**Business Strategies**

**Aftermarket**

NTN provides various products for industrial machinery and automotive maintenance needs. In aftermarket applications, we provide bearings for general machinery and bearings used to repair equipment used in industries such as mining, paper, steel, cement, and food manufacturing. In automotive aftermarket applications, we satisfy customer needs with a product lineup of repair parts (auto parts) composed of bearings and peripheral components.

In addition to delivering products, we also provide technical services such as by holding the “NTN Aftermarket Academy” to help customers learn about bearings through lectures and practical training, and by holding technical workshops at customers’ manufacturing sites using technical service units. Also, we support customers improving productivity and ensuring stable operation of their facilities, for example, by providing the NTN PORTABLE VIBROSCOPE, which makes daily maintenance of production facilities easier.

**Achieve OUR VISION**

Transform from a “Manufacturing Company” into a “Company that Delivers Value to Customers through Products and Services.”

The business environment such as the development of AI, IoT, and other digital technologies, environmental issues, and demographic shifts has been changing continually and companies are required to be flexible in accommodating new market needs to ensure sustained growth. In the aftermarket business of bearings, suppliers are faced with new expectations in addition to traditional requirements, including high-quality products, broad product lineup and prompt delivery. The role of suppliers, particularly those in the equipment aftermarket business for steel, paper and other industries, is gradually changing from a bearing supplier into a provider of comprehensive maintenance services for equipment and peripheral components. In order for the Company to achieve the best customer satisfaction in the aftermarket, besides surveying the needs of distributors and end-users and offering bearing repair services, we will further enhance our brand value by proposing a new business model that provides services such as monitoring of operating conditions and prediction of bearing replacement timing by utilizing our expertise for sensing technology and digital technology including AI and IoT with an offer of the “NTN PORTABLE VIBROSCOPE” etc.

**Results for the fiscal year ended March 31, 2020 and forecast for the fiscal year ending March 31, 2021**

In the fiscal year ended March 31, 2020, net sales fell to 109.4 billion yen, down from the previous fiscal year. This was due to a year-on-year decline in sales from both the industrial machinery aftermarket and automotive aftermarket in Japan, the Americas, and Europe as a result of the sluggish economy. In addition, in the fourth quarter, demand declined and sales activities were restricted in some regions due to the spread of the new coronavirus. Operating income was 12.7 billion yen due to the significant impact of a decline in demand, despite efforts to reduce variable costs and fixed costs such as personnel costs and expenses.

For the fiscal year ending March 31, 2021, net sales was 196 billion yen and operating income was 800 million yen in the first quarter. Although we cannot foresee the impact of the spread of the new coronavirus, we expect the net annual sales to be 91 billion yen.

**Business environment**

One of the issues in our aftermarket business is that our brand recognition is lower in some overseas regions than in Japan. Compared to our competitors, we have actually not been able to secure our superiority not only in supplying individual products, but also in terms of overall capabilities including provision of peripheral components and after-sales service.

The challenge for us is how to increase our shares of products dealt in by overseas distributors, which sell competitors’ brand as well, unlike the Japanese distributors which handle our products exclusively. To that end, it is necessary to enhance the overall attractiveness of our products and improve the value of the NTN brand by strengthening our service & support programs, improving product quality as well as packaging quality, and reinforcing countermeasures against counterfeit products.

In addition, in order to increase competitiveness in overseas markets, it is extremely important to establish a system for prompt delivery of top-selling products.

Until last year, demand was high and we lost sales opportunities due to insufficient supply. However, as global demand declined sharply due to the spread of new coronavirus infections, we will focus on maintaining inventory of top-selling products that are necessary for a prompt delivery system in the fiscal year so that we can avoid losing sales opportunities when the economy becomes stronger again.

Additionally, an increasing influx of low-priced products produced in emerging countries is one of the threats. We are promoting strategies to secure advantages, such as identifying the needs of each market and using different brands appropriately.

**Changes in market environment**

- High branding power and presence of European and U.S. competitors in the overseas aftermarket business
- Expansion of needs for service & solution business and increase in sales that customers expect from suppliers
- Commoditization of bearings, especially general-purpose products, and the inflow of low-priced products due to the globalization of the market
- Sophistication of counterfeit bearings

**NTN’s Strengths**

- Networks of major domestic and overseas distributors, and strong partnership with major distributors
- Broad product lineup
- Experience and know-how in supplying products for MRO* in the global market
- MRO Maintenance, Repair and Overhaul
- Sales network that covers global markets
- Awareness and technological capabilities in OEM
- Providing detailed technical services

**Initiatives to improve profitability**

Focus on core products and profitable products in aftermarket

We assume that our global share is approximately 10% in the aftermarket, but that number differs according to region and product. By strategically introducing products that match the characteristics of each sales region and the price range of each market, we will strive to increase profits from regions and products where sales are expected to continue to grow in the future. For example, bearing units, one of our main products for the aftermarket, have lower market shares in the U.S. than in other sales regions, so we will strengthen product strategies for each region and work to increase the market share.

Promoting the use of outsourced products

We will actively utilize outsourced production to build a structure that can supply products that meet the quality and price ranges demanded by each region.

Establishing a system for the post-coronavirus world

Establishing a prompt delivery structure for the aftermarket business

Products for the aftermarket, which contribute to the stable operation of customer’s facilities and improvements in their productivity, must be delivered at the timing required by customers. In order to realize just-in-time supply, we will organize inventories of best-selling products and establish a structure for prompt delivery. In this way, we will work to establish a system that can provide stable supply even when demand fluctuates.

Creating a business model with future potential

By using devices such as the NTN PORTABLE VIBROSCOPE, which enables measurement of equipment vibrations, detection of bearing abnormalities, and estimation of damaged areas and can be used by simply installing the device on facilities, we will not only sell bearings, but also expand MRO business, which covers maintenance, to create a business model with future potential. In addition, while assessing the situation, we will provide technical services in a way that is different from the previous one, such as aggressively utilizing on-line technical workshops in Japan and overseas that we carry out from a perspective of preventing the spread of the new coronavirus, even after the pandemic has ended.

[NTN PORTABLE VIBROSCOPE]