In the automotive industry, due to the impact of the new coronavirus, automotive production is seeing a significant decline globally in 2020, and it may take several years for the industry to recover to the level before the new coronavirus. Even in this environment, the electrification of vehicles, among four future trends referred to as “CASE”**, is steadily progressing, and we believe that how to transform the risks associated with major changes into growth opportunities will affect the company’s rise and fall. In the case of EV shifts, there is a risk that the transmission, which uses many bearings, will be replaced by a reduction gear with a simple structure, resulting in a decline in demand. In the future, the transition from ownership to sharing may result in a decrease in the number of vehicles in the market, and commoditization of vehicles as a tool may lead to intensified price competition.

On the other hand, markets related to needs for EV-specific quietness, low vibration, and high-speed rotation as well as markets related to sensor technologies and abnormality detection functions (CMS, etc.) which are indispensable for autonomous driving are expected to grow. In addition, the needs to increase durability of components and demands for aftermarket components are expected to grow as car sharing increases the operating rate of vehicles. We recognize that the ever-changing automotive industry is now in a situation where suppliers face both the chance of breakthroughs and the risk of shakeout.

**CASE: (Connectivity, Automation, Shared, Electric)

### Business environment

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In order to respond to the accelerating changes in the ever-changing automotive industry, we will move forward with transformations to an earnings structure that does not rely on scale so that we can improve profitability by promoting further cost reduction initiatives. In the first quarter of the fiscal year ending March 31, 2021, net sales was 49.7 billion yen and operating loss was 9.6 billion yen. Although we cannot foresee the impact of the spread of the new coronavirus, the full-year net sales is expected to be 335.5 billion yen.

### OUR VISION

As an indispensable presence for the automotive market, NTN will become a company that offers products and services for vehicles all over the world.

The rise of electrified vehicles throughout the world’s automotive markets calls for functional automotive components with different characteristics or more rigorous performance requirements than are required for conventional internal combustion engine vehicles. We will accommodate these needs by offering differentiated technical expertise and lineups of advanced products providing features such as size/ weight reduction, higher speed rotation, lower torque and lower noise/vibrations in order to secure a competitive advantage over our competitors. Another major wave, Ride Sharing and Maas**, is based on the absolute reliability of the driving system responsible for driving, turning, and stopping vehicles. Carmakers are shifting the focus and resource of their development work from the tangible (vehicle performance) to the intangible (services), creating an expanding range of areas in which NTN can contribute to vehicle safety, reliability, and comfort. By capturing these dynamic changes in the business environment as opportunities, we will provide values that exceed customer expectations through product development and advanced technical services that are ahead of market needs. By doing so, we aim to become the leading manufacturer in the drivetrain component segment essential to the automotive market.

*Maas: a service / A new concept of “Mobility” in which traffic is clouded through the use of information and communications technology, and transportation by all means of transport other than private car is wirelessly connected as a single service

### Business Strategies

**Business Strategies**

**Mobility as a Service:** A new concept of “Mobility” in which traffic is clouded through the use of information and communications technology, and transportation by all means of transport other than private car is wirelessly connected as a single service

**Changes in market environment**

+ In addition to increasing aftermarket opportunities due to accelerated car sharing, there is an increasing need for longer operating life and increased reliability of functional components.
+ Reduction in the total number of bearings used per vehicle due to the electrification and EV shift, in addition to reduction in the total number of vehicles due to the shift from ownership to sharing of vehicles.
+ Growing demand for drivetrains due to transition to front- wheel drive (FF) vehicles in emerging countries.

**NTN’s Strengths**

+ Quality and reliability backed by the high market shares of hub bearings and drivethrash used for sales/drivetrain systems.
+ Development of high-value-added products by modularization and systematization.
+ Global production system that supports optimal supply at customer demand locations.

**Trend in business performance**

### Percentage of total sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage of total sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>49.1%</td>
</tr>
<tr>
<td>2017</td>
<td>49.3%</td>
</tr>
<tr>
<td>2018</td>
<td>50.6%</td>
</tr>
<tr>
<td>2019</td>
<td>49.1%</td>
</tr>
<tr>
<td>2020</td>
<td>43.7%</td>
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<tr>
<td>2021 (Forecast)</td>
<td>35.5%</td>
</tr>
</tbody>
</table>

**Revenue/ earnings**

- Full-year net sales forecasted to be 437.0 billion yen
- Full-year operating profit forecasted to be 3.7 billion yen

### Initiatives for the NTN revitalization

- **Initiatives for improving profitability without relying on scale**

  The impact of the new coronavirus has greatly reduced the amount of automotive production and we expect that recovery to the level before the new coronavirus will occur at a moderate pace and take several years. In the automotive business, we will move forward with transformations to an earnings structure that does not rely on scale so that we can generate profits even in an environment in which the car production scale does not recover. In the future, we will endeavor to secure profits by further promoting the development of higher-value-added and higher-performance products such as size and weight reduction, higher rotation, lower torque and lower vibration in response to electrification as well as to promote optimization of scale by restructuring and withdrawing from low profit businesses.

  In addition, we will strive to reduce manufacturing costs by promoting local procurement and optimal procurement. At the same time, we will work to reduce fixed costs by strengthening collaboration with alliance partners, so that we can improve in profitability.

- **Initiatives to improve the automobile market**

  As an indispensable presence for the automotive market, NTN will become a company that offers products and services for vehicles all over the world.

  The rise of electrified vehicles throughout the world’s automotive markets calls for functional automotive components with different characteristics or more rigorous performance requirements than are required for conventional internal combustion engine vehicles. We will accommodate these needs by offering differentiated technical expertise and lineups of advanced products providing features such as size/ weight reduction, higher speed rotation, lower torque and lower noise/vibrations in order to secure a competitive advantage over our competitors.

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- **Establishing a system for the post-coronavirus world**

  For hub bearings and drivethrash with the world’s No. 1 and No. 2 market shares, respectively, we will concentrate resources on areas where we can leverage our strengths in technology and product functions based on our accumulated technology and global production experience, thereby ensuring that our competitiveness will improve. Meanwhile, for low-profit part numbers, we will drastically improve profitability by promoting further cost reductions, requesting price increases, and withdrawing from the market.

  In order to respond to the accelerating changes in the market structure for EVs and electric motors, we will promote the mass production and commercialization of electric module product by combining bearing and ball screws technologies and motor electronic control technologies. We will also work to swiftly expand our business in new areas.

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

  In the midst of a global downturn in automotive sales, net sales declined to 437.0 billion yen in the fiscal year ended March 31, 2020 due to a significant drop in demand associated with the shutdown of automotive production in China and other regions as a result of the spread of the new coronavirus from the fourth quarter. We posted operating loss of 3.7 billion yen, which was largely attributable to a shrinking sales volume caused by sharp drop in demand along with decline in selling prices, and we were unable to offset the negative impact through cost reduction initiatives. In the first quarter of the fiscal year ending March 31, 2021, net sales was 49.7 billion yen and operating loss was 9.6 billion yen. Although we cannot foresee the impact of the spread of the new coronavirus, the full-year net sales is expected to be 335.5 billion yen.

- **Percentage of total sales**

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