Consolidated Financial Results for the First Half of FY2023



November 2, 2023

NTN Corporation

Contents

I. Key Points of Financial Result and Progress of “DRIVE NTN100” Phase 2

II. Financial Result of First Half of FY2023 and Forecast of FY2023

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1.Key Points of Financial Result for the First Half

Increased sales and profits from the previous year and the announcement

- Net sales **increased** thanks to easing of semiconductor shortages, improvement in selling prices and foreign exchange effects
- Operating income **increased** due to improvement in selling prices and reduction of expenses, despite decrease in sales volume
- Inventories increased due to foreign exchange effects, and FCF remained positive

(billion yen)	FY2022 1H result①	FY2022 Full year result	FY2023 1H result②	FY2023 YoY ①vs②	FY2023 1H(announced)③	FY2023 Difference②vs③
Net sales	371.7	774.0	**409.6**	+37.9, +10.2% Exclu. Forex +5.3%	**404.0**	+5.6, +1.4% Exclu. Forex (2.0%)
Operating income	3.9	17.1	**6.8**	+2.9	**6.5**	+0.3
Operating margin	**1.0%**	**2.2%**	**1.7%**	+0.7pt	**1.6%**	±0pt
Ordinary income	3.6	12.0	**4.9**	+1.3	**4.5**	+0.4
Profit attributable to owners of parent	(1.6)	10.4	**4.1**	+5.8	**4.5**	(0.4)
Exchange rate (JPY) 1USD	133.9	135.5	**140.8**	+6.9	136.1	+4.7
1EURO	138.7	140.9	**153.3**	+14.6	149.7	+3.6
Inventories	247.6	239.4	**256.1**	+16.7 (compared to March)		
Capital expenditure	9.5	22.3	**10.5**	+1.0		
Free cash flow	13.5	20.4	**24.2**	+10.6		

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2.Key Points of Financial Results for the First Half by Business Segment

Profits in Aftermarket and Industrial Machinery Business decreased YoY
Automotive Business became profitable in 2Q

Aftermarket

- Demand in Japan declined as the recovery from the pandemic ran its course
- While selling prices improved more than planned in the first half of the year, **profits decreased from the previous fiscal year and the announcement** due to lower factory operating rates resulting from decreased demand for industrial machinery

Industrial Machinery

- **Sales decreased from the previous fiscal year** due to lower demand in major industries such as construction machinery, agricultural machinery, and gearboxes
- While selling prices in Europe improved more than planned, **profits decreased from the previous fiscal year and the announcement** due to decreased sales volume

Automotive

- **Sales increased from the previous fiscal year and the announcement** thanks to easing of semiconductor shortages
- In 2Q (Jul.-Sep.), selling prices improved more than planned and cost reductions progressed, resulting in **increase in profits from the previous fiscal year and the announcement**

(billion yen)	Aftermarket FY2023 1Q	Aftermarket FY2023 2Q	Aftermarket FY2023 1H	Industrial Machinery FY2023 1Q	Industrial Machinery FY2023 2Q	Industrial Machinery FY2023 1H	Automotive FY2023 1Q	Automotive FY2023 2Q	Automotive FY2023 1H	All FY2023 1Q	All FY2023 2Q	All FY2023 1H
Net sales	**35.5**	**34.4**	**69.8**	**32.9**	**31.9**	**64.8**	**132.4**	**142.6**	**275.0**	**200.8**	**208.9**	**409.6**
YoY	+3.1	+0.8	+3.9	(1.2)	(3.0)	(4.3)	+26.3	+12.0	+38.3	+28.2	+9.8	+37.9
Difference from August IR (Announced)			+0.3			+0.3			+5.0			+5.6
Operating income	**4.8**	**4.1**	**8.9**	**0.9**	**0.5**	**1.4**	**(4.1)**	**0.6**	**(3.5)**	**1.5**	**5.3**	**6.8**
YoY	+0.2	(1.2)	(1.1)	(0.4)	(0.9)	(1.3)	+2.5	+2.8	+5.3	+2.3	+0.6	+2.9
Difference from August IR (Announced)			(1.6)			(0.6)			+2.5			+0.3
Operating margin	**13.5%**	**11.9%**	**12.7%**	**2.6%**	**1.7%**	**2.2%**	**(3.1%)**	**0.4%**	**(1.3%)**	**0.7%**	**2.5%**	**1.7%**

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3.Key Points of the Second Half and Full-year Forecast

Full-year forecasts remain unchanged from the previous announcement

- It is difficult to forecast situations due to recovery from the U.S. auto strike, stagnation in the Chinese real estate market, and the impact of the situations in Ukraine and the Middle East as well as the continuous effects of global monetary tightening, exchange rates, inflation, etc.

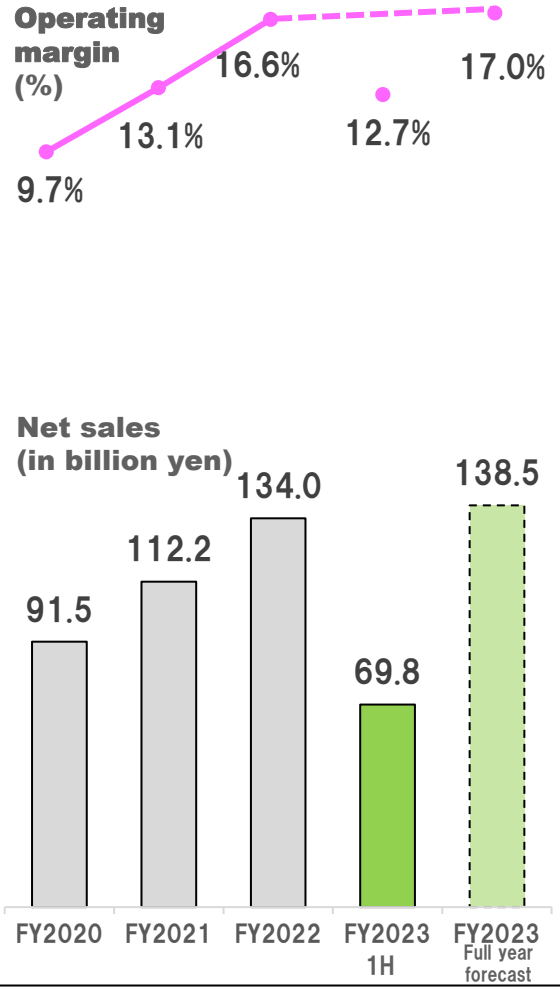
(billion yen)	FY2022 Full Year Results	FY2023 1H Results	FY2023 Full Year Forecast	FY2023 Full Year (previous announcement)	Difference from Previpus Announcement
Net sales	774.0	**409.6**	**825.0**	**825.0**	0.0
Operating income	17.1	**6.8**	**30.0**	**30.0**	+0.0
Operating margin	2.2%	**1.7%**	**3.6%**	**3.6%**	0pt
Ordinary income	12.0	**4.9**	**23.0**	**23.0**	+0.0
Profit attributable to owners of parent	10.4	**4.1**	**11.0**	**11.0**	+0.0
Exchange rate 1USD (JPY)	135.5	**140.8**	**137.9**	**135.5**	+2.4
1EURO	140.9	**153.3**	**151.7**	**149.8**	+1.9
Inventories	239.4	**256.1**	**230.0**	**230.0**	0.0
Capital expenditure	22.3	**10.5**	**28.0**	**28.0**	0.0
Free cash flow	20.4	**24.2**	**29.0**	**29.0**	0.0

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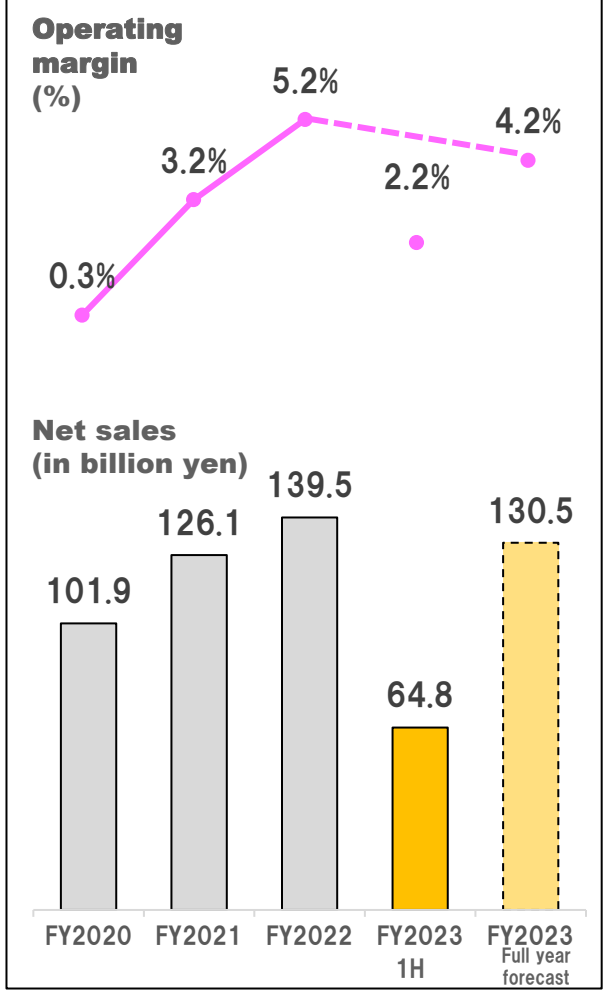
4. Earning Forecast by Business Segment

Forecasts remain unchanged from the previous announcement by business segment as well

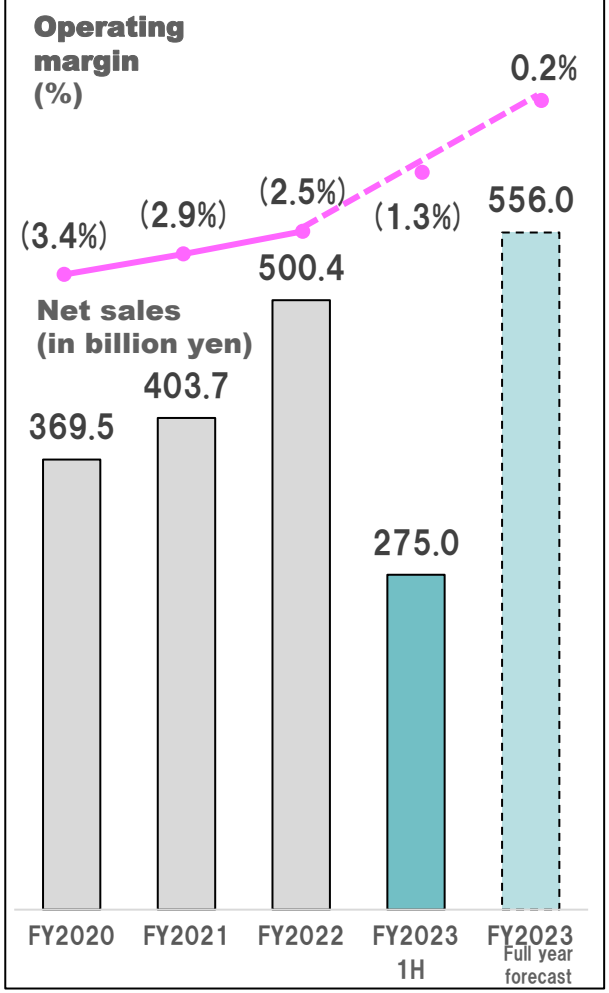
Aftermarket



Industrial Machinery



Automotive



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5.Issues and Measures in Aftermarket and Industrial Machinery Business

Issues in 2H

- Aftermarket demand remains flat
- In Industrial Machinery Business, there is a risk that demand conditions in 1H continue or decline further

Sales overview by industry	FY22 2H FY23 1H	FY23 1H FY23 2H
Construction machinery	↘	↘
Gearbox	↘	↘
Agricultural machinery	↘	↗
Aerospace	↘	↗
Wind turbines	→	↘
Machine tools	↘	→
Railway rolling stock	↗	→

- As in 1H, **there is a risk of profit margin deterioration due to lower factory operating rates** as demand for industrial machinery declines

Measures for profit improvement

- **Continue improvements in selling prices** in line with inflation
- Accelerate **price increases and downsizing** of unprofitable businesses
- Allocate production capacity for industrial machinery to **shipments and inventory enhancement for aftermarket** in response to declining demand for industrial machinery



Completion ceremony of Wakayama Works (Oct.)

- Expand procurement from optimal locations
- **Prompt fixed cost reductions** in response to decreased sales volume

TOPICS



Sensor Integrated Rolling Bearing "Talking Bearing" receives Machinery Components of 'CHO' MONODZUKURI Innovative Parts and Components Award 2023

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6. Progress of initiatives to turn profitable in Automotive Business

Strengthen price revision activities

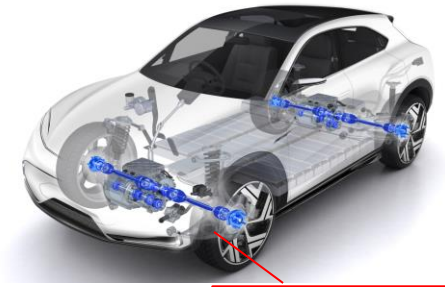
- Continue to improve selling prices in line with inflation
- Improve profit of unprofitable businesses (cost reduction, price increase, withdrawal)

Cost reduction through procurement reforms

- Start adoption of Chinese and Korean suppliers for Europe and the U.S.
- Expand centralized steel purchasing negotiations

Contribution of new orders in target segments such as electrification and commercial vehicles

- Launch of large-size products in Europe for commercial vehicles and High Efficiency Fixed Type CVJ “CFJ”
- Start mass-production for CVJs switched from in-house by an automotive manufacturer in Japan





High Efficiency Fixed Type CVJ “CFJ”

Cost reduction through optimization of fixed costs

- Fixed cost reductions in line with decreased sales volume from peak demand for passenger cars
- Improve employee turnover rate and productivity in U.S.

Return to profitability for the first time since FY2020 4Q
Achieve profitability for the full year

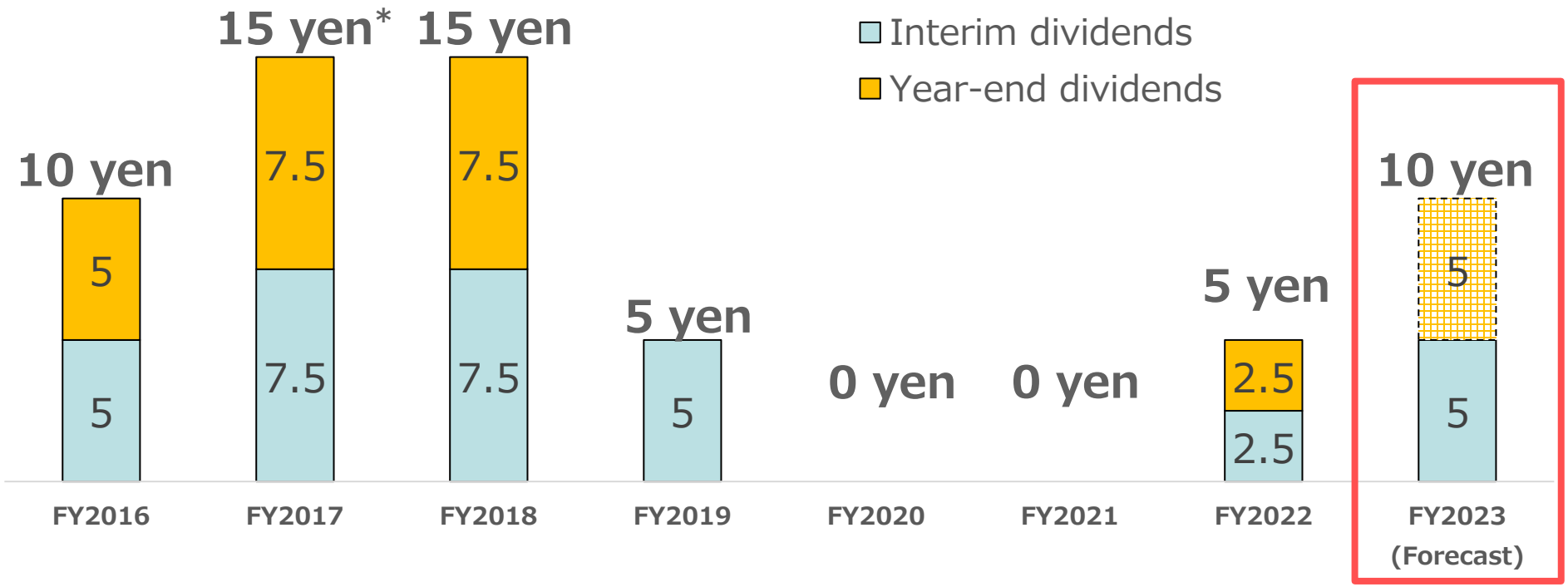
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7. Forecast of Shareholder Return

- Pay dividends in proportion to operating results while maintaining stable dividend payments from medium- to long-term perspective
- Stable dividend target: DOE 4%

Dividends in FY2023

- Dividends for FY2023 are expected to be 10 yen per share, unchanged from the forecast at the beginning of the year



*Including 100th anniversary commemorative dividends

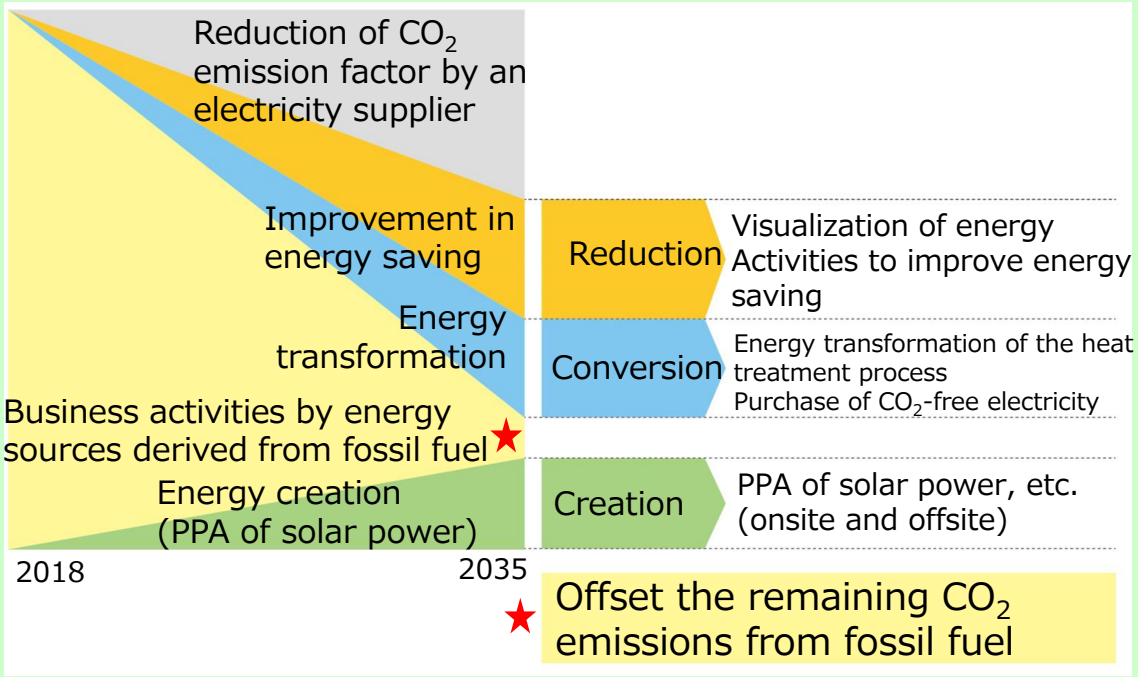
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8.ESG Management Initiatives

For more information on ESG initiatives, please refer to the Integrated Report "NTN Report"
https://www.ntnglobal.com/en/csr/ntnreport.html

E:Environment

◆ Carbon neutrality realization image



◆ "Carbon Neutrality Promotion Committee" established

G:Governance

◆ "Sustainability Committee" reports to the Board of Directors on its initiatives

S:Social

◆ Executive Officers hold Town Hall Meetings in business sites around the world

◆ Announcement of charging station model of Transportable Independent Power Supply "N^3 N-CUBE"



【Charging station model】

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Reference : Business Operation Policy for the Medium-Term Plan (from Medium-term plan)

*Please refer to the NTN HP for more detail : https://www.ntnglobal.com/en/investors/mtermplan.html

DRIVE NTN100

Basic Policy

Drive Forward Transformation of Business Structure for the new 100 years

Basic strategy

Digitalization (latest digital technology) x Resources (Management resources that NTN has developed)
Innovation (development of innovative technologies products and services)
Variable cost reformation (procurement reformation)
Efficiency improvement (achievement of the world's No1 productivity and quality)

Business operating policy

Phase 1 (FY2018-FY2019)	Crisis Response Period FY2020	Phase 2 (FY2021-FY2023)	Phase 3 (FY2024-)
Improve profitability and investment efficiency of existing products and businesses	Ensure the health and safety of employees	Improve profitability and investment efficiency of existing products and businesses	Build new businesses and core business area ・Create ・Grow ・Harvest
Materialize new business by creating products and businesses	Secure cash and continue business	Select new business and review the allocation of management resources	
Establish management system to facilitate reform of business structure	Prepare for future growth	Strengthen corporate governance	

NTN in FY2027

- Net sales growth: GDP growth rate in each region + something extra
- Operating margin: 10% or more
- Total asset turnover: 1.0 or more
- Foreign exchange sensitivity: 50% reduction

Phase 1
Sharp deterioration of financial structure

External Environment
EV, electrification, and re-acceleration of DX
COVID-19 (uncertainty)
Emphasize on safety
Changes in work styles

Phase 2
1. Focus on NTN Revitalization in the next 3 years (rebuild BS and improve CF)
2. Seeding for future growth

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Contents

I. Key Points of Financial Result and Progress of “DRIVE NTN100” Phase 2

II. Financial Result of First Half of FY2023 and Forecast of FY2023

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1. Key Financial Indicators

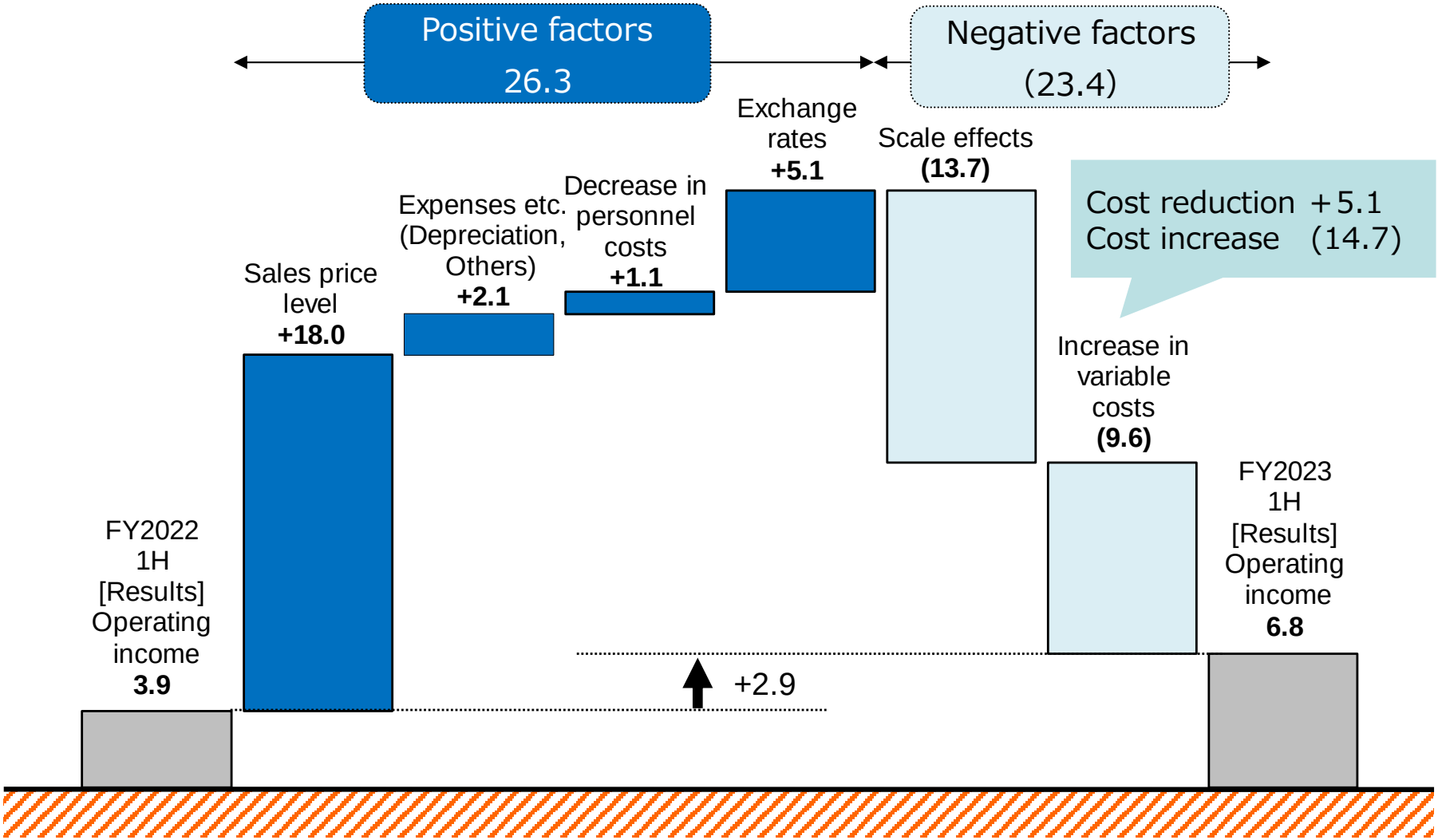
(billion yen)	FY2022 1H Results ①	FY2022 2H Results	FY2022 Full Year Results	FY2023 1H Results ②	FY2023 Full Year Forecast (Latest)	Year on Year ②-① Total	Year on Year ②-① Volume	Year on Year ②-① Forex	(Reference) FY2023 1H Forecast (Previous)	(Reference) FY2023 Full Year Forecast (Previous)
Net sales	371.7	402.3	774.0	**409.6**	**825.0**	**37.9**	**19.9**	**18.1**	**404.0**	**825.0**
Operating income / loss (-)	3.9	13.3	17.1	**6.8**	**30.0**	**2.9**	**(2.2)**	**5.1**	**6.5**	**30.0**
Operating margin	1.0%	3.3%	2.2%	**1.7%**	**3.6%**	**0.6%**			**1.6%**	**3.6%**
Ordinary income / loss (-)	3.6	8.5	12.0	**4.9**	**23.0**	**1.3**	**(3.9)**	**5.2**	**4.5**	**23.0**
Extraordinary income / loss (-)	-	(1.2)	(1.2)	**(0.4)**	**(4.0)**	**(0.4)**	**(0.4)**	**(0.0)**	**0.0**	**(4.0)**
Profit attributable to owners of parent / loss (-)	(1.6)	12.0	10.4	**4.1**	**11.0**	**5.8**	**2.3**	**3.5**	**4.5**	**11.0**
Inventories *	247.6	239.4	239.4	**256.1**	**230.0**	**16.7**	**(0.2)**	**16.9**	**237.0**	**230.0**
FCF	13.5	6.8	20.4	**24.2**	**29.0**	**10.6**	**-**	**-**	**19.2**	**29.0**
Exchange rate 1USD	¥133.9	¥137.0	¥135.5	**¥140.8**	**¥137.9**	**¥6.9**			**¥136.1**	**¥135.5**
Exchange rate 1EURO	¥138.7	¥143.1	¥140.9	**¥153.3**	**¥151.7**	**¥14.6**			**¥149.7**	**¥149.8**

* Increase/decrease from the end of Mar. 2023

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2-1. Analysis of Operating Income (FY2022 1H Results vs FY2023 1H Results)

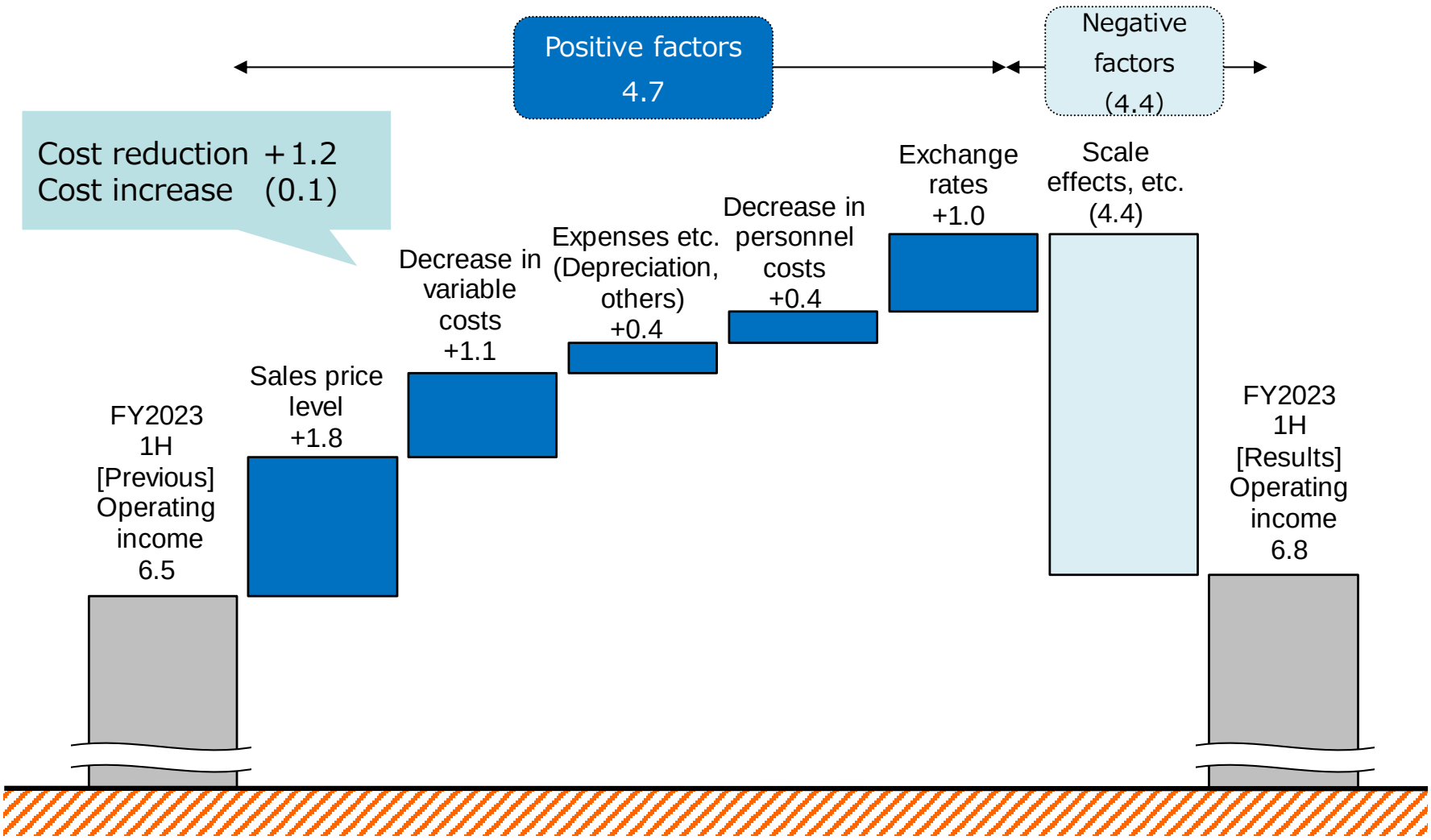
＊All figures in billion yen



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2-2. Analysis of Operating Income (FY2023 1H Forecast [previous] vs FY2023 1H Results)

＊All figures in billion yen



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3. Net Sales by Region

(billion yen)	FY2022 1H Results ①	FY2022 2H Results	FY2022 Full Year Results	FY2023 1H Results ②	FY2023 Full Year Forecast (Latest)	Year on Year ②-① Total	Year on Year ②-① Volume	Year on Year ②-① Forex	(For reference) FY2023 1H Forecast (Previous)	(For reference) FY2023 Full Year Forecast (Previous)
Japan	95.5	106.1	201.6	**104.7**	**217.0**	**9.1**	**9.1**	**0.0**	**105.5**	**217.0**
Americas	118.6	127.7	246.2	**133.2**	**263.0**	**14.7**	**7.1**	**7.6**	**130.0**	**263.0**
Europe	72.0	83.2	155.2	**84.2**	**173.0**	**12.2**	**4.2**	**8.0**	**85.0**	**173.0**
Asia and others	85.6	85.3	170.9	**87.6**	**172.0**	**2.0**	**(0.5)**	**2.5**	**83.5**	**172.0**
Total	371.7	402.3	774.0	**409.6**	**825.0**	**37.9**	**19.9**	**18.1**	**404.0**	**825.0**

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4. Net Sales and Operating Income by Business Segment

<Net Sales by Business Segment>

(billion yen)	FY2022 1H Results ①	FY2022 2H Results	FY2022 Full Year Results	FY2023 1H Results ②	FY2023 Full Year Forecast (Latest)	Year on Year ②-① Total	Year on Year ②-① Volume	Year on Year ②-① Forex	(For reference) FY2023 1H Forecast (Previous)	(For reference) FY2023 Full Year Forecast (Previous)
Aftermarket	65.9	68.1	134.0	69.8	138.5	3.9	0.2	3.7	69.5	138.5
Industrial machinery	69.1	70.4	139.5	64.8	130.5	(4.3)	(6.8)	2.6	64.5	130.5
Automotive	236.7	263.7	500.4	275.0	556.0	38.3	26.5	11.8	270.0	556.0
Total	371.7	402.3	774.0	409.6	825.0	37.9	19.9	18.1	404.0	825.0

<Operating Income by Business Segment>

(billion yen)	FY2022 1H Results ①	FY2022 2H Results	FY2022 Full Year Results	FY2023 1H Results ②	FY2023 Full Year Forecast (Latest)	Year on Year ②-①	(For reference) FY2023 1H Forecast (Previous)	(For reference) FY2023 Full Year Forecast (Previous)
Aftermarket	10.0	12.3	22.3	8.9	23.5	(1.1)	10.5	23.5
Industrial machinery	2.7	4.6	7.3	1.4	5.5	(1.3)	2.0	5.5
Automotive	(8.8)	(3.6)	(12.4)	(3.5)	1.0	5.3	(6.0)	1.0
Total	3.9	13.3	17.1	6.8	30.0	2.9	6.5	30.0

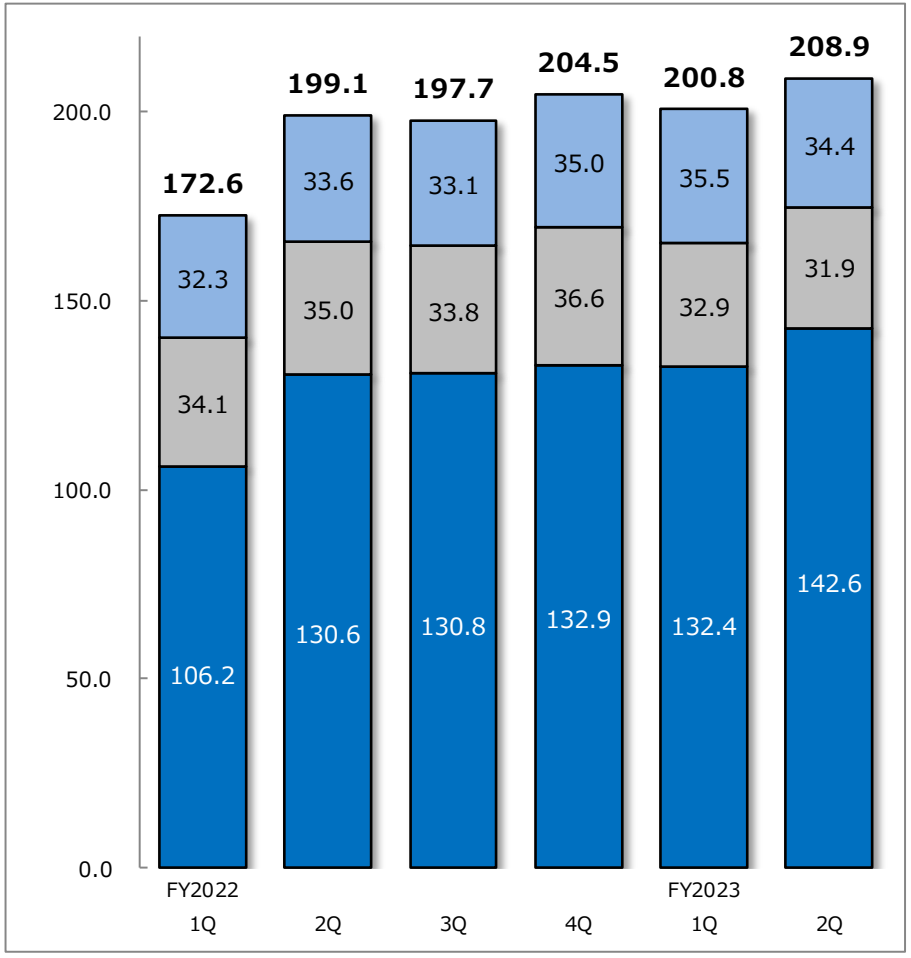
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5. Financial Results by Business Segment (Quarterly Trend)

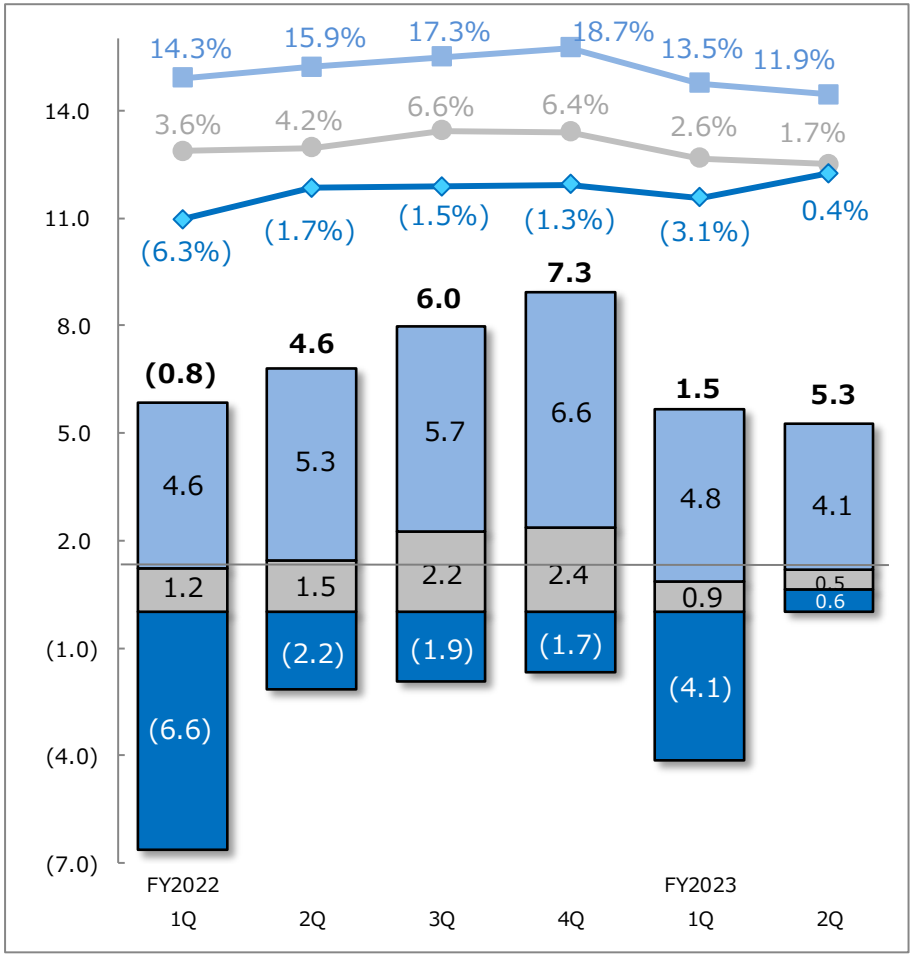
＊All figures in billion yen

Automotive　Industrial machinery　Aftermarket

Net Sales



Operating Income/ Operating Margin



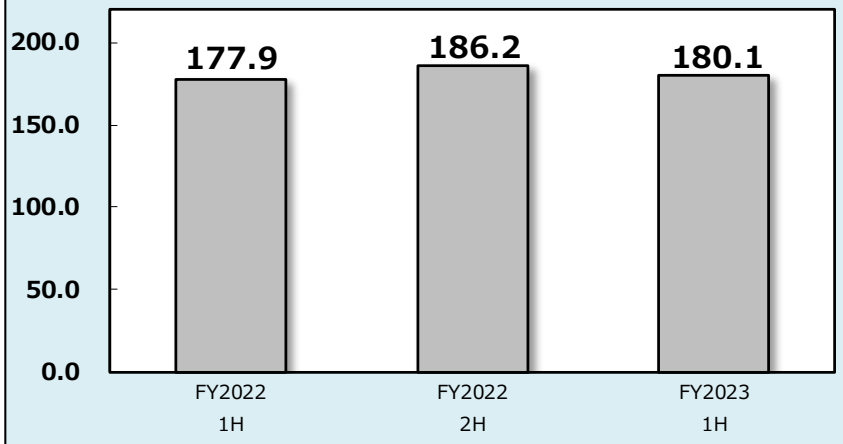
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6-1. Net Sales and Operating Income by Company Location

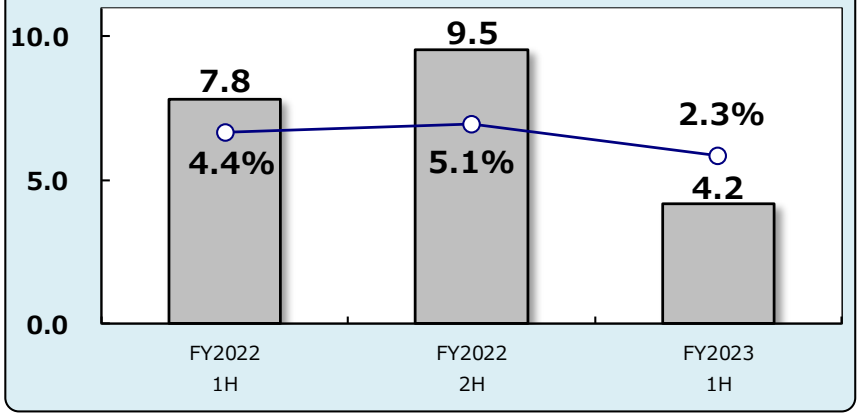
＊All figures in billion yen

《 Japan 》

Net Sales

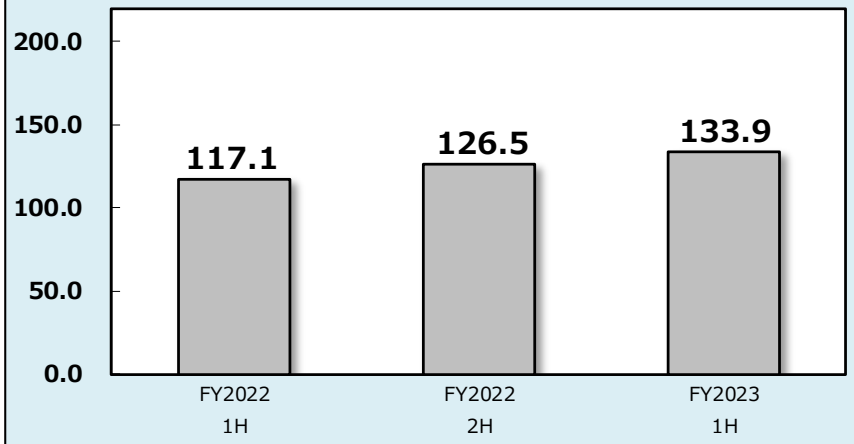


Operating Income

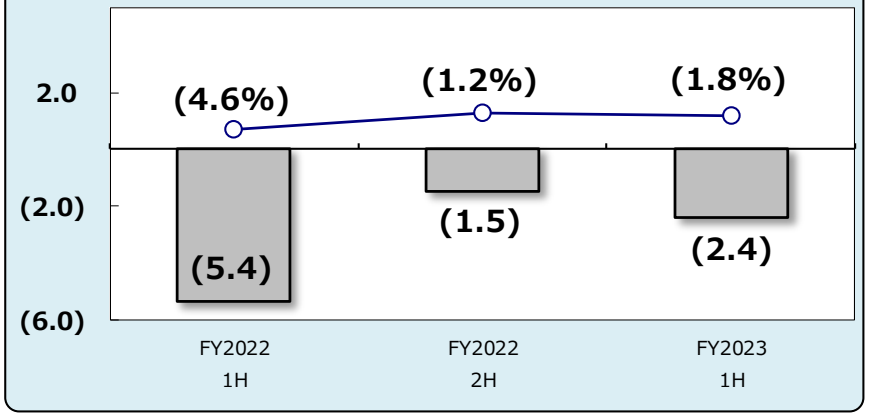


《 Americas 》

Net Sales



Operating Income



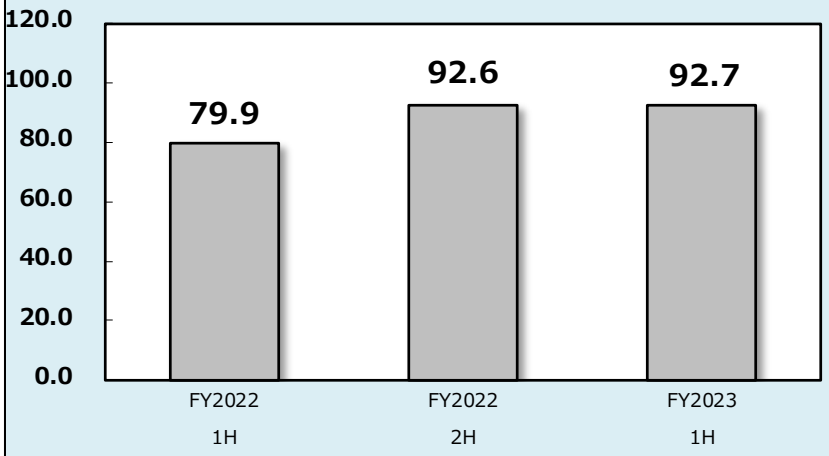
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6-2. Net Sales and Operating Income by Company Location

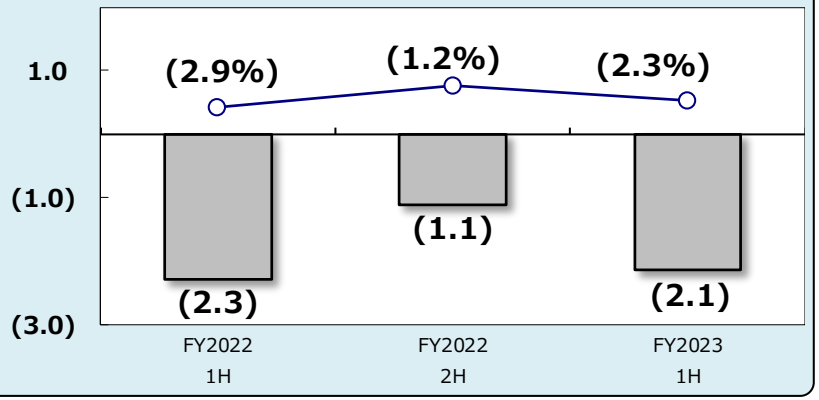
＊All figures in billion yen

《 Europe 》

Net Sales

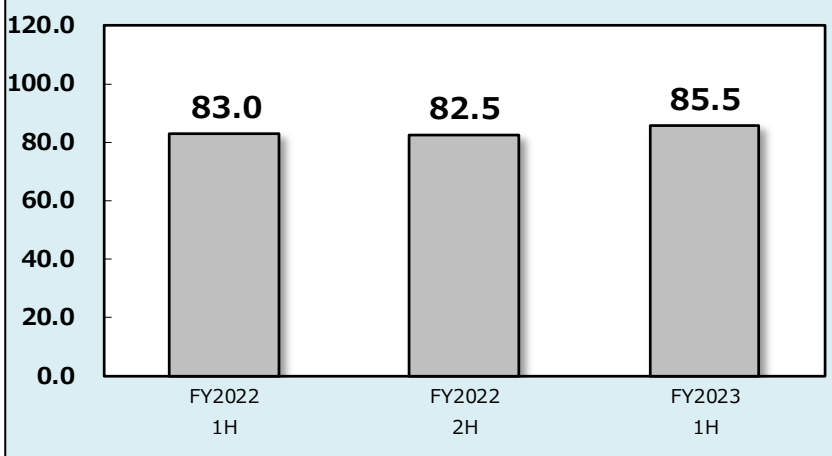


Operating Income

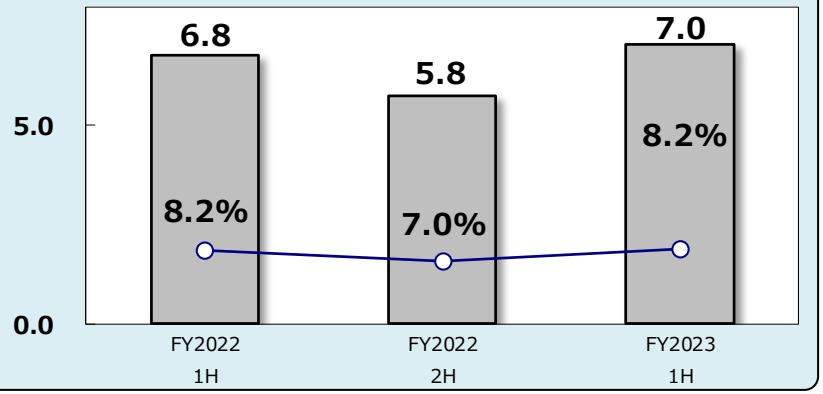


《 Asia and others 》

Net Sales

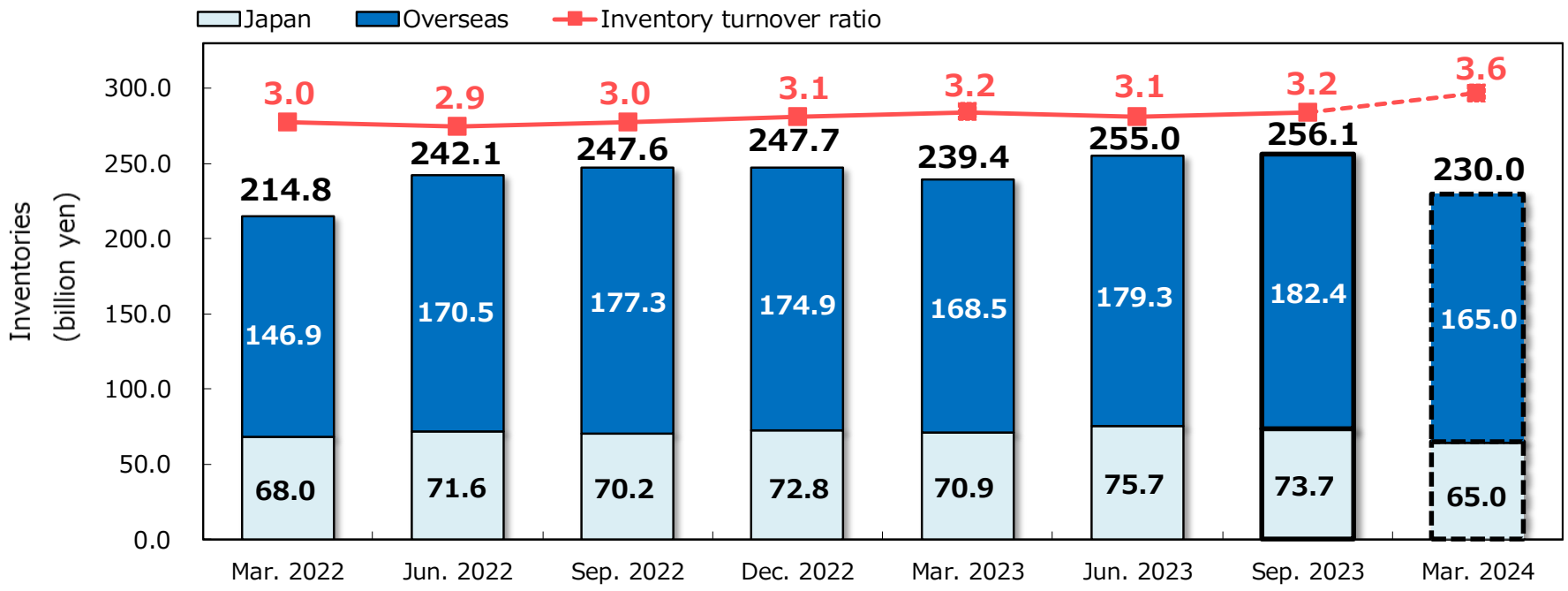


Operating Income



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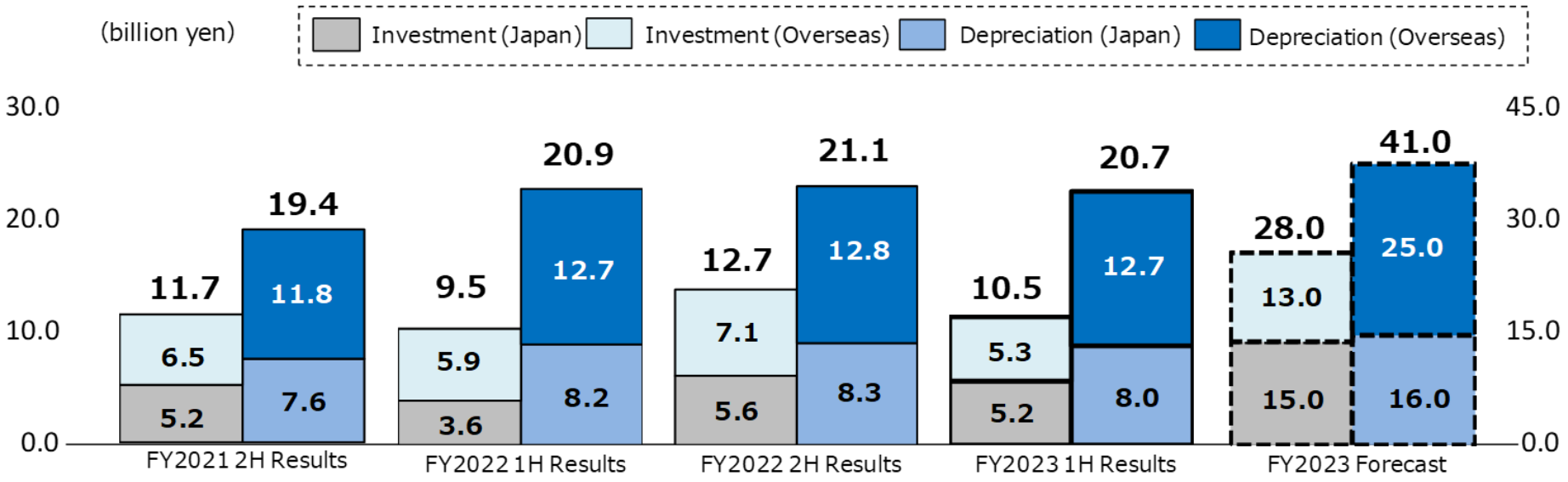
7. Inventories



(billion yen)	Mar. 2022 Results	Jun. 2022 Results	Sep. 2022 Results	Dec. 2022 Results	Mar. 2023 Results	**Jun. 2023 Results**	**Sep. 2023 Results**	**Mar. 2024 Forecast**
Inventories	214.8	242.1	247.6	247.7	239.4	255.0	256.1	230.0
[Overseas]	146.9	170.5	177.3	174.9	168.5	179.3	182.4	165.0
[Japan]	68.0	71.6	70.2	72.8	70.9	75.7	73.7	65.0
Inventory turnover ratio	3.0	2.9	3.0	3.1	3.2	3.1	3.2	3.6

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8. Capital Expenditures and Depreciation



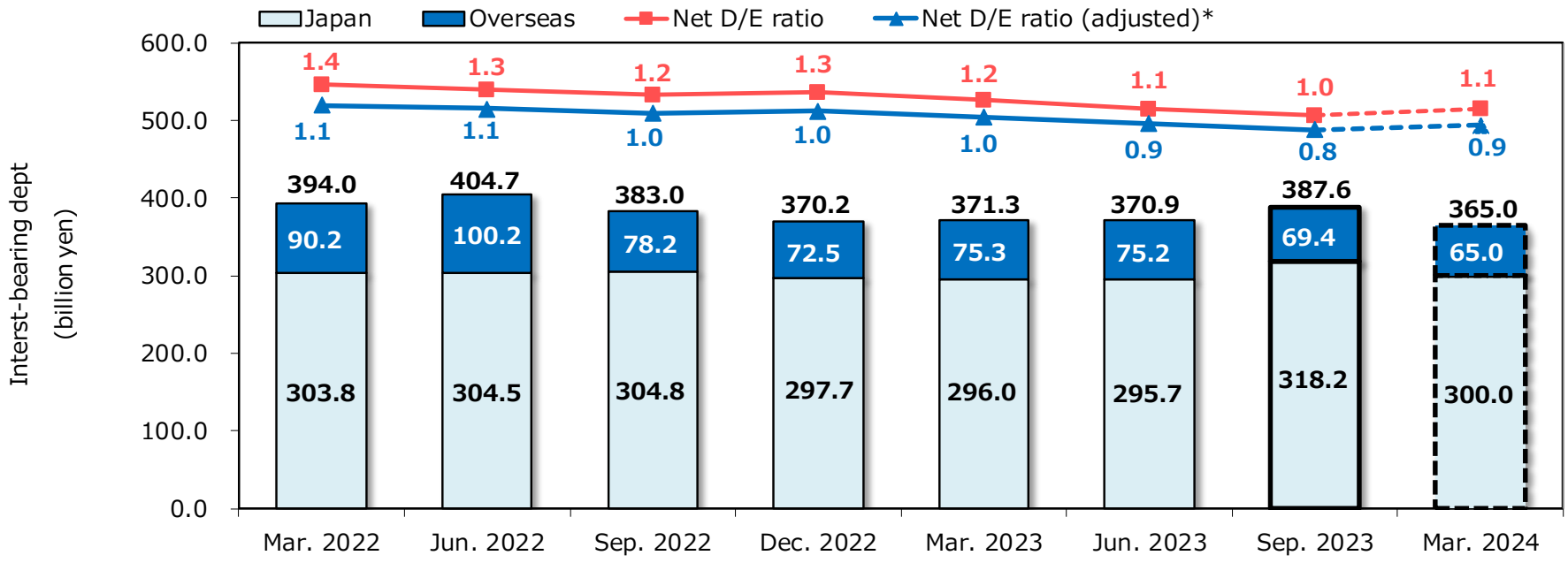
(billion yen)	FY2021 2H Results	FY2022 1H Results①	FY2022 2H Results	FY2023 1H Results②	②-①	FY2023 Forecast
Capital expenditure	11.7	9.5	12.7	10.5 *	**1.0**	**28.0**
[Overseas]	6.5	5.9	7.1	5.3	**(0.6)**	**13.0**
[Japan]	5.2	3.6	5.6	5.2	**1.6**	**15.0**

*In addition, capital expenditure for intangible fixed assets (FY2023 1H Results : ¥1.3 billion, FY2023 Full Year Foreacst : ¥5.0 billion)

(billion yen)	FY2021 2H Results	FY2022 1H Results①	FY2022 2H Results	FY2023 1H Results②	②-①	FY2023 Forecast
Depreciation	19.4	20.9	21.1	20.7	**(0.2)**	**41.0**
[Overseas]	11.8	12.7	12.8	12.7	**(0.1)**	**25.0**
[Japan]	7.6	8.2	8.3	8.0	**(0.2)**	**16.0**

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9. Interest-Bearing Debt



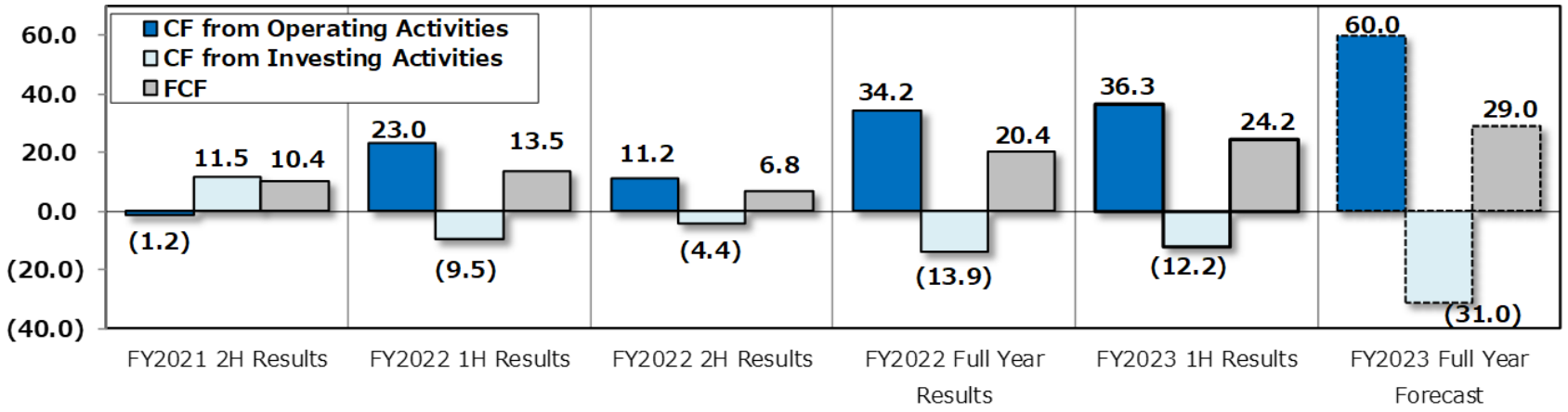
(billion yen)	Mar. 2022 Results	Jun. 2022 Results	Sep. 2022 Results	Dec. 2022 Results	Mar. 2023 Results	Jun. 2023 Results	Sep. 2023 Results	Mar. 2024 Forecast
Interest-bearing debt	394.0	404.7	383.0	370.2	371.3	370.9	387.6	365.0
[Overseas]	90.2	100.2	78.2	72.5	75.3	75.2	69.4	65.0
[Japan]	303.8	304.5	304.8	297.7	296.0	295.7	318.2	300.0
Net Interest-bearing debt	272.6	278.6	268.8	265.0	260.6	253.7	243.4	243.0

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

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10. Cash Flows

(billion yen)	FY2021 2H Results	FY2022 1H Results①	FY2022 2H Results	FY2022 Full Year Results	FY2023 1H Results②	②-①	FY2023 Ful Year Forecast
Ⅰ. Cash flow from **operating activities**	(1.2)	23.0	11.2	34.2	**36.3**	**13.3**	**60.0**
Ⅱ. Cash flow from **investing activities**	11.5	(9.5)	(4.4)	(13.9)	**(12.2)**	**(2.7)**	**(31.0)**
Ⅰ+Ⅱ. Free cash flow	10.4	13.5	6.8	20.4	**24.2**	**10.6**	**29.0**
Ⅲ. Cash flow from **financing activities**	(18.5)	(25.0)	(8.3)	(33.3)	**4.2**	**29.2**	**(17.0)**
Ⅳ. Effect of exchanging rate translatio on cash and cash equivalents	4.1	4.1	(2.0)	2.1	**5.0**	**0.9**	**(2.7)**
Ⅴ. Net increase in cash and cash equivalents	(4.0)	(7.3)	(3.5)	(10.8)	**33.3**	**40.7**	**9.3**



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11. Issuance of Zero Coupon Convertible Bonds due 2025

Ⅰ. Purpose and Use of Proceeds

To increase corporate value while flexibly responding to changes in the business environment
- It is essential to **“invest for sustainable growth”** through selection and concentration and to **“build a strong financial position”**
- Decided to issue the Bonds, taking into consideration the market environment, the impact on existing shareholders, and financing costs, etc.

Investments on growth industries **Approx. ¥10 billion**	Investments on productivity enhancement and strategic production reorganisation **Approx. ¥10 billion**	Cash reserve to be used in response to a carbon neutral society **Approx. ¥2 billion**

Ⅱ. Overview

1. Payment Date	September 22, 2023 (GMT)
2. Maturity Date	December 19, 2025
3. Issue Amount	JPY 22.0 billion
4. Coupon	0.00%
5. Initial Conversion Price	JPY 339.5 (Conversion Premium 11.97%)
6. Rider Clauses	①Soft Call Option
	②Net Cash Settlement (Acquisition at the Option of the company)
7. Potential Dilution	12.2% (total number of dilutive shares / total number of issued shares《excluding treasury stock》)

*as of August 31, 2023

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- This presentation and comments made in this conference or during the following Q&A session include forward-looking statements about future performance and future business strategies, all of which are based on decisions of the management of the Company currently available.
- These statements represent the best judgment of the management of the Company based on the information currently available. However, there can be no assurance that future results will meet any expectation, estimate or projection conveyed by these statements or comments. Actual results may differ materially from Management projections depending on various factors such as changes in product demand, exchange rates and interest rates, and contingent liabilities.

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