The global economy contracted due to the spread of the new coronavirus (COVID-19), and the NTN Group has also been severely affected. We are facing an extremely difficult situation due to deterioration in our business performance. However, I believe this is a good opportunity to accelerate our transformation, and I will work toward the revitalization of NTN with the resolve to surely carry it out.

Management Commitment

Overcoming the Crisis Response Period For Future Growth

Toward NTN's Revitalization

Overview of the fiscal year ended March 31, 2020

In the fiscal year ended March 31, 2020, net sales amounted to 651.5 billion yen, down 11.2%, or 82.1 billion yen, from the previous fiscal year. This is due mainly to the impact of the spread of new coronavirus from the beginning of 2020 as well as the sluggish global demand environment caused by the intensified U.S.-China trade friction and other factors.

Operating income was 7.1 billion yen, down 73.8% or 19.9 billion yen, from the previous fiscal year. Although we moved forward with lowering variable costs and reducing fixed costs such as personnel costs and expenses, we were unable to cover a significant drop in sales. In addition, we booked an extraordinary loss of 34.2 billion yen including an impairment loss of 29.0 billion yen and as a result, a net loss attributable to shareholders of the parent company amounted to 44.0 billion yen, our largest loss ever.

In the previous fiscal year (ended March 31, 2019), we recorded an impairment loss of 17.0 billion yen for fixed assets such as equipment in manufacturing divisions in Japan. In the fiscal year under review, we did not anticipate any impairment losses, but with regard to plants and manufacturing equipment that we considered incapable of recovering the investment amounts due to the unexpected impact of new coronavirus, we recorded impairment losses.

It is truly regrettable that we were not able to distribute year-end dividends, and we paid 5.0 yen per share in annual dividends including the interim dividends of 5.0 yen. This is because our business performance has rapidly deteriorated due to the spread of the new coronavirus infections and the outlook for the future is uncertain.

Priority measures for the Crisis Response Period in the fiscal year ending March 31, 2021

In this tough business environment, the fiscal year ending March 31, 2021 is positioned as a “Crisis Response Period” in the coronavirus pandemic and we will take initiatives to “ensure the health and safety of employees” by thoroughly implementing measures to prevent infections. At the same time, we are working to “secure cash and continue business” in the event of an emergency, and to “prepare for future growth”.

- Ensure the health and safety of employees
Employees are our most important source of strength, and therefore we will implement measures to ensure the health and safety of employees and their families. In addition to establishing a safety support system on a global scale, we are working to prevent infections and promote teleworking.

- Secure cash and continue business
We will focus on business continuity by reducing and minimizing working capital, including inventory assets, and securing 100.0 billion yen of business funds, including through conclusion of commitment line agreements.

- Prepare for future growth
Regarding capital investment, we have decided to freeze investment for capacity expansion and concentrate on investment for efficiency improvement and maintenance. With regard to business operations, we will review the work itself that we have done so far and consider establishing a teleworking system, for example by developing a personnel evaluation system for teleworking. As for the new IT core system, which we have been switching over to as a foundation to support our business, we will put it into operation and firmly establish it, thereby producing results at an early stage. (See pp.17-18 for more details)

New Medium-term Management Plan starting from the fiscal year ending March 31, 2022

Accelerating transformation of business structure
A New Medium-term Management Plan will begin in the year ending March 31, 2022. In “DRIVE NTN 100” a 3-year medium-term management plan that began in the fiscal year ended March 31, 2019, the NTN Group has been working on “developing innovative technologies, products and services,” “variable cost reformation,” “achieving the world’s highest productivity and quality,” and “improved efficiency in asset management,” by combining the latest digital technologies with the management resources we have cultivated. In response to major changes in the marketplace, we will accelerate transformation of our business structure as set forth in “DRIVE NTN 100” under the New Medium-term Management Plan.

Details of the New Medium-term Management Plan are scheduled to be announced by March 2021, and we will implement measures for ensuring business continuity and lowering the break-even point, with the aim of realizing the following three transformations.

- Increase added value
  1. Shift to fields (business, region) with high profit margins
  2. Expand aftermarket business through collaboration between industrial machinery and aftermarket businesses
  3. Increase prices for or withdraw from unprofitable projects
  4. Break away from self-sufficiency

Going forward, we will shift our focus to highly profitable fields, businesses and regions, and endeavor to expand profits through collaboration between aftermarket and industrial machinery businesses. While working to provide high value-added products and expand new business areas, we will also raise prices for and withdraw from unprofitable projects.

We will break away from self-sufficiency, or our integrated production system that covers everything from pre-manufacturing processes (such as forging and turning) to assembly, and expand outsourcing of the pre-manufacturing processes. In the area of finished products, we will work to expand technical assistance and outsourcing of production through alliances with partner companies.

- Reduce costs
  1. Reduce procurement and logistics costs
  2. Reduce fixed costs

We will accelerate variable cost reformation that supports our global procurement system. Although the procurement of materials was not greatly affected by the new coronavirus pandemic, we will look ahead to the post-corona world and promote stable procurement that is not affected by the external environment, as well as optimal procurement in terms of cost, function, and quality.

In addition to performing centralized purchasing by strengthening cooperation with major suppliers, we will change the composition of our suppliers while adding new suppliers. We will work with our partner manufacturers to promote structural reforms, build WIN-WIN relationships, and reduce purchasing costs. In terms of logistics, we will endeavor to improve efficiency by analyzing the flow of goods in Japan, and will review the transportation of goods to overseas areas, thereby reducing logistics costs.

- Increase sales
  1. Improve product functions
  2. Strengthen cooperation with major suppliers
  3. Improve efficiency of supply chain

We will improve product functions and strengthen cooperation with major suppliers and improve efficiency of supply chain functions in order to improve productivity and efficiency in our sales activities.

- Increase value
  1. Enhance digital technology
  2. Strengthen cooperation with partner companies
  3. Improve efficiency in asset management

We will enhance digital technology and strengthen cooperation with partner companies to improve asset management efficiency.
In 2015, we endorsed the United Nations Global Compact identifying business activities that are socially and economically resolved by the NTN Group through its business activities.

Until now, we have been pursuing partial optimization that improves each process (equipment), such as reduction of cycle times. In the future, we will introduce a total optimization system that covers all areas of supply chain management, from material procurement to product sales, and produces just what is needed, only when needed, only in the quantity needed (just-in-time manufacturing). Under the leadership of the Production Reform Department established in June 2019, we are promoting company-wide production reforms. In doing so, we will construct new production processes to reduce lead times and inventories, thereby creating cash flow.

(See p.35 for more details)

Improving cash flow

1. Decrease inventories
2. Promote production reforms and make a shift to “Monozukuri” that generates cash

In order to respond to climate change, we have started to quantify our contributions to climate change in the fiscal year ended March 31, 2019. (See pp.45-46 for more details) This not only visualizes the value NTN provides to society, but also helps raise employee motivation in the development process. In the future, we will increase the proportion of products with a higher degree of environmental contribution and expand our contribution to CO2 reduction. On the other hand, we recognize that we are not able to set clear medium- and long-term targets for the environment, and we will consider numerical targets in conjunction with identifying materiality.

(See p.37 for more details)

Responding to climate change

We held our first ESG Meeting in 2018 and communicated with institutional investors to improve our activities, but will also inform them about the importance of ESG initiatives. We will not only use the opinions from our shareholders to strengthen our activities. In October 2019, we held our second ESG Meeting.

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ESG initiatives

We held our first ESG Meeting in 2018 and communicated with institutional investors about our ESG initiatives, which helped strengthen our activities. In October 2019, we held our second ESG Meeting, as well as the first ESG Meeting for employees in order to inform them about the importance of ESG initiatives and SDG measures. We will not only use the opinions from our institutional investors to improve our activities, but will also work to deepen the understanding of our employees and strengthen our ESG-related efforts.

The Sustainability Committee was established in November 2019 and started to identify important issues (materiality) to be resolved by the NTN Group through its business activities. Responding to SDGs, sustainable development goals, means identifying business activities that are socially and economically valuable. In 2015, we endorsed the United Nations Global Compact and support ten principles in four areas: human rights, labour, the environment, and anti-corruption. We will work to increase the corporate value of the NTN Group by promoting our response to SDGs. (See p.37 for more details)

Developing human resources that can play an active role on the global stage

We do not currently have any non-Japanese Directors or Executive Officers, but we have two foreign Operating Officers. In addition, our overseas employees account for more than 60% of our workforce, and many of the employees recruited locally in each country are working at the management level including top management and executives at our overseas affiliates around the world.

Since January 2019, a French Executive Officer has been leading the procurement division in strengthening global procurement. In the technical, administrative and other divisions, excellent human resources from overseas subsidiaries have demonstrated their abilities in dealing with global projects, and we will continue to expand the assignment of human resources from overseas. We will also promote diversity by strengthening the recruitment of non-Japanese employees in Japan, and promote transformation based on flexible ideas created by the fusion of diverse values.

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Human resources are the foundation of our growth, and we will strengthen our business foundation by cultivating human resources that can play an active role globally.

Establishing basic policies for human rights, safety and health

In July 2020, we have newly established a Human Rights Policy and a Safety and Health Basic Policy. The Human Rights Policy has been established as a basis for day-to-day activities and business execution to ensure that all employees of the NTN Group share a unified sense of values, as the NTN Group further strengthens and promotes initiatives for human rights. The NTN Group contributes to international society through creating new technologies and developing new products, and supports the realization of a society in which human rights are respected. To achieve this, the NTN Group will continue its efforts to fulfill its responsibilities in respect of human rights, including the establishment and ongoing implementation of a human rights due diligence system.

The Safety and Health Basic Policy was established with the aim of raising awareness of safety among NTN Group employees and organizations, and further enhancing corporate value. It respects safety and health policies and approaches that have been fostered by each business site and country. We have demonstrated that the realization of a work environment that ensures the safety, health and active performance of everyone working in the NTN Group is the foundation of management and the most important value that takes precedence over everything. (See p.55 for more details)

NTN SPIRIT

Putting corporate philosophy into practice

Two spirits passed down from the founders of NTN are embodied in its corporate philosophy. “We shall contribute to international society through creating new technologies and developing new products.” Noboru Niwa and Jiro Nishizono, the founders of NTN paved the way for the domestic production of bearings that was sought in Japan at the time. This Frontier Spirit is linked to our business activities in the second half of our corporate philosophy, “through creating new technologies and developing new products: The Coexistence and Co-prosperity Spirit cherished by the NTN Group worldwide promote the corporate philosophy, through creating new technologies and developing new products.”

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(See p.55 for more details)

Strengthening corporate governance

In June 2019, NTN has made a transition from a Company with Board of Company Auditors to a Company with Nominating Committee, etc. with the aim of establishing a prompt decision-making structure and an operational execution organization, strengthening the supervision of management, and improving management transparency and fairness. At the same time, the number of Outside Directors was increased from 2 to 5, with the Nominating Committee, the Compensation Committee, and the Audit Committee all chaired by Outside Directors. In July 2020, a female Director (Outside Director) was newly-appointed for the first time at the Company. We have always worked to promote diversity, and going forward, the female Director with experience in a different industry than ours will supervise management. This will enable us to integrate diverse values and accelerate transformation aimed at achieving sustainable growth.

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Contributing to solving social issues through business

For more than 100 years, we have been providing bearings that are indispensable in a variety of industries. Bearings are important precision parts that support rotating parts of machines, and are eco-friendly products that contribute to reducing energy loss. Our strength lies in our original technologies and services that we have cultivated over many years, as well as our global network that spans 33 countries around the world. We provide safety and comfort while supporting people’s lives globally. In addition, amid the urgent need to realize a low-carbon society on a global scale, we are contributing to a sustainable society that generates energy by applying our proprietary technologies and providing products that utilize natural energy.

Through the provision of these products and services, the NTN Group aims to realize a “NAMERAKA* society.” A NAMERAKA society is a society where people can easily lead a secure and fulfilling life in harmony with nature. The NTN Group will contribute to the development of a sustainable society by resolving social issues through the creation of new technologies and the development of new products.

* NAMERAKA means ‘New World’ in Japanese.