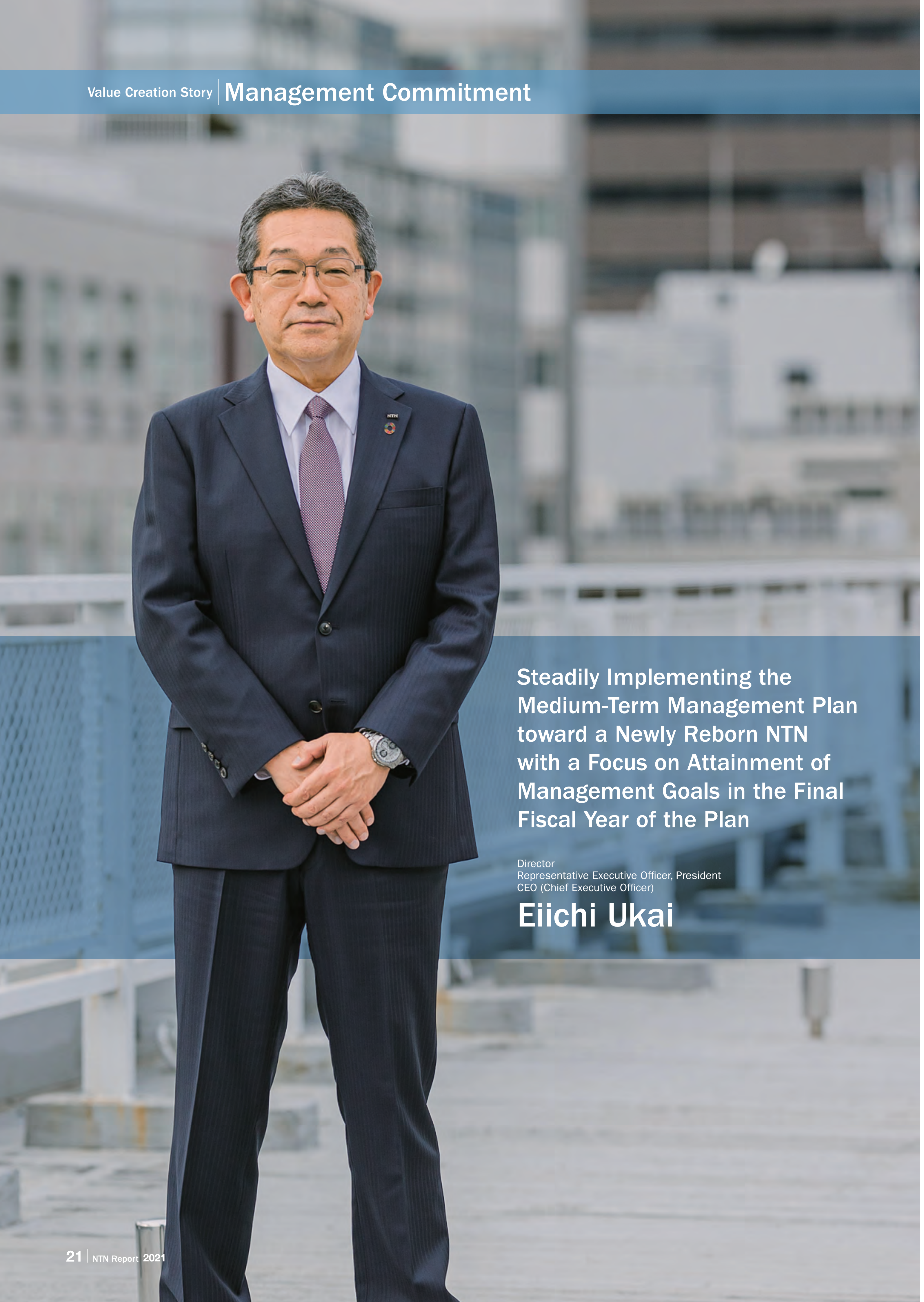


Steadily Implementing the Medium-Term Management Plan toward a Newly Reborn NTN with a Focus on Attainment of Management Goals in the Final Fiscal Year of the Plan

Director
Representative Executive Officer, President
CEO (Chief Executive Officer)

Eiichi Ukai

Taking over efforts and achievements of the predecessor and driving forward transformation of business structure

My name is Eiichi Ukai. I assumed the position of Representative Executive Officer, President and CEO (Chief Executive Officer) on April 1st of this year. Amid the very tough management environment, while being aware of the great responsibility that goes with my role, I will implement initiatives in a positive and logical manner by thinking globally and acting locally and make every effort to produce results that meet your expectations.

NTN was established by placing importance on the Frontier Spirit and the Coexistence and Co-prosperity Spirit. Based on these, we uphold the corporate philosophy “We shall contribute to international society through creating new technologies and developing new products.” For more than 100 years since its inception in 1918, the Company has aimed to realize a “NAMERAKA Society” where people can easily lead a secure and fulfilling life in harmony with nature. I consider that these founders’ spirits and the corporate philosophy go well with our current ESG management.

My predecessor, Hiroshi Ohkubo, worked on the transformation for the next 100 years during his seven-year term of office. As a part of the transformation, NTN shifted to a company with a nominating committee, etc. in 2019, and recently I was elected as a new Representative Executive Officer, President and CEO as recommended by the Nominating Committee consisting of 3 Outside Directors and 2 Directors and as decided according to a resolution by the Board of Directors.

While accelerating the transformation of the Group’s business structure by steadily implementing the Medium-Term Management Plan “DRIVE NTN100” Phase 2 of which final fiscal year will end in March 31, 2024, we will strengthen our financial structure. Through these activities, we will make our utmost efforts to build a business structure that can respond to changes in business environments.

My confidence as a top executive based on experiences in the forefront of manufacturing and sales operations

While my predecessor Ohkubo’s experience was based in finance, I was deeply involved in manufacturing with a focus on quality assurance when I joined NTN. In those days, training for new employees continued for about three years. In the first year, I learned the basics of research and development in Kuwana Works in Mie Prefecture and in the second year, I learned about heat treatment, working under a day and night three-shift system in Takarazuka Works in Hyogo Prefecture which operated until 2009. There, I acquired knowledge about all operations and inspections of more than ten types of furnaces.

Thereafter, in the third year, I was entrusted with operating a mass production line for ball bearings in Iwata Works in Shizuoka Prefecture. The ball bearings serve as our core products. I remember that four young employees (including myself) with less experience hustled under a day and night shift system. When I was young, shift work was hard for me, but I still remember what I learned in those three years by practicing until it became automatic. This experience was helpful when I learned theories on a later date and, moreover, was a good opener for me to understand the real nature of manufacturing. Now that I hold the top position in the Company, it is clear to me that gaining adequate knowledge about the cornerstone to manufacturing in my early days at the Company was a valuable, indispensable experience. In addition, this experience gives me confidence that I can cope with great challenges to be addressed in order to transform into a newly reborn NTN.

After the three-year period, I engaged in quality assurance and plant management in Japan, Canada and China and in recent years, I’ve served as the general manager of the ASEAN/India region and was stationed in Singapore for two years since 2013 and in Thailand for two years. In doing so, I accumulated management experience not only in manufacturing but also in sales. The sales office in Singapore contributed to generation of profits in the past but was in the red for two years before I assumed the post there. This worsened situation affected the entire region. What I have given importance to in my career is for a leader pulling an organization together to get to the bottom of a problem. I keenly felt it important in solving various management issues that facing various problems in sales activities, I myself discuss face-to-face with customers and on-site personnel to discover what the real problem is until I am satisfied with the answer.

Urgent need for reformation of cost structure in manufacturing

I have been deeply involved both in manufacturing and sales for approximately 40 years. During this period, I was transferred about 15 times in Japan and abroad. I had opportunities to learn the real nature of NTN's manufacturing first hand in Japan, while I gained knowledge and experience related to manufacturing and sales in overseas areas from the global perspective. Based on these experiences, I believe that it is the strengthening of the on-site frontline operations that brings added value to businesses and I, as a person holding the top position in the executive team, will straightforwardly tackle issues in the frontline operations of manufacturing and sales.

To prepare for such activities, I think it is important that all officers and employees of NTN share information on the potential and strengths of the Company once again. Currently, approximately 70% of net sales of the Group come from automotive businesses. Of those, approximately 80% are derived from driveshafts and hub bearings. Times are rapidly changing to electrification of automobiles but there is no change in the fact that driveshafts and hub bearings are important safety parts supporting the axle/drivetrains of automobiles and they will continue to be key parts even if it becomes common to use electric automobiles. So, I think the Company can further exert its potential by strengthening those core products in terms of functionality, such as low torque, low vibration and high rigidity.

Meanwhile, it is urgent to reform our cost structure in manufacturing in order to survive the global competition coming in the future. In the past, bearing manufacturers including the Company strongly believed in self-sufficiency and the Made-in-Japan myth. Self-sufficiency is an approach you can boast to the world because it enables products with reliable quality to be delivered to customers. However, in a situation where cost competition is intensifying due to the progress of globalization, a disciplined approach to ensuring not only quality but also reduced costs is essential.

Going forward, we will continue to manufacture products on our own that require high functionality, such as low torque, low vibration and high rigidity, but regarding standard products and general-purpose products, we will break away from self-sufficiency by outsourcing and reorganizing production and simultaneously drastically revise procurement routes. In short, we will employ a polarization strategy. To advance such reformation, it is essential for all employees of the Company to enhance sensitivity to changes in the times. At the same time, it is important to remove barriers of organizations that tend to be rigid, and cultivate a corporate culture that takes on challenges to transformation efforts. In line with the variable cost reformation, our supply chain needs to be reviewed but we will implement measures that basically aim to ensure stable procurement with a focus on quality and cost under the spirit of Coexistence and Co-prosperity with suppliers.

Improving availability and establishing the pricing policy to pursue an increase in the profit ratio

NTN is a bearing manufacturer with its sales ranked 4th in the world. According to a quality survey conducted regularly by the Company, however, its products do not just have quality that is comparable to that of the world's top class manufacturers' products; rather, the Company's products have better quality and performance. In this respect, we will attach more confidence to our strengths accumulated over many years and further enhance our technological edge.

However, to pursue an increase in the profit ratio, we need to overcome various issues. First, in relation to the aftermarket, many areas for improvement in terms of "availability" of services and other items remain. From the customers' perspective, if a defect occurs in a bearing of equipment, they want to replace the bearing with a new one or one with appropriate specifications and resume the operation of a production line as soon as possible. By meeting such needs in a timely manner, we can provide value sought after by customers.

Since 2013, I have closely watched front-line sales operations in overseas markets. Each time I learned about the actual circumstances, I pointed out the importance of improving availability at a Global Management Meeting and other occasions. We need to be a manufacturer that can be of help to customers by delivering their necessary products when the customers are in trouble. This represents the provision of value of availability and in "DRIVE NTN100" Phase 2, we will channel our energy into strengthening our supply capacity and services with the aim of accelerating the transformation of our business structure.

From now on, we will aim to build a business model that can demonstrate availability. The Company sells bearings for MRO of machinery for mining, paper production and steel production and automotive aftermarket parts called auto parts, as well as aftermarket bearings for general machinery. For the aftermarket business, it is important to win OEM (direct sales) orders with appropriate profits secured, deliver products from the initial phase of installation of machinery and equipment by customers, thereby securing an advantage in winning replacement orders for bearings, and reduce production costs by utilizing mass-production lines for OEM.

To strengthen coordination with the OEM business from the above two perspectives, we will take measures for each of the following processes: buying materials, then producing and selling products. With regard to the process of buying materials and parts, we will break away from self-sufficiency by implementing the variable cost reformation and accelerate our efforts to strengthen cost competitiveness, for example by combining global procurement and local procurement in an optimal manner. In the manufacturing sites, production reformation will be carried out by introducing overall optimization measures, thereby aiming to increase throughputs.

In sales activities, we will negotiate prices with customers if it is necessary to do so even after we have made our utmost efforts to reduce costs. Although those negotiations are hard for frontline sales personnel, I will also provide my utmost support. After assuming my current post, I set up opportunities for me to communicate information on those activities directly to employees in Japan and abroad using my own words. I recognize we cannot avoid this process if we really intend to obtain authentic customer trust and become a true partner of customers.

As a manufacturer, we will enhance corporate competitiveness by strengthening each of the processes for buying materials, then producing and selling products and generate profits by improving availability.

Improving the profit ratio by lowering the break-even point

In "DRIVE NTN100" Phase 2, strengthening the financial structure is another important issue. We will move forward with transformation to build a financial structure that can stably secure profits without relying on the demand environment. In Phase 1, we worked to reduce fixed costs since the fiscal year ended March 31, 2020, and, as a result, successfully lowered the break-even point to a target value in the fiscal year ended March 31, 2021. However, due to external factors such as U.S.-China trade friction, we cannot say we have sufficiently improved the profit ratio.

In Phase 2, we will devote our energy into reducing variable costs through the variable cost reformation and other measures, while working to reduce investments and improve productivity through production reorganization and production reformation. More specifically, we will aim to further lower the break-even point with a focus on reducing variable costs. Meanwhile, of fixed costs, the ratio of variable fixed costs that fluctuate with an increase in sales, such as personnel, logistics and other expenses, is set at 15% or less relative to an increase in net sales, and an increase in other fixed cost will be contained. Through those activities, we will aim to maximize the economy of scale. In line with this, we intend to increase added value by moving forward with reduction or withdrawal from deficit businesses. Through these efforts, we are planning to lower the break-even point for net sales by 20 billion yen from 590 billion yen in the fiscal year ended March 31, 2021 to 570 billion yen in the fiscal year ending March 31, 2024.

Reformation to shift to a new business model based on service solutions

In "DRIVE NTN100" Phase 2, concentration of resources on research and development activities for sustainable growth of NTN is yet another important issue. The direction of our research and development activities is to continue to respond to the carbon neutral movement and pursue safety, security and comfort.

Target fields on which resources are concentrated are the following six fields: service/solution; robot-related module; next-generation mobility module; renewable energy-related; hydrogen-related; and life science-related.

For service solutions (one of the target fields), we will attach sensors to bearings to make it possible to monitor bearings. Our aim is to attach micro-sensors to bearings and realize so-called “talking bearings,” a mechanism for quickly recognizing and alerting any abnormality that occurs during operation. For example, sensors for measuring vibrations or temperatures are installed in this mechanism so that an alert is issued when a value exceeding a standard is detected. The biggest problem with industrial machinery is suspension of operation due to non-conforming parts and we have accelerated technological development to solve that problem. For these efforts, we go beyond in-house development activities and are strengthening a cooperative relationship with external bodies, such as an academic-industrial partnership.

Service solutions for which we will accelerate our efforts going forward aim not only to sell products but also to rebuild the cornerstone of our businesses in order to focus on solving troubles faced by customers. In addition, we will channel energy into developing software that controls sensors. Furthermore, the replacement frequency of aftermarket bearings can be estimated by using the software to collect and analyze data on the operation status of machinery of customers. This will lead to a pull manufacturing system for producing a necessary quantity of products on an as-needed basis and enabling us to take measures such as reducing inventories of bearings, parts and materials, which will contribute to improvement of profitability. Also, we will build a business model that utilizes big data generated through such activities in order to increase the brand value of NTN.

Promoting ESG management toward medium- to long-term sustainable growth

Throughout “DRIVE NTN100” Phase 2, the top priority issue is to pave the way for a newly reborn NTN. However, I think it is also important to aim to balance economic value and social value for the purpose of achieving sustainable growth for a medium to long term. In terms of three fields including the environment, society and governance, NTN has identified 13 items with materiality and intends to steadily advance ESG management by setting key performance indicators (KPI) going forward.

Regarding environmental conservation efforts in particular, our products minimize energy loss of rotating bodies in the first place, and as described in the beginning, we pursue the realization of a “NAMERAKA Society.” Therefore, I think we can make a great contribution to meeting the needs of the times. In addition, we will contribute to the realization of a sustainable society using natural energy by offering bearings for wind turbines and other products. NTN manufactures a large bearing with a diameter of more than three meters for wind turbines. By exhibiting such potential in manufacturing, we will contribute to communities through development of our creative technologies from the viewpoint of “E (Environment)” of ESG management. As a company trusted by communities, we will work on various issues, such as a response to climate changes, reduction of charge-in raw materials, and sustainable use of resources through reuse and recycling of waste materials. This May, we announced our support of the Task Force on Climate-related Financial Disclosures (TCFD) and will prepare a management strategy by recognizing and factoring in climate change risks and opportunities.

Regarding “S (Society),” we will endeavor to solve social issues by offering safety and comfort. More specifically, we are moving ahead with developing electric modules for electric automobiles and new products related to drug discovery and diagnosis, as well as robot-related modules for which a new market is expected to be developed and expanded. In terms of personnel, we will continue our efforts to promote diversity, foster and use a diverse range of human resources regardless of nationality, culture, gender, age, disability, etc. and join various values together, thereby accelerating transformation.

Turning to “G (Governance),” we worked to strengthen our corporate governance framework including compliance and risk management in Phase 1, and will continue to thoroughly assure compliance and strengthen governance in Phase 2 as well.

Our efforts to realize a “NAMERAKA Society” contribute to attainment of sustainable development goals (SDGs) adopted by the United Nations. Of SDGs, 17 development goals share many common interests with efforts made by NTN in its history. Based on those past results, we will accelerate our efforts by clarifying points that need to be strengthened. Furthermore, in 2015 we endorsed the United Nations Global Compact which aims to build a framework for the international community to realize sustainable growth. We advocate ten principles in four areas including human rights, labour, the environment and anti-corruption. Going forward, we will continue to promote activities to put the ten principles of the United Nations Global Compact into practice and achieve SDGs.

Only 20 to 30% progress to goals However, the path is clear and goals can be seen

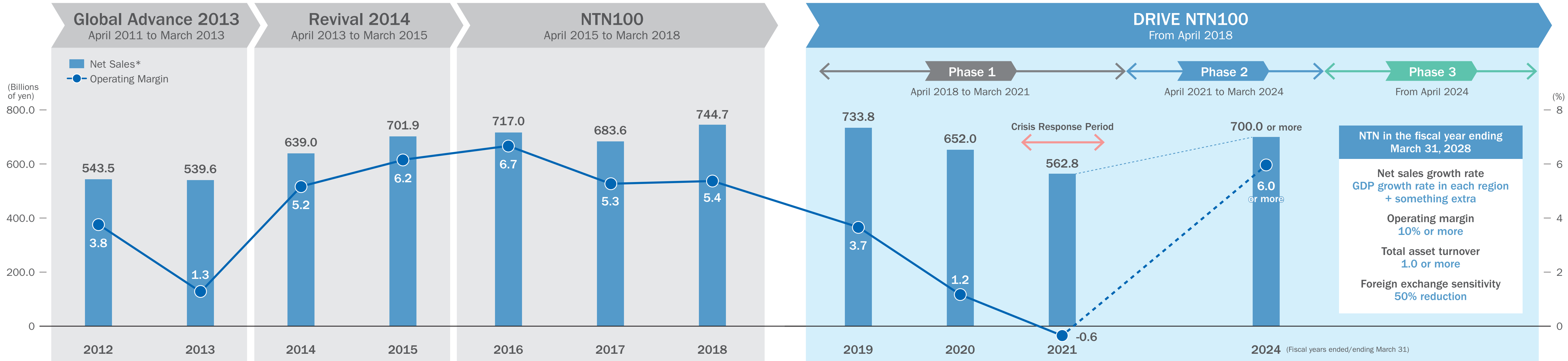
Currently, the external business environment is challenging but we will improve profitability by steadily implementing “DRIVE NTN100” Phase 2 to transform into a newly reborn NTN. I am determined to make every effort to achieve the management goals without fail in the fiscal year ending March 31, 2024, which is the final fiscal year of the plan.

If using the summit of a mountain as an analogy for our transformation into a newly reborn NTN, we are still at the second or third station on our way up. However, as described earlier, the path to climb is clear and the third-year goal to be attained can be seen. If all 23,000 employees share issues with each other and take even just half a step forward, it will exhibit great power. I believe that we can achieve net sales growth at an annual rate of 3% by overcoming each issue in areas ranging from procurement to manufacturing and sales in this fiscal year onward, and there is a good chance that we can attain the goals of at least 700 billion yen in net sales and at least 42 billion yen in operating income (with the operating income ratio being at least 6%) in the fiscal year ending March 31, 2024.

We kindly request the continued understanding and support of all our investors and other stakeholders.

Review of Management Plan

In 2018, when we celebrated our 100th anniversary, we launched the Medium-term Management Plan "DRIVE NTN100" to drive forward transformation of the business structure for the new 100 years. For the three years from the fiscal year ending March 2022 to the fiscal year ending March 2024, we are working on various measures as initiatives for the Medium-term Management Plan "DRIVE NTN100" Phase 2.



Global Advance 2013

Basic policy

Acceleration of globalization by "On local sites with local materials by local personnel"

Priority measures

- Expand business globally with a focus on growth markets
- Establish world's No.1 business segments
- Establish new business segments such as EV systems
- Expand sales for Industrial machinery, Aftermarket & Distributor
- Expand sales in growth market
- Expand local production and procurement

Review

The Great East Japan Earthquake in March 2011 and Greece's fiscal collapse that came to light in 2010 led to the European financial crisis following the further downgrade of the Greek credit rating in July 2011. In addition, the impact of the flooding in Thailand on the automotive industry from the end of October 2011 led to a turnaround in business performance. As a result, we had no choice but to change direction.

Revival 2014

Basic policy

Reform business structure to generate profit

Priority measures

Emergency measures

Short-term measure to generate profit

Centralization of management resources

Centralization of resources to priority fields

Structural reform

Mid-term business structural reform

Expansion of new product and new business

Toward future growth

Review

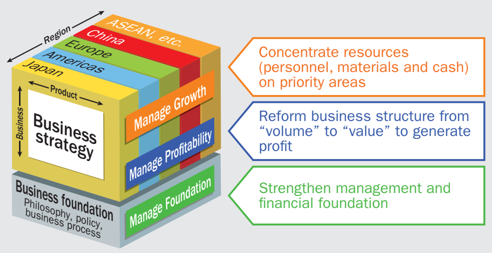
We were able to achieve numerical targets, exceeding the plan, but the benefits from exchange-rates were also substantial, and with regard to the basic policy of "Reform business structure to generate profit," issues remained unaddressed. We also recognized the need to create new businesses in order to sustainably grow into the next 100 years.

NTN100

Basic policy

Foundation building for Our Vision

Implement main policies based on 3 Basic Policies to become a co-creative partner company for customers



Main themes

- Growth
  1. Develop Business in New Areas
  2. Expand Aftermarket Business
- Profitability
  3. Structural Reform of the Driveshaft Business
  4. "Monozukuri" with Next-generation Technology
- Foundation
  5. Strengthen the Management Foundation
  6. Strengthen the Financial Foundation

Review

We took measures for transformation to cope with the major changes in the external environment, the strengthening of basic technologies and products, and the development of new business areas. Through these initiatives, we recognized that the next challenge is to "drive forward transformation of the business structure for the new 100 years."

DRIVE NTN100

Basic policy

Drive Forward Transformation of Business Structure for the New 100 Years

~ DRIVE NTN Transformation for New 100 ~

Basic Strategy

Digitalization (latest digital technology) × **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 No.1 productivity and quality/improvement of asset efficiency)

Business Operating Policies

NTN's Revitalization

Phase 1	Crisis Response Period (2021)	Phase 2	Phase 3
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 review 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 (Rebuild management foundation)	

* "Loyalty," which was previously included in "non-operating income," has been changed to be included in "net sales" from the fiscal year ended March 31, 2021. The period for retroactive adjustment is after the fiscal year ended March 31, 2017, which is subjected to audit by an audit firm.

NTN's Business Environment

NTN's Business Environment			NTN's Main Strategies
Response to paradigm shift	● Spread of next-generation mobility ● Electrification of industrial machinery ● Spread of AI and IoT ● Spread of infectious diseases (COVID-19)	**Japan** ● Market shrink due to the depopulation (decreasing birthrate and aging population) ● Promoting response to climate change ● Materialization of Society 5.0	● Save labor and reorganize production ● Use external resources ● R&D of electrification and new products
		Americas ● Moderate population and economic growth ● Policy shift by the new president Economic policy shift to respond to climate change U.S. and China struggling for hegemony ● Medium- to long-term decline in crude oil price	● Strengthen products for large vehicles ● Expand aftermarket business ● Promote local procurement
Response to environmental issues	● Reduction in CO_2 emissions ● Requests for energy-saving machinery ● Reduction in environmental impact ● Response to natural disasters	**Europe** ● Trend of population declining ● Economic policy for climate change (European Green Deal) ● Significant strengthening of regulations for fuel efficiency and CO_2 ● Uncertainty due to Brexit	● Focus on products for EV ● Expand aftermarket business ● Develop Middle East / Africa market
Changes in demographics	● Medium- to long-term labor shortage ● Growth of emerging countries ● Issue of business succession	**China** ● World's No.1 population (decreasing birthrate and aging population over the long-term) ● Economic policy for climate change and next-generation technology (Made in China 2025) ● Social infrastructure investment in inland areas ● Significant strengthening of regulations for fuel efficiency and CO_2	● Expand volume ● Focus on products for EV ● Focus on wind turbines and rolling stocks ● Strengthen CMS business
Globalization of the business	● Trade friction and tariffs ● Prevention of child labor (human rights) ● Response to conflict minerals ● Rise of low-cost products	**Asia** ● Increase of population and middle-income group ● Social infrastructure investment ● Progress of digitization in emerging countries	● Expand volume ● Utilize LCC products to strengthen cost competitiveness ● Expand aftermarket business

Priority Measures

Target Areas to Invest R&D Resources

Research & Development → P.87

Service / solution	Robot-related module	Next-generation mobility module
Renewable energy-related	Hydrogen-related	Life science-related

Focus on 6 target areas

Strategic direction for R&D

Carbon neutrality (Environmental impact reduction and decarbonization)

Pursuit of safety and comfort

Rebuild Business Portfolio and Product Portfolio

Business Strategies → P.79

We categorize NTN's main businesses into a "Creation sector," "Growth sector," and "Harvest sector" and concentrate management resources on these sectors. As to business portfolio, we focus on expansion of aftermarket business.

	Industrial machinery business	Aftermarket business	Automotive business
Creation sector Establish new areas for future growth	● Life sciences (drug discovery and regenerative medicine) ● Hydrogen energy market ● Expand market for wrist joint robots ● Condition Monitoring (CMS)	● Expand sales in the Middle East and Africa ● Develop "Talking bearing" and "Thinking bearing"	● Products adapting to electrification eHUB, sHUB Electric brake
Growth sector Expand businesses Concentrate resources	● Green energy products ● Robot / gearbox ● Wind turbines (ultra-large size bearing) ● Machine tools (European market) ● Rolling stock (Chinese market)	● From product sales business to service-oriented business Strengthen MRO Bearing refurbishment business Failure detection	● Products adapting to electrification Electric module products ● Existing products fitting EV Low friction, higher efficiency
Harvest sector Secure stable profit	● Improve profitability by enhancing cost competitiveness Construction machinery (electrification and high-performance products) Agricultural machinery (sales expansion of CVJ for industrial machinery) Aerospace	● Secure saleable inventory Highly competitive products (BU, etc.) Use of overseas production and external procurement	● Focus on the vehicle segment where NTN's strengths can be utilized ● Optimize customers portfolio ● Secure volume in growth markets
	Reduce fixed cost and expand supply capacity by outsourcing manufacturing (breaking away from self-sufficiency) of standard products such as ball bearings		

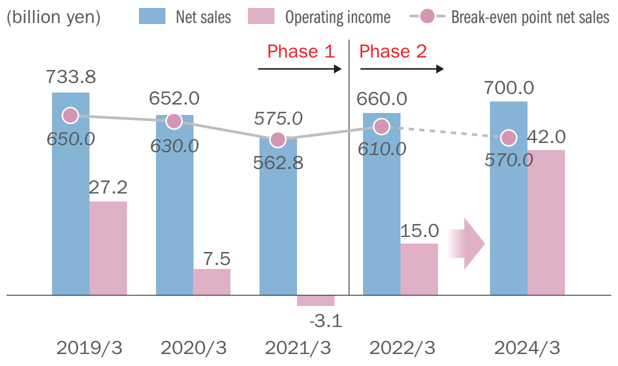
Business composition ratio	Fiscal year ended March, 2021		Fiscal year ending March 2031	
	Aftermarket business	16%	Aftermarket business	40%
	Industrial machinery business	18%	Industrial machinery business (OEM)	40%
	Automotive business	66%	Automotive business	60%

Lower Break-even Point

CFO Message ➔ P.33

Toward NTN's revitalization

- Further lower the breakeven point focusing on **reducing variable costs**
- Restrain a proportional increase in fixed costs to 15% or less and maximize scale effect
- Downsize or withdraw from unprofitable business and aim to increase added value



Reduce Variable Cost / Procurement Reformation

Phase 1

- Develop information on global purchasing and analyze categories (characteristics of parts / areas)
- Start unification of contract operations (centralized purchasing)
- Actively examine and adopt new partner manufacturers (including LCC)

Phase 2

- Realize the best mix of global and local procurement (optimal procurement)
- Strengthen category management (by function / specialization) and implement strategies by category
- Expand and accelerate unification of contract operations (centralized purchasing)
- Reorganize partner manufactures and shorten supply chain

Achievements of "DRIVE NTN100" and steady implementation of new measures

Achievements of reform 20.0 billion yen / 3rd year

Accelerate procurement reformation

The urgent need to reform our variable cost structure and the economic cycles with less predictable and increasingly brutal variations, of strong amplitude, make the Transformation of Procurement a key factor to revive in the market. NTN must intensify its globalization, and Mr. Brelaud has been Head of Global Procurement HQ since 2020 to accelerate expansion of overseas procurement that accounts for more than 50%.

Transforming means fundamentally reviewing our processes, our decision criteria, our procurement routes and therefore requires a deep revision of our view of procurement and the relationship that we intend to develop with our business partners. Category Management, central to transformation in Phase 1, will be intensified, with a global deployment in the group and the establishment of a specific organization and innovative methodologies. Firstly focused on our first two product lines, Hub Bearings and driveshafts, multidisciplinary Cost Reduction Task Forces were set up in Japan, with mirror organizations in each Region.

The teams are physically gathered in one place, close to production, for efficient decision-making and execution and alignment of all sectors on the priorities decided as a team. Priority areas of work: the accelerated introduction of new suppliers, standardization and simplification of designs and specifications and listening better to our suppliers' proposals for improvements.

The implementation of centralized procurement in our core regions during Phase 1 will enable the accelerated deployment of a global purchasing policy, and optimally combine local procurement, and development of global partners with the opportunity offered by NTN to global markets. The centralization of purchases and the globalization of volumes are essential vectors for reducing costs. We intend to benefit from the high potential of competitive areas, such as China and India. Our purchasing strategy will be based on the logistics reform already initiated, aimed at obtaining a shorter, flexible, responsive and competitive supply chain.

NTN has built its history and development on a culture of strong partnership and mutual respect with its business partners based on Co-prosperity Spirit. It is an essential basis for developing value through technological innovation, product quality, production improvement, supply chain optimization and services. Finally we consider the commitments requested to our business partners, CSR, SDG, Green Procurement, Compliance, as great opportunities for transformation, performance and innovation.

Control Increase of Fixed Costs / Improve Assets Turnover

Monozukuri ➔ P.85

Environment: Decrease in workforce (Japan)

NTN: Declining production efficiency especially in Japan

- Optimize overall production (Improve cash flow)
- Reduce logistics cost / inventory assets by consolidating and streamlining bases
- Reduce manufacturing cost by leveraging external partners and control investments for renewal

Capital investment policy in Phase 2

1) Freeze, in principle, investment for capacity increase
2) Invest in countermeasures for risks such as natural disasters and safety measures
3) Shift to investment for maintenance / renewal / efficiency improvement

Under 60 billion yen / 3 years

Reorganization of production | **Production reform activities**

Promotion of DX (Digital Transformation)

Phase 2 (Increase efficiency / accumulate data) → **Phase 3**

Digital technology

1 New IT core system

- Strengthen responsiveness to market changes by "visualization" of sales / production / procurement / logistics, and optimize inventory
- Promote utilization of inventory within NTN Group

2 Business reform with digital technology

- RPA: optimize routine operations, and go paperless for reports, utilizing IT core system
- CAE: Streamline development / trial production / analysis
- Introduce communication tools compatible with the workstyle reform

3 Promote smart factory

- Launch of a new plant in Wakayama
- Optimize production by introducing IoT and AI into production process
- Realize streamlined production by "visualization" of process condition

4 CMS (Condition Monitoring System)

- Monitor operating condition of wind turbines, rolling stocks, etc.
- Predict breakdowns in advance by using AI

Integrate data

Integrate accumulated data such as sales / production / procurement / logistics/ finance / process / CMS

Upgrade business administration

Create new business

Environmental business (to adapt to "carbon neutrality"), etc.

Toward Establishing a Management Base to Realize Sustainable Growth as a Global Company

In last year's CFO Message, I explained the "NTN Revitalization Scenario" that we are determined to achieve by the fiscal year ending March 31, 2024. In this message, I will focus on how we will achieve the scenario, and hereinafter describe its progress based on actual results for the fiscal year ended March 31, 2021, and issues to be addressed to promote the progress.

Executive Officer
CFO (Chief Financial Officer) **Tetsuya Sogo**

Actual results for the fiscal year ended March 31, 2021 and forecasts for the fiscal year ending March 31, 2022

Points of financial results for the fiscal year ended March 31, 2021

For the fiscal year ended March 31, 2021, net sales significantly decreased year-on-year due to the impact of the COVID-19 pandemic and the operating loss amounted to 12.3 billion yen in the first half. However, as a result of our efforts to reduce costs with a focus on fixed cost reduction, as well as recovery of demand, we achieved a turnaround in the second half with the operating income coming to 9.2 billion yen. Due to this, we successfully managed to drive down the full-year operating loss to 3.1 billion yen. Additionally, in the fiscal year ended March 31, 2020, we posted an extraordinary loss of 32.3 billion yen including an impairment loss of 29.0 billion yen, but in the fiscal year ended March 31, 2021 we recorded an extraordinary income of 4.5 billion yen due partially to a gain on sales of investment securities. However, as a decrease in net sales resulted in poor business performance, deferred tax assets were written off and we recorded 11.6 billion yen of loss attributable to owners of parent. Meanwhile, as net sales significantly decreased amid the COVID-19 pandemic, we negotiated a price increase, reduced discount offerings, took thorough measures to cut down fixed costs and inventory assets, and reduced investments to the minimum required level. Through these activities, we achieved a positive free cash flow for the first time in three years and significantly lowered the net D/E ratio.

Points of forecasts for the fiscal year ending March 31, 2022

In the fiscal year ending March 31, 2022, semiconductors will continue to be insufficiently supplied under the continuation of the COVID-19 pandemic. However, we assume recovery of demand in terms of all businesses and have a plan so that net sales as a whole will return to the 660.0 billion-yen level, which was recorded two years ago. Turning to operating income, we have a plan for achieving 15.0 billion yen of operating income by factoring in plenty of room for personnel expenses, etc. in order to respond to rapid recovery in demand in addition to recent surges in steel material prices and logistics costs. In addition, we expect extraordinary income and profit attributable to owners of parent to come to 0 billion yen and 5.0 billion yen, respectively by factoring in 4.0 billion yen of extraordinary loss as business restructuring expenses and costs related to the Anti-Monopoly Act and 4.0 billion yen of extraordinary income as proceeds from sales of assets. However, because far more demand than in the current plan is expected in the aftermarket business of the Americas Region (where our profit ratio is particularly high) and other regions, we need to strengthen our supply system to respond to such demand as much as possible. Therefore, critical issues we need to tackle are: to achieve a reduction of variable costs, which has been planned in each business site; and to effectively allocate fixed costs (which have been set with sufficient room for responding to a surge in demand) to activities for increasing aftermarket sales.

Positive results of reduction in fixed costs and issues

In the past two years, we successfully reduced fixed costs by more than 40.0 billion yen according to the plan, but in the fiscal year ending March 31, 2022, almost all that we gained from our fixed cost reduction efforts in the past year is expected to be lost. For the fiscal year ending March 31, 2022, our sales size will increase by approximately 100.0 billion yen, and if the current policy of "an increase in fixed costs must be limited to not more than 15% of an increase in net sales" is followed, an increase in fixed costs needs to be not more than approximately 15.0 billion yen. On the other hand, for a planned increase in fixed costs, an additional increase of 10.0 billion yen is factored in and therefore fixed costs are planned to increase by more than 25.0 billion yen. As such, operating income for the fiscal year ending March 31, 2022 should be theoretically estimated to be approximately 25.0 billion yen instead of 15.0 billion yen.

■ Consolidated Statements of Operation

(billion yen)

		2020/3 Results	2021/3 Results	2022/3 Forecast
Net sales		652.0	562.8	660.0
Operating income		7.5	-3.1	15.0
Operating margin		(1.2%)	(-0.6%)	(2.3%)
Ordinary income		-1.7	-5.7	10.0
Extraordinary income/loss		-32.3	4.5	0.0
Profit attributable to owners of parent		-44.0	-11.6	5.0
Exchange rate	US$	108.7	106.0	107.0
	EURO	120.8	123.7	128.0

Negative factors for a fixed cost plan and a handling policy

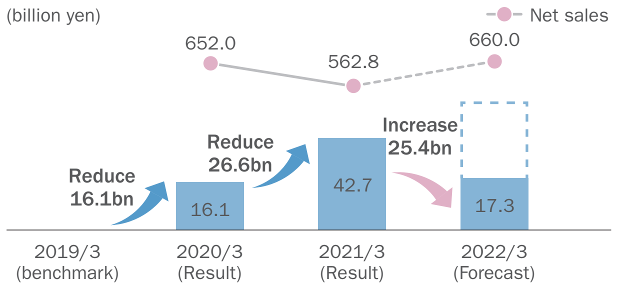
We estimate an approximately 4.0 billion yen increase in logistics costs due to frequent uses of emergency air shipments, a rapid increase in sea freight rates and other factors resulting from the current turbulent situation surrounding marine transport. Even if these external factors are taken into consideration, operating income should amount to more than 20.0 billion yen. However, taking into consideration internal factors, such as an increase in depreciation costs due to the start of operation of new ERP system, in a conservative manner, we forecast that operating income will come to 15.0 billion yen. For the fiscal year ending March 31, 2022, personnel expenses and other fixed costs are planned by leaving plenty of room for margin so that our production and supply system will not be disrupted as demand bounces back. Therefore, our policy is that, by setting the amount of fixed costs planned this time as the upper limit, we will work to reduce fixed costs with an eye on demand trends at each business site and will allocate extra fixed costs to activities for strengthening the production and supply system in order to, among other purposes, respond to demand recovery in the aftermarket business in particular as much as possible, which recovery is significantly greater than currently expected by us.

Improvement in the D/E ratio

In the "NTN Revitalization Scenario," a mandatory goal is to lower the net D/E ratio to 1.5 or less in three years, or by the fiscal year ending March 31, 2024. Furthermore, we have a plan so that we can reduce the net D/E ratio to 1.0 or less in five years, or by the fiscal year ending March 31, 2026. Meanwhile, the net D/E ratio was 1.6 in the fiscal year ended March 31, 2021, which represents a greater improvement than we initially forecasted. The primary factor for the significant improvement of the net D/E ratio is that the sales divisions, administrative divisions and production divisions united as one to take thorough measures for managing and reducing inventory assets; investments were curtailed by selecting only the minimum necessary investments; and 18.5 billion yen of free cash flow was generated including proceeds from sales of investment securities in a stepwise manner, thereby reducing the net interest-bearing liabilities (the numerator of the net D/E ratio) by 15.7 billion yen. Also, the secondary factor is that the shareholders' equity (the denominator of the net D/E ratio) increased by 14.3 billion yen due to external factors including yen depreciation and a rise in market value of investment securities held by NTN. In particular, a reduction in inventory assets resulted in improving cash flow by 13.5 billion yen. Based on these results, we have a plan to reduce the net D/E ratio to 1.5 in the fiscal year ending March 31, 2022, and the mandatory goal regarding the net D/E ratio in the NTN Revitalization Scenario is expected to be attained two years ahead of schedule.

In addition, we made a public offering of and issued 50.0 billion yen of hybrid bonds as a five-year temporary capital reinforcement measure which will be implemented until the net D/E ratio is improved to 1.0 or less in five years. 50% of the issued amount of 50.0 billion yen is regarded as equity, and if an adjustment is made with that portion taken into consideration, the actual net D/E ratio for the fiscal year ended March 31, 2021 and the forecast for the net D/E ratio for the fiscal year ending March 31, 2022 are improved significantly to 1.3 and 1.2, respectively.

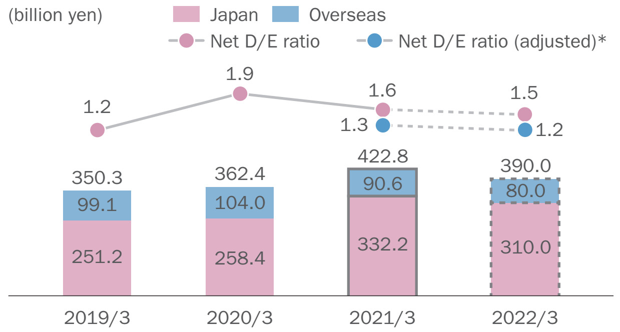
■ Fixed Cost Reduction (Personnel Cost, Expenses etc.)



Main factors of increased fixed costs in 2022/3

- Proportional increase with scale recovery (¥15.0bn=sales increase×15%)
- Including recent cost increase in logistics (¥4.0bn)
- Normalization of salary increase, bonus and others (¥2.5bn)
- Increased depreciation for core IT system and New Plant in Wakayama (¥2.0bn)
- Increased personnel costs and others for rapid demand recovery

■ Interest-Bearing Debt



(billion yen)

	2019/3 Results	2020/3 Results	2021/3 Results	2022/3 Forecast
Interest-bearing debt	350.3	362.4	422.8	390.0
(Overseas)	(99.1)	(104.0)	(90.6)	(80.0)
(Japan)	(251.2)	(258.4)	(332.2)	(310.0)
Net Interest-bearing debt	266.9	291.3	275.6	270.0

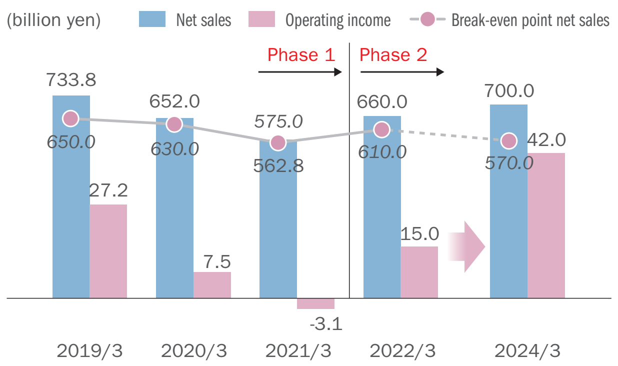
*Taking into account a part of the subordinated bonds through public offering that is recognized as equity (50%)

Lowering the break-even point

Changes in the break-even point

In the past two years, we mainly focused on reducing fixed costs and ensured that an increase in fixed costs was 15% or less of an increase in sales whenever net sales increase. In doing so, we continuously lowered the break-even point. However, for the fiscal year ending March 31, 2022, the break-even point is expected to rise due to increases in steel material prices and logistics costs and an increase in fixed costs that were set with plenty of room for responding to a sharper increase in sales than expected. Meanwhile, in the new Medium-term Management Plan for the coming three-year period, we will promote the variable cost reformation and other measures to thoroughly reduce variable costs.

■ Lower Break-even Point



Concept of the break-even point for achieving mandatory targets of the "NTN Revitalization Scenario"

1 The theoretical amount of fixed costs for the fiscal year ending March 31, 2022 is roughly calculated as follows based on the actual results for the fiscal year ended March 31, 2021: because an increase in net sales is approximately 100.0 billion yen, it is assumed that fixed costs will increase by 15.0 billion yen (15% of that 100.0 billion yen) to 275.0 billion yen; 285.0 billion yen is obtained by adding 10.0 billion yen (which is set as a margin to cope with an external factor including an increase in logistics costs and internal factors including normalization of pay raises, bonuses, etc., an increase in depreciation costs for new ERP system and the new plant in Wakayama and an increase in personnel expenses, etc. for responding to a sharp recovery in demand) to that 275.0 billion yen; however, 3.3 billion yen of fixed costs was recorded as loss resulting from low operating capacity in the extraordinary loss category in the fiscal year ended March 31, 2021 and therefore, if an adjustment is made with this taken into consideration, the theoretical amount of fixed costs is 288.0 billion yen; in addition, compared with the actual exchange rate ($1 = 106.0 yen; €1 = 123.7 yen) for the fiscal year ended March 31, 2021, a slightly weaker yen ($1 = 107.0 yen; €1 = 128.0 yen) was adopted as an exchange rate for a plan for the fiscal year ending March 31, 2022 and the effect of this arrangement is 5.0 billion yen; and we forecast that the amount of fixed costs will be 293.0 billion yen in the fiscal year ending March 31, 2022.

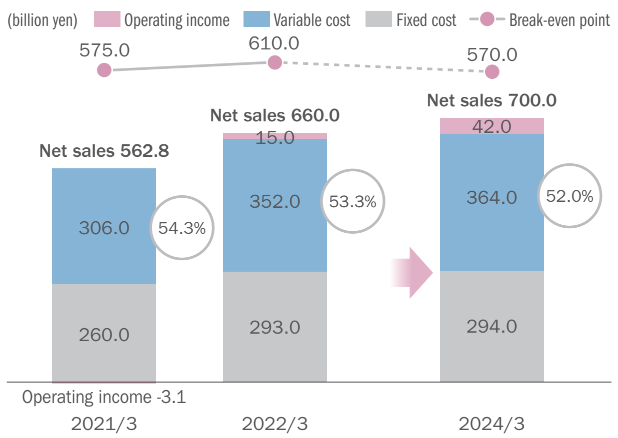
2 Next, let's take a look at how the theoretical amount of fixed costs for the fiscal year ending March 31, 2024 is roughly calculated based on the actual results for the fiscal year ended March 31, 2021 on the assumption that exchange rates will be the same as the actual ones. The calculation is made as follows: because an increase in net sales is approximately 140.0 billion yen, it is assumed that fixed costs will increase by 21.0 billion yen (15% of that 140.0 billion yen) to 281.0 billion yen; on the assumption that 10.0 billion yen (by which fixed costs will increase in the fiscal year ending March 31, 2022) will remain as is, fixed costs will amount to 291.0 billion yen; also, if an adjustment is made with loss resulting from low operating capacity, the amount of fixed costs will be 294.0 billion yen.

3 Meanwhile, if the theoretical amount of fixed costs for the fiscal year ending March 31, 2024 is roughly calculated based on a fixed cost plan for the fiscal year ending March 31, 2022, the calculation is made as follows: because an increase in net sales is 40.0 billion yen, it is assumed that fixed costs will increase by 6.0 billion yen (15% of that 40.0 billion yen) to 299.0 billion yen; 294.0 billion yen is obtained by deducting 5.0 billion yen in adjustments related to exchange rates for the fiscal year ending March 31, 2022 from that 299.0 billion yen.

4 In addition, regarding variable costs for the fiscal year ending March 31, 2024, we assume that we will reduce variable costs by 20.0 billion yen in the three-year period as planned and lower the variable cost ratio to 52%. On this assumption, operating income and the break-even point are calculated. The break-even point at each fiscal year in time is calculated in the following manner: 15% of net sales at each point in time is deducted as variable fixed costs from fixed costs; and then variable fixed costs are regarded as variable costs to calculate the break-even point. In short, the figure below shows that even if it is assumed that the fixed portion of fixed costs that were increased by leaving plenty of room for margin in the fiscal year ending March 31, 2022 cannot be reduced in any way, if the variable cost ratio is reduced to 52% as planned, mandatory targets of 700.0 billion yen of net sales and 42.0 billion yen of operating income can be achieved.

5 As such, it is critical to carry out the variable cost reformation and other variable cost reduction measures as planned, and each business site needs to strictly control the fixed costs that were set by leaving plenty of room for margin in the fiscal year ending March 31, 2022. Separately, we will consider significantly reducing fixed costs in the three-year period through further sales of assets and elimination and consolidation of businesses, but this is not included in the above trial calculations.

■ Lower Break-even Point (MUST Achieve Revitalization Scenario)



*Changes in each item include the effects of exchange rate fluctuations.

Transformation of each business site's attitude toward a Business Plan

- To achieve mandatory targets of the NTN Revitalization Scenario by forming a global learning organization -

Conventional attitude

- ◆ The head office formulates a Business Plan and requires each business site to achieve the plan.
- ◆ Before the final version of a Business Plan is decided, the head office may allocate additional profit requests to each region. As such, each business site should not prepare a challenging plan on its own at the beginning of the term.
- ◆ Therefore, a Business Plan should be prepared as conservatively as possible.
- ◆ As a result, management tends to be passive, just seeking to achieve numerical targets set by the head office. It is difficult to foster commitment and accountability in terms of business management.

Changes in the business environment

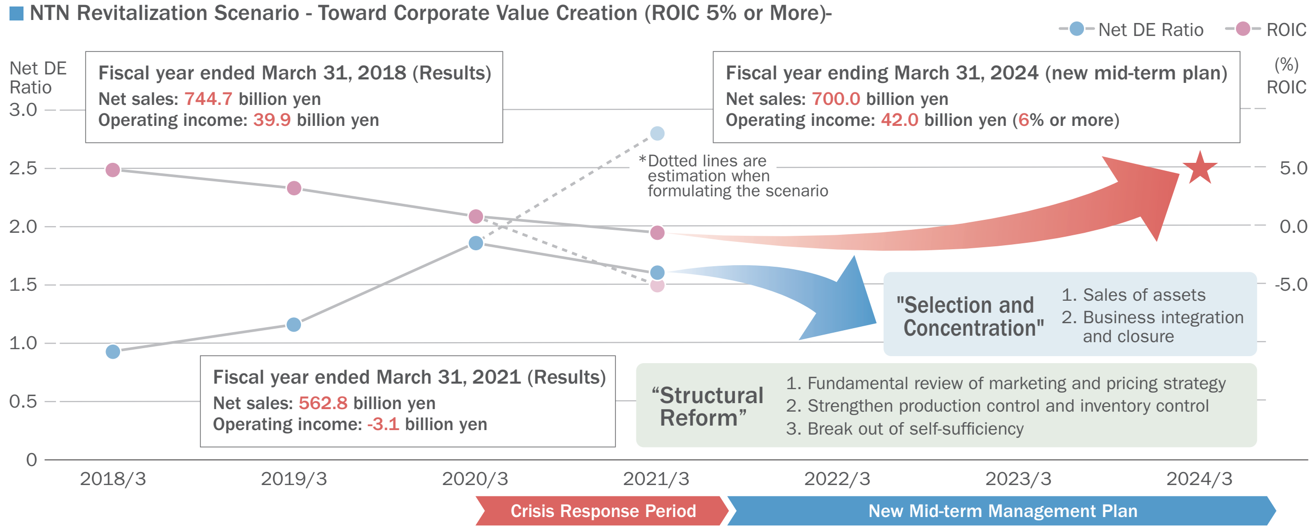
- ◆ There is significant uncertainty in the business environment, and we are no longer in the era when a Business Plan can be implemented as planned.
- ◆ Therefore, even if ex-post analysis of a gap between planned values and actual results is conducted, gaps are just filled in an ad hoc manner and new gaps continue to occur.
- ◆ We are in the era when, to prevent the occurrence of a gap, we need to continuously implement measures and follow-up actions based on forecasts while keeping an eye on preconditions (hypotheses) on which a Business Plan is based.
- ◆ Unless responsive measures for securing planned business value are taken promptly according to the above method without waiting for financial reports and analysis results of financial numbers, we cannot keep up with changes in the business environment.

Future approach

- ◆ A Business Plan represents a scenario in which each company and division in each region presents its own business value improvement plan on its own management responsibility.
- ◆ Regarding preconditions (hypotheses) on which the scenario is based, it is important for each business site to share an understanding with the head office, distinguish between internal hypotheses and external hypotheses and clarify management commitment and accountability.
- ◆ It is necessary to promptly and continuously implement responsive measures for securing business value and corporate value while keeping an eye on the gap between hypotheses and reality.
- ◆ If a gap occurs between a hypothesis and reality, thorough measures for KPI for achieving planned EVA should be taken. Even if there is difficulty in maintaining EVA, an attempt should be made to achieve planned ROIC as the minimum requirement and capital invested should be reduced.

In the fiscal year ending March 31, 2022 in particular, it is critical for each business site to take thorough measures for reducing variable costs, flexibly control the fixed costs with a view to demand trends and increase sales in the aftermarket business through coordination within the NTN Group as a whole. In a situation where it will become increasingly difficult to make forecasts, no matter what changes occur to the environment, we will further accelerate establishment of organizational culture where all regional business sites and divisions autonomously pursue overall optimization for survival by sharing the perspective of corporate value maximization, in other words, establishment of a global learning organization. For this purpose, each business site needs to enhance the autonomy of its daily management and administration work to promptly respond to changes in a situation surrounding the business site under close coordination within the entire NTN Group so that the business site can use its relationship with the head office as a stepping stone for making a leap forward. On the other hand, the head office will focus on formulating and promoting a global financial strategy, brand strategy, business portfolio strategy, production/technology strategy, etc. and enhance the cohesion of the entire Group by stepping up the functions of the head office as a global strategic headquarters.

■ NTN Revitalization Scenario - Toward Corporate Value Creation (ROIC 5% or More)-



Achieve ROIC 5% or more, maintain ROE 8% or more, return 4% to shareholders, and allocate the remaining 4% to sustainable growth in the future.