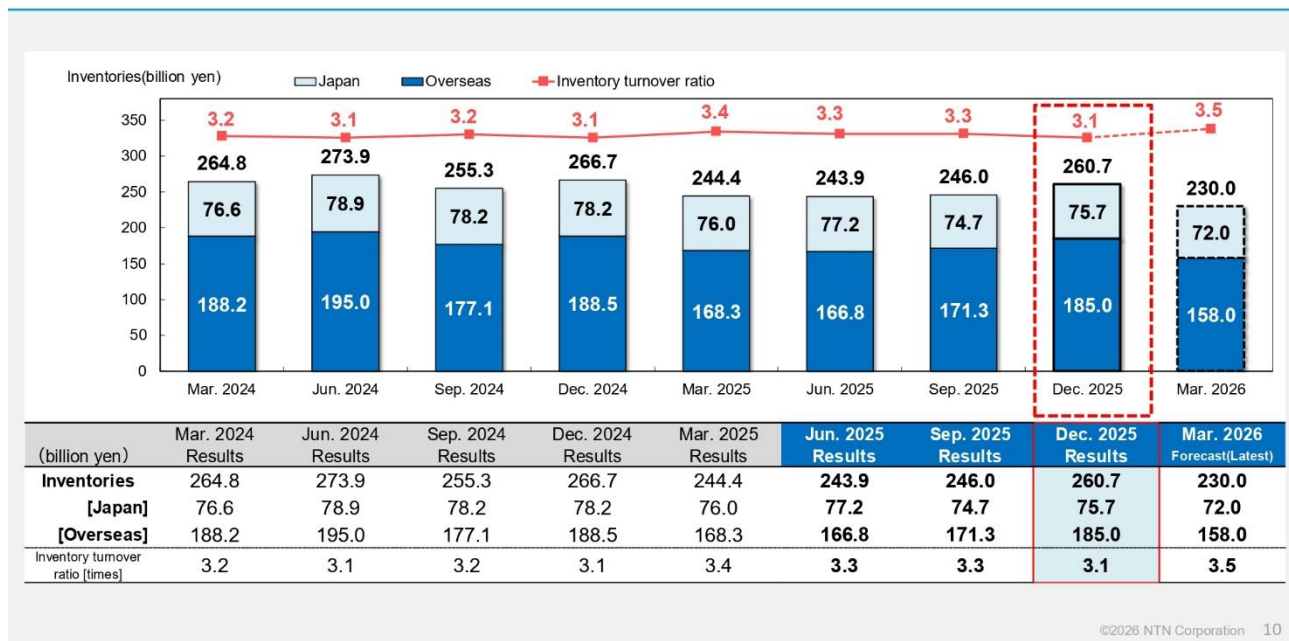
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## 7. Inventories



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Please see page ten. Changes in inventories by quarter.

Inventories at the end of December 2025 were JPY260.7 billion. The increase was JPY16.3 billion from the end of March 2025, but there was a JPY15.0 billion impact from foreign exchange and a JPY1.2 billion impact from the US tariffs, resulting in a JPY0.1 billion increase in volume.

In addition to the usual impact of the Christmas vacations in Europe and the US, inventories temporarily increased in December due to the fire at aluminum plant from which customers in the Americas source materials and the semiconductor supply risk this year.

The forecast for the end of March 2026 is JPY230.0 billion, with a target turnover ratio of 3.5 times. To achieve this goal, we will continue to reduce work in process, parts, materials, and material inventories in particular.

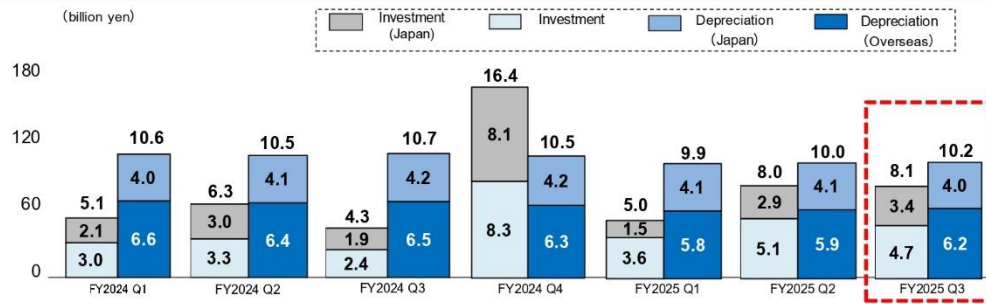
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## 8. Capital Expenditures and Depreciation



(billion yen)	FY2024		FY2025	Diff.	FY2025
	Q1-3 Results①	Full Year Results	Q1-3 Results②	②-①	Full Year Forecast
Capital expenditure	15.7	32.2	21.1	5.4	32.0
[Japan]	7.0	15.1	7.7	0.8	14.0
[Overseas]	8.8	17.1	13.4	4.6	18.0

\*In addition, capital expenditure for intangible fixed assets (FY2025 Q1-3 Results : ¥1.9 billion, FY2025 Full Year Forecast : ¥5.0 billion)

(billion yen)	FY2024		FY2025	Diff.	FY2025
	Q1-3 Results①	Full Year Results	Q1-3 Results②	②-①	Full Year Forecast
Depreciation	31.9	42.4	30.1	(1.8)	39.0
[Japan]	12.3	16.5	12.2	(0.1)	17.0
[Overseas]	19.6	25.8	17.9	(1.7)	22.0

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Please see page 11. Changes in capital expenditures and depreciation.

Capital expenditures for the three-month period from October to December totaled JPY8.1 billion and depreciation was JPY10.2 billion; for the cumulative period from April to December, capital expenditures totaled JPY21.1 billion and depreciation was JPY30.1 billion. We believe both are on the lines of our full-year forecast.

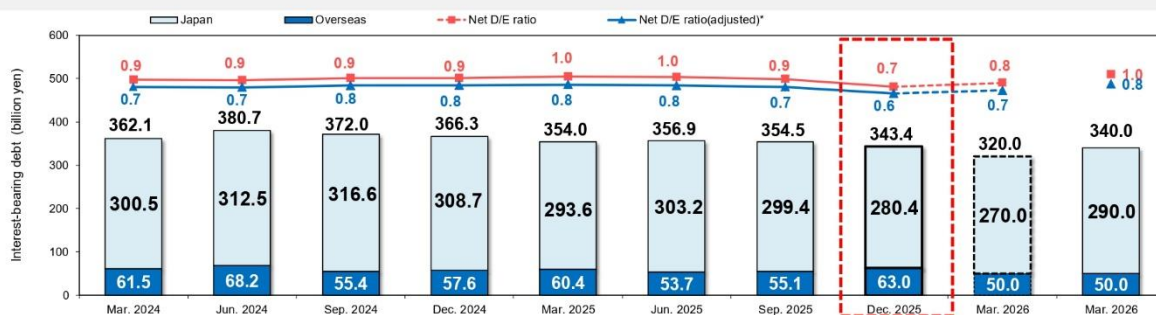
Capital expenditures of JPY21.1 billion by region were JPY7.7 billion in Japan, JPY2.8 billion in the Americas, JPY7.2 billion in Europe, and JPY3.4 billion in Asia and other areas.

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## 9. Interest - Bearing Debt



(For reference)

	Mar. 2024	Jun. 2024	Sep. 2024	Dec. 2024	Mar. 2025	Jun. 2025	Sep. 2025	Dec. 2025	Mar. 2026	Mar. 2026
(billion yen)	Results	Results	Results	Results	Results	Results	Results	Results	Forecast	Forecast(Previous)
Interest-bearing debt	362.1	380.7	372.0	366.3	354.0	356.9	354.5	343.4	320.0	340.0
[Japan]	300.5	312.5	316.6	308.7	293.6	303.2	299.4	280.4	270.0	290.0
[Overseas]	61.5	68.2	55.4	57.6	60.4	53.7	55.1	63.0	50.0	50.0
Net Interest-bearing debt	234.8	243.2	234.7	238.1	226.3	220.1	218.0	201.3	194.5	214.5

\*Adjustment for the equity-recognized portion (50%) of the hybrid financing.

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Please see page 12. Changes in Interest-bearing debt.

Interest-bearing debt at the end of December 2025 was JPY343.4 billion, net interest-bearing debt was JPY201.3 billion, and the net debt-to-equity ratio was 0.7. The conversion of convertible bonds was completed in December. Therefore, we anticipate interest-bearing debt of JPY320.0 billion, net interest-bearing debt of JPY194.5 billion, and a net debt-to-equity ratio of 0.8 as of the end of March 2026.

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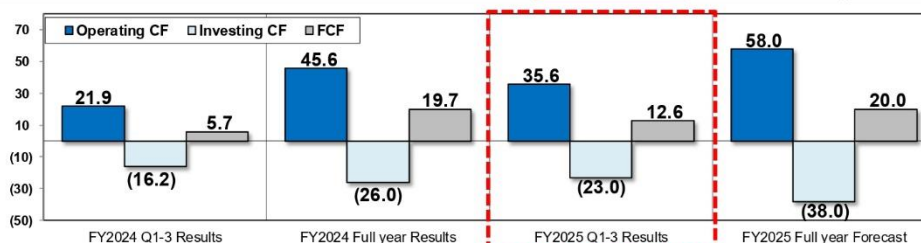
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## 10. Cash Flows

(billion yen)	FY2024		FY2025	②-①	FY2025
	Q1-3 Results①	Full Year Results	Q1-3 Results①		Full Year Forecast
I. Cash flow from operating activities	21.9	45.6	35.6	13.8	58.0
II. Cash flow from investing activities	(16.2)	(26.0)	(23.0)	(6.8)	(38.0)
I + II. Free cash flow	5.7	19.7	12.6	7.0	20.0
III. Cash flow from financing activities	(7.6)	(18.7)	(5.5)	2.0	(23.0)
IV. Effect of exchanging rate translation on cash and cash equivalents	2.8	(0.5)	7.2	4.5	(3.0)
V. Net increase in cash and cash equivalents	0.9	0.4	14.3	13.4	(6.0)



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Please see page 13. Changes in cash flows.

Operating cash flow and free cash flow for Q3 totaled JPY35.6 billion and JPY12.6 billion, respectively, and we believe they are generally in line with our plans. We expect full-year operating cash flow to be JPY58.0 billion and free cash flow to be JPY20.0 billion.

That is all from me.

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

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## Question & Answer

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**Nagao [M]:** Now I would like to move on to the question-and-answer period.

During the Q&A session, the secretariat will nominate those who have questions.

Now, Mr. Sasaki from USB Securities, please go ahead with your question.

**Sasaki [Q]:** I am Sasaki from UBS Securities. I would like to ask you three brief questions.

First, thank you very much for what CFO Yamamoto just said. So, I would like to ask again about the detailed figures later. If you would be so kind as to tell us how the results of the third quarters were evaluated within the company, please divide them into two business, bearings and CVJ, and tell us how each business progressed compared to the plan, and how they were evaluated, including their initiatives. I would like to ask President Ukai and Mr. Yamamoto to look back on the third quarters and tell us how they should be viewed in general. Please.

**Ukai [A]:** Thank you very much. I, Ukai, tell an overall story. One of the main reasons for CVJ/Axle's lower sales but higher profits is the effect of structural reforms, since much of its production is overseas.

And, in the overseas plants, for example, sending materials from China to Europe. It is not just the exchange of Japanese yen for dollars or euros, but also multilateral exchanges, or the effect of reducing variable costs here. CVJ/Axle is in a situation where this kind of thing tends to be more pronounced, so the effect of this has resulted in a decrease in sales, but an increase in profit.

On the other hand, the bearing business, which is based on industrial machinery, has been in a slump for more than three years, especially in the industrial machinery sector, which is still lingering.

Unlike CVJ/Axle, bearings are mainly manufactured in Japan and sent to overseas markets in the form of finished products. In this sense, one reason is that we are in the process of reforming our domestic business structure, and the other is that the effects of such reforms, such as CVJ/Axle, are still being realized in the future.

That, and the impact of the exchange rate, in the form of CVJ/Axles, the bearings have yet to show up. So, in total, we are almost at the line of the plan, but by business segment, there is a difference between CVJ/Axle and bearings.

Mr. Yamamoto, any additional information?

**Yamamoto [A]:** Yes, the overall impression is as Ukai just explained but let me give you some details. As I explained earlier, sales of CVJ/Axle, in particular, dropped due to the semiconductor and aluminum plant fires.

Also, the bearing sales were still more negative than originally expected. The overall impression is that the decrease in profit was offset by the positive exchange rate.

Also, as Ukai mentioned earlier, CVJ/Axle has been making progress in structural reforms, including reductions in variable costs, and the positive effects of these reforms have been greater than expected. Hope it answers your question.

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**Sasaki [Q]:** Thank you very much. In that sense, to summarize, the demand environment was severe for both CVJ and bearings, but as you mentioned, CVJ made good progress because the effects of structural reforms were realized, and therefore, CVJ was able to make progress in the plan this time.

However, bearings have not yet seen the effects of structural reforms, so the business environment there was rather more difficult than expected. Therefore you have revised your full-year plan downward, but overall, the third quarter was in line with the plan. Is that the way you understand it?

**Ukai [A]:** Yes, fine.

**Sasaki [Q]:** OK, I understand. Thank you very much.

The second point is a fine figure to go along with that, though. This increase/decrease factor figure that we always receive is on page four. If these numbers are available, could you please let me know if there are separate numbers for CVJ and bearings. Thank you for your cooperation.

**Yamamoto [A]:** Yamamoto will answer it. Regarding this profit analysis, right?

**Sasaki [Q]:** Yes, it would be helpful if you could give us the numbers here on page four, separated by CVJ and bearings.

**Yamamoto [A]:** Yes. First, bearing and others had a cumulative operating income of JPY9.5 billion in the third quarter of the previous year. Then, the cumulative operating income for the third quarter this time is JPY6.7 billion. Profit decreased by JPY2.8 billion.

First, the exchange rate had a very small impact, plus JPY0.3 billion. As I have explained every time, inventory valuation is a rebound from the sharp increase in the previous year. Including that, the negative impact from scale and other factors amounts to a little over JPY 6.0 billion.

In addition, since most of the bearings are manufactured in Japan, personnel costs and other expenses were negative JPY0.2 billion. Variable costs were JPY1.1 billion, effects of structural reform were JPY0.5 billion, tariffs had a negative impact of JPY0.3 billion, and improvement of sales price level was JPY2.7 billion. We believe that this is a considerable amount of Japan's cost increase that has been passed on. Does it explain regarding bearing and others?

**Sasaki [Q]:** Yes next, please tell me CVJ as well.

**Yamamoto [A]:** CVJ/Axle had an operating income of JPY4.7 billion in the previous year's three-quarter total and JPY12.6 billion in this time, an increase of JPY7.8 billion. As for CVJ, as I mentioned earlier, the first step is to reduce personnel costs and expenses, resulting in plus JPY2.4 billion. The effect of structural reforms is about three times as large, JPY1.6 billion compared to JPY 0.5 billion in the case of bearing and others.

Variable costs, especially in the Americas and Europe, are also JPY7.1 billion due to the switch to Chinese products and other factors. The impact of tariffs is negative JPY0.9 billion, the selling price level is positive 0.7 billion and scale and others are negative JPY2.6 billion. The exchange rate for CVJ was minus JPY0.3 billion because the US is making this in dollars and the scale of the US is large. Is it clear?

**Sasaki [Q]:** Yes. Thank you very much. Finally, on the third point, I would very much like to ask President Ukai to tell us about bearings. It seems to me that CVJ is exactly on track for a lot of structural reform. I believe that even in a severe demand environment, you have been able to achieve a very good decrease in sales and profit growth through the efforts you mentioned.

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On the other hand, as you mentioned, bearings are still a bit behind. Naturally, the external environment has made it difficult to sell high-margin products for industrial machinery and aftermarket, but at the same time, the company has lagged behind CVJ in its structural reform efforts, so I think this is why earnings have been sluggish.

In addition, with the final year of the medium-term plan just next year. I think it's safe to expect that the demand environment will probably be a tailwind from now on. How do you plan to improve the profit/loss of this bearing, which is lagging behind CVJ?

I would very much like to know what CEO Ukai is thinking about now and your future strategy. Thank you for your cooperation.

**Ukai [A]** : Thank you very much. Regarding the first point, how I see the market, there have been various reports in the newspapers and other media regarding machine tools in the past month or so. In our discussions with machine tool manufacturers, we found that sales are increasing, but in reality, the number of machines is not growing because of the high-priced and large-size products. We have heard that it has been difficult to achieve growth in the area of general supplies, especially for small and medium-sized companies in the US.

For example, they use two bearings in one spindle, but if the number of spindles does not increase, the demand for the spindles and bearings will not increase directly.

Therefore, as a leading indicator for the bearing business, the order situation for machine tools is extremely important. In that sense, the current situation is that order volumes have not yet begun to recover to a level where numbers are starting to come through. That being said, there is still some talk that this future is also still uncertain.

In this context, as you mentioned earlier, we are now promoting structural reforms in Japan, including customer demand. We now have a general idea of what the situation is with the US tariffs, and we are moving forward with the idea that it is almost possible to pass on the tariffs.

On the other hand, there is the EV movement, which is also intertwined with this area. We are trying to figure out how to reorganize, including new products that are going to be used in EVs, which are now one or two years behind the plan, and which plants will make them and which, for example, ball bearings will be integrated into one in Wakayama and so on.

We have been working on a plan to allocate the space and management resources generated from this to new products. Some of our plans have been delayed a bit due to changes in market conditions in that area.

However, we cannot stay there forever, so we are now in the process of allocating as much as we can in the FY2026 so that we can take concrete action in FY2026.

We are already planning for the next medium-term management plan, though. As I have explained previously, the aftermarket is not limited to our own production, but also includes the use of ODMs, whereby we purchase products from local manufacturers who have been properly certified by us and meet our technical certification and approval requirements, and expand sales by offering these products to appropriate applications. Including these initiatives, we are committed to steadily growing the aftermarket business.

As for OEMs, we expect considerable growth in aircraft bearings, but the situation is still a bit weak in construction machinery, which is our main business, and in gearboxes, although showing some signs of recovery, are still relatively weak. We will make every effort to follow up on this situation. That is all.

**Sasaki [Q]**: Thank you for the clear explanation. That is all from me.

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**Nagao [M]:** Thank you, Mr. Sasaki. Does anyone have any other questions?

Ms. Wang from Nomura Securities, please go ahead.

**Wang [Q]:** I am Wang from Nomura Securities. Thank you for your kind explanation.

The first point is the structural reform part. Am I correct in understanding that the CVJ/Axle is progressing above your expectation? If so, is there any possibility of raising the total forecast, or raising the forecast as an effect of structural reforms?

**Yamamoto [A]:** Your question now is about the effect of structural reforms, the JPY5.0 billion we are looking at this fiscal year, and do you mean to raise the amount of that effect?

**Wang [Q]:** Yes, I think that the effects of structural reforms are not limited to those items, but there are other things that are spread out, but since the forecast for CVJ/Axle has been raised this time, I was wondering if your overall perspective on this has not changed.

**Yamamoto [A]:** Okay. First, as a premise, the effect of this structural reform is limited to the amount of fixed cost reductions at the business sites where the structural reform was implemented. As mentioned earlier in the profit analysis, CVJ/Axle has made considerable progress in reducing variable costs, including structural reforms, and we have raised our forecast for this reason. Is it OK?

**Wang [Q]:** Thank you. So, am I correct in understanding that only the structural reform items will remain the same?

**Yamamoto [A]:** Yes. Since the reduction of fixed costs is not such a large swing, the effect itself is not expected to change significantly.

**Wang [Q]:** OK, thank you. I think that would be a little bit connected, but the effect of the variable cost has not been revised this time, so you are looking at a plus JPY6.0 billion for the full year. Q1 to Q3 were quite positive, and when subtracted, Q4 would be minus JPY22.0 billion. Is it correct to understand that this is simply not yet revised?

**Yamamoto [A]:** Yes. No modifications have been made based on a conservative view.

**Wang [Q]:** OK. I understood. That is all from me. Thank you very much.

**Yamamoto [A]:** Yes. Thank you very much.

**Nagao [M]:** OK. Thank you very much, Ms. Wang. Does anyone else have any questions? Mr. Tai from Daiwa Securities, please go ahead.

**Tai [Q]:** I am Tai. First, this may be a bit of a big deal, but there have been some whispers about the impact on the automobile industry due to the shortage of semiconductors and DRAMs. Have there been any changes in the inquiries to your company or in your communication with customers?

**Ukai [A]:** I, Ukai answer. I think Mr. Tai's question is in the form of the future. The semiconductors case, which Yamamoto explained a little earlier in his part, is still lingering. Among the Japanese automakers we do business with, the company with which we have the largest transactions has been the most significantly affected. In order to recover production in North America, semiconductors from Japan and China are being sent to North America, while production outside of North America is being reduced or adjusted. That is the situation.

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As a result, the impact of this is still lingering, as seen earlier with inventory assets and the like. The fire at the aluminum plant has also had an impact, especially in the North American region.

However, I understand that Mr. Tai's question was about the impact on our company of the shortage of general-purpose semiconductors that is said to be expected in some parts of the world. At this point in time, we have not yet seen any impact from this.

**Tai [Q]:** I see, I understand. Yes, it is. Regarding the shortage of regular general-purpose memory, you think it's probably okay right now. May be there will be an impact in future but right now, you think it is OK. I understood.

Another thing is the price. I think there is a tug-of-war between price and demand, so it may not be easy. Compared to three or six months ago, have there been any changes in customers' reactions to the price hikes in the automobile and industrial machinery sectors? Not necessarily the bad ones, but the good ones, and I was wondering if you could introduce me to any changes.

**Ukai [A]:** First, in the automobile field, there are some products that have been unprofitable for a long time, and we are continuing our activities to request price revisions for them, while making our best efforts to reduce cost.

On the other hand, we have also been negotiating from another angle, especially this fiscal year, to see how far we can recover the US tariffs, so there are still some cases where we have not been able to get approval for those unprofitable areas. We are in a situation where we are reducing cost here in parallel and at the same time continuing negotiations.

However, for industrial machinery and the aftermarket, especially the aftermarket fixed price list, we will certainly revise the list multiple times during the year to ensure that prices are appropriate.

In the industrial machinery industry, especially in Japan, the Small and Medium Enterprise Agency, including the Ministry of Economy, Trade and Industry, as well as the Japan Fair Trade Commission, have been involved in activities to appropriately pass on inflation to selling prices. I understand that although some companies remain strict, it is easier than in the past to raise prices for the inflationary portion. That is all.

**Tai [Q]:** I understood. Thank you very much. That is all from me. It's okay. That is all.

**Nagao [M]:** Thank you very much, Mr.Tai. Does anyone else have any questions?

Thank you very much. There is still some time left before the end of the presentation, and this concludes the IR presentation on the financial results of NTN Corporation. Thank you very much for joining us. Thank you very much.

[END]

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