NTN Corporation

Q2 Financial Results Briefing for the Fiscal Year Ending March 2027

November 5, 2026

Event Summary

[Company Name]	NTN Corporation	
[Company ID]	6472-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Q2 Financial Results Briefing for the Fiscal Year Ending March 2027	
[Fiscal Period]	FY2027 Q2	
[Date]	November 5, 2026	
[Number of Pages]	32	
[Time]	15:00 – 16:12 (Total: 72 minutes, Presentation: 29 minutes, Q&A: 43 minutes)	
[Venue]	Webcast	
[Venue Size]		
[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
	Tsubasa Sasaki	UBS Securities

Wataru Ishimoto	Nomura 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 start time, so we will begin NTN Corporation's Q2 financial results IR briefing for the fiscal year ending March 2027. Thank you very much for taking the time out of your busy schedules to attend our financial results IR briefing today.

First, I will introduce the participants. President and 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 check there if you do not have them at hand.

Today, President Ukai will first explain the key points of the financial results, followed by CFO Yamamoto, who will explain the results for the current fiscal year and the full-year forecast. After the presentations, we will hold a Q&A session and plan to conclude at 16:30.

President Ukai, please begin.

Ukai: I am Ukai from NTN. Thank you very much for taking time out of your busy schedules to attend our financial results briefing today. I would also like to express my gratitude to our shareholders and analysts for your continued support.

I will first explain the key points of the financial results and the progress of our Medium-term Management plan, "DRIVE NTN100" Final.

1. Key Points of FY2026 H1 Financial Results

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Sales and operating income increased YoY : Price improvements, cost reductions through structural reforms, and the impact of yen depreciation

- Sales increased YoY, as higher sales volumes for industrial machinery and the weaker yen, despite the impact of the end of automotive mass-production programs in the Americas and Europe
- Operating income increased YoY, as price improvements and reductions in variable and fixed costs offset the impact of lower sales volume, while yen depreciation also contributed to the increase
- Inventories continued to decline steadily despite the impact of yen depreciation

(billion yen)	FY2025 H1 Results ①	FY2025 Full Year Results	FY2026 H1 Results ②	FY2026 YoY ①vs②
Net sales	402.3	826.3	**413.6**	+11.3 Excl. forex (3.4%)
Operating income	12.9	31.0	**17.4**	+4.5
Operating margin	3.2%	3.8%	**4.2%**	+1.0pt
Ordinary income	8.7	23.5	**12.2**	3.5
Profit (loss) attributable to owners of parent	3.1	12.9	**5.5**	2.4
Exchange rate 1USD	¥146.0	¥150.7	**¥159.3**	+¥13.3
Exchange rate 1EURO	¥168.0	¥174.7	**¥184.3**	+¥16.2
Inventories	246.0	245.9	**237.7**	* (8.2)
Capital expenditure	13.0	32.5	**14.4**	+1.3
FCF	14.3	30.9	**24.7**	+10.4

* vs the end of Mar. 2026

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Please turn to page three. Net sales and operating income increased YoY in H1.

Net sales were JPY413.6 billion, an increase of JPY11.3 billion YoY. Despite the impact of the end of automotive mass-production programs in the Americas and Europe, sales volume for industrial machinery increased, and yen depreciation also contributed. Operating income was JPY17.4 billion, an increase of JPY4.5 billion YoY. Although there was a decline in scale, this was offset by price improvements and reductions in variable and fixed costs, among other factors, while yen depreciation also contributed. Ordinary income was JPY12.2 billion. As a result, interim profit attributable to owners of parent was JPY5.5 billion, an increase of JPY2.4 billion YoY.

Inventories were JPY237.7 billion, a decrease of JPY8.2 billion from the end of the previous fiscal year. We secured positive free cash flow of JPY24.7 billion, supported by an increase in ordinary income and a decrease in inventories, among other factors.

2. Key Points of FY2026 Forecast

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Sales forecast revised upward: higher sales volume drives an increase from the previous forecast

- Sales increased from the previous forecast, driven by higher sales volume and the favorable impact of the weaker yen in H1
- Operating income is expected to increase due to increased scale, selling price improvements, and favorable foreign exchange effects (operating margin: 4.5%). However, the forecast remains unchanged, reflecting ¥4.4 billion in costs related to the business integration with NSK Ltd.
- Extraordinary income/losses remain unchanged from the previous forecast, while structural reforms under the Medium-term Management Plan are progressing as planned
- The dividend forecast remains unchanged from the previous forecast: ¥6.5 per share for both the interim and year-end dividends, for an annual dividend of ¥13 per share.

(billion yen)	FY2025 Full Year Results ①	FY2026 H1 Results	FY2026 Full Year Forecast ②	①–②	FY2026 Full Year Forecast (Previous)③	②–③
Net sales	826.3	413.6	**825.0**	(1.3)	**810.0**	+15.0
Operating income	31.0	17.4	**33.0**	+2.0	**33.0**	0.0
Operating margin	**3.8%**	**4.2%**	**4.0%**	+0.2pt	**4.1%**	(0.1pt)
Ordinary income	23.5	12.2	**21.0**	(2.5)	**21.0**	0.0
Extraordinary income (loss)	(8.3)	(1.7)	**6.0**	+14.3	**6.0**	0.0
Profit (loss) attributable to owners of parent	12.9	5.5	**15.0**	+2.1	**15.0**	0.0
Exchange rate 1USD	¥150.7	¥159.3	**¥154.7**	+¥3.9	¥152.3	+¥2.3
Exchange rate 1EURO	¥174.7	¥184.3	**¥179.6**	+¥4.9	¥177.6	+¥2.1
Inventories	245.9	237.7	**225.0**	(20.9)	**220.0**	**+5.0**
Capital expenditure	32.5	14.4	**36.0**	+3.5	**36.0**	**0.0**
FCF	30.9	24.7	**36.0**	+5.1	**36.0**	**0.0**

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Please refer to page four. Based on the H1 results and the current business environment, we have revised the net sales forecast within our full-year forecast for the fiscal year ending March 2027, announced in May this year.

Net sales are expected to exceed the previous forecast, as demand for industrial machinery, including construction machinery and machine tools, has remained stronger than assumed at the beginning of the fiscal year. Although there has been an impact from the end of automotive mass-production programs, demand for hybrid vehicles has been strong. In addition, yen depreciation in H1 has provided favorable foreign exchange effects.

Operating income had been expected to exceed the previous forecast, with the operating margin reaching 4.5%, due to increased scale, progress in price improvements, and favorable foreign exchange effects from yen depreciation. However, we have maintained the previous forecast after newly incorporating JPY4.4 billion in costs related to the business integration with NSK Ltd. Extraordinary income and losses also remain unchanged from the previous forecast, and we are proceeding with structural reforms in each region as planned.

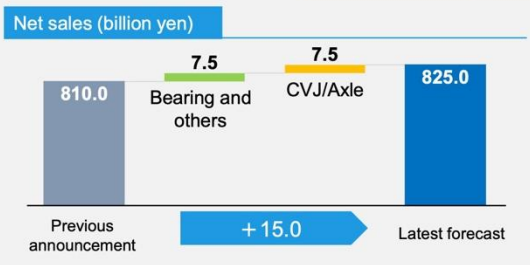
As a result, we have revised net sales upward to JPY825.0 billion. At the same time, operating income of JPY33.0 billion, ordinary income of JPY21.0 billion, and profit attributable to owners of parent of JPY15.0 billion remain unchanged from the previous forecast.

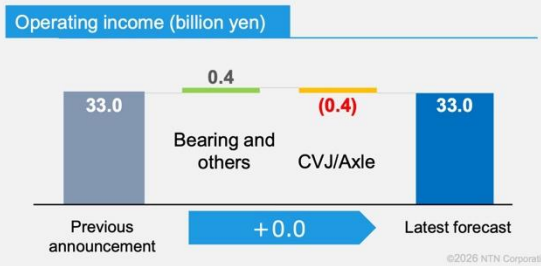
We have set inventories at JPY225.0 billion, an increase of JPY5.0 billion from the previous forecast, due to increased logistics volumes associated with sales and production. In line with the forecast at the beginning of the fiscal year, the interim dividend is JPY6.5 per share. Combined with the forecast year-end dividend of JPY6.5 per share, the annual dividend will be JPY13 per share.

3. FY2026 Forecast by Business Segment

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(billion yen)		FY2026 Latest H1 Results		FY2026 Latest H2 Forecast		FY2026 Latest Full Year Forecast		Previous announcement Full Year	
Net sales	Bearing and others	179.3	43.4%	185.2	45.0%	364.5	44.2%	357.0	44.1%
Composition ratio	CVJ/Axle	234.3	56.6%	226.2	55.0%	460.5	55.8%	453.0	55.9%
	Total	413.6	100.0%	411.4	100.0%	825.0	100.0%	810.0	100.0%
Operating income	Bearing and others	6.5	3.6%	8.5	4.6%	14.9	4.1%	14.5	4.1%
Operating margin	CVJ/Axle	10.9	4.6%	7.2	3.2%	18.1	3.9%	18.5	4.1%
	Total	17.4	4.2%	15.6	3.8%	33.0	4.0%	33.0	4.1%



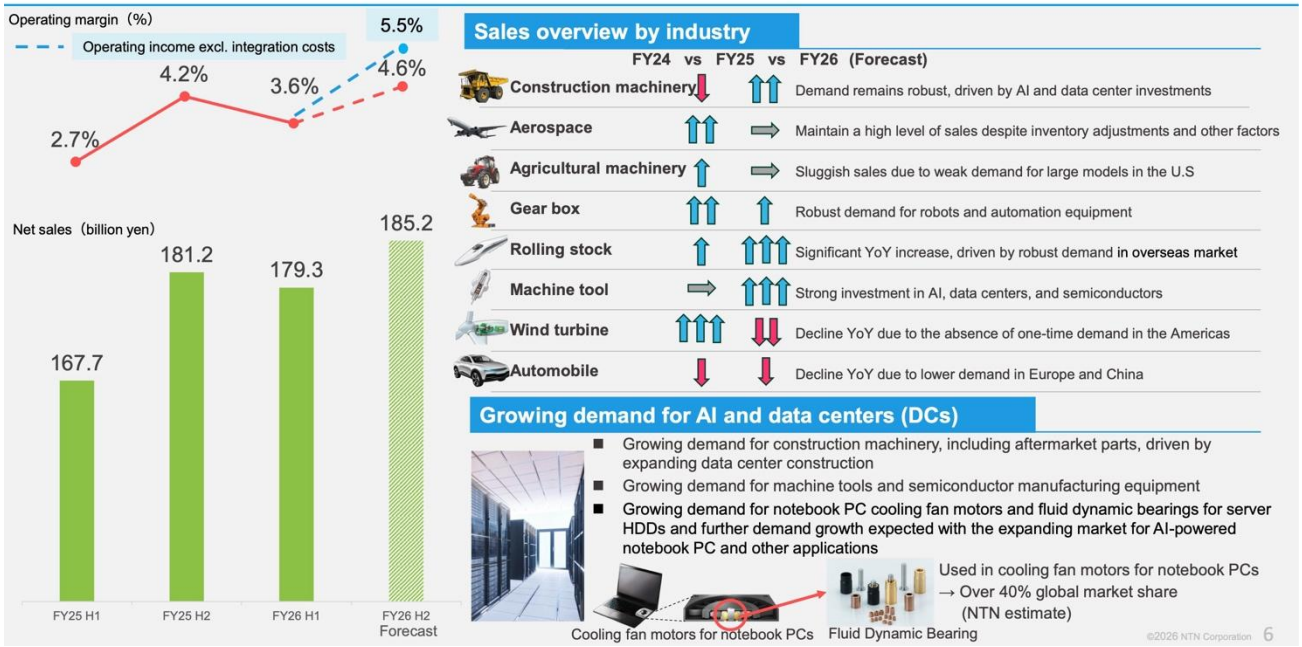


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Please refer to page five. This page shows the performance forecast by business segment.

For bearing and others, we have revised net sales to JPY364.5 billion, reflecting robust demand for construction machinery, gear boxes, and machine tools in Japan, the Americas, China, and other markets. Operating income had been expected to exceed the previous forecast, as increased scale and foreign exchange effects offset higher steel prices and increased costs stemming from the situation in the Middle East. However, after newly incorporating integration costs, we now forecast operating income of JPY14.9 billion and an operating margin of 4.1%.

For CVJ/Axle, we have revised net sales to JPY460.5 billion. Although weak sales by Japanese automakers in China are continuing, we have factored in the benefits from certain new vehicle models in Japan, robust hybrid vehicle demand in the Americas, and foreign exchange effects in H1. Despite delays in recovering US tariffs and other factors, operating income had been expected to exceed the previous forecast due to steady progress in price improvements and cost reductions since the previous forecast, as well as foreign exchange effects. However, as with bearing and others, we have incorporated integration costs and now forecast operating income of JPY18.1 billion and an operating margin of 3.9%.



Please refer to page six. For bearing and others, we forecast H2 net sales of JPY185.2 billion and an operating margin of 4.6%. Excluding integration costs, the operating margin will be 5.5%.

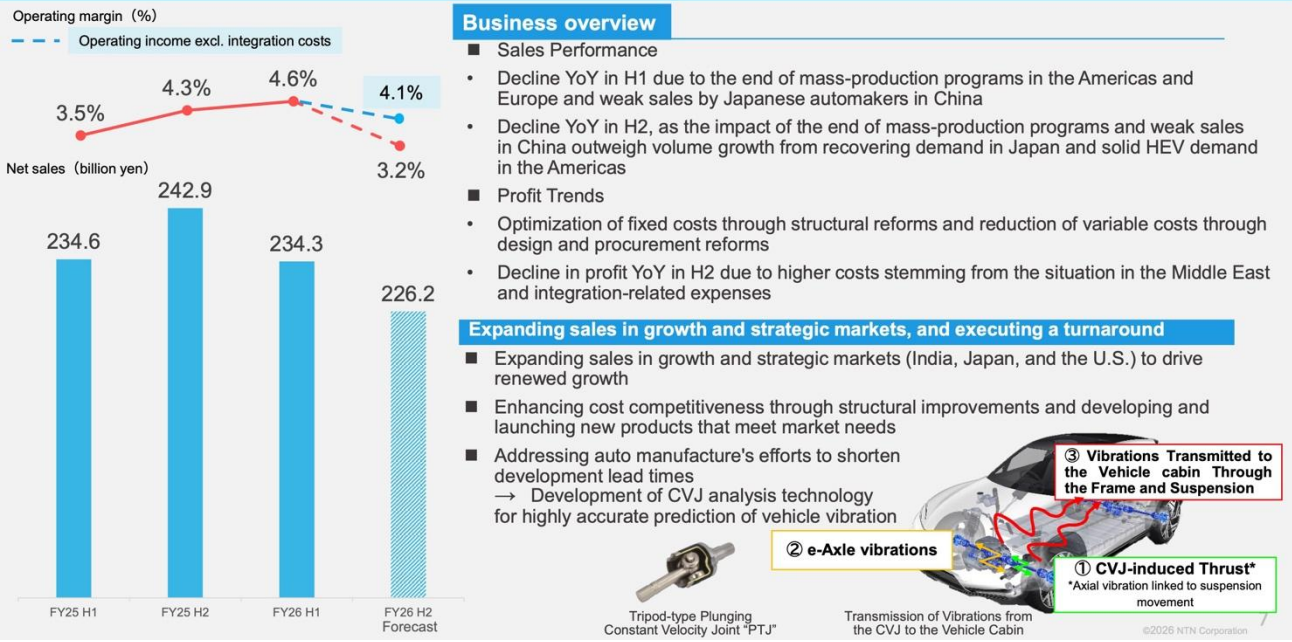
In the industrial machinery market, recovery is evident not only in demand for AI and data centers but also in actual demand for machine tools, a leading market indicator, making the improvement in market conditions increasingly clear. For construction machinery, demand for general construction machinery is increasing as data center construction activity expands worldwide. Demand for mining machinery, including aftermarket parts, is also increasing. For aerospace, although inventory adjustments are occurring in some areas, market conditions remain favorable, and we are maintaining a high level of sales. For agricultural machinery, falling grain prices in the US and increased costs due to tariffs and the situation in the Middle East have dampened investment appetite, with sales stagnating particularly for large models.

Demand for gearboxes remains robust, supported by expanding AI-related investment and the need for equipment automation. For rolling stock, demand for applications such as high-speed rolling stock overseas is increasing, and sales are expected to increase YoY. For machine tools, demand is increasing significantly as AI-related and semiconductor-related markets expand, and sales are expected to significantly exceed both last year's level and our assumptions at the beginning of the fiscal year. For automobiles, demand remains sluggish in Europe and China, and sales are expected to decline YoY.

In AI- and data center-related applications, sales of our fluid dynamic bearings also remain robust. We have a 40% global market share in applications for notebook PC cooling fan motors, and the growing adoption of AI-powered notebook PCs and other factors are expected to support demand.

Although we will bear integration costs this fiscal year, we will continue to improve unprofitable businesses and reduce costs, translating the benefits of increased sales scale into higher profits.

4-2. Initiatives of FY2026 in CVJ/Axle



Please refer to page seven.

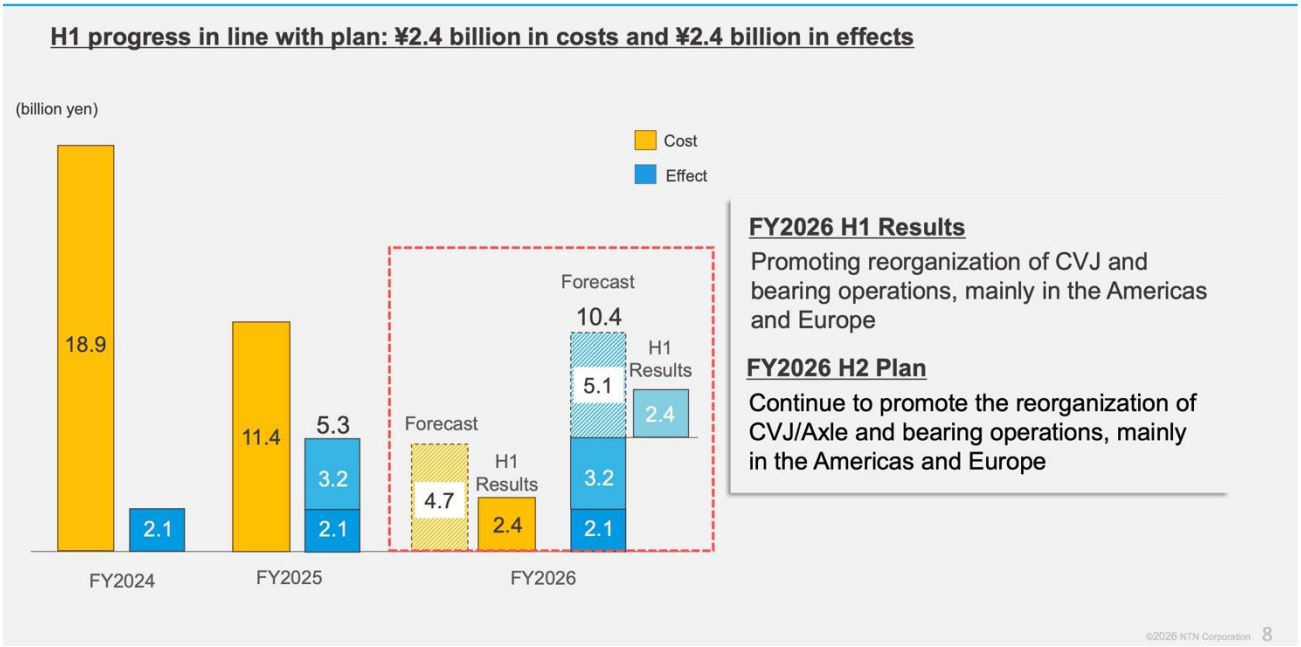
H1 sales in CVJ/Axle declined YoY due to the end of mass-production programs in the Americas and Europe and weak sales by Japanese automakers in China. In H2, although demand in Japan is recovering and demand for hybrid vehicle applications in the US remains robust, the significant impact of the end of mass-production programs and weak sales in China is expected to result in a decline in net sales YoY.

As a result, we forecast net sales of JPY226.2 billion and an operating margin of 3.2%. Excluding integration costs, the operating margin will be 4.1%.

Meanwhile, the effects of structural reforms, along with the results of design and procurement reforms, including overseas procurement of parts in the US and expanded local procurement in India, are improving our cost competitiveness. We are winning new projects in India, a growth market, and in Japan and the US, markets where we have competitive advantages. To further step up our sales efforts, we will develop new products that meet market needs and respond to auto manufactures' efforts to shorten development lead times.

To address these needs, we have developed a vehicle vibration prediction and analysis model that combines CVJ analysis technology with technology for analyzing the paths through which vibrations are transmitted to the vehicle cabin. This enables us to reduce the labor hours required for prototyping and actual vehicle evaluations, contributing to shorter vehicle development lead times. At present, the decline in scale resulting from the process of streamlining unprofitable businesses continues. However, as structural improvements through cost reductions are progressing steadily, we are winning projects in growth markets and markets where we have competitive advantages and are stepping up our efforts to achieve a turnaround.

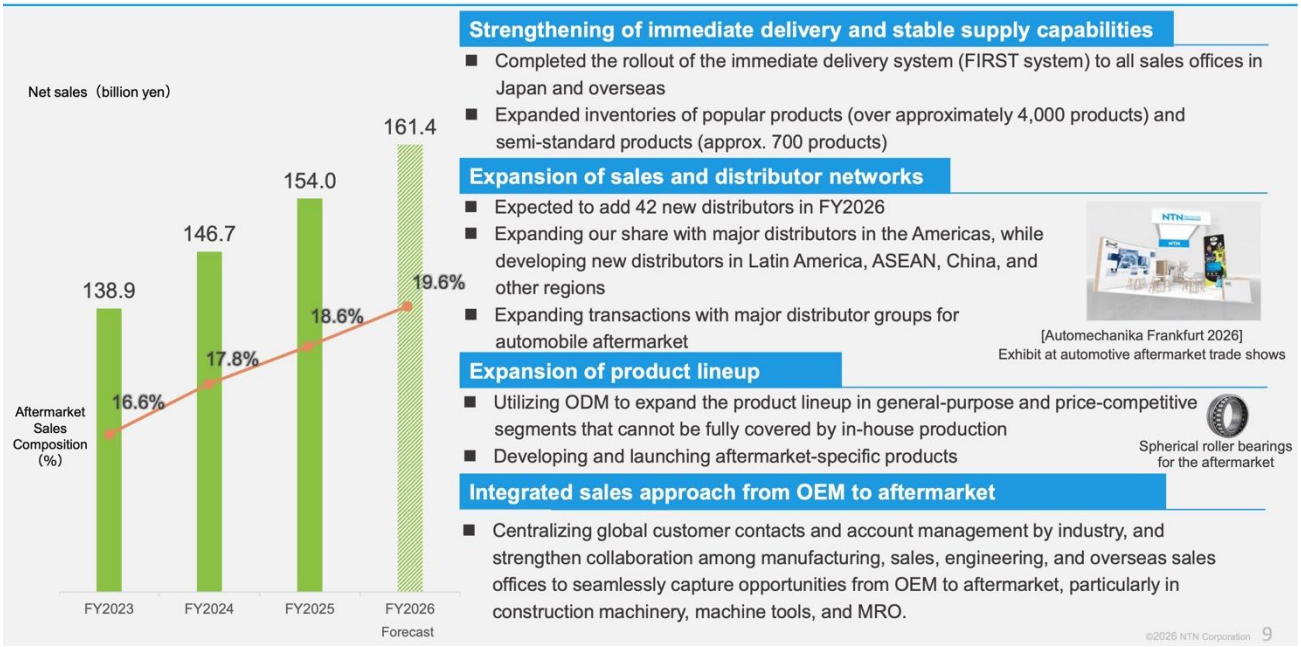
5-1. Progress of “DRIVE NTN100” Final : Structural Reform



Please turn 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 to record JPY35.0 billion in extraordinary losses over three years as structural reform costs, while the reforms are expected to reduce fixed costs by JPY10.4 billion this fiscal year compared with FY2023. Structural reforms are progressing as planned, and in H1, we have been reorganizing CVJ and bearing operations, mainly in the Americas and Europe. We will continue to steadily implement structural reforms to achieve NTN’s reorganization, reducing fixed assets and fixed costs.

5-2. Progress of "DRIVE NTN100" Final : Expand Aftermarket Business



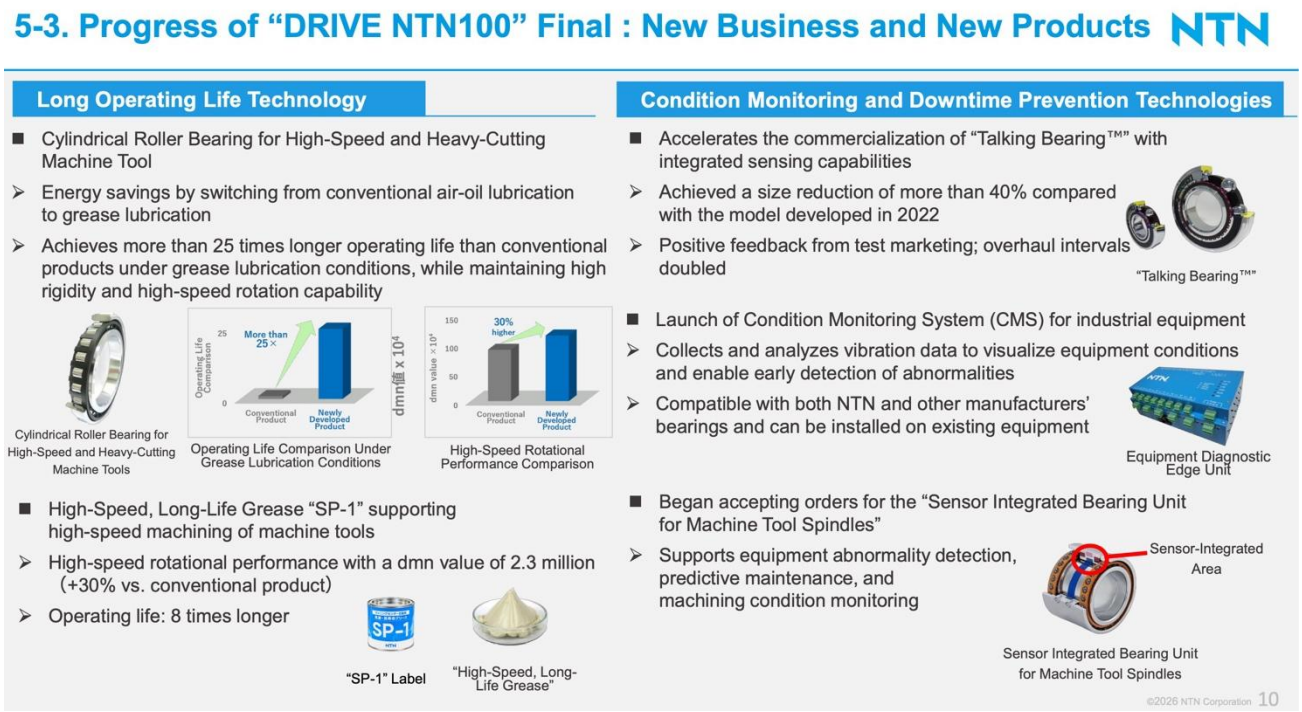
Please refer to page nine. I will explain the progress in expanding our aftermarket business.

Aftermarket demand is gradually recovering as the industrial machinery market moves toward recovery. The aftermarket share of net sales reached 19.1% in H1 and is expected to rise to 19.6% for the full year. In response to recovering demand, we will steadily implement the initiatives to expand our aftermarket business set out in the Medium-term Management plan and translate them into results. We have completed the rollout of FIRST, our immediate delivery system for popular products, to all eligible sales companies, contributing to sales growth. Going forward, we will further strengthen our supply capabilities by expanding inventories, including semi-standard products, and diversifying suppliers, thereby expanding sales.

Supported by stronger supply capabilities, we are strengthening and expanding our distributor networks in each region. In the Americas, we are expanding the range of our products handled by major distributors. In the Middle East, Africa, China, and other markets, we are developing new distributors.

To expand our product lineup, we are utilizing ODM, through which we sell partner manufacturers' products under our brand, to broaden our range of general-purpose products. We are developing and launching aftermarket-specific products tailored to market needs and regional characteristics.

In addition, to connect the customer base and product specifications established through our OEM business to aftermarket MRO, we are centralizing global customer contacts and account management by industry and establishing a framework that links our manufacturing, sales, and engineering functions with overseas sales companies. Through this framework, we will concentrate our efforts on projects for key customers.



Please refer to page 10. In our vision for FY2035, we emphasize creating environmental and social value in addition to economic value. We will provide sustainable products and services centered on downtime prevention technologies and longer operating life.

For long operating life technology, we have developed bearings for machine tool spindles that combine high rigidity with high-speed rotational performance at the industry's highest level. Under grease lubrication conditions, they achieve an operating life more than 25 times that of conventional products, contributing to improved equipment utilization and energy savings. We have also begun offering high-speed, long-life grease "SP-1," which draws on lubrication technologies cultivated over many years to combine stable lubrication performance at high rotational speeds with long operating life.

For condition monitoring and downtime prevention technologies, we are accelerating the commercialization of "Talking Bearing" with integrated sensing capabilities. We have achieved a size reduction of approximately 40% from the conventional model and are building a track record through test marketing, including doubling overhaul intervals.

We have also begun offering a condition monitoring system for industrial equipment, adapting our condition monitoring system with a proven track record in wind turbines for use across a broad range of industrial machinery. This contributes to the stable operation of customers' equipment and more efficient maintenance work.

In addition, we have begun accepting orders for the Sensor Integrated Bearing Unit for Machine Tool Spindles. We will continue to develop and provide various products and services that utilize sensing technologies.

"DRIVE NTN100" Final, which began in 2024, now has six months remaining in its final fiscal year. We will steadily build on the various initiatives presented today and strive to enhance corporate value.

That concludes my explanation.

Nagao: Thank you, President Ukai. Next, CFO Yamamoto will explain the details of the Q2 financial results and the full-year forecast. CFO Yamamoto, please begin. CFO Yamamoto, please proceed.

Yamamoto: I am Yamamoto, CFO. I will take over the presentation from here.

1. Key Financial Indicators of FY2026

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(billion yen)	FY2025 H1 Results ①	FY2025 H2 Results	FY2025 Full Year Results	FY2026 H1 Results ②	FY2026 Full Year Forecast (Latest)	Diff. ②-① Total	Diff. ②-① Volume	Diff. ②-① Forex	(For reference) FY2026 Full Year Forecast (Previous Announcement)
Net sales	402.3	424.1	826.3	413.6	825.0	11.3	(14.7)	26.0	810.0
Operating income	12.9	18.2	31.0	17.4	33.0	4.5	0.3	4.2	33.0
Operating margin	3.2%	4.3%	3.8%	4.2%	4.0%	1.0pt			4.1%
Ordinary income	8.7	14.8	23.5	12.2	21.0	3.5	(0.5)	3.9	21.0
Extraordinary income (loss)	(0.4)	(7.9)	(8.3)	(1.7)	6.0	(1.3)	(1.2)	(0.2)	6.0
Profit (loss) attributable to owners of parent	3.1	9.8	12.9	5.5	15.0	2.4	0.1	2.3	15.0
Inventories	246.0	245.9	245.9	237.7	225.0	* (8.2)	(5.2)	(3.0)	220.0
FCF	14.3	16.6	30.9	24.7	36.0	10.4	-	-	36.0
Exchange rate 1USD	¥146.0	¥155.4	¥150.7	¥159.3	¥154.7	¥13.3			¥152.3
Exchange rate 1EURO	¥168.0	¥181.5	¥174.7	¥184.3	¥179.6	¥16.2			¥177.6
FY2026 Annual Dividend				¥13.0 (Interim ¥6.5 / Year-end ¥6.5)					

* Increase/decrease from the end of Mar. 2026

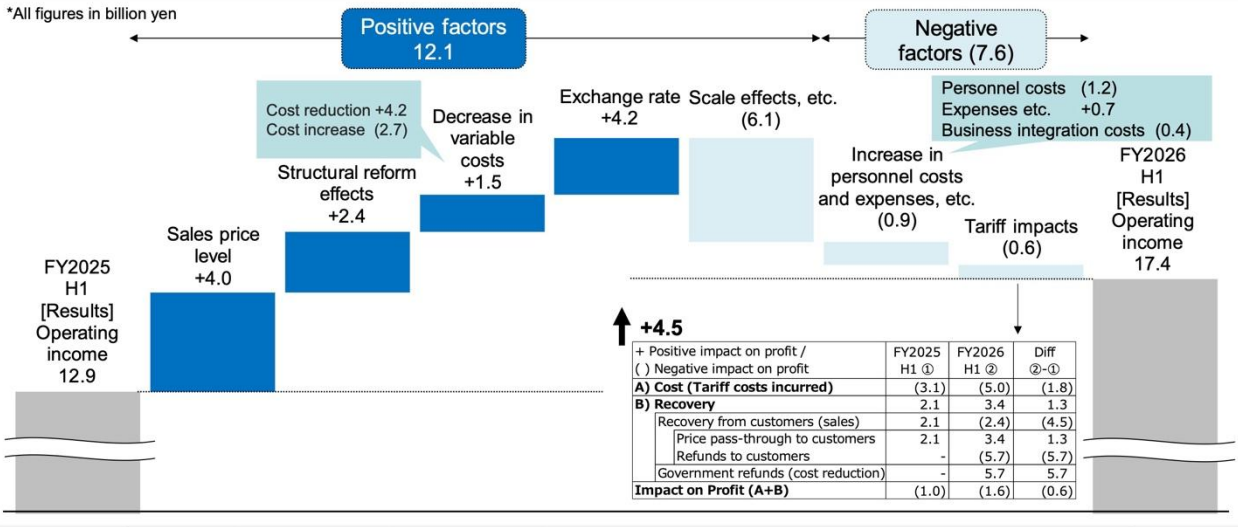
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Please turn to page 12. This page shows the key consolidated financial indicators. Since Ukai explained the key points earlier, I will skip the explanation here.

I will explain the changes in net sales and operating income, as well as the status of inventories and cash flows, later. We have also revised our full-year financial results forecast, so I will explain the analysis of changes between the previous and latest forecasts later as well.

2-1. Analysis of Operating Income [FY2025 H1 Results vs FY2026 H1 Results]

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+ Positive impact on profit / ( ) Negative impact on profit	FY2025 H1 ①	FY2026 H1 ②	Diff ②-①
A) Cost (Tariff costs incurred)	(3.1)	(5.0)	(1.8)
B) Recovery	2.1	3.4	1.3
Recovery from customers (sales)	2.1	(2.4)	(4.5)
Price pass-through to customers	2.1	3.4	1.3
Refunds to customers	-	(5.7)	(5.7)
Government refunds (cost reduction)	-	5.7	5.7
Impact on Profit (A+B)	(1.0)	(1.6)	(0.6)

	FY2025 H1 Results	FY2026 H1 Results	Diff.	Forex	Sales price	Passing on tariffs	Volume
Net Sales	402.3	413.6	**11.3**	26.0	4.0	(4.5)	(14.2)

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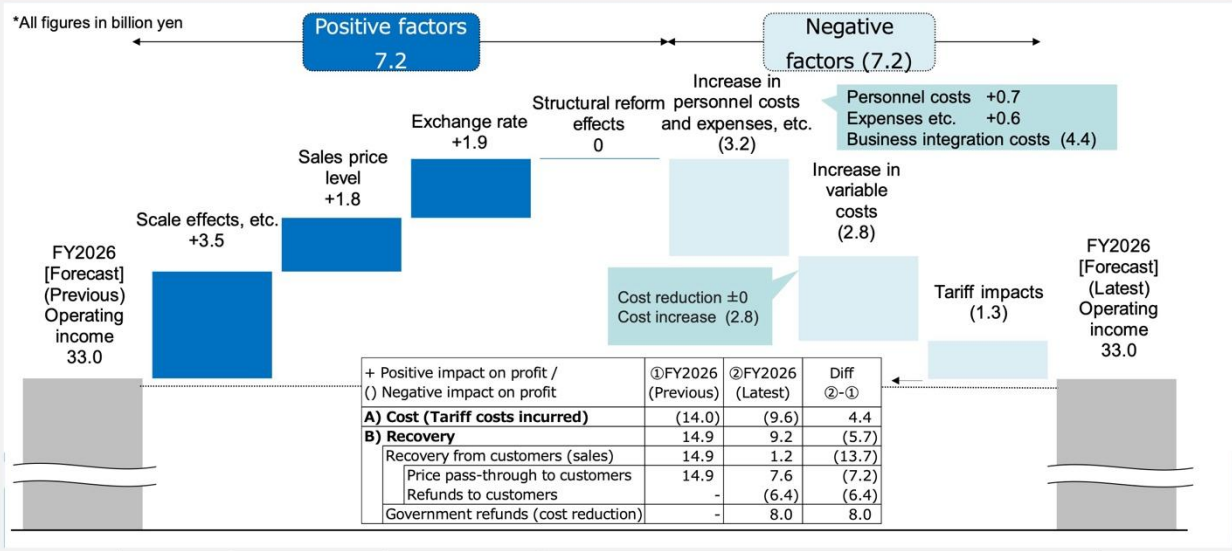
Please refer to page 13. This waterfall chart analyzes the YoY change in H1 operating income.

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. Please look at the table showing changes in net sales below the chart. On a volume basis, excluding foreign exchange effects, sales prices, and tariff impacts, net sales decreased by JPY14.2 billion YoY.

The largest negative factor on the right was scale effects, etc., including lower sales and production, at JPY6.1 billion. Personnel costs and expenses, etc., reduced operating income by JPY0.9 billion, while tariff impacts reduced it by JPY0.6 billion. Meanwhile, the positive factors on the left were improvements in sales price levels of JPY4.0 billion, structural reform effects of JPY2.4 billion, a decrease in variable costs of JPY1.5 billion, and foreign exchange effects of JPY4.2 billion.

2-2. Analysis of Operating Income [FY2026 Forecast [previous] vs FY2026 Forecast [latest]]

NTN



+ Positive impact on profit / () Negative impact on profit	①FY2026 (Previous)	②FY2026 (Latest)	Diff ②-①
A) Cost (Tariff costs incurred)	(14.0)	(9.6)	4.4
B) Recovery	14.9	9.2	(5.7)
Recovery from customers (sales)	14.9	1.2	(13.7)
Price pass-through to customers	14.9	7.6	(7.2)
Refunds to customers	-	(6.4)	(6.4)
Government refunds (cost reduction)	-	8.0	8.0

	FY2026 Forecast (Previous)	FY2026 Forecast (Latest)	**Diff.**	Forex	Sales price	Passing on tariffs	Volume
Net Sales	810.0	825.0	**15.0**	15.9	1.8	(13.7)	11.0

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Please refer to page 14. This waterfall chart analyzes the changes in operating income between the previous and latest full-year forecasts.

First, please look at the negative factors on the right. After incorporating JPY4.4 billion in integration-related costs, we expect personnel costs and expenses, etc., to reduce operating income by JPY3.2 billion. We also expect variable costs to reduce operating income by JPY2.8 billion due to the situation in the Middle East and steel surcharges, and tariff impacts to reduce it by a further JPY1.3 billion.

Next, please look at the table showing changes in net sales below the chart. Factoring in higher sales mainly in the Americas, we expect a volume-based increase in net sales of JPY11.0 billion from the previous forecast.

For the positive factors on the left, we expect JPY3.5 billion from scale effects, etc., including higher sales and production, JPY1.8 billion from improvements in sales price levels in response to higher costs, and JPY1.9 billion from foreign exchange effects.

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

NTN

(For reference)

(billion yen)	FY2025 H1 Results ①	FY2025 H2 Results	FY2025 Full Year Results	FY2026 H1 Results ②	FY2026 Full Year Forecast (Latest)	Diff. ②-① Total	Diff. ②-① Volume	Diff. ②-① Forex	FY2026 Full Year Forecast (Previous Announcement)
Japan	105.4	111.0	216.4	**108.5**	**224.0**	**3.1**	**3.1**	**0.0**	**225.5**
Americas	132.4	130.1	262.5	**131.8**	**259.0**	**(0.6)**	**(12.7)**	**12.1**	**250.5**
Europe	90.4	103.1	193.6	**93.9**	**187.5**	**3.5**	**(4.4)**	**7.9**	**184.5**
Asia and others	74.0	79.8	153.9	**79.4**	**154.5**	**5.4**	**(0.6)**	**6.0**	**149.5**
Total	402.3	424.1	826.3	**413.6**	**825.0**	**11.3**	**(14.7)**	**26.0**	**810.0**

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Please refer to page 15. This page shows net sales by company location.

Please look at the column showing changes excluding foreign exchange effects under number two minus number one. Net sales decreased by JPY14.7 billion YoY. However, as explained earlier, this includes the effects of sales price levels and tariffs, so the volume-based decrease in net sales was JPY14.2 billion. By region, the volume-based changes were an increase of JPY0.1 billion in Japan, a decrease of JPY9.5 billion in the Americas, a decrease of JPY3.9 billion in Europe, and a decrease of JPY1.0 billion in Asia and others, including a decrease of JPY1.2 billion in China.

4. Net Sales and Operating Income by Business Segment NTN

(billion yen)		FY2025 H1 Results ①	FY2025 H2 Results	FY2025 Full Year Results	FY2026 H1 Results ②	FY2026 Full Year Forecast (Latest)	Diff. ②-① Total	Diff. ②-① Volume	Diff. ②-① Forex	(For reference) FY2026 Full Year Forecast (Previous Announcement)
Net Sales	Bearing and others	167.7	181.2	348.9	**179.3**	**364.5**	**11.6**	**1.6**	**10.1**	**357.0**
	CVJ/Axle	234.6	242.9	477.5	**234.3**	**460.5**	**(0.3)**	**(16.3)**	**15.9**	**453.0**
	Total	402.3	424.1	826.3	**413.6**	**825.0**	**11.3**	**(14.7)**	**26.0**	**810.0**
Operating Income	Bearing and others	4.6	7.7	12.3	**6.5**	**14.9**	**1.9**	**0.0**	**1.9**	**14.5**
	%	2.7%	4.2%	3.5%	**3.6%**	**4.1%**	**0.9pt**			**4.1%**
	CVJ/Axle	8.3	10.5	18.8	**10.9**	**18.1**	**2.6**	**0.3**	**2.3**	**18.5**
	%	3.5%	4.3%	3.9%	**4.6%**	**3.9%**	**1.1pt**			**4.1%**
	Total	12.9	18.2	31.0	**17.4**	**33.0**	**4.5**	**0.3**	**4.2**	**33.0**
	%	3.2%	4.3%	3.8%	**4.2%**	**4.0%**	**1.0pt**			**4.1%**

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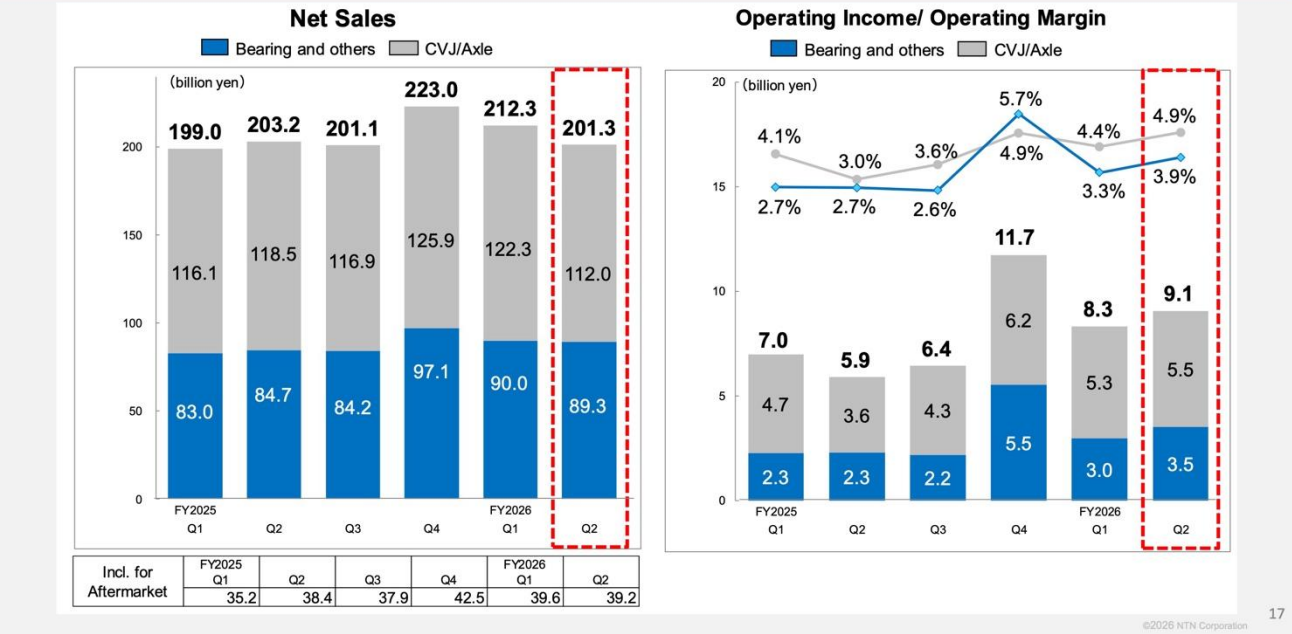
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Please refer to page 16. This page shows net sales and operating income by business segment.

First, please look at the column showing changes excluding foreign exchange effects under number two minus number one for net sales in the upper section. The total decrease in net sales was JPY14.7 billion, but as explained earlier, the volume-based decrease was JPY14.2 billion. The breakdown was an increase of JPY1.4 billion in bearing and others and a decrease of JPY15.6 billion in CVJ/Axle.

Next, please look at the column showing changes in operating income in the lower section. For bearing and others, positive factors included improvements in sales price levels and structural reform effects. However, negative factors included inventory valuation effects, a deterioration in mix, and higher fixed costs, leaving operating income flat YoY excluding foreign exchange effects. For CVJ/Axle, although there was an impact from reduced scale, this was offset by improvements in variable costs, higher sales prices, and reductions in fixed costs, including structural reform effects. As a result, operating income increased by JPY0.3 billion YoY excluding foreign exchange effects.

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



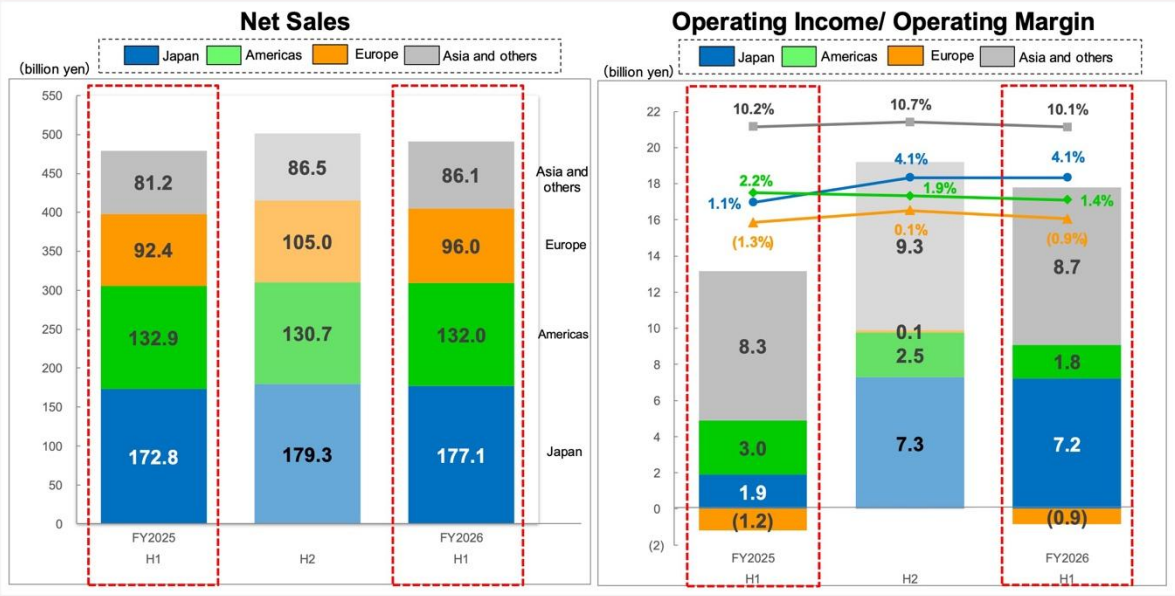
Please refer to page 17. This page shows the quarterly trends of net sales, operating income, and operating margin by business segment.

The graph on the left shows trends in net sales, and the graph on the right shows trends in operating income and operating margin. I will explain the changes from Q1.

First, please look at the graph on the left. Net sales for bearing and others, shown in blue, were JPY89.3 billion, a decrease of JPY0.7 billion from Q1. However, on a volume basis, net sales increased by JPY1.3 billion. Net sales for CVJ/Axle, shown in gray, were JPY112.0 billion, a decrease of JPY10.3 billion from Q1. On a volume basis, net sales decreased by JPY6.8 billion.

Next, please look at the graph on the right. Operating income for bearing and others, shown in blue, increased by JPY0.5 billion from Q1 to JPY3.5 billion, and the operating margin also improved to 3.9%. Despite higher variable costs and other negative factors, reductions in personnel costs and expenses, foreign exchange effects, and other factors contributed to the increase. Operating income for CVJ/Axle, shown in gray, increased by JPY0.2 billion from Q1 to JPY5.5 billion, and the operating margin also improved to 4.9%. Despite negative factors including reduced scale and higher variable costs, reductions in personnel costs and expenses, foreign exchange effects, and other factors contributed to the increase.

6. Net Sales and Operating Income by Company Location NTN



*Net sales and operating income are shown before eliminations of intersegment transactions. Accordingly, the graph totals do not match consolidated net sales and operating income.

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Please refer to page 18. This page shows half-year trends in net sales and operating income by company location.

The graph on the left shows net sales, and the graph on the right shows operating income and operating margin. I will explain the YoY changes.

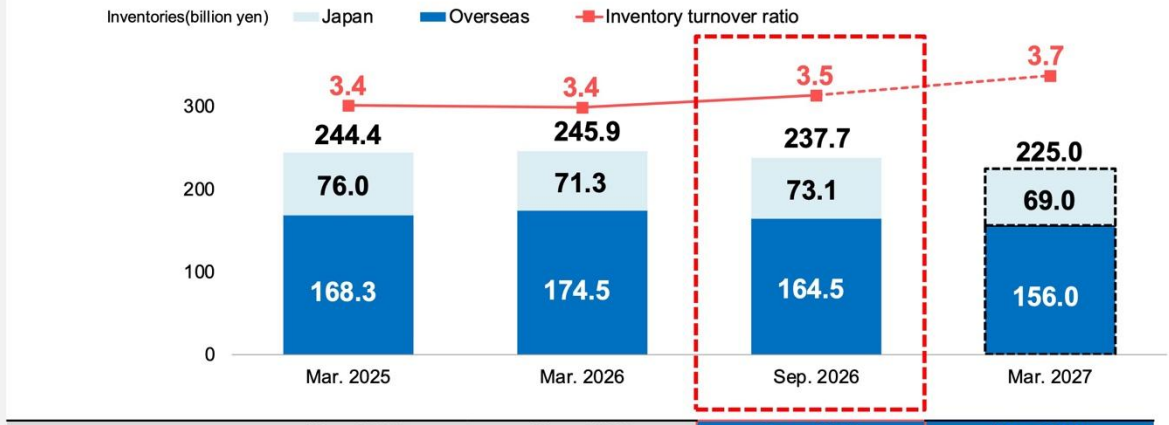
First, net sales in Japan, shown in blue, were JPY177.1 billion, an increase of JPY4.3 billion YoY. However, on a volume basis, net sales decreased by JPY2.8 billion YoY. Despite negative factors including higher fixed costs, operating income increased by JPY5.3 billion YoY to JPY7.2 billion due to improvements in sales price levels, foreign exchange effects, and other factors.

Net sales in the Americas, shown in green, were JPY132.0 billion, a decrease of JPY0.9 billion YoY. On a volume basis, net sales decreased by JPY8.8 billion YoY. Despite improvements in sales price levels, structural reform effects, and other positive factors, these were insufficient to offset the impact of reduced scale, and operating income decreased by JPY1.2 billion YoY to JPY1.8 billion.

Net sales in Europe, shown in orange, were JPY96.0 billion, an increase of JPY3.6 billion YoY. However, on a volume basis, net sales decreased by JPY4.8 billion YoY. Structural reform effects, reductions in fixed costs, and other factors offset the impact of reduced scale, narrowing the operating loss by JPY0.3 billion YoY to JPY0.9 billion.

Finally, net sales in Asia and others, shown in gray, were JPY86.1 billion, an increase of JPY4.9 billion YoY. However, on a volume basis, net sales decreased by JPY2.3 billion YoY. Operating income increased by JPY0.4 billion YoY to JPY8.7 billion due to improvements in variable costs, structural reform effects, foreign exchange effects, and other factors.

7. Inventories



(billion yen)	Mar. 2025 Results	Mar. 2026 Results	Sep. 2026 Results	Mar. 2027 Forecast(Latest)
Inventories	244.4	245.9	**237.7**	**225.0**
[Japan]	76.0	71.3	**73.1**	**69.0**
[Overseas]	168.3	174.5	**164.5**	**156.0**
Inventory turnover ratio [times]	3.4	3.4	**3.5**	**3.7**

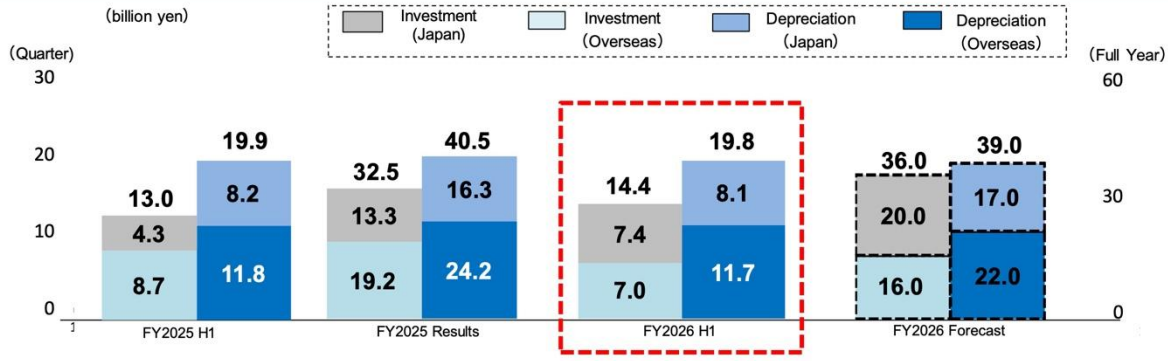
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Please turn to page 19. This page shows trends in inventories.

Inventories at the end of September 2026 were JPY237.7 billion, a decrease of JPY8.2 billion from the end of March 2026. Foreign exchange effects accounted for a decrease of JPY3.0 billion, leaving a volume-based decrease of JPY5.2 billion. A reduction of JPY12.7 billion is needed to reach the forecast of JPY225.0 billion at the end of March 2027. Of this, foreign exchange effects account for a decrease of JPY5.7 billion, so the volume-based reduction required in H2 is JPY7.0 billion. We will continue to reduce inventories to achieve an inventory turnover ratio of 3.7 times.

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8. Capital Expenditures and Depreciation



(billion yen)	FY2025 H1 Results①	FY2025 Full Year Results	FY2026 H1 Results②	Diff. ②-①	FY2026 Full Year Forecast
Capital expenditure	13.0	32.5	* 14.4	1.3	36.0
[Japan]	4.3	13.3	7.4	3.1	20.0
[Overseas]	8.7	19.2	7.0	(1.7)	16.0
Depreciation	19.9	40.5	19.8	(0.1)	39.0
[Japan]	8.2	16.3	8.1	(0.1)	17.0
[Overseas]	11.8	24.2	11.7	(0.0)	22.0

*In addition, capital expenditure for intangible fixed assets (FY2026 H1 Results : ¥1.5 billion, FY2026 Full Year Forecast : ¥4.5 billion)

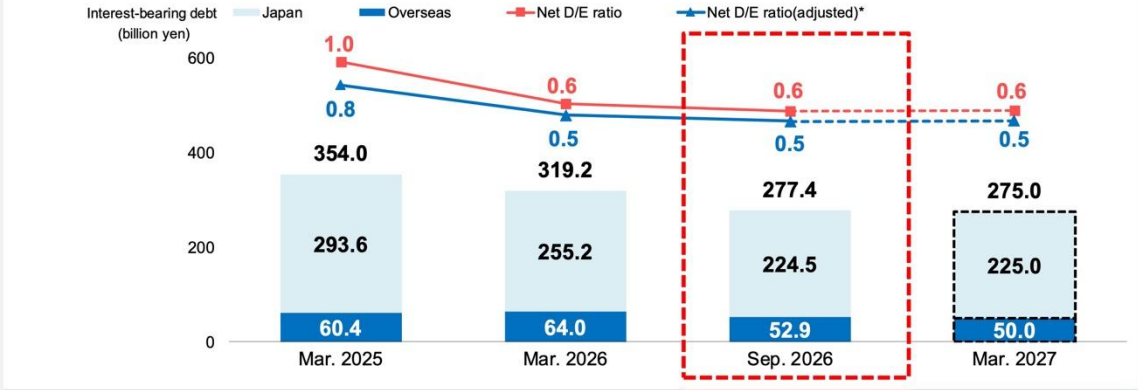
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Please refer to page 20. This page shows the trends of capital expenditures and depreciation.

H1 capital expenditure was JPY14.4 billion, and depreciation was JPY19.8 billion, which we consider to be in line with the full-year forecast. The regional breakdown of the JPY14.4 billion in capital expenditure was JPY7.4 billion in Japan, JPY1.5 billion in the Americas, JPY3.7 billion in Europe, and JPY1.7 billion in Asia and others.

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9. Interest - Bearing Debt



(billion yen)	Mar. 2025 Results	Mar. 2026 Results	**Sep. 2026 Results**	**Mar. 2027 Forecast**
Interest-bearing debt	354.0	319.2	**277.4**	**275.0**
[Japan]	293.6	255.2	**224.5**	**225.0**
[Overseas]	60.4	64.0	**52.9**	**50.0**
Net Interest-bearing debt	226.3	187.9	**168.3**	**163.7**

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

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Please refer to page 21. This page shows the trends of interest-bearing debt.

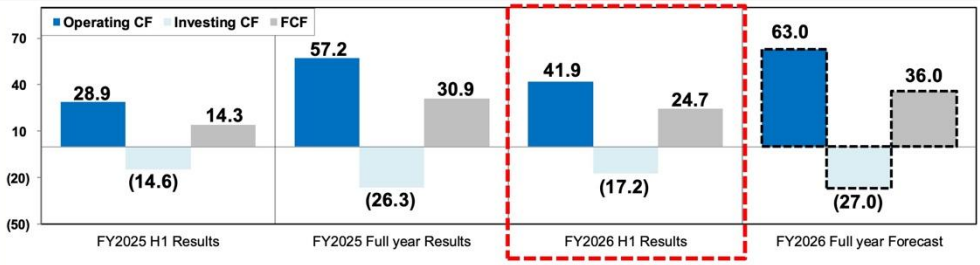
Interest-bearing debt at the end of September 2026 was JPY277.4 billion, and net interest-bearing debt was JPY168.3 billion. In response to rising interest rates, we reduced cash on hand by approximately JPY22.0 billion from the end of the previous fiscal year. At the end of March 2027, we forecast interest-bearing debt of JPY275.0 billion, net interest-bearing debt of JPY163.7 billion, and a net D/E ratio of 0.6.

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10. Cash Flows

NTN

(billion yen)	FY2025 H1 Results①	FY2025 Full Year Results	FY2026 H1 Results②	②-①	FY2026 Full Year Forecast
Ⅰ. Cash flow from operating activities	28.9	57.2	**41.9**	**13.0**	**63.0**
Ⅱ. Cash flow from investing activities	(14.6)	(26.3)	**(17.2)**	**(2.6)**	**(27.0)**
Ⅰ+Ⅱ. Free cash flow	14.3	30.9	**24.7**	**10.4**	**36.0**
Ⅲ. Cash flow from financing activities	(7.7)	(35.3)	**(46.4)**	**(38.8)**	**(52.0)**
Ⅳ. Effect of exchanging rate translation on cash and cash equivalents	2.3	8.0	**(0.4)**	**(2.7)**	**(4.0)**
Ⅴ. Net increase in cash and cash equivalents	8.9	3.5	**(22.2)**	**(31.0)**	**(20.0)**



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Please refer to page 22. This page shows the trends of cash flows.

H1 cash flow from operating activities was JPY41.9 billion, and free cash flow was JPY24.7 billion, representing a significant improvement YoY. Our full-year cash flow forecast remains unchanged from the previous forecast, with cash flow from operating activities of JPY63.0 billion and free cash flow of JPY36.0 billion.

That concludes my explanation.

Nagao: Thank you, CFO Yamamoto.

Question & Answer

Nagao [M]: We will now move on to the Q&A session.

Mr. Sasaki from UBS Securities, please ask your questions.

Sasaki [Q]: Thank you for your presentation today. I am Sasaki from UBS Securities. I would like to briefly ask three questions.

My first question concerns slide 13. You have presented the factors behind the changes in operating income. Could you provide a breakdown of the actual results between bearings and CVJ? Also, regarding the actual operating income of JPY17.4 billion, could you explain the H1 results by outlining what went well and what did not for CVJ and bearings, respectively, relative to the plan at the beginning of the fiscal year? That is my first question. Thank you.

Yamamoto [A]: This is Yamamoto. I will explain the breakdown between bearings and CVJ for the cumulative H1 results for the fiscal year ended March 2026 and the fiscal year ending March 2027.

First, net sales. As partly explained earlier, on a volume basis, net sales increased by JPY1.4 billion for bearings and others and decreased by JPY15.6 billion for CVJ/Axle. Turning to operating income, bearings increased from JPY4.6 billion to JPY6.5 billion, a total increase of JPY1.9 billion. The breakdown was a positive foreign exchange effect of JPY1.9 billion, while personnel costs and expenses had a negative impact of JPY1.9 billion, offsetting the positive foreign exchange effect.

In addition, total integration costs in H1 were JPY0.4 billion, of which JPY0.2 billion was for bearing and others and JPY0.2 billion for CVJ/Axle. Total structural reform effects were JPY2.4 billion, of which JPY1.1 billion was for bearing and others, with the remainder for CVJ/Axle. Variable costs contributed a positive JPY1.5 billion YoY, comprising JPY0.1 billion for bearing and others and JPY1.3 billion for CVJ/Axle. The tariff impact was negative JPY0.6 billion, almost all of which was for CVJ/Axle.

Sales price levels contributed a positive JPY4.0 billion, comprising JPY1.4 billion for bearing and others and JPY2.6 billion for CVJ/Axle. Scale effects, etc., were approximately JPY6.1 billion, with a negative JPY5.5 billion for CVJ/Axle. Although sales of bearings increased slightly, inventory valuation and a deterioration in mix resulted in a negative impact of JPY0.6 billion. That is the breakdown.

Sasaki [Q]: Could you give us the breakdown of the JPY1.5 billion in variable costs?

Yamamoto [A]: There are some rounding differences, but CVJ/Axle accounted for just over JPY1.3 billion and bearing and others for just over JPY0.1 billion, totaling JPY1.5 billion.

Sasaki [Q]: Thank you. Could you outline which areas performed well and which fell short?

Yamamoto [A]: Would a comparison with the previous forecast be all right? We have only announced a full-year forecast this time, but I will answer in terms of what was positive and what did not go well relative to the plan, including some qualitative context.

First, foreign exchange effects were positive for both businesses. The tariff impact has worsened by just over JPY3.0 billion from the previous forecast. Of this, approximately JPY2.9 billion was for CVJ/Axle and around JPY0.2 billion for bearing and others. We see variable costs as unchanged from the previous forecast. In addition, as mentioned earlier, we newly incurred JPY0.4 billion in integration costs, resulting in a

deterioration of JPY0.2 billion for each business. As for the remainder, personnel costs and expenses were also substantial last year, so this accounts for positive JPY3.0 billion and several hundred million, split roughly equally between bearings and CVJ. That is the broad picture.

Sasaki [Q]: Looking at the overall picture, is it correct to understand that the increased tariff impact and integration costs were offset by personnel cost reductions, with foreign exchange effects providing an additional benefit, so that the results were broadly better than the plan at the beginning of the fiscal year?

Yamamoto [A]: Yes, that is broadly the picture.

Sasaki [Q]: Understood. Thank you. Next, I have a similar question about page 14.

Based on what you have just explained, could you explain the thinking behind the revised plan? In particular, regarding the comparison with the previous plan, I believe you said at the Q1 stage that integration-related costs would not be that substantial. Could you explain why these have now reached JPY4.4 billion, and why variable costs and tariff impacts have become considerably larger than previously expected? Conversely, I believe scale has improved. Mr. Yamamoto also mentioned earlier that conditions in the Americas are improving. Could you outline which areas in particular are seeing a recovery in scale beyond your previous assumptions? That is my second question. Thank you.

Yamamoto [A]: This is Yamamoto. I will answer this question as well.

Regarding integration costs at the Q1 IR briefing, NSK had incorporated JPY5.0 billion at that point, and we said ours would be slightly lower. The resulting amount is JPY4.4 billion. Mr. Sasaki, I think your first reaction is, “Why so much?” What I explained at the Q1 briefing was that we use JGAAP, Japanese accounting standards, but must convert to IFRS, international accounting standards, for the F-4 to be filed with the SEC. I cannot disclose the detailed amounts, but the cost of that work is higher for us. Nevertheless, the total integration costs announced by NSK are higher than the JPY4.4 billion we expect, which is why I suggested that ours might be lower. Does that clarify the integration costs? That is the general picture.

Next, regarding the operating income change analysis on page 14, net sales will increase by JPY11.0 billion on a volume basis, contributing approximately JPY3.5 billion in operating income. We consider this a reasonable contribution from increased production and sales. Then there is the substantial increase in costs, which we had not initially anticipated. The situation in the Middle East has led to higher oil-related costs, electricity, and gas costs, as well as higher steel surcharges. We estimate the maximum impact at JPY2.8 billion. Meanwhile, although the cost increase is JPY2.8 billion, we have taken a somewhat conservative view of sales price levels, allowing for amounts we cannot fully pass through and timing differences, and expect a contribution of approximately JPY1.8 billion.

Regarding personnel costs and expenses, although we will incur JPY4.4 billion in integration costs, we are maintaining firm control over fixed costs. We expect to be able to sufficiently contain personnel costs by JPY0.7 billion and expenses by approximately JPY0.8 billion. Does that answer your question?

Sasaki [Q]: What about tariffs? JPY1.3 billion is a large amount. What exactly happened here?

Yamamoto [A]: There is a small table here. Government credits have become available starting this fiscal year, and a figure of minus 57 is included under recovery. The government refunds shown below are deducted from costs, and sales are also reduced, resulting in this figure. Processing these credits takes time, so we have conservatively assumed that approximately JPY1.3 billion will shift to a later period than initially expected. Does that answer your question?

Sasaki [Q]: Is the JPY3.5 billion from scale effects, etc., attributable to bearings or CVJ? What has improved to generate the positive JPY3.5 billion?

Yamamoto [A]: Please understand that the scale effects are split roughly equally between bearings and CVJ. Regarding the JPY11.0 billion, we had expected very difficult conditions for CVJ/Axle at the beginning of the fiscal year. Conditions have not been that difficult, so volumes will increase relative to our initial assumptions. Meanwhile, for bearings, as Ukai explained, machine tools and other markets are recovering, leading to increased volumes. As a result, we expect scale effects, etc., to be split roughly equally.

Sasaki [Q]: Understood. Thank you. Finally, my third question is one I would particularly like to ask Mr. Ukai, regarding slide six.

As Mr. Yamamoto just commented, I believe the business environment for bearings is finally becoming favorable. Yet, looking at the plan, the YoY change in sales remains modest, and the margin is 5.5% excluding integration costs. With these favorable conditions, how will you grow the bearings business, including the aftermarket? I think this is finally the long-awaited recovery phase. How do you intend to expand earnings, particularly by growing the aftermarket business? Finally, I would like to ask President Ukai about your tactics under these favorable conditions, or how you intend to generate earnings and the thinking behind your strategy. Please explain. Thank you.

Ukai [A]: Thank you. This is Ukai.

The upper right of page six shows conditions by industry. As I mentioned earlier, starting with construction machinery and proceeding down the list, data centers related to AI and other applications are currently seeing very strong activity. Next, aerospace has been very strong since last fiscal year and earlier. However, demand has been so strong that the entire supply chain has been unable to keep pace. There is something of a bottleneck, or rather, manufacturers want to produce more, but, for example, engine manufacturers and aircraft assemblers are having difficulty synchronizing parts procurement. There are these separate challenges, but this market also remains very strong. Agricultural machinery is still somewhat weak, but gearboxes are performing well, partly due to growth in construction machinery, as well as robotics and automation. For rolling stock, demand is growing particularly for high-speed rolling stock in China, including aftermarket demand.

Regarding machine tools, as I may have mentioned briefly at the previous IR briefing, total sales value had been increasing until around the year before last, but that growth was driven by higher-priced products and large equipment. Unit volumes, by contrast, had not been increasing much. This year, unit volumes have begun to increase, including smaller machines. This is precisely a leading indicator for us. The number of bearings used per machine does not vary greatly, but as the number of machines increases, the total number of bearings is consequently increasing.

In that sense, while ensuring that we supply OEM customers to the fullest extent possible, we are also seeing accompanying growth in the aftermarket. As I have mentioned previously, we will further strengthen our immediate delivery capabilities. Through FIRST, we will expand immediate delivery globally while always maintaining minimum inventories of standard products, our popular standard products.

Another area is semi-standard products, which we have not adequately addressed in the past. Although lot sizes are smaller, competition over lead times is extremely intense. By further strengthening immediate delivery capabilities in these areas, we will shorten delivery lead times. As explained earlier, we will expand engineering services and engineering solutions by further strengthening our distributor network. Steadily advancing these two initiatives, although it will take some time, is our approach to growing the replacement parts and aftermarket business. We are now steadily rolling this out globally. That concludes my answer.

Sasaki [Q]: Thank you. I apologize for taking so much time.

Looking at the changes in your results since the fiscal year ended March 2024, I believe scale effects have consistently been negative. However, with conditions becoming more favorable, can we expect positive scale effects to contribute to operating income growth going forward? Finally, if possible, could you share your sense of the outlook?

Ukai [A]: Yes. As mentioned in the presentation, previously, our approach centered on in-house production, with the view that we needed to meet demand through our own supply capabilities. Today, there are various types of demand in the aftermarket as well. In this environment, we are broadening the ways we manufacture, or rather, supply products, including procuring finished products from approved supply chains capable of manufacturing them and selling those products under our brand. In response to growing demand, we will invest in expanding our own capacity in some areas, but alongside that, we are focusing on broadening our suppliers and further strengthening a framework that enables stable procurement and the provision of products that meet customer needs at appropriate prices. In that sense, our approach has changed considerably from the past.

This includes, for example, Make in India. Previously, India was a market where Made in Japan was considered paramount, so to speak, and customers would buy products at somewhat higher prices if they were Made in Japan. Now, parts of the market are changing to require products to be manufactured in India. We are therefore working to diversify and strengthen our sources of supply beyond ourselves, while of course continuing our own production. That concludes my answer.

Sasaki [M]: That was very clear. I apologize for taking so much time. That is all from me. Thank you very much.

Nagao [M]: Mr. Sasaki, thank you for your questions. Mr. Ishimoto from Nomura Securities, please ask your questions.

Ishimoto [Q]: Hello, and thank you for your continued support. I am Ishimoto from Nomura Securities. Thank you. I have three questions.

First, regarding demand in North America, I believe there have been some signs of a slowdown in Q1 and Q2, particularly for CVJ/Axle. Although I believe demand is above your plan, could you clarify the reasons for this weakness? I would like to confirm the situation regarding US demand, including whether it is likely to recover in H2. That is my first question.

Tateoka [A]: This is Tateoka from CVJ/Axle. I will explain.

In H1, major U.S. automaker, reduced production, partly due to the impact of semiconductor shortage and a fire at an aluminum plant. However, in H2, hybrid vehicles from Japanese automakers are performing well, and major U.S. automaker, which I mentioned earlier, is also working to recover production, so demand is increasing considerably. We have confirmed that North American demand in H2 will exceed our plan. We are taking measures to accommodate the corresponding production requirements.

Regarding the declines from H1 to H2, the main factor has been the discontinuation of production for certain vehicles, or rather, the end of our production for those programs. From this period, we expect sales to remain flat through around 2029. From 2029 onward, we intend to step up our efforts to achieve a turnaround in the North American market and pursue a strategy of expansion alongside our growth strategy.

Ishimoto [Q]: That is clear. Thank you. In connection with that, regarding your H2 operating income plan for CVJ/Axle, I believe it includes approximately JPY2.0 billion in integration costs. Even after adding this back, I believe your plan still calls for a slight decline in operating income from H1 to H2. From your earlier

explanation, I understand that there are areas where US demand will decline, but I also believe you have incorporated conservative assumptions regarding price pass-through. Could you clarify the price pass-through situation, what negotiations are currently taking place with suppliers and customers, and what potential upside there may be?

Tateoka [A]: This is Tateoka. I will answer.

Regarding this as well, we are currently approaching each customer about inflation-related price increases. Naturally, we are continuing negotiations to ensure full recovery, including personnel costs and the impact of the situation in the Middle East. There are some timing differences in tariff recovery, but we intend to ensure that these amounts are fully recovered. As Yamamoto explained earlier, we have taken a very conservative view, and we are working to turn this into a positive contribution as well. That concludes my answer.

Ukai [A]: This is Ukai. I would like to add a few points.

Particularly for CA, as Yamamoto explained, we were able to recover the tariffs in cash until last year. Now that recovery takes the form of credits, the time required for recovery has increased. One factor that will significantly affect operating income is the difficulty in converting these credits into cash, the effects of which are beginning to emerge in H2.

Another point is that we are currently preparing our Medium-term plan for 2027 onward, and we see H2 FY2026 as approximately the bottom, with sales improving from there. Alongside the resulting increase in operating income, the mix will change somewhat, and we are winning new projects. Including the improvement in margins on those projects, we expect operating margins to recover from FY2027 onward.

Ishimoto [Q]: Understood. Thank you very much.

My second question concerns the aftermarket business, and I am looking at page nine. This shows that sales have been growing steadily. You mentioned earlier that the framework for the FIRST immediate delivery system is now largely in place and that you will expand your distributor network and pursue other initiatives from here. Sales have already been increasing in this way, but now that FIRST is ready, should we expect that growth to accelerate? Could you give us a sense of how sales will grow from here? That is my second question.

Yanagida [A]: This is Yanagida, responsible for the bearings business. I will answer. Thank you for your question.

We completed the global rollout of FIRST to all regions last year. We have confirmed that sales of products covered by FIRST have increased from previous levels, demonstrating its effectiveness in expanding sales. Going forward, distributors' ability to obtain the products they need immediately will make their inventory strategies much easier to manage. We are also now in a position to increase the number of distributors that can carry our products. Taking these factors into account, we believe we can accelerate sales growth going forward. That concludes my answer.

Ukai [A]: This is Ukai. Let me add a few points.

Regarding FIRST, or rather, the graph showing the aftermarket business, in the first year of the Medium-term plan, we set a major goal of changing our portfolio by 2035, ten years later, even if our top line, net sales, remained unchanged at JPY800.0 billion. As shown here, the aftermarket share was just over 16% in 2023, and we set a major goal of increasing it to 40%. This graph shows our progress toward that goal.

The rationale for 40% is that we need a solid OEM business accounting for 60%, since production solely for the aftermarket would not be economically viable. We therefore set 40% as a target, aiming to generate

JPY320.0 billion in aftermarket sales ten years later, representing 40% of JPY800 billion. Based on our track record of consistently achieving operating margins of 15% or more, including both industrial machinery and automotive applications, a 15% margin on JPY320.0 billion would give us a base of just under JPY50.0 billion in operating income from the aftermarket alone. The contribution from the 60% OEM share would come on top of that. Considering our corporate value in terms of operating income and ROE, reaching our initial target of a 40% share of company sales is a major goal for firmly establishing corporate value.

We are showing our current progress toward that goal. The figures indicate that we are largely on track to reach 20% in FY2026. As Yanagida just explained, we are pursuing two sets of initiatives: FIRST, the further expansion of immediate delivery capabilities, and strengthening our sales network to provide engineering services through distributors. That concludes my answer.

Ishimoto [Q]: That is clear. Thank you.

I apologize for the follow-up, but I believe this also affects operating income. You have listed various initiatives here. There are markets or regions where you are currently growing, and you also mentioned expanding into lower-priced and general-purpose products. Can you maintain a 15% margin even as these areas grow? Could you elaborate a little on the specific regions and products you intend to target, as well as your margin expectations?

Ukai [A]: Continuing on this topic, this is Ukai.

For example, in Europe, there are major European competitors such as SKF and Schaeffler, which have a firm hold on the market. However, as we conduct various marketing activities there, we find needs arising from dissatisfaction and complaints. We are currently pursuing opportunities by considering what we can offer to address those needs.

India is an expanding market. As new needs emerge, we need to consider how to respond to Make in India, as mentioned earlier. We must approach each region and country with initiatives and strategies suited to the respective circumstances.

In the aftermarket, we do not yet have even a 10% global market share. Our share is very low, so to gain share from our industry peers, or rather, our competitors, our initiatives include immediate delivery, further shortening lead times, and providing attentive engineering services. Personal relationships and networks are particularly important in the aftermarket business. We need to build these properly. When I mentioned ten years earlier, you might ask why it takes so long. Still, we know from experience that achieving a 40% sales mix is difficult unless we take a certain amount of time to build these relationships and capabilities. We need to accelerate this further, but I would like you to understand that this is the situation. That concludes my answer.

Ishimoto [Q]: That is clear. Thank you very much. I apologize for taking so much time.

Finally, my third question. I apologize for my lack of knowledge, but this concerns the notebook PC cooling fan motors and fluid dynamic bearings on page six. Could you explain what these products are? Given your global market share of over 40%, are they particularly difficult products to manufacture? I imagine these products draw on your strengths, but could you also clarify their current sales scale and whether they have significant growth potential? That is all from me.

Ukai [A]: Regarding notebook PCs, there are fan motor manufacturers, and previously there were hard disk drives and various other applications, but cloud computing has now become very widespread. However, a fan is always needed to cool the PC itself. A fan motor bearing is used at the center of the fan. Fluid dynamic

bearings are an area of expertise for us, and as this market expands, our sales are growing. Our market share has now approached the 40% level.

For somewhat larger equipment, such as servers, the fans are also larger, so there are, for example, miniature bearings such as those made by Minebea. Fluid dynamic bearings are small and have the characteristic of rotating with very high precision without contact. The market for applications suited to these characteristics includes the desktop PCs we use every day. Against this background, this business is now growing. That concludes my answer. That is all from me.

Ishimoto [M]: Understood. Thank you very much. That is all from me.

Nagao [M]: Thank you. Next, thank you for your question. Mr. Tai from Daiwa Securities, please ask your question.

Tai [Q]: This is Tai. Thank you. I have just one question.

I apologize for returning to the same topic, but could you provide any updates regarding the business integration with NSK? In addition to progress, I think you are approaching the next stage, when you may be able to discuss what the future could look like. Please share anything you can.

Ukai [A]: Thank you, Mr. Tai. This is Ukai.

Regarding the agreement, when we announced the integration on May 12, we said that we planned to conclude the definitive agreement around the end of November. We are currently engaged in vigorous discussions toward that. However, I am very sorry, but as of today, the details are not at a stage where we can disclose them.

Naturally, both companies are exchanging sensitive information and data through clean teams. We cannot access that information, but we have been conducting various studies using qualitative information since before signing the MOU. NSK has strengths in OEM, and although we naturally also have an OEM business, as explained today, we have various strengths in the aftermarket. That is just one example, but both companies have strengths and weaknesses, and we are currently exploring what we can do to make our strengths stronger and strengthen areas of weakness.

We would like to be able to disclose this information properly and announce it as soon as possible. I am very sorry that this is all we can share today.

Tai [Q]: Understood. Mr. Ukai, from a different angle, what costs so much within the JPY4.4 billion in integration costs? With operating income of just over JPY30.0 billion, spending JPY4.4 billion to merge seems quite a substantial burden. The same applies to NSK. Against combined operating income of approximately JPY70.0 billion, the two companies will spend approximately JPY10.0 billion. If you are spending that much, I feel you will need to generate considerable synergies to justify it. Could you give us some indication of what exactly costs so much within that JPY4.4 billion?

Yamamoto [A]: This is Yamamoto.

Again, I cannot provide details, but one component is substantial FA, or financial advisor, fees. Another, as you know, is antitrust compliance. We need to appoint lawyers and make antitrust filings not only in Japan but also in the US and Europe, and these costs are also substantial.

Another factor, whose extent surprised us as well, is that US shareholders account for more than 10% of the shareholder base at each company. As a result, we must file an F-4 with the SEC, the US regulator, and this

entails considerable costs. As to why it costs so much, the US 's standards are stricter than, for example, the independence standards recognized under international accounting standards. Requirements such as redoing audits under those stricter US standards can arise. Filing with the SEC also requires us to hire specialist US lawyers. These are major components of the JPY4.4 billion we expect to incur and the JPY5.0 billion NSK expects to incur this fiscal year. Does that answer your question?

Tai [Q]: Understood. Thank you. Just one more question along those lines.

You may not be able to discuss this until the next formal agreement, but at Timken's results announcement yesterday, they again raised some interesting points. I believe they discussed further increasing added value through systemization and expanding their business scope. Their operating margin is above the double-digit threshold, so I thought they have the capacity and flexibility to pursue such initiatives.

After the integration, given that both companies currently have operating margins of around 4% to 5%, do you feel you can develop a scenario for raising those margins to double digits or higher?

Ukai [A]: We are currently considering that as part of the synergy effects. In addition to obtaining regulatory clearance next year, we need shareholder approval at next year's general meeting of shareholders. We have a responsibility to explain this at that time, and we are currently developing, including through the clean teams mentioned earlier, what synergies we can generate and when we can enhance corporate value.

As you said earlier, Mr. Tai, unless we can clearly identify value that justifies these costs and exceeds them, we may have difficulty obtaining approval at the general meeting of shareholders. We are working thoroughly on that now. I am sorry that this is all I can say at present.

Tai [Q]: Understood. Thank you. NSK President Mr. Ichii said something to the effect that the final event would take place around the end of the year. Should we therefore expect the next catalyst, or the next scheduled milestone, around that time?

Ukai [A]: I believe we have publicly stated in the MOU that we plan to conclude the definitive agreement on a timetable of around six months. At present, the fact is that we have not changed that schedule.

Tai [M]: Understood. That is all from me. Thank you. I look forward to speaking with you again.

Nagao [M]: Mr. Tai, thank you very much for your questions.

This concludes NTN Corporation's financial results IR briefing.

Thank you very much for attending today.

[END]

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