

Consolidated Financial Results for the First Half of FY2022



November 4, 2022
NTN Corporation

- I. Key Points of Financial Result and
Progress of “DRIVE NTN100” Phase 2
- II. Financial Result of First Half of FY2022 and
Forecast of FY2022

1.Key Points of Financial Result for the First Half

Higher sales and profits than announced due to the impact of passing increased costs on selling prices and exchange-rates, and resuming dividend payments as planned

Key Points of 1st Half of FY2022

- ✓ **Sales increased significantly** due to the price pass-on measures and exchange-rates, despite the continued impact of the shortage of semiconductors.
- ✓ **Operating income exceeded the announced figures** due to steady progress in price pass-on measures and exchange-rates.
- ✓ **Inventory assets increased** due to slow return of demand for automotive product

(billion yen)	FY2021		FY2022			
	1H result①	Full year result	1H result②	YoY ①vs②	1H(announced)③	Difference②vs③
Net sales	305.8	642.0	371.7	+65.9(+22%) (+9.9%)	350	+21.7(+6%) Exclu. forex(+2.4%)
Operating income	1.6	6.9	3.9	+2.3	1.0	+2.9
(Operating margin)	(0.5%)	(1.1%)	1.0%	(+0.5pt)	0.3%	(-0.8pt)
Ordinary income	1.7	6.8	3.6	+1.9	1.0	+2.6
Profit attributable to owners of parent	-1.0	7.3	-1.6	-0.6	-3.5	+1.9
Exchange rate 1USD	109.8	112.3	133.9	+24.2	124.8	+9.1
(JPY) 1EURO	130.8	130.5	138.7	+7.9	136.5	+2.2
Inventories	201.5	214.8	247.6	+32.7 (compared to March)	Interim dividends 2.5JPY Full year dividends (5.0JPY)	
Capital expenditure	8.1	19.8	9.5	+1.4		
Free cash flow	1.1	11.5	13.5	+12.4		

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

Net sales and operating income increased in all businesses compared to announced figures

After-market

- ✓ Recovery continued from declined demand due to the impact of the pandemic and **sales increased in all regions compared to announced figures.**
- ✓ In China in particular, demand recovered significantly after Shanghai lock-down.

Industrial Machinery

- ✓ Sales in construction machinery, wind turbines, aircraft, and machine tool **increased compared with the previous fiscal year.**
- ✓ **Incomes improved** as unprofitable businesses shrank and negotiation for price hikes and to restrain discounts.

Automotive

- ✓ The shortage of semiconductors continued. However, **sales increased compared to announced figures** by recovering production in Japan, the Americas, Europe, and China after the unlocking of the Shanghai lock-down.
- ✓ **Income improved** in the Second Quarter (July to September) compared to the previous fiscal year

(billion yen)	Aftermarket			Industrial Machinery			Automotive			All		
	FY2022			FY2022			FY2022			FY2022		
	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H	1Q	2Q	1H
Net Sales	32.3	33.6	65.9	34.1	35.0	69.1	106.2	130.6	236.7	172.6	199.1	371.7
YoY	+5.4	+6.4	+11.8	+34.2	+4.6	+8.0	+7.2	+38.9	+46.1	+16.0	+49.9	+65.9
Difference from August IR (Announced)			+3.4			+2.1			+16.2			+21.7
Operating income	4.6	5.3	10.0	1.2	1.5	2.7	-6.6	-2.2	-8.8	-0.8	4.6	3.9
YoY	+1.2	+1.9	+3.1	+0.8	+0.5	+1.3	-4.4	+2.3	-2.1	-2.4	+4.7	+2.3
Difference from August IR (Announced)			+1.0			+0.7			+1.2			+2.9
Operating Margin	14.3%	15.9%	15.1%	3.6%	4.2%	3.9%	-6.3%	-1.7%	-3.7%	-0.5%	2.3%	1.0%

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

Earnings forecast has been revised upward by reflecting the price pass-on measures and impact of exchange-rates.

Key Points of 2nd Half of FY2022

- ✓ The impact of the shortage of semiconductors and other factors will continue in the second half of the fiscal year.
- ✓ Although there were price hikes in steel and logistics costs, measures will be taken to pass increased costs on selling prices, etc.
- ✓ Inventory assets will be reduced while preparing for a rebound in demand.

(billion yen)	FY2021	FY2022				
	Full year result	1H result	2H Forecast	Full year Forecast	Full year (previous announce)	Difference from previous announce
Net sales	642.0	371.7	398.3	770.0	720.0	+50.0(+7%)
Operating income	6.9	3.9	22.1	26.0	23.0	+3.0
(Operating margin)	(1.1%)	1.0%	5.6%	3.4%	3.2%	(+0.2pt)
Ordinary income	6.8	3.6	19.4	23.0	20.0	+3.0
Profit attributable to owners of parent	7.3	-1.6	13.6	12.0	10.0	+2.0
Exchange rate 1USD	112.3	133.9	140	137.0	122.4	+14.6
(JPY) 1EURO	130.5	138.7	140	139.4	135.8	+3.6
Inventories	214.8	247.6	225.0	225.0	200.0	+25.0
Capital expenditure	19.8	9.5	13.5	23.0	23.0	0
Free cash flow	11.5	13.5	4.5	18.0	18.0	0

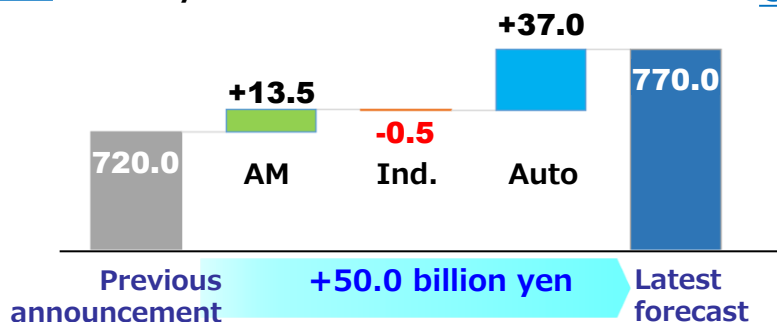
4. Earning Forecast by Business Sector

Sales: Aftermarket and automotive businesses increased, and industrial machinery businesses declined.

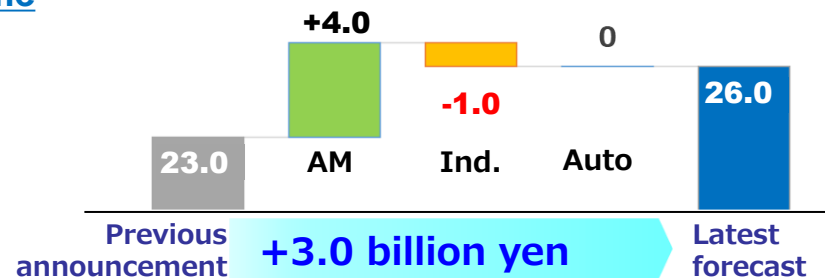
Operating income: No change in automotive business. Aftermarket and industrial machinery business reflected the impact of sales volume.

		FY2022									
		Revised forecast						Previous announcement			
	(billion yen)	1H result	2H forecast		Full year forecast			1H	2H		Full year
Net Sales	Aftermarket	65.9	68.6		134.5			62.5	58.5		121.0
	Industrial Machinery	69.1	70.4		139.5			67.0	73.0		140.0
	Automotive	236.7	259.3		496.0			220.5	238.5		459.0
	Total	371.7	398.3		770.0			350.0	370.0		720.0
Operating Income (Operating Margin)	Aftermarket	10.0 15.1%	10.5 15.3%		20.5 15.2%			9.0 14.4%	7.5 12.8%		16.5 13.6%
	Industrial Machinery	2.7 3.9%	2.8 4.0%		5.5 3.9%			2.0 3.0%	4.5 6.2%		6.5 4.6%
	Automotive	-8.8 -3.7%	8.8 3.4%		0.0 0.0%			-10.0 -4.5%	10.0 4.2%		0.0 0.0%
	Total	3.9 1.0%	22.1 0.6%		26.0 0.3%			1.0 0.3%	22.0 5.9%		23.0 3.2%

Net Sales (billion yen)



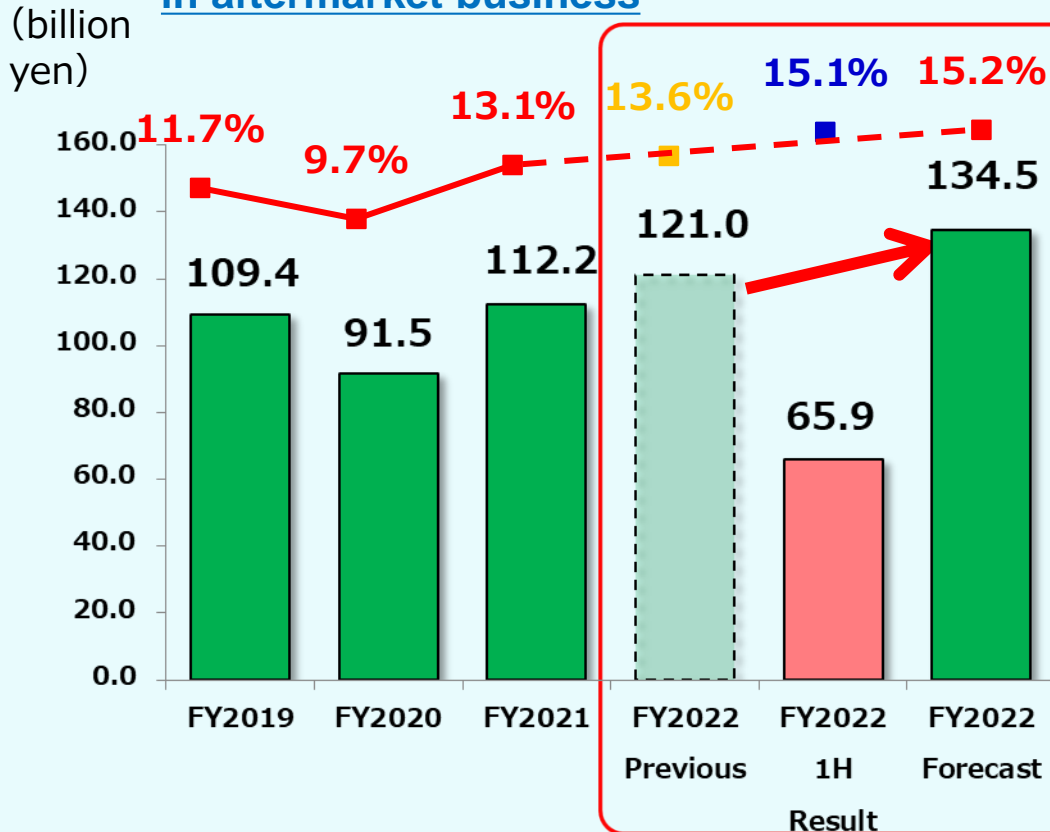
Operating income (billion yen)



5.Situation in Aftermarket Business

- ✓ Demand for aftermarket **continues to recover and remains firm**
- ✓ **Strengthen supply capabilities** to ensure that demand recovery leads to sales
- ✓ **Promote price pass-on measures** for increased steel prices and logistics costs by revising our list of prices.

Net sales and operating margin
in aftermarket business



**Strengthen
supply capabilities**



**Standard ball bearings:
production transfer to
overseas supplier and
supply start**

Strengthen supply capabilities for aftermarket applications, expand sales, and acquire global demand



**Strengthen production
equipment for Ball Bearing
in New Wakayama Plant**

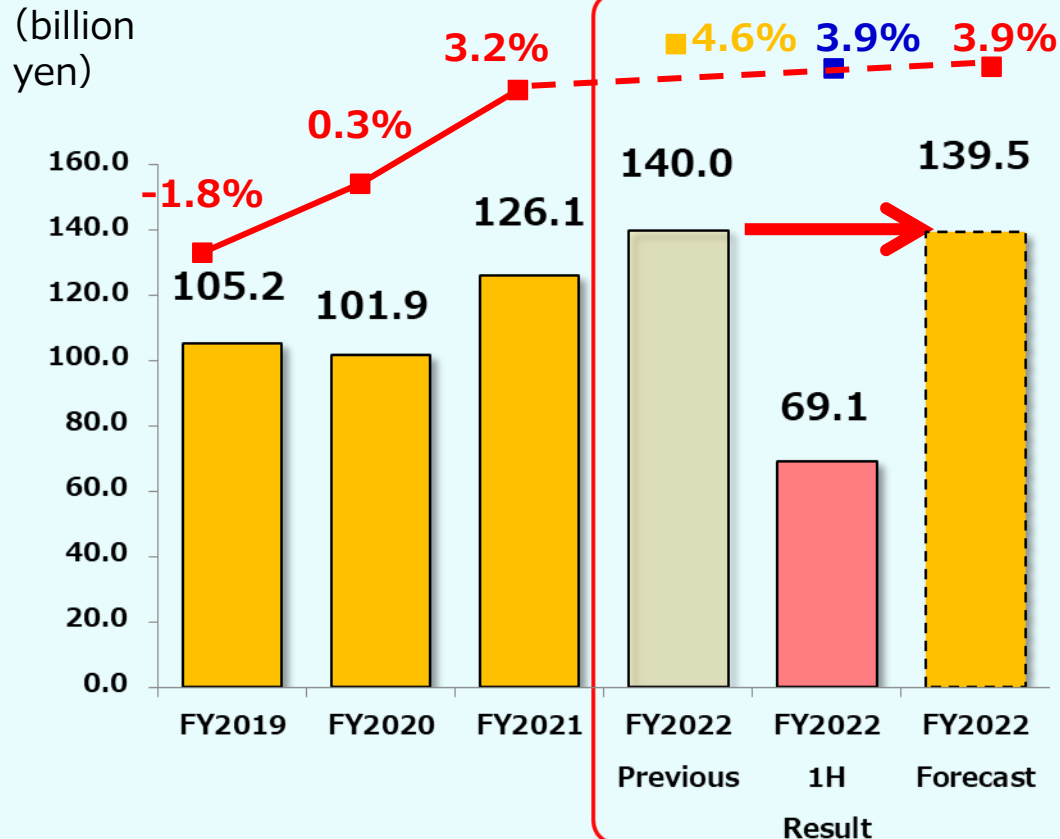
Start of production in FY2023



6.Situation in Industrial machinery Business

- ✓ Demand for gearboxes, railway rolling stock, and aircrafts remains firm.
- ✓ Shrink unprofitable businesses and continue sales price increase for unprofitable products
- ✓ **Continue to promote price pass-on measures** for increased steel prices and logistics costs

Sales and operating margin in industrial machinery business

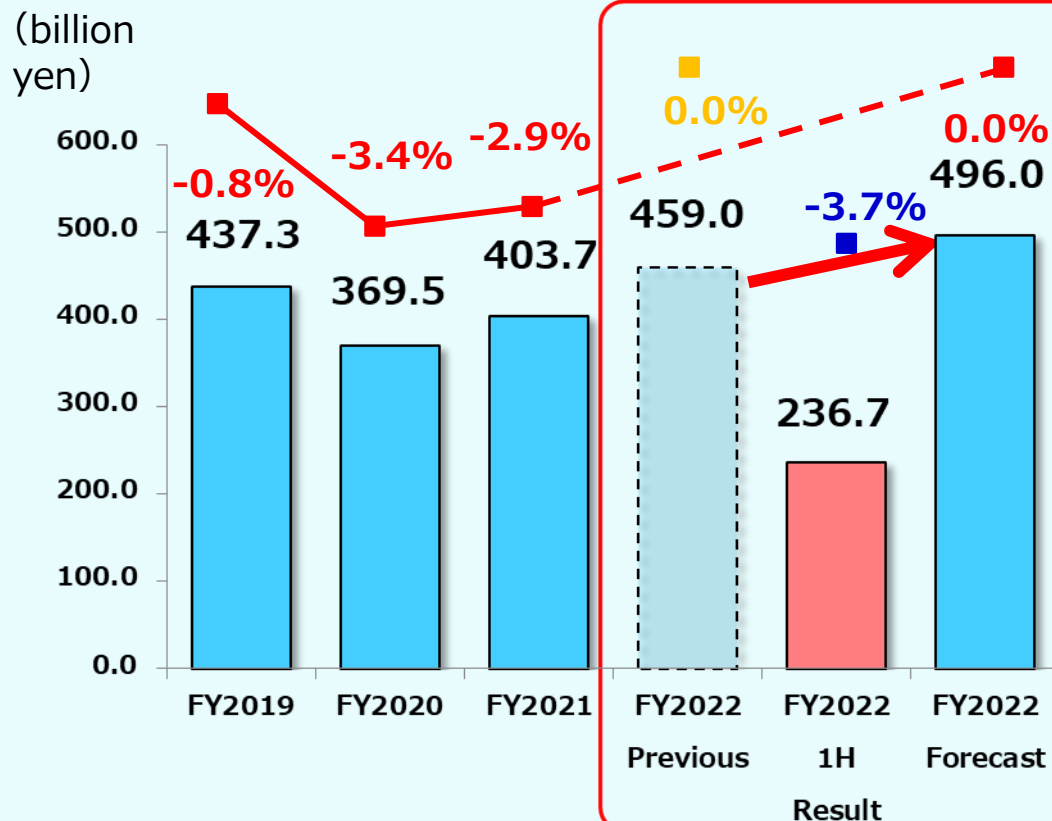


Situation by application		FY21 2H FY22 1H	FY22 1H FY22 2H
Construction Machinery 		→	→
Agricultural Machinery 		↗	→
Gear boxes 		→	↗
Wind turbine 		↗	↘
Machine tool 		↗	→
Rolling stock 		→	↗
Aerospace 		↗	↗

7. Situation in Automotive Business

- ✓ While the impact of Shanghai lock-down and semiconductor shortage remains, **the first half was +24% compared to the previous fiscal year.**
- ✓ **Promote price pass-on measures** for increased steel prices and logistics costs in the second half
- ✓ **Accelerate the development / launch of high-performance products for EV and electrification**

Sales and operating margin in automotive business

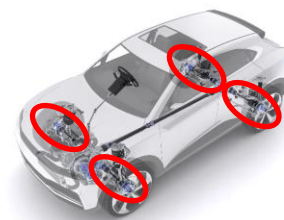


【4 pillars: automotive business growth strategy】

- ① **EV, electrification**
- ② Large SUVs/ Commercial Vehicles/Pickup Trucks
- ③ Premium brand
- ④ Strengthening partnerships with key customers

【Response to shift to EV and electrification】

Received orders for mass production of higher efficiency fixed constant velocity joints "CFJ"



The world's smallest and lightest fixed type constant velocity joints

More than 50% reduction in torque loss ratio while maintaining the basic properties of "EBJ"

2022 "CHO" MONODZUKURI Innovative Parts and Components Award (Grand Award)

8.ESG Management Initiatives

For more information on ESG initiatives, please refer to the Integrated Report "NTN Report" <https://www.ntn.co.jp/japan/csr/ntnreport.html>

Corporate Philosophy

We shall contribute to international society through creating new technologies and developing new products.

13 materiality

Contribute to society through our original technology
(Enhance positive impact)

Promotion of globalization, and formation of management systems/corporate organization which are essential for NTN
(Reduce negative impact)

Realization of a "NAMERAKA Society *"

*A society where people can easily lead a secure and fulfilling life in harmony with nature.

Progress of respond to climate change

May: Decision-making on Carbon neutrality Targets

CO₂ Emissions Reduction Targets

(SCOPE1 and 2: NTN business activities)

50% reduction by FY2030 (compared to FY2018)

Carbon neutrality achievement by FY2035

CO₂ Emissions Reduction Targets

(SCOPE3: Entire supply chain, including raw material manufacturing and transportation)

Carbon neutrality achievement by FY2050

July: Launched the Carbon Neutrality Promotion Project

President is the director of the project and works on a company-wide basis to achieve goals

Activities to promote employees

President policy briefings

- Briefing sessions for local executives and employees in over 40 domestic and overseas locations

Corporate Award (NTN PROUD AWARD)

- Award for excellent efforts to solve 13 materiality items
- Raise employee awareness for ESG management by connecting their daily work with ESG management

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 **R**esources (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)

Improve profitability and investment efficiency of existing products and businesses

Materialize new business by creating products and businesses

Establish management system to facilitate reform of business structure

Crisis Response Period FY2020

Ensure the health and safety of employees

Secure cash and continue business

Prepare for future growth

Phase 2 (FY2021-FY2023)

Improve profitability and investment efficiency of existing products and businesses

Select new business and review the allocation of management resources

Strengthen corporate governance

Phase 3 (FY2024-)

Build new businesses and core business area

- Create
- Grow
- Harvest

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

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

- I. Key Points of Financial Result and
Progress of “DRIVE NTN100” Phase 2
- II. Financial Result of First Half of FY2022 and
Forecast of FY2022

1. Key points of Financial Results for 1st Half of FY2022



◇ Net sales

371.7 billion yen YoY **+65.9** billion yen (excl. forex **+30.2** billion yen)

◇ Operating income

3.9 billion yen YoY **+2.3** billion yen (excl. forex **-3.2** billion yen)

◇ Ordinary income

3.6 billion yen YoY **+1.9** billion yen (excl. forex **-3.8** billion yen)

◇ Profit attributable to owners of parent

-1.6 billion yen YoY **-0.6** billion yen (excl. forex **-4.2** billion yen)

◇ Inventories

247.6 billion yen YoY **+32.7** billion yen (excl. forex **+15.8** billion yen)

◇ Free cash flow

+13.5 billion yen YoY **+12.4** billion yen

NTN

(Reference)
Previous announcement

3. Net sales by Region

							(Reference) Previous announcement			
(billion yen)	FY2021			FY2022			Year on Year			FY2022
	1H Results	2H Results	Full Year Results	1H Results	2H Forecast	Full Year Forecast	②-①			1H Forecast
	①			②			Total	Volume	Forex	
Japan	86.4	94.4	180.8	95.5	100.0	195.5	9.1	9.1	0.0	94.0
Americas	85.3	95.9	181.2	118.6	130.9	249.5	33.3	12.6	20.6	109.0
Europe	62.1	65.0	127.1	72.0	72.1	144.0	9.9	5.8	4.1	67.0
Asia and others	72.0	81.0	153.0	85.6	95.4	181.0	13.6	2.6	11.0	80.0
Total	305.8	336.2	642.0	371.7	398.3	770.0	65.9	30.2	35.7	350.0

4. Net Sales and Operating Income by Business Sector

(Reference)

Previous announcement

<Net Sales by Business Sector>

	FY2021			FY2022			Year on Year			FY2022
	1H	2H	Full Year	1H	2H	Full Year	②-①			1H
	Results	Results	Results	Results	Forecast	Forecast	Total	Volume	Forex	Forecast
(billion yen)	①			②						
Aftermarket	54.1	58.1	112.2	65.9	68.6	134.5	11.8	5.7	6.1	62.5
Industrial machinery	61.1	65.0	126.1	69.1	70.4	139.5	8.0	2.4	5.6	67.0
Automotive	190.6	213.1	403.7	236.7	259.3	496.0	46.1	22.1	24.0	220.5
Total	305.8	336.2	642.0	371.7	398.3	770.0	65.9	30.2	35.7	350.0

<Operating Income by Business Sector>

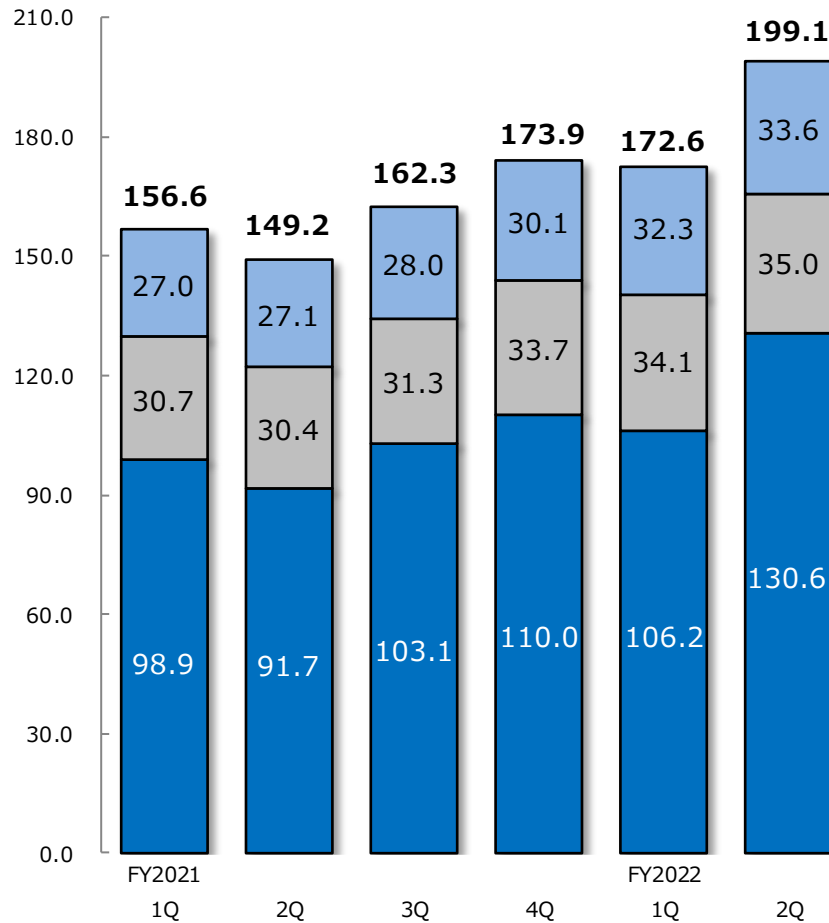
	FY2021			FY2022			Year on Year	FY2022
	1H	2H	Full Year	1H	2H	Full Year	②-①	1H
	Results	Results	Results	Results	Forecast	Forecast		Forecast
(billion yen)	①			②				
Aftermarket	6.9	7.8	14.7	10.0	10.5	20.5	3.1	9.0
Industrial machinery	1.4	2.7	4.1	2.7	2.8	5.5	1.3	2.0
Automotive	-6.6	-5.2	-11.9	-8.8	8.8	0.0	-2.1	-10.0
Total	1.6	5.3	6.9	3.9	22.1	26.0	2.3	1.0

5. Results by Business Sector(Quarterly Trend)

* All figures in billion yen

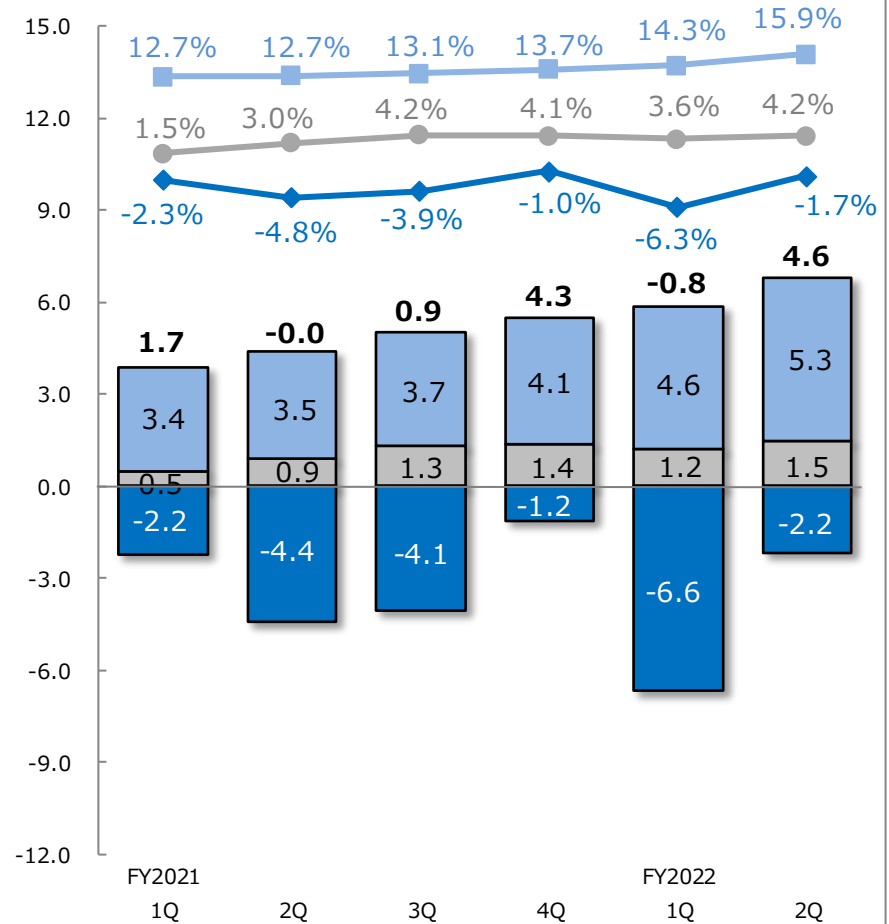
Net Sales

Automotive Industrial machinery Aftermarket



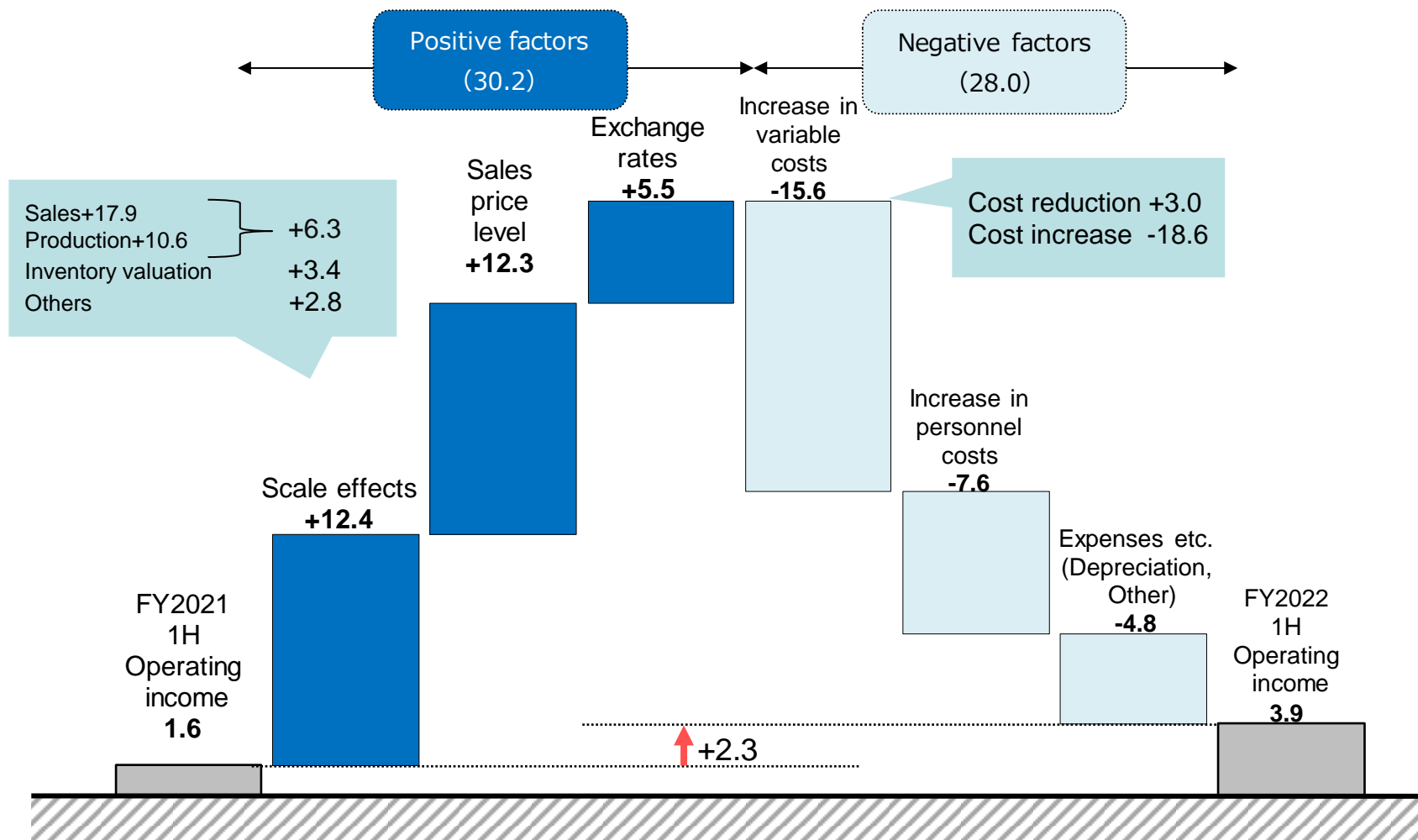
Operating Income/ Operating Margin

Automotive Industrial machinery Aftermarket



6-1. Analysis of Operating Income [FY2021 1H Result vs FY2022 1H Result]

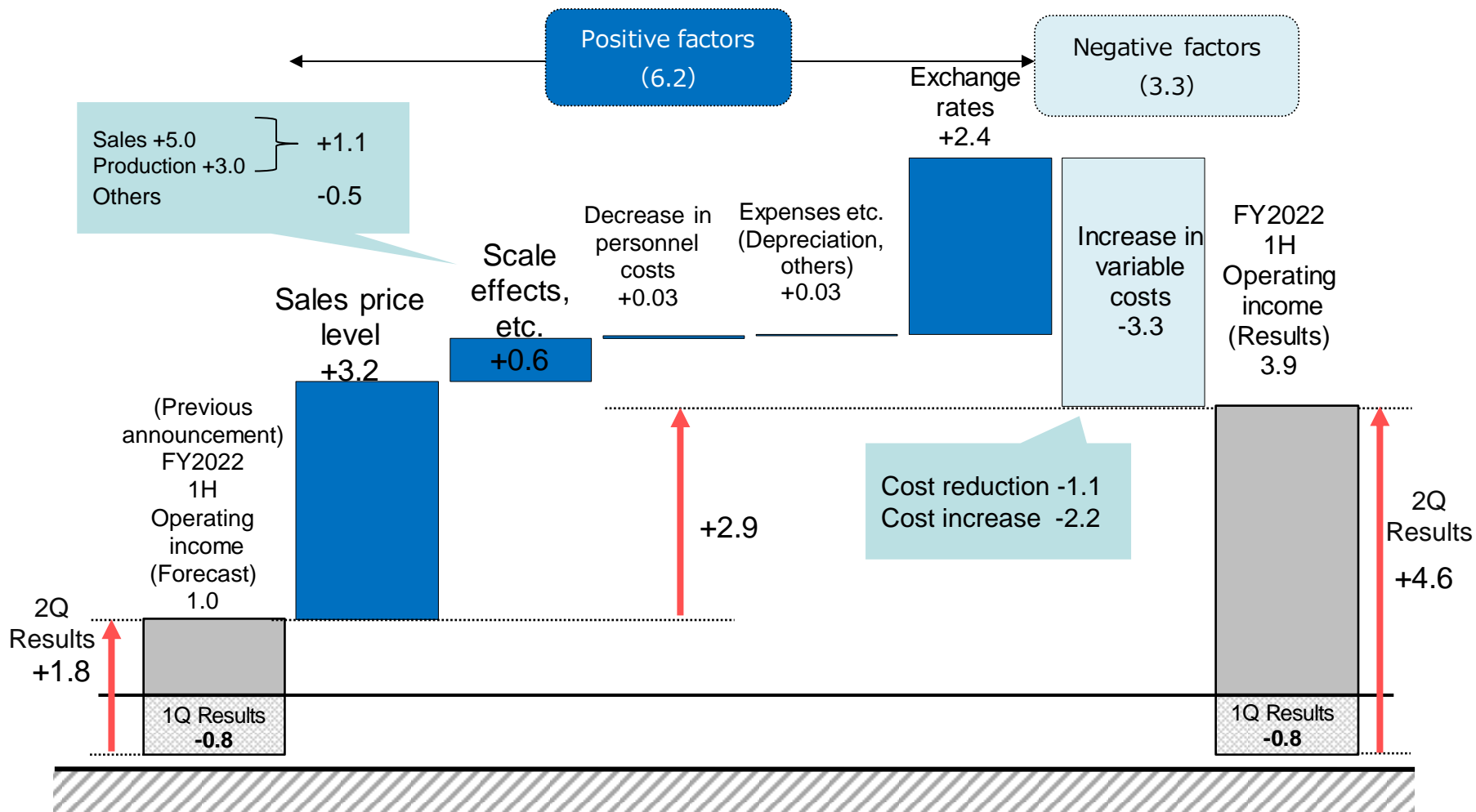
* All figures in billion yen



6-2. Analysis of Operating Income (FY2022 1H forecast(previous) vs FY2022 1H Result)

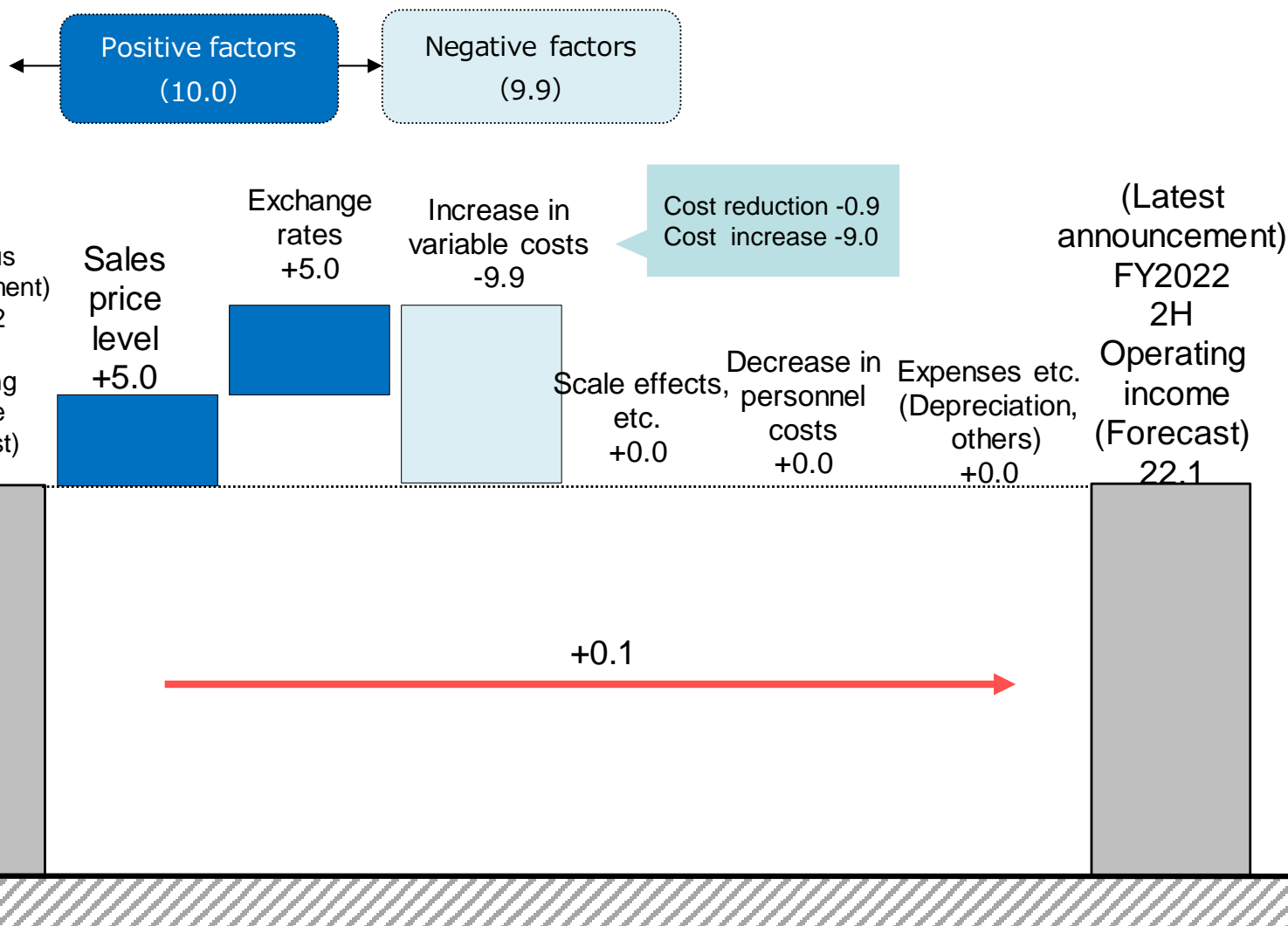
* All figures in billion yen

*As the first half forecast for April-June is actual and July-September is forecast, the figure below shows an analysis of actual results for July-September.



6-3. Analysis of Operating Income (FY2022 2H forecast(previous) vs FY2022 2H (latest))

* All figures in billion yen



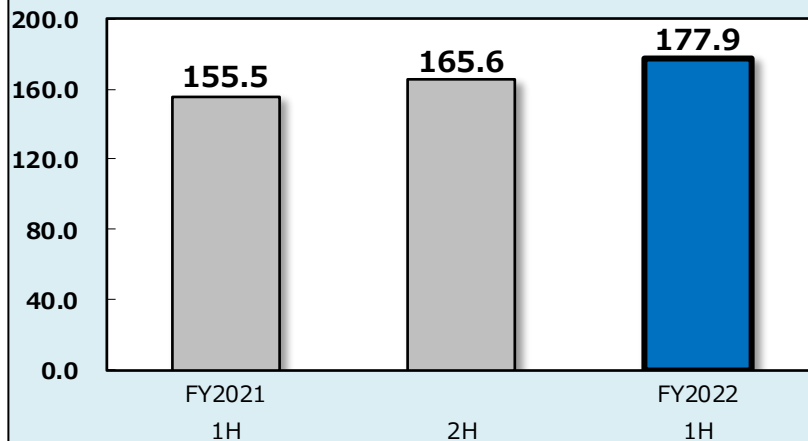
7-1. Net Sales and Operating Income by Company Location (Japan/Americas)

* All figures in billion yen

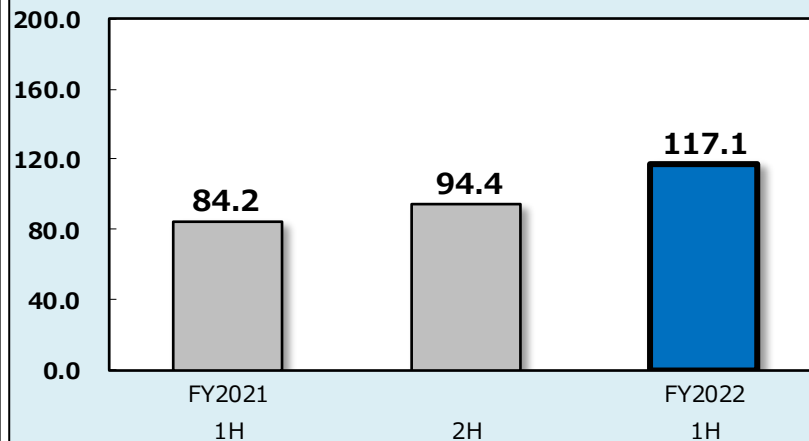
《 Japan 》

《 Americas 》

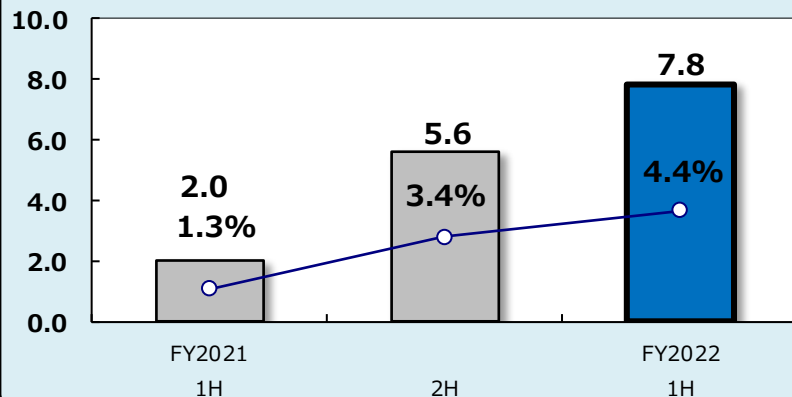
Net Sales



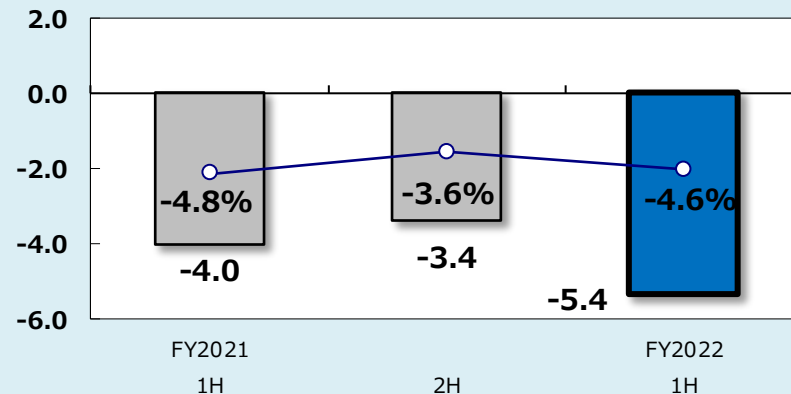
Net Sales



Operating Income



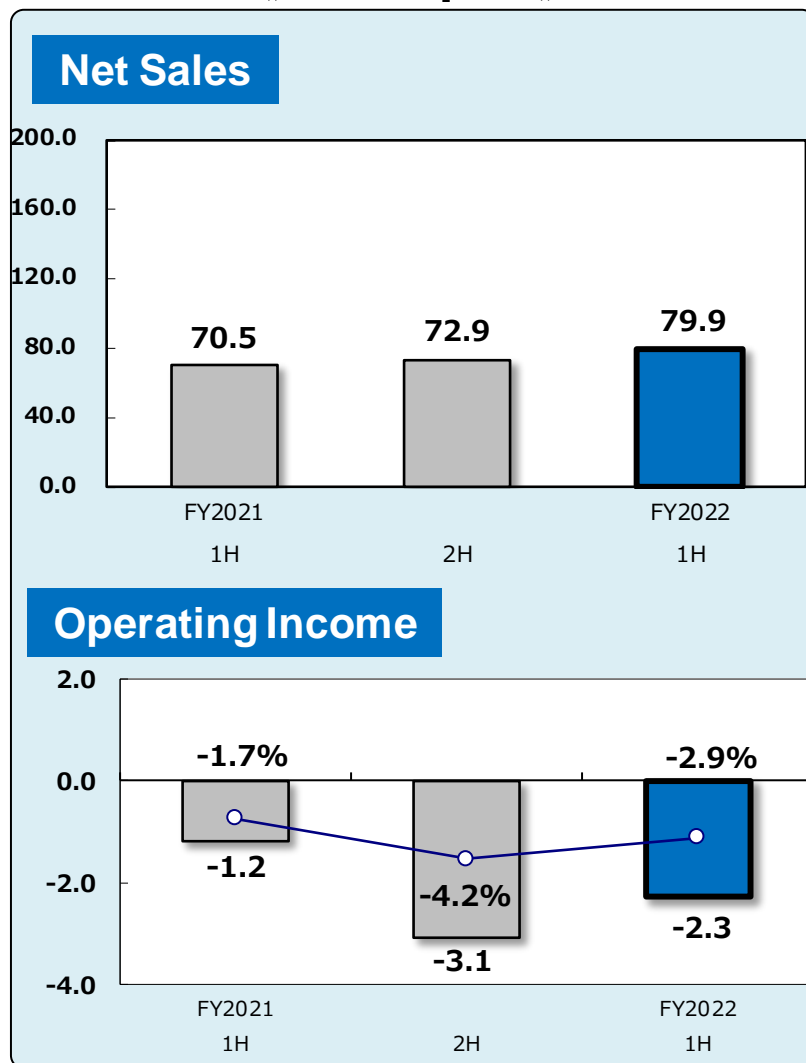
Operating Income



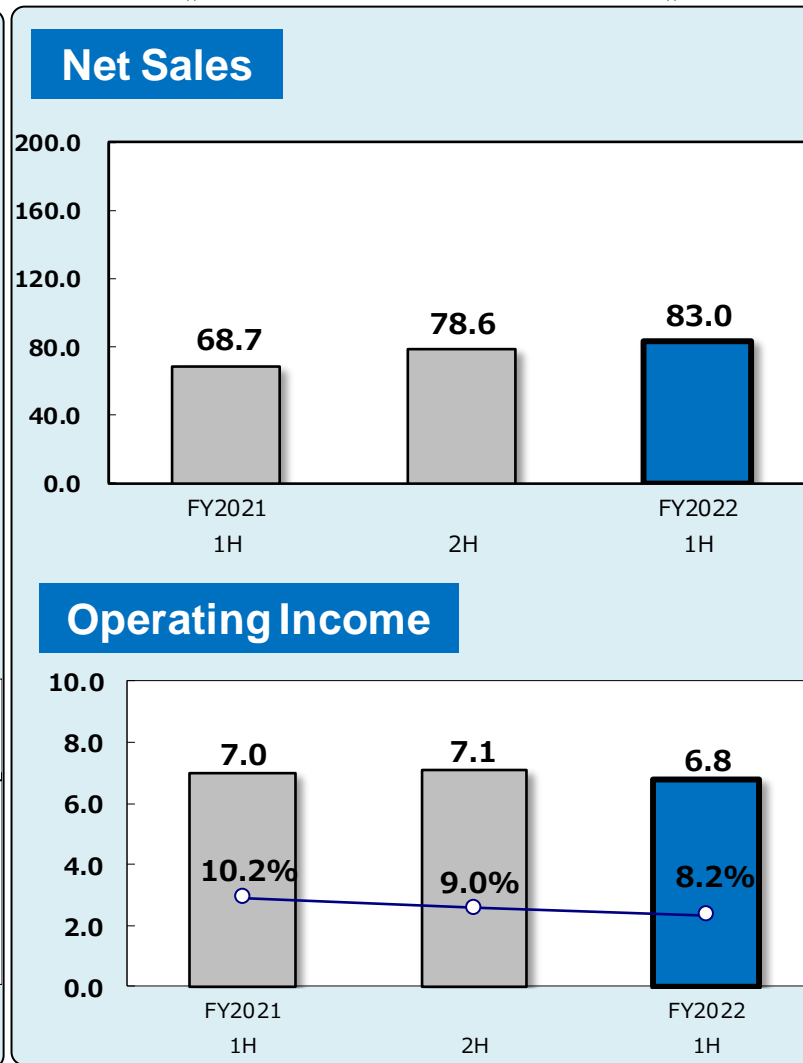
7-2. Net Sales and Operating Income by Company Location (Europe/ Asia and others)

* All figures in billion yen

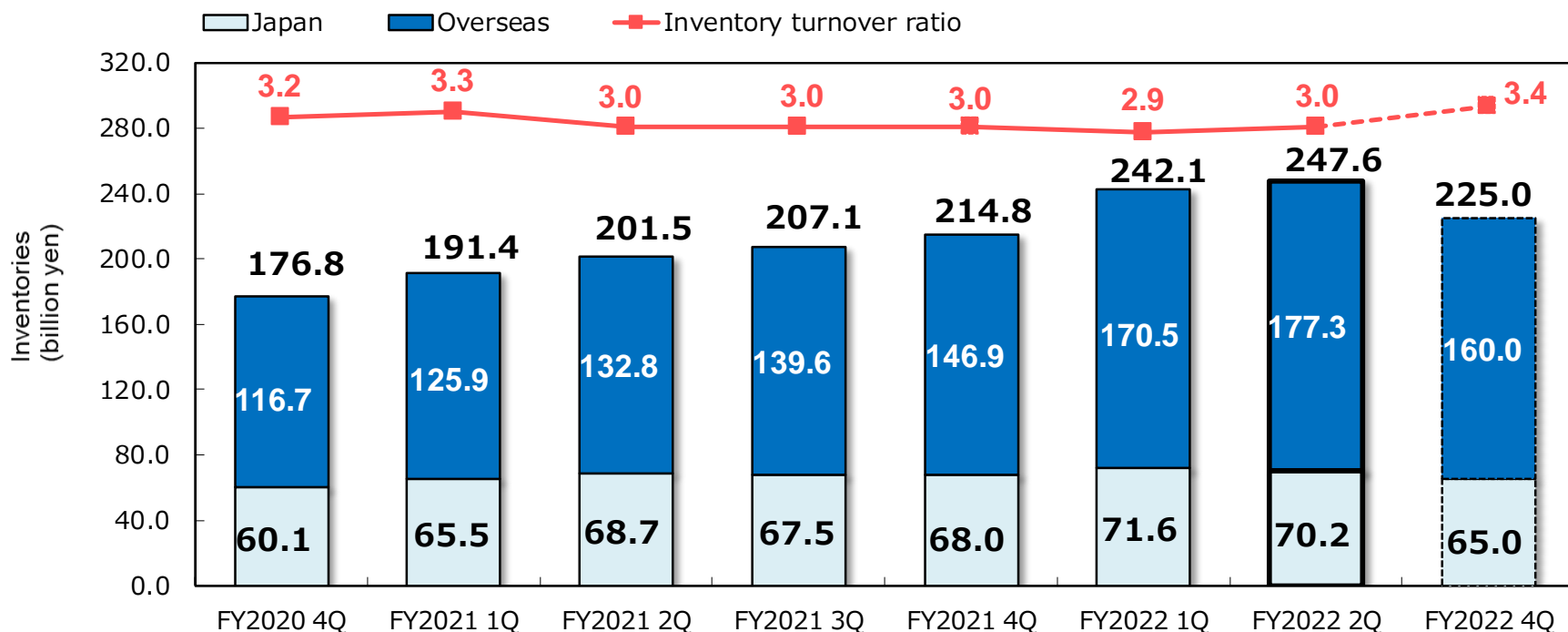
《 Europe 》



《 Asia and others 》

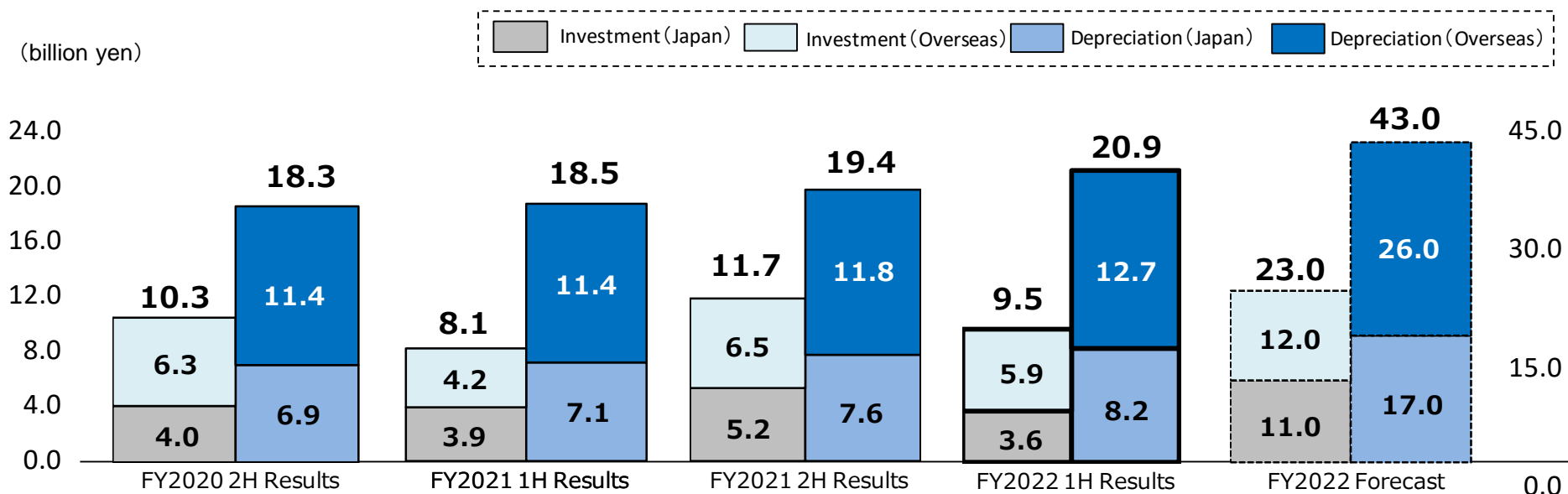


8. Inventories



	FY2020 4Q	FY2021 1Q	FY2021 2Q	FY2021 3Q	FY2021 4Q	FY2022 1Q	FY2022 2Q	FY2022 4Q
(billion yen)	Results	Results	Results	Results	Results	Results	Results	Forecast
Inventories	176.8	191.4	201.5	207.1	214.8	242.1	247.6	225.0
(Overseas)	(116.7)	(125.9)	(132.8)	(139.6)	(146.9)	(170.5)	(177.3)	(160.0)
(Japan)	(60.1)	(65.5)	(68.7)	(67.5)	(68.0)	(71.6)	(70.2)	(65.0)
Inventory turnover ratio	3.2	3.3	3.0	3.0	3.0	2.9	3.0	3.4

9. Capital Expenditure and Depreciation

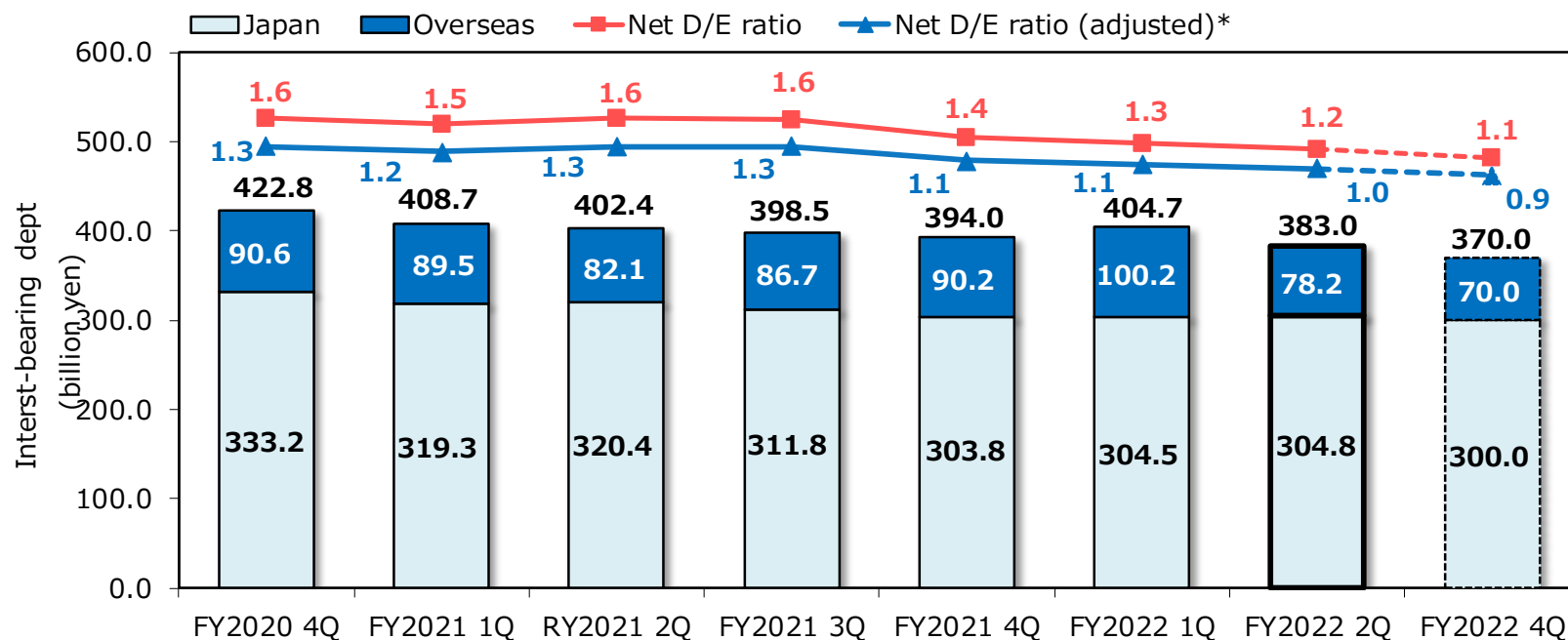


(billion yen)	FY2020 2H Results	FY2021 1H Results①	FY2021 2H Results	FY2022 1H Results②	②-①	FY2022 Forecast
Capital expenditure	10.3	8.1	11.7	※ 9.5	1.4	23.0
(Overseas)	(6.3)	(4.2)	(6.5)	(5.9)	(1.7)	(12.0)
(Japan)	(4.0)	(3.9)	(5.2)	(3.6)	(-0.3)	(11.0)

*In addition, capital expenditure for intangible fixed assets (FY2022 1H Results : ¥2.2 billion, FY2022 Full Year Forecast : 5.0 billion)

(billion yen)	FY2020 2H Results	FY2021 1H Results①	FY2021 2H Results	FY2022 1H Results②	②-①	FY2022 Forecast
Depreciation	18.3	18.5	19.4	20.9	2.5	43.0
(Overseas)	(11.4)	(11.4)	(11.8)	(12.7)	(1.3)	(26.0)
(Japan)	(6.9)	(7.1)	(7.6)	(8.2)	(1.2)	(17.0)

10. Interest-Bearing Debt

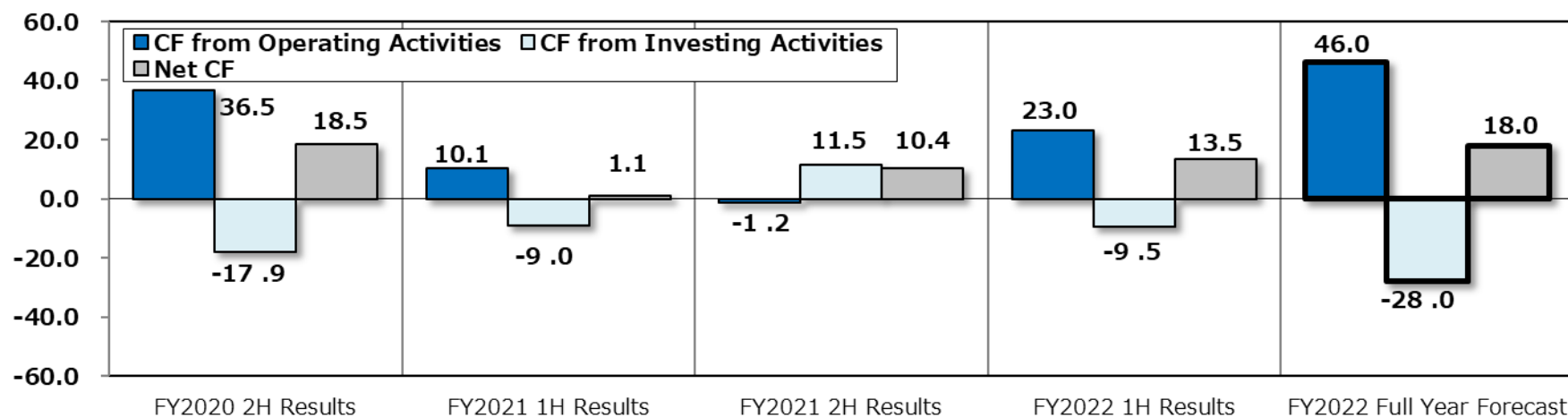


	FY2020 4Q	FY2021 1Q	FY2021 2Q	FY2021 3Q	FY2021 4Q	FY2022 1Q	FY2022 2Q	FY2022 4Q
(billion yen)	Results	Results	Results	Results	Results	Results	Results	Forecast
Interest-bearing debt	422.8	408.7	402.4	398.5	394.0	404.7	383.0	370.0
(Overseas)	(90.6)	(89.5)	(82.1)	(86.7)	(90.2)	(100.2)	(78.2)	(70.0)
(Japan)	(332.2)	(319.3)	(320.4)	(311.8)	(303.8)	(304.5)	(304.8)	(300.0)
Net Interest-bearing debt	275.6	268.0	276.9	285.3	272.6	278.6	268.8	260.0

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

11. Cash Flows

	FY2020		FY2021		FY2022		FY2022
(billion yen)	2H Results	1H Results①	2H Results	Full Year Results	1H Results②	②-①	Ful Year Forecast
I. Cash flow from operating activities	36.5	10.1	-1.2	9.0	23.0	12.9	46.0
II. Cash flow from investing activities	-17.9	-9.0	11.5	2.5	-9.5	-0.4	-28.0
I + II. Net cash flow	18.5	1.1	10.4	11.5	13.5	12.4	18.0
III. Cash flow from financing activities	54.7	-22.8	-18.5	-41.3	-25.0	-2.2	-34.0
IV. Effect of exchanging rate tra on cash and cash equivalent	2.9	-0.1	4.1	4.0	4.1	4.2	4.5
V. Net increase in cash and cash equivalents	76.1	-21.8	-4.0	-25.8	-7.3	14.5	-11.5



Promote passing on increased cost by external factors to selling price

- ◇ Pass increased raw material costs on selling prices
- ◇ Withdrawal from unprofitable products and negotiations to increase price

Reduce variable costs through variable cost reformation

- ◇ - 1 point in the variable cost ratio

Control fixed cost in the phase of increasing volume

- ◇ Within 15% of the increase in volume

DRIVE

Digitalization Resources Innovation Variable cost reformation Efficiency improvement

NTN100 Phase 2



NTN

Make the world **NAMERAKA**

Digitalization, **R**esources, **I**nnovation, **V**ariable cost reformation, **E**fficiency improvement
NTN **T**ransformation for **N**ew **100**years

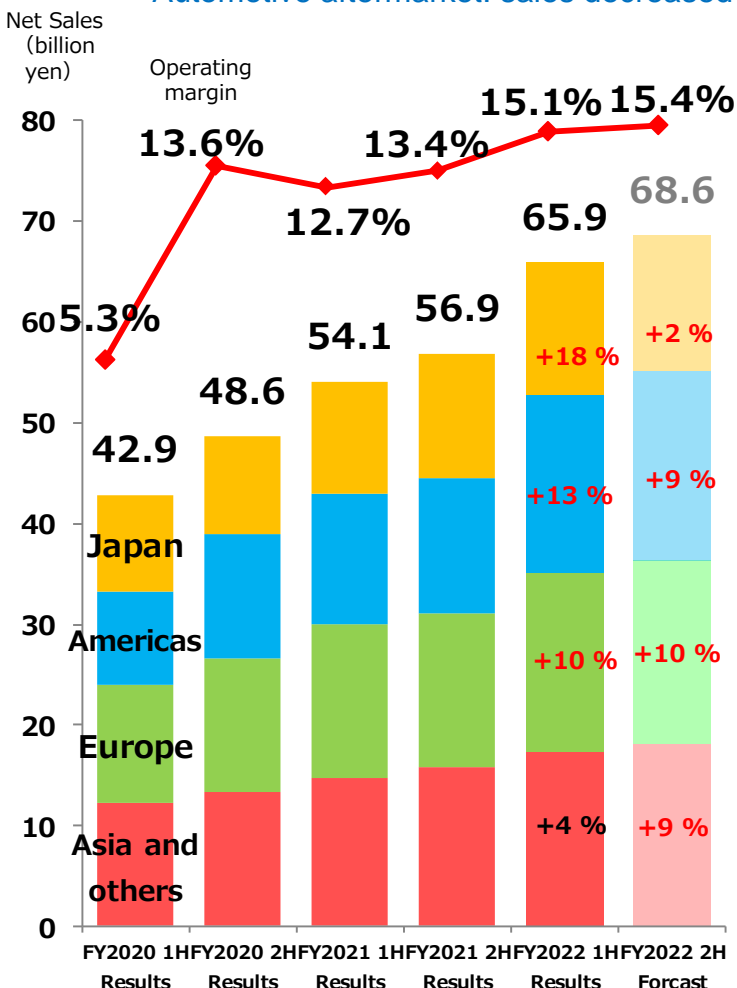
- This presentation and comments made in this conference or during the following Q&A session include forward-looking statements about future performance and future business strategies, all of which are based on decisions of the management of the Company currently available.
- These statements represent 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.

Sales Trends by Business Sector : Aftermarket Business

<FY2022 1H Results (vs. FY2021 1H)>

Net sales: ¥65.9 billion (+21.8%), Operating income: ¥10.0 billion

- Industrial machinery aftermarket: Recovered in all regions due to the impact of the pandemic, and sales increased in all regions
- Automotive aftermarket: sales decreased in Europe and the Americas despite increased sales in Asia and others



<FY2022 2H forecast: Percentage and comments on changes in sales compared to previous announcement>

Japan

(+8%)

Steady increase in demand is expected to continue, and sales are expected to increase.

Americas

(+25%)

In North America, sales are expected to increase in industrial machinery aftermarket and automotive aftermarket, and flat in Latin Americas

Europe

(+15%)

Industrial machinery aftermarket will remain firm in Germany, Turkey and other countries.
Strong sales in automotive aftermarket in the U.K. and others

Asia and Others

(+20%)

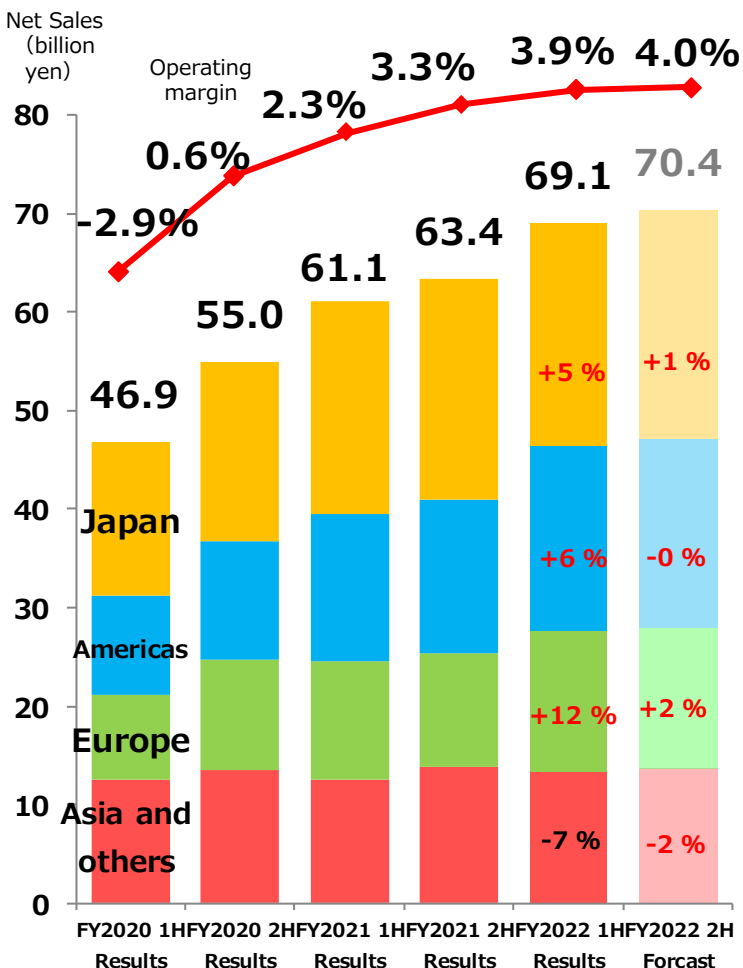
Industrial machinery aftermarket sales will increase in China, Asia, etc. Sales of automotive aftermarket are expected to increase in Asian and other countries.

Sales Trends by Business Sector: Industrial Machinery Business

<FY2022 1H Results (vs. FY2021 1H)>

Net sales: ¥69.1 billion (+13.1%), Operating income: ¥2.7 billion

- Demand recovered and sales increased for construction machinery, aircraft, and machine tool.
- Sales declined in railway rolling stock due to the continued impact of pandemic.



<FY2022 2H forecast: Percentage and comments on changes in sales compared to previous announcement>

Japan

(-11%)

Demand will recover in aircraft and gearboxes. However, demand will decrease in construction machinery and sales are expected to decrease.

Americas

(+9%)

Demand for wind turbines is expected to decline despite growth in gearboxes and other industries.

Europe

(-5%)

Sales are expected to increase in aircraft and railway rolling stock, but demand is expected to decline in machine tool and gearboxes.

Asia and Others

(-5%)

Demand for railway rolling stock and wind turbines is expected to increase in China. Demand for construction machinery and agricultural machinery is expected to decrease in Asia.

NOTE :The percentage change in the bar graph (%) represents the year-on-year growth rate of "excluding foreign exchange."

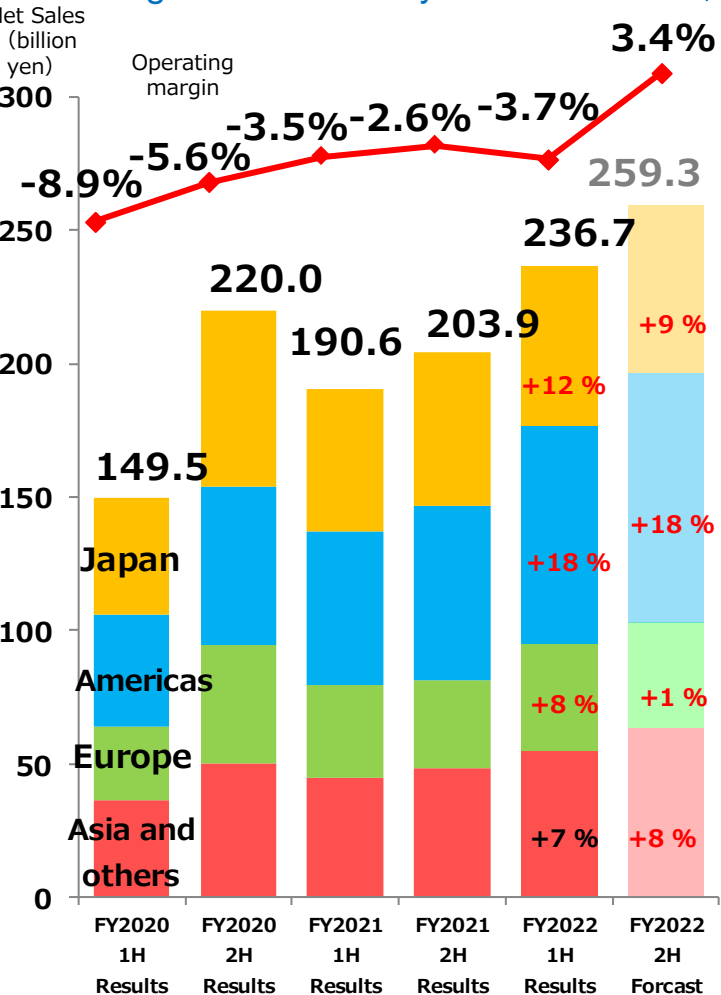
(Reference)

Sales Trends by Business Sector : Automotive Business

<FY2022 1H Results (vs. FY2021 1H)>

Net sales: ¥236.7 billion (+24.2%), Operating income: -¥8.8 billion

- Sales increased year on year due to recovering demand from the pandemic, despite the impact of a shortage of semiconductors.
- Significant recovery in the Americas, Asia and other regions, but the outlook is uncertain



<FY2022 2H forecast: Percentage and comments on changes in sales compared to previous announcement>

Japan

(+5%)

The impact of the shortage of semiconductor continues. The recovery period is uncertain, but sales are expected to increase.

Americas

(-16%)

Despite the continuing impact of the shortage of semiconductor supply and the shortage of workers, sales will increase as a result of the recovery from China's urban blockage.

Europe

(+1%)

The impact of the shortage of semiconductor continues. The recovery period is uncertain and a decrease in sales is expected.

Asia and Others

(+8%)

Recovery from China's urban closure progresses. Demand is also expected to be firm and increase.