

# Consolidated Financial Results for the First Half of FY2019



November 6, 2019  
NTN Corporation

## I . Outline and Initiatives of “DRIVE NTN100”

## II . Financial Results for First Half and Forecast for FY2019

- 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.

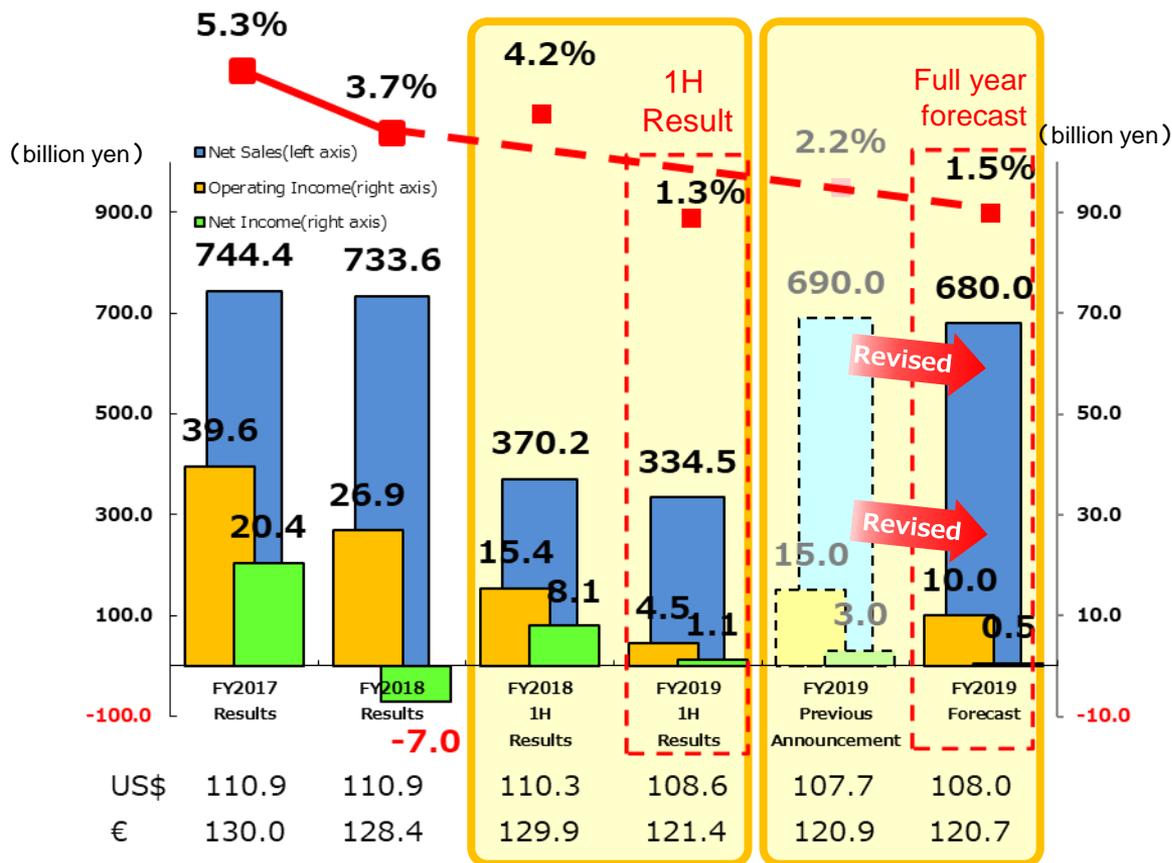
# Trends in consolidated financial results: Results of 1H and Full year Forecast (1)

1H Sales: Demand decreased in aftermarket, industrial machinery, automotive business and in nearly all regions.  
Decreased in sales a year-on-year.

Incomes: Decreased due to the impact of a large decline in volume, despite cost reductions mainly in fixed cost.

Full-year forecast: Revised the earnings downward considering current demand. Improve profitability and cash flow. Dividends decreased.

## Operating Margin



## FY2019 1H Result

in brackets are FY2018 1H results

Net Sales: **¥334.5 billion** (¥370.2 billion)  
YoY-9.6%, Excl. exchange rate effect -7.1%

Operating Income: **¥4.5 billion** (¥15.4 billion)  
YoY-70.8%, Excl. exchange rate effect -64.4%

Net Income: **¥1.1 billion** (¥8.1 billion)  
YoY-86.1%

Interim dividend: **¥5**

## FY2019 Full year Forecast

in brackets are FY2018 full year results

Net Sales: **¥680.0 billion** (¥733.6 billion)  
YoY-7.3%, Excl. exchange rate effect -4.7%

Operating Income: **¥10.0 billion** (¥26.9 billion)  
YoY-62.9%, Excl. Exchange rate effect -53.5%

Net Income: **¥0.5 billion**  
Incl. extraordinary loss ¥4.5 billion  
(No revise from the previous announcement)

Annual dividend: **¥10 \* year-end ¥5(forecast)**

# Trends in consolidated financial results: Results of 1H and Full year Forecast (2)

## 1st Half Result (compared with forecast at 1Q)

FY2019 1H Result ( ):Previous Forecast

Net Sales: **334.5 billion yen**  
(340.0 billion yen)

Operating income: **4.5 billion yen**  
(6.0 billion yen)

Net income: **1.1 billion yen** (1.0 billion yen)

Interim dividend : **5 yen** (7.5yen)

### ① Demand decreased more than expected at 1Q

- Economic conditions deteriorated due to trade friction and the uncertainties in Europe
- Aftermarket: Economic conditions deteriorated. Distributors adjusted inventories
  - Industrial machinery: Demand declined mainly for construction machinery, agricultural machinery, and gearboxes.
  - Automobile : Demand and production volume decreased in Japan, U.S, Europe, Asia and China

### ② Reduced inventory assets compared to the end of June, but FCF decreased due to decrease of sales and volume

Inventory cuts progressed compared to the end of June, but sales and volume declined significantly. FCF decreased more than expected at initial forecast to negative. (FCF 1H:-4.6 billion yen)

## 2nd Half Focus Points

FY2019 full year forecast ( ):Previous Forecast

Net Sales: **680.0 billion yen**  
(690.0 billion yen)

Operating Income: **10.0 billion yen**  
(15.0 billion yen)

Net income: **0.5 billion yen** (3.0 billion yen)  
year-end dividend: **5 yen** (7.5yen)

### ① Short-term: Continue urgent measures to improve profitability

Continue to reduce fixed cost of expenses and personnel expenses.  
Further pricing policy and profit improvement through resource redistribution

### ② Short-and medium-term: Promote major theme to generate FCFs

- Variable Cost Reformation: Reduce procurement costs globally.  
Utilizing overseas OEM products
- Production reforms: Implementation of production reforms from Japan, significant reduction in inventory assets
- Business reorganization: Accelerate domestic manufacturing reorganization, concentrate on high value-added products.  
Review of unprofitable businesses in Japan and overseas.

Assets sales: Promote sales of strategic shareholdings

Improve the management base to prepare for next recovery in demand

# Financial Summary of Aftermarket Business



**1st Half: Sales decreased due to global economic slowdown, inventory adjustments by distributor, lower sales in regions other than China. Income decreased due to decline of volume**

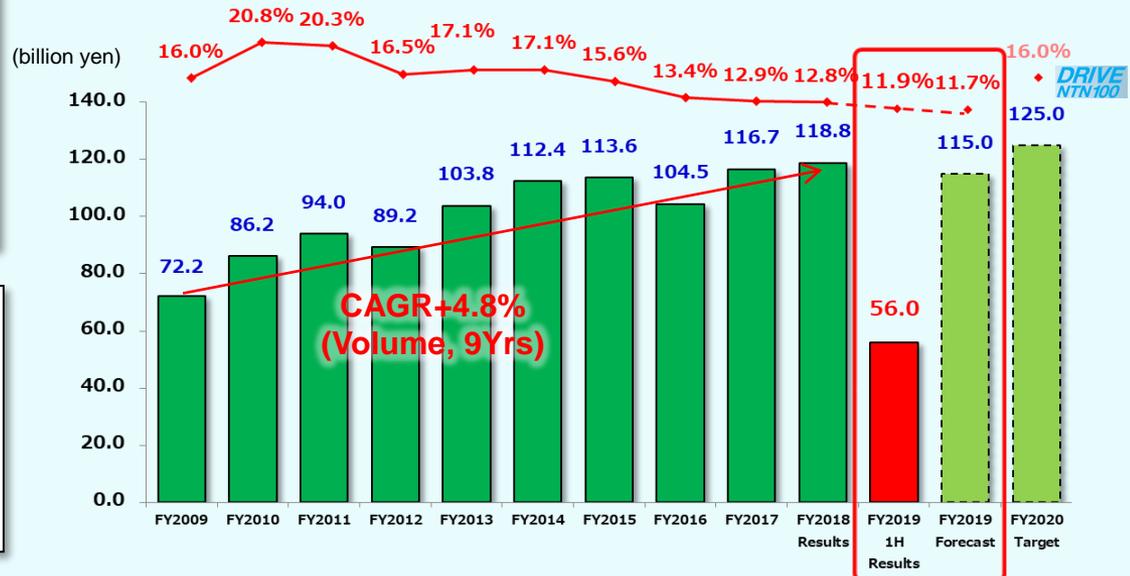
FY2019 1H Result (): FY2018 1H results

Net Sales: **56.0 billion yen**  
(61.1 billion yen)  
Operating income: **6.7 billion yen**  
(7.8 billion yen)  
Operating margin: **11.9%** (12.8%)

FY2019 full year forecast (): FY2018 results

Net Sales: **115.0 billion yen**  
(118.8 billion yen)  
Operating income: **13.5 billion yen**  
(15.2 billion yen)  
Operating margin: **11.7%** (12.8%)

**Net sales and operating margin for aftermarket business**



## **Point : Implement initiatives to expand sales globally**

### ① **Supply and Demand : Improve capacity to provide high profitable & representative products**

Expand OEM supply by utilizing more suppliers overseas  
Supply products from plants overseas globally  
⇒ **Establish stable supply system and prevent opportunity loss**

### ② **Profit: Promote pricing policy**

Reflect increased cost of material and logistic in price.  
Improve profitability

### ③ **Improve branding**

Continue to enhance service  
Strengthen brand value by conducting measures against counterfeit products



# Financial Summary of Industrial Machinery Business

1st Half: Sales decreased in almost all of sectors, including construction machinery, agricultural machinery, gearboxes, and machine tool. Income decreased due to decline in volume

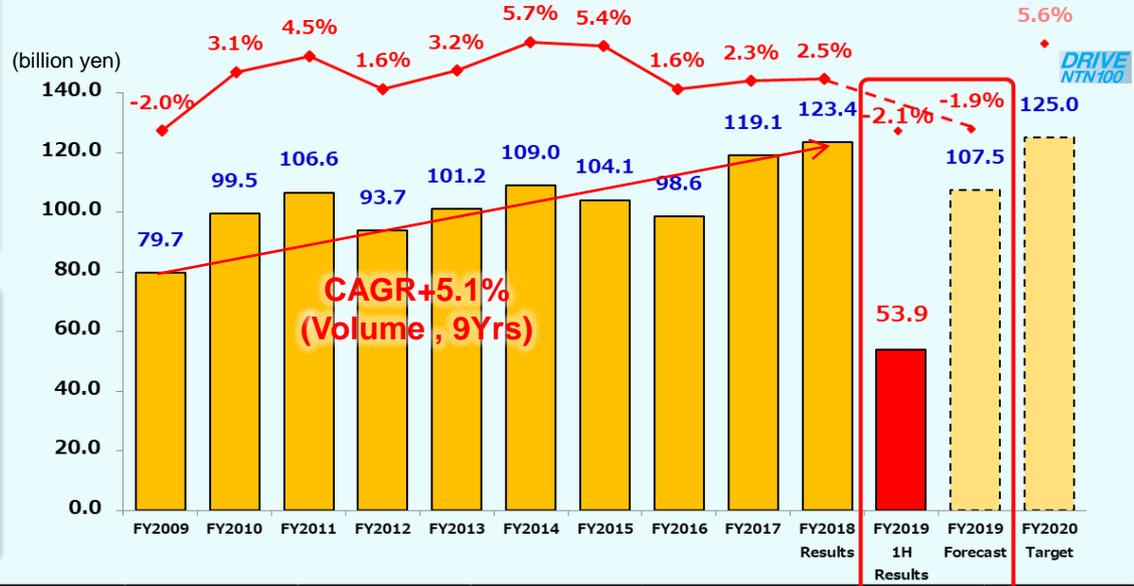
FY2019 1H Result (): FY2018 1H results

Net Sales: **53.9 billion yen**  
(62.0 billion yen)  
Operating income: **-1.1 billion yen**  
(1.6 billion yen)  
Operating margin: **-2.1%** (2.6%)

FY2019 full year forecast (): FY2018 results

Net Sales: **107.5 billion yen**  
(123.4 billion yen)  
Operating income: **-2.0 billion yen**  
(3.1 billion yen)  
Operating margin: **-1.9%** (2.5%)

**Net sales and operating margin for industrial machinery business**



**Points: Short term initiatives to improve profit in core products, medium and long term initiatives to strengthen competitiveness**

① **Short term: Profit improvement by pricing policies**

Reflect increased cost of material and logistic in price.  
Stop selling unprofitable products and redistribution of resources to profitable customers

② **Medium term: Strengthen competitiveness by improving in cost and MIX improvement**

Improve valuable cost by using new suppliers overseas  
Expand sales of high-competitive product  
In addition, expand sales of products in new areas(Service, solution, Robot related)



CVJ for industrial machinery



「CMS」



「i-WRIST™」

# Financial Summary of Automotive Business

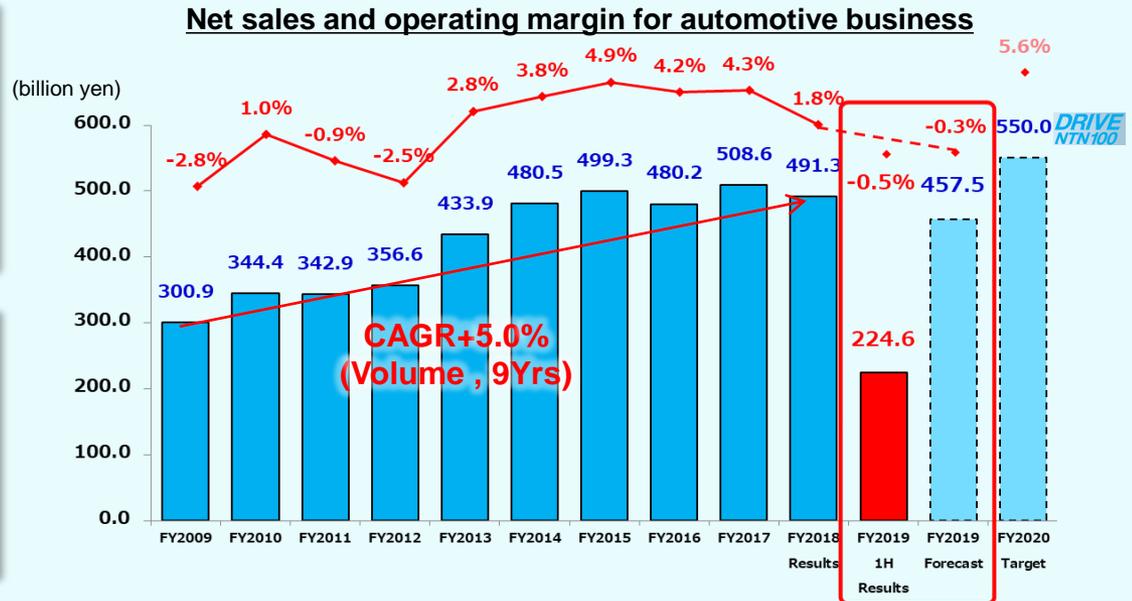
**1st Half: Sales decreased as automobile production decreased due to trade friction and uncertainties in policies. Income decreased due to decline in volume**

FY2019 1H Result (:):FY2018 1H results

Net Sales: **224.6 billion yen**  
(247.2 billion yen)  
Operating income: **-1.0 billion yen**  
(5.9 billion yen)  
Operating margin: **-0.5%** (2.4%)

FY2019 full year forecast (:): FY2018 results

Net Sales: **457.5 billion yen**  
(491.3 billion yen)  
Operating income: **-1.5 billion yen**  
(8.7 billion yen)  
Operating margin: **-0.3%** (1.8%)



**Point: Short term initiatives to improve profitability and medium to long term initiatives for structural reform of profit**

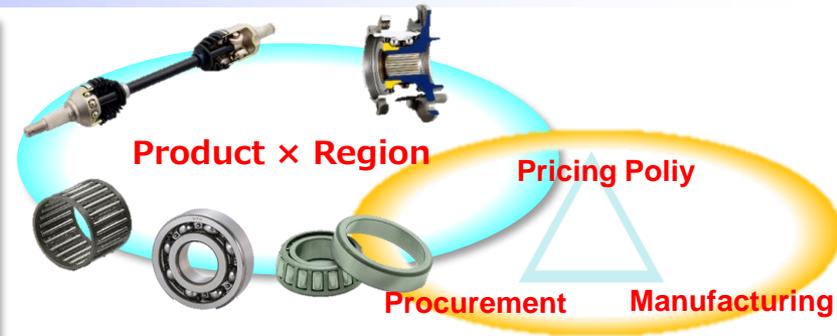
- ① **Short term: Pricing policy & cost reduction**  
 Reflect cost of steel material and custom and duties of U.S in price  
 Stop selling or cost improvement of unprofitable product and change prices  
 Improve logistics between business sites and cost reduction in back-office department

- ② **Medium to long term: Improve earning power in business areas we focus on**  
 Conduct sales and investment initiatives areas from the point of business type  
 Expand volume to increase income  
 Enhance earning power which does not depend on the volume by procurement and production reform

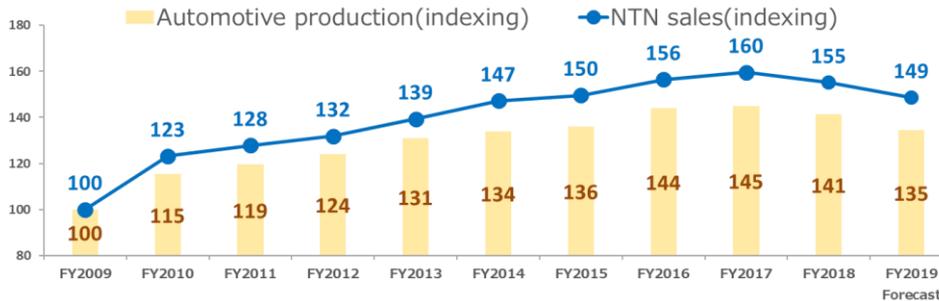
# Automotive Business: Medium to Long Term Initiatives for Structural Reform of Profitability

## Medium to Long term Initiatives for Structural Reform of Profitability

1. **Make profit in main business area**  
Select expanding target and centralize resource by considering business type and region
2. **Expand sales of high-value added products**  
preparing for electrification and EV shift
3. **Re-strengthen the core function which make profit**  
Price X Sales(Price) X Procurement(valuable cost)X Manufacturing (Process)



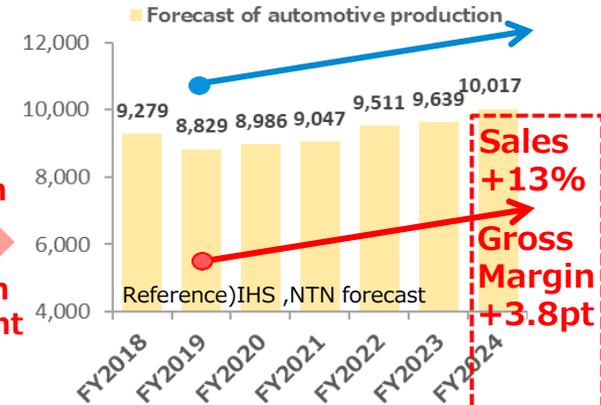
Car Pro. +13%



Reference)IHS ,NTN forecast (indexing volume trend)

←Until today  
Grow up more than automotive production

From now→  
Expand volume to gain profit and improvement



Sales +13%  
Gross Margin +3.8pt  
Target

### CVJ/Driveshafts

Profit: Meet demand for EV and SUVs expanding sales  
Volume: Gain volume in ASEAN and other developing countries

### Hub bearing

Profit: Large size vehicle in U.S, EV in Europe, procurement and production reform  
Volume: Break out from certain customer, improve profitability for low share customer



### Bearing

Profit: Focus on high functional application related to electrification  
Volume: Gain volume effect by reforming and centralize production



# Outline of Medium-term Management Plan

## “DRIVE NTN100”



### Initiatives for Realizing Our Vision



### NTN in 10 years

#### NTN in 10 years

Transform from a "Manufacturing Company" into a "Company that Delivers Value to Customers through Products and Services"

#### Numerical targets

Net sales: 1 trillion yen or more  
Operating income to sales: 10% or more  
Total assets turnover: 1.0 or more  
Foreign exchange sensitivity:  
To be halved from the current level

#### Changes in external environment

Automotive industry: A change that occurs only once a century (CASE)  
Overall industry: IoT, robotization, and AI  
Social issues: Population increase, climate change, resource depletion, poverty, starvation, etc. (SDGs)



### “DRIVE NTN100” (April, 2018-March, 2021)

Accelerating Initiatives in the Next 3 Years towards target 10 years later



#### Points

1. Develop in new areas and grow up sustainably by core technology and product
2. Focus on strengthening management base which support business within 3 years
  - ① Valuable cost reformation
  - ② Structural reform for man-hour and resource  
Smart manufacturing, (utilize IoT, AI and Robot)  
Robotization in back office dept. (introduce RPA)
  - ③ Enhance SCM and concentrated investment  
Use new core IT system, efficient stock management and shortening LT, intensively invest high value added products

# “DRIVE NTN100” Industrial Machinery Business

## Progress of Strengthen Core Technology & Products/Develop Business in New Areas



### Ongoing Initiatives for "DRIVE NTN100"

1. Develop Core Technology and High-performance Product
2. New Business Area : Robot Related & Service, Solution Business

**Target : become a company that customers rely on most**  
**Response to changes in environment**

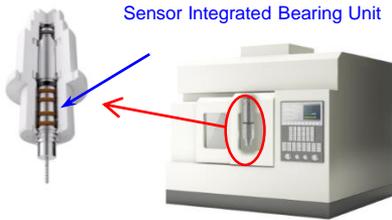


- Utilization of IoT and AI in industry
- Demand increased in robot related business
- Prevention by monitoring



### 1. Develop Core Technology and High-performance Product

Develop unique technology and products



Sensor Integrated Bearing Unit

Preventing seizing with advanced condition monitoring of machine tool  
 Adopting heat flow sensor which has 40 times rate of increase compared to temperature and vibration sensor and realize advanced monitoring  
 ⇒Contribute to productivity and cost

“Sensor Integrated Bearing Unit” for Machine Tool Spindles

### 2-a. New business area : Robot-related Business

Develop automation system using Wrist Joint Module



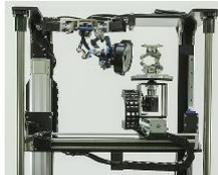
Use CVJ technology, operating angle 90°

Labor saving and quality improvement in production line when applied in appearance inspection

→Strengthening collaboration with Sler in the future



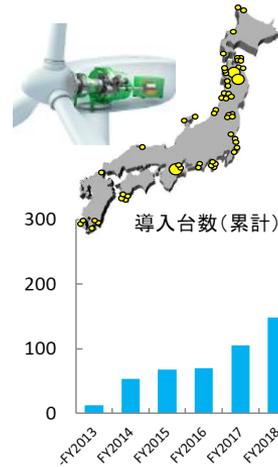
i-WRIST™



Example of Appearance Inspection system

### 2-b. New business area : Service, Solution Business

Business of monitoring service



CMS for wind turbine

Expand sales of condition monitoring system for wind turbine  
 Promote contract of monitoring service  
 Differentiate with CMS technology  
 ⇒By Industry-academia collaboration, predict operating life with AI  
 ⇒Deploy to automobile(CASE) and machine tool



Portable Vibroscope



Vibroscope for bearings utilizing bearing diagnosis and vibration analysis  
 Provide diagnosis service utilizing analysis technology for bearings

# "DRIVE NTN100" Automotive Business

## Strengthen Core Technology & Products/Progress in New Areas



### Ongoing Initiatives for "DRIVE NTN100"

1. Strengthen core technologies and products :  
Become the world's top maker of drive-train systems (including EVs)
2. Develop businesses in new areas:  
Respond to electrification and EVs



**Target : become a essential company to provide products and service in the global market**

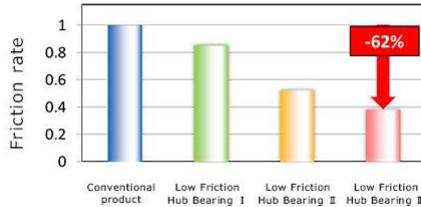
**Response to changes in environment**

- CASE(electrification, EVs etc.)
- Increase of production number of new vehicle(increase of population)



## 1. Strengthen Core Technology & product

**Realize Super Low friction in drive-train system**



### Low Friction Hub Bearing III

Develop grease pursuing low friction  
Reduce rotational friction by 62% keeping its durability  
Contribute to improved fuel efficiency by 0.53%

### Receive production order of ULTAGE Tapered Roller Bearing

Received 2017 "CHO" MONODZUKURI Innovative Parts and Component Award, Automotive Components Award

World's highest standard high-load capacity and rotation speed

- 1.3-times basic dynamic load rating
- 2.5-times or more bearing rated life



## 2. Develop businesses in new areas: Respond to electrification and EVs

### Respond to electrification



Start mass production of Electric Motors and Actuators

For electrification of pump and accessory  
Promote the business for mass-production

### Expand core products for EV

Low friction & torque, high rigidity & efficiency products  
Current & New EV maker adopt the products



### Module product for next generation vehicle



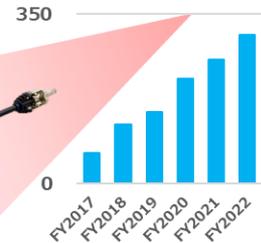
eHUB: HUB Bearing with Motor Generator Function



sHUB: HUB with steering assist function. Propose it for front but also rear steering

Received 2019 "CHO" MONODZUKURI Innovative Parts and Component Award, Nippon Brand Award

Supply samples to customer and promote initiatives to make them practical



# Initiatives for ESG

NTN is working on ESG issues through the implementation of its corporate philosophy, contributing to the realization of a sustainable society

## Environmental

- ✓ Develop innovative technologies, products, and services
- ✓ Reduce environmental burdens
- ✓ Prevent global warming

### Quantify "eco-friendly product index"



S-eco makes highest contribution to environment

Visualizing environmental value of products  
 ⇒ today's products reduce annual CO2 emissions by approximately 1,400,000 tons compared to the products in 20 years ago



## Social

- ✓ Social contribution activities
- ✓ Coexistence with local communities
- ✓ Work style reform



"NTN Rotating School" held in Japan and overseas

### Supporting activity in disaster area utilizing natural energy products

"N3 N-CUBE," Container Type Transportable Independent Power Supply, provide electricity



### Promote workstyle with diversity

Promote telework system  
 Participated in Telework days 2019  
 Gain "Kurumin" mark as a child care support company



## Governance

- ✓ Strengthen and enhance corporate governance
- ✓ Risk management
- ✓ Promote compliance



ESG meeting for investors (in Oct. 2019)

Change of company system transition to company with nominating comitee, etc from June 2019

## Responding to social issues

### UN Global Compact -

Ten principles in four areas: human rights, labor, environment, and anti-corruption

### Sustainable Development Goals (SDGs) -

Business activities in consideration of SDGs



## Adopted in the SRI indices

### Promote the disclosure of ESG information



NTN is selected in the ESG indices adopted by the GPIF

# Key Management Indicators of “DRIVE NTN100”



	FY2017 Results	DRIVE NTN100			
		FY2018 Results	FY2019 Forecast	FY2020 Target	
Net Sales	¥744.4 billion	¥733.6 billion	¥680.0 billion	¥800.0 billion	
Operating Income	¥39.6 billion	¥26.9 billion	¥10.0 billion	¥57.0 billion	
Operating Margin	5.3%	3.7%	1.5%	7.1%	
Net Income	¥20.4 billion	-¥7.0 billion	¥0.5 billion	¥30.0 billion	
Capital expenditure	¥37.6 billion	¥45.2 billion	¥50.0 billion	¥170.0 billion/3 years (incl. intangible ¥20.0 billion)	
FCF	¥13.4 billion	-¥22.4 billion	¥0.0 billion	¥45.0 billion/3 years	
Inventory turnover ratio	4.1 times	3.8	4.0	4.5 times	
Net D/E ratio	0.9	1.2	1.3	1.0 or less	
Equity to capital ratio	30.2%	27.4%	25.9%	30% or more	
ROE	8.4%	-2.9%	0.2%	10.0% or more	
NTN-ROI*	5.7%	3.8%	1.4%	7.5% or more	
Dividends	¥15.0	¥15.0	¥10.0	¥15.0 or more	
Exchange rates	USD	¥110.8	¥110.9	¥108.0	¥110
	Euro	¥129.6	¥128.4	¥120.7	¥115

\*NTN-ROI = Net operating income after tax / (Inventories + tangible fixed assets)

\*\*Exchange rates: Figures described in FY2019 Forecast is average (2H: USD=¥107、Euro=¥120)

- I . Outline and Initiatives of “DRIVE NTN100”
- II . Financial Results for First Half and Forecast for FY2019**

## ★ Financial Results for FY2019 First Half :

### Key Factors & Full Year Forecast

1. Consolidated Statements of Operation
2. Net Sales by Region
3. Net Sales and Operating Income by Business Sector
4. Results by Business Sector (Quarterly Trend)
5. Analysis of Operating Income
6. Net Sales and Operating Income by Company Location
  - (1) Japan, Americas
  - (2) Europe, Asia and others
7. Inventories
8. Capital Expenditure and Depreciation
9. Interest-Bearing Debt
10. Cash Flows

## Results of FY2019 Second Quarter(April, 2019-September, 2019)

- ◇ Net Sales: **¥334.5 billion**
  - Decrease of **¥35.7 billion**, year-on-year  
(Excluding exchange rates: Decrease of **¥26.4 billion**)
- ◇ Operating Income: **¥4.5 billion**
  - Decrease of **¥10.9 billion**, year-on-year  
(Excluding exchange rates : Decrease of **¥9.9 billion**)
- ◇ Ordinary Income: **¥2.8 billion**
  - Decrease of **¥9.7 billion** year-on-year  
(Excluding exchange rates: Decrease of **¥8.7 billion**)
- ◇ Net income attributable to shareholder(parent company): **¥1.1 billion**
  - Decrease of **¥7.0 billion**, year-on-year  
(Excluding exchange rates: Decrease of **¥6.2 billion**)
- ◇ Free Cash Flow: **-¥4.6 billion**, Increase of **¥4.7 billion**, year-on-year

## Revised FY2019 Full year forecast

- ◇ Net Sales: **¥680.0 billion**  
Decrease of **¥10.0 billion** compared with previous announcement (¥690.0 billion)
- ◇ Operating income: **¥10.0 billion**  
Decrease of **¥5.0 billion** compared with previous announcement (¥15.0 billion)
- ◇ Extraordinary losses: **¥4.5 billion**  
No revise from the previous announcement
- ◇ Net income attributable to Shareholder (parent company): **¥0.5 billion**  
Decrease of **¥2.5 billion** compared with previous announcement (¥3.0 billion)
- ◇ In regards to dividends, the Company plans **¥10** for this fiscal year  
Decrease of **¥5** from the previous announcement  
(**¥5** of both an interim dividend and year-end dividend)
- ◇ Exchange-rate form the third quarter:  
1USD = **¥107** (previous announcement, ¥107)  
1EURO = **¥120** (previous announcement, ¥120)

# 1. Consolidated Statements of Operation

(billion yen)

		FY2018			FY2019		Year on year		
		1H Results	2H Results	Full year Results	1H Results	Full year Forecast	FY2019 1H ②-①		
		①			②		Total	Excl.Forex	Forex
Net sales		370.2	363.4	733.6	334.5	680.0	-35.7	-26.4	-9.3
Operating income		15.4	11.6	26.9	4.5	10.0	-10.9	-9.9	-1.0
Operating margin		(4.2%)	(3.2%)	(3.7%)	(1.3%)	(1.5%)	(-2.8%)		
Ordinary income		12.6	9.7	22.2	2.8	6.0	-9.7	-8.7	-1.0
Extraordinary income/loss		-	-19.3	-19.3	-0.7	-4.5	-0.7	-	-
Net income attributable to shareholder		8.1	-15.1	-7.0	1.1	0.5	-7.0	-6.2	-0.8
Exchange rate	US\$	110.3	111.5	110.9	108.6	107.8	-1.6		
	EURO	129.9	126.9	128.4	121.4	120.7	-8.4		

# 2. Net Sales by Region

(billion yen)

	FY2018			FY2019		Year on year		
	1H Results ①	2H Results	Full year Results	1H Results ②	Full year Forecast	FY2019 1H ②-①		
						Total	Excl.Forex	Forex
Japan	102.3	105.0	207.2	100.1	204.0	-2.2	-2.2	-
Americas	100.4	101.1	201.5	90.6	182.5	-9.8	-8.0	-1.7
Europe	85.5	82.3	167.8	72.2	147.0	-13.3	-8.3	-5.0
Asia and others	82.0	75.0	157.0	71.5	146.5	-10.5	-7.9	-2.5
Total	370.2	363.4	733.6	334.5	680.0	-35.7	-26.4	-9.3

# 3. Net Sales and Operating Income by Business Sector

## < Net Sales by Business Sector >

(billion yen)

	FY2018			FY2019		Year on year		
	1H Results ①	2H Results	Full Year Results	1H Results ②	Full year Forecast	FY2019 1H ②-①		
						Total	Excl.Forex	Forex
Aftermarket	61.1	57.8	118.8	56.0	115.0	-5.1	-3.2	-1.8
Industrial machinery	62.0	61.4	123.4	53.9	107.5	-8.1	-6.6	-1.4
Automotive	247.2	244.2	491.3	224.6	457.5	-22.5	-16.5	-6.0
Total	370.2	363.4	733.6	334.5	680.0	-35.7	-26.4	-9.3

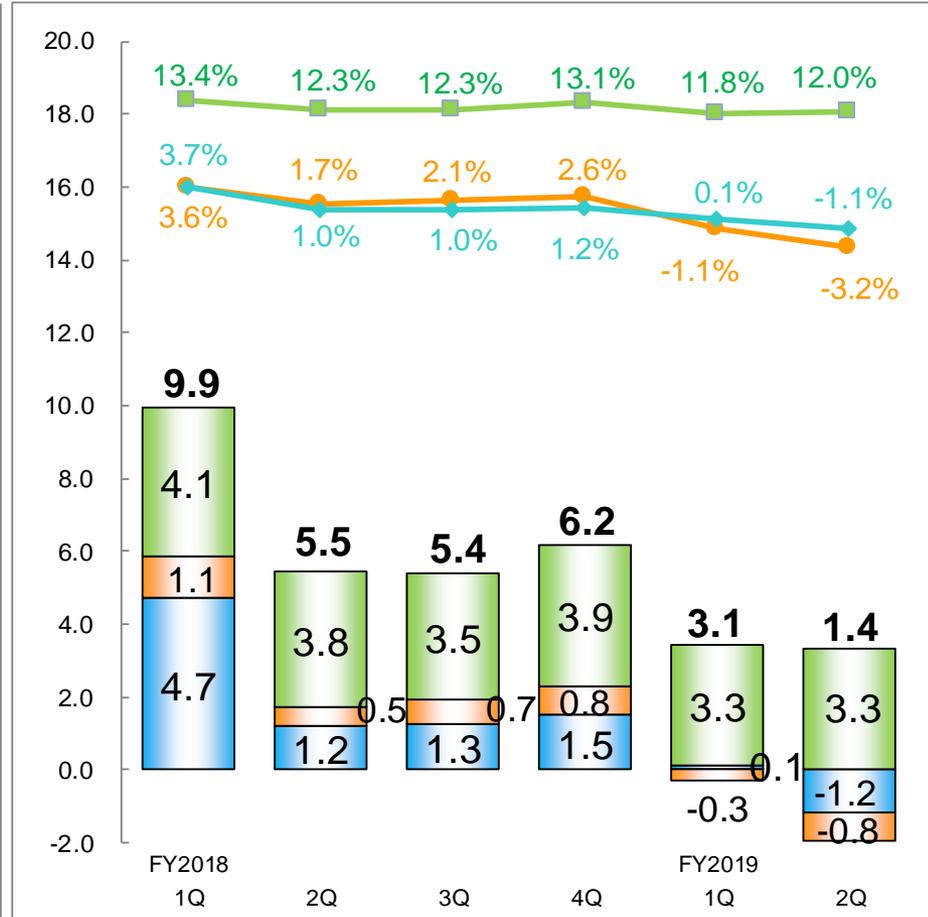
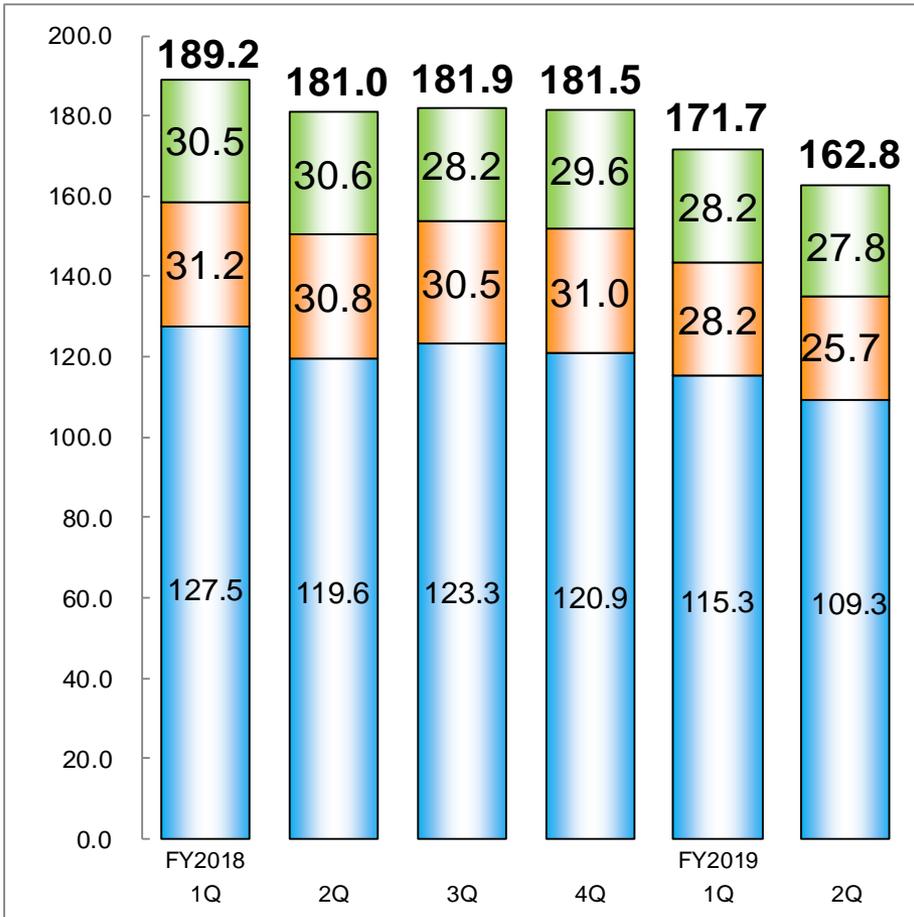
## < Operating Income by Business Sector >

	FY2018			FY2019		Year on year
	1H Results ①	2H Results	Full Year Results	1H Results ②	Full year Forecast	FY2019 1H ②-①
Aftermarket	7.8	7.3	15.2	6.7	13.5	-1.2
Industrial machinery	1.6	1.5	3.1	-1.1	-2.0	-2.8
Automotive	5.9	2.8	8.7	-1.0	-1.5	-6.9
Total	15.4	11.6	26.9	4.5	10.0	-10.9

# 4. Results by Business Sector (Quarterly Trend)

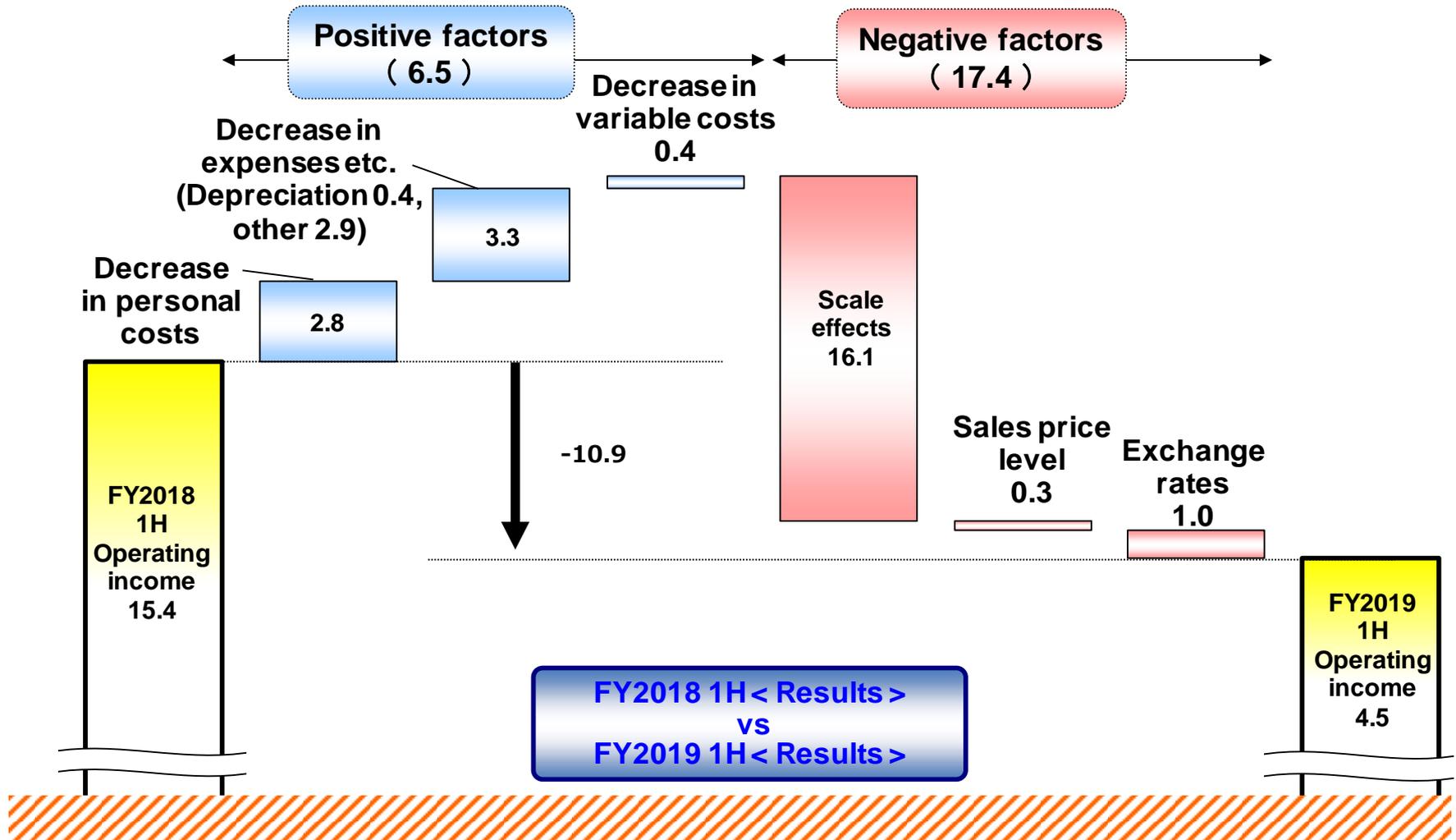
\* All figures in billion yen.

Automotive Industrial machinery Aftermarket



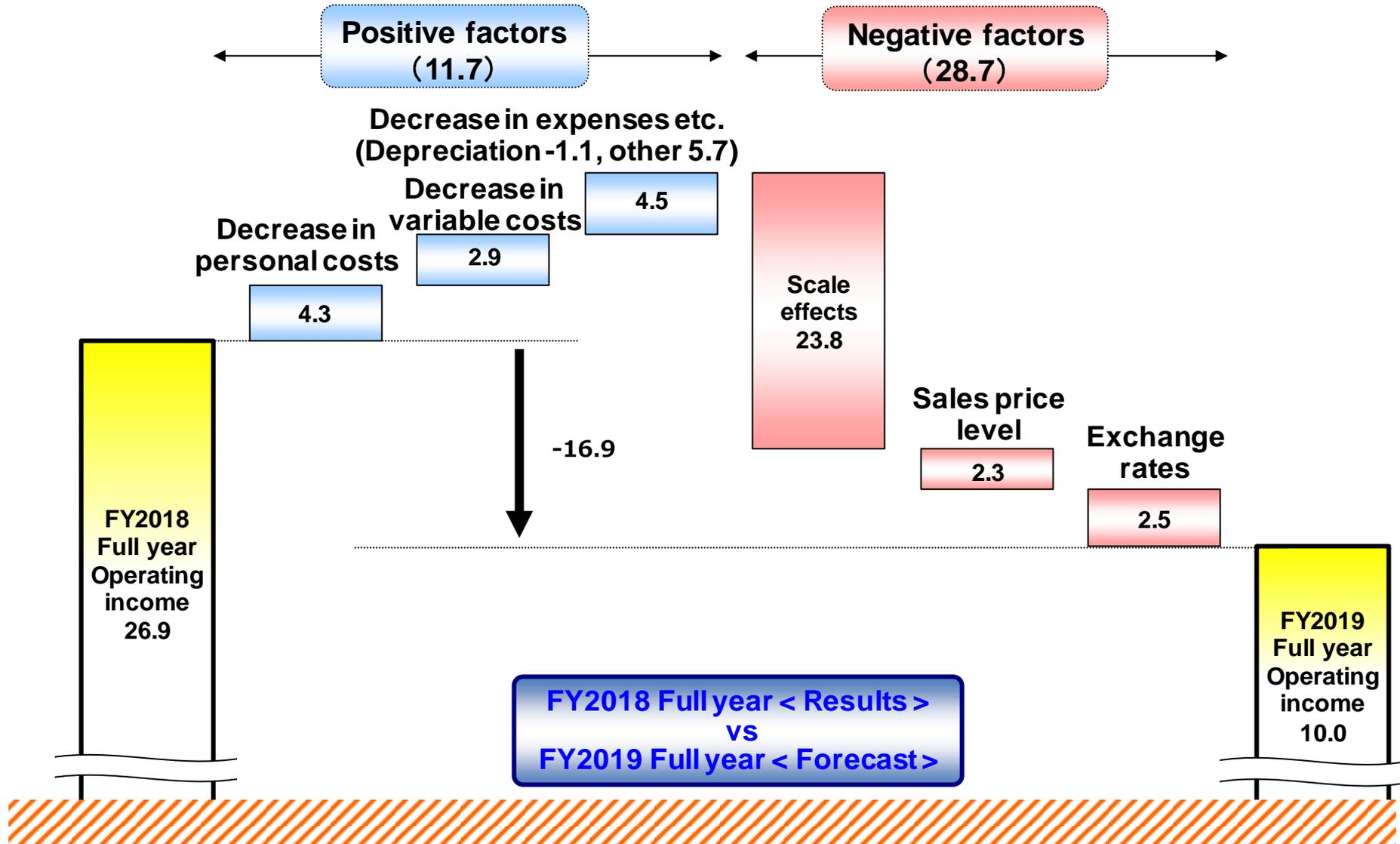
# 5-1. Analysis of Operating Income ( FY2019 1H )

\* All figures in billion yen.



# 5-2. Analysis of Operating Income ( FY2019 Full year )

\* All figures in billion yen.



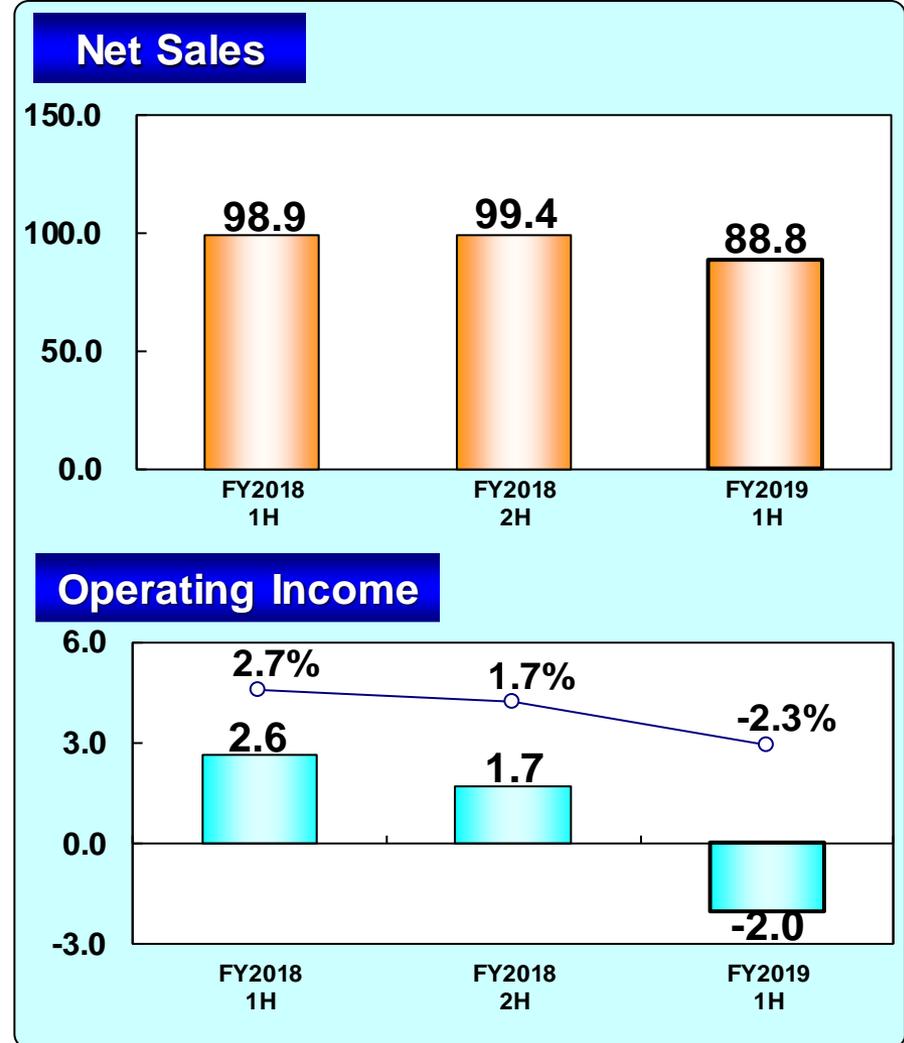
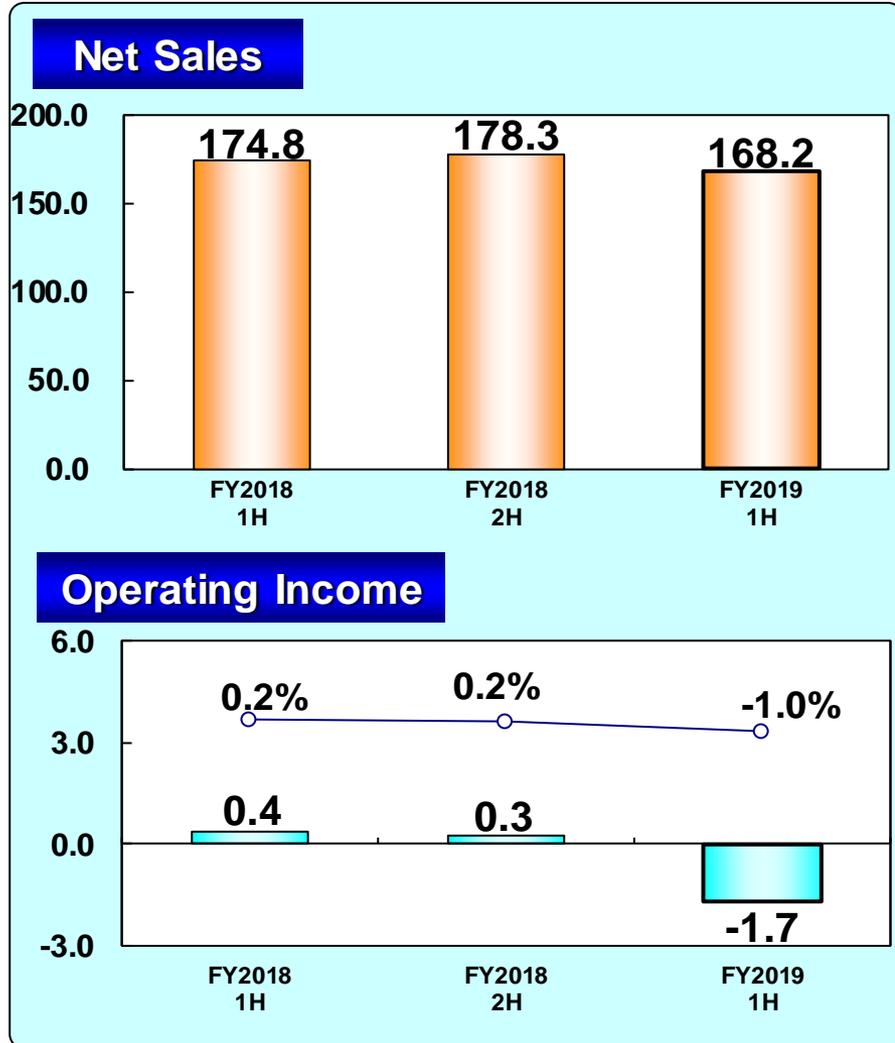
**FY2018 Full year < Results >  
vs  
FY2019 Full year < Forecast >**

# 6. Net Sales and Operating Income by Company Location

\* All figures in billion yen

## 《 Japan 》

## 《 Americas 》



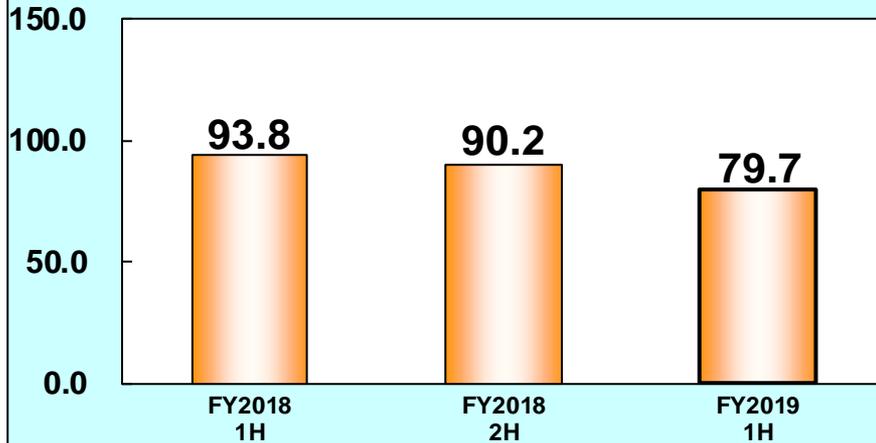
# 6. Net Sales and Operating Income by Company Location

\* All figures in billion yen

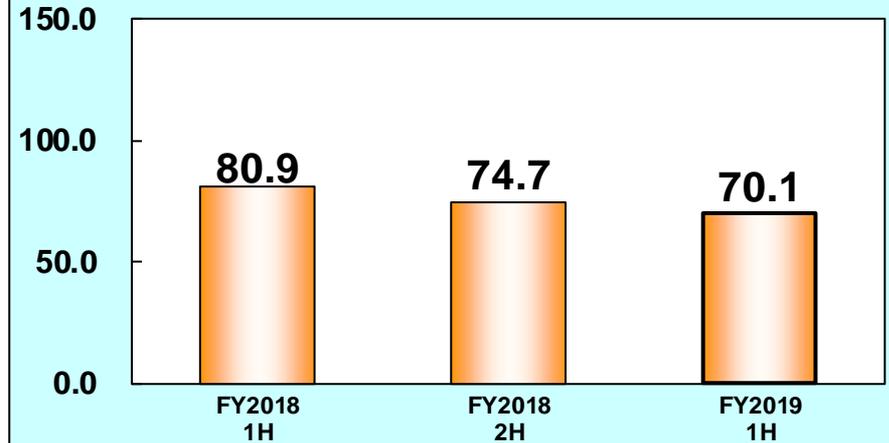
## 《 Europe 》

## 《 Asia and others 》

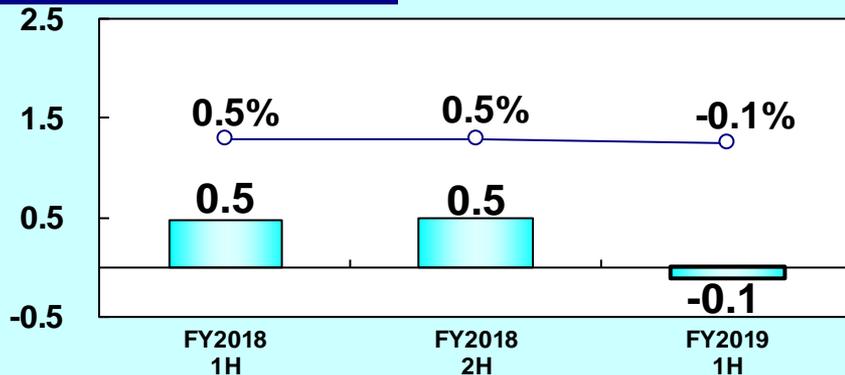
### Net Sales



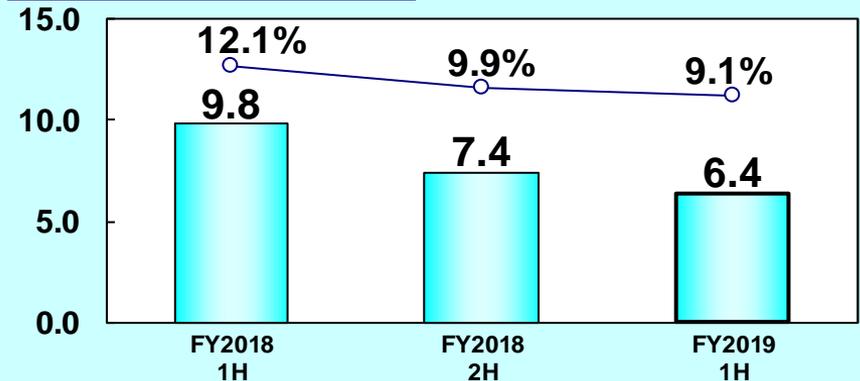
### Net Sales



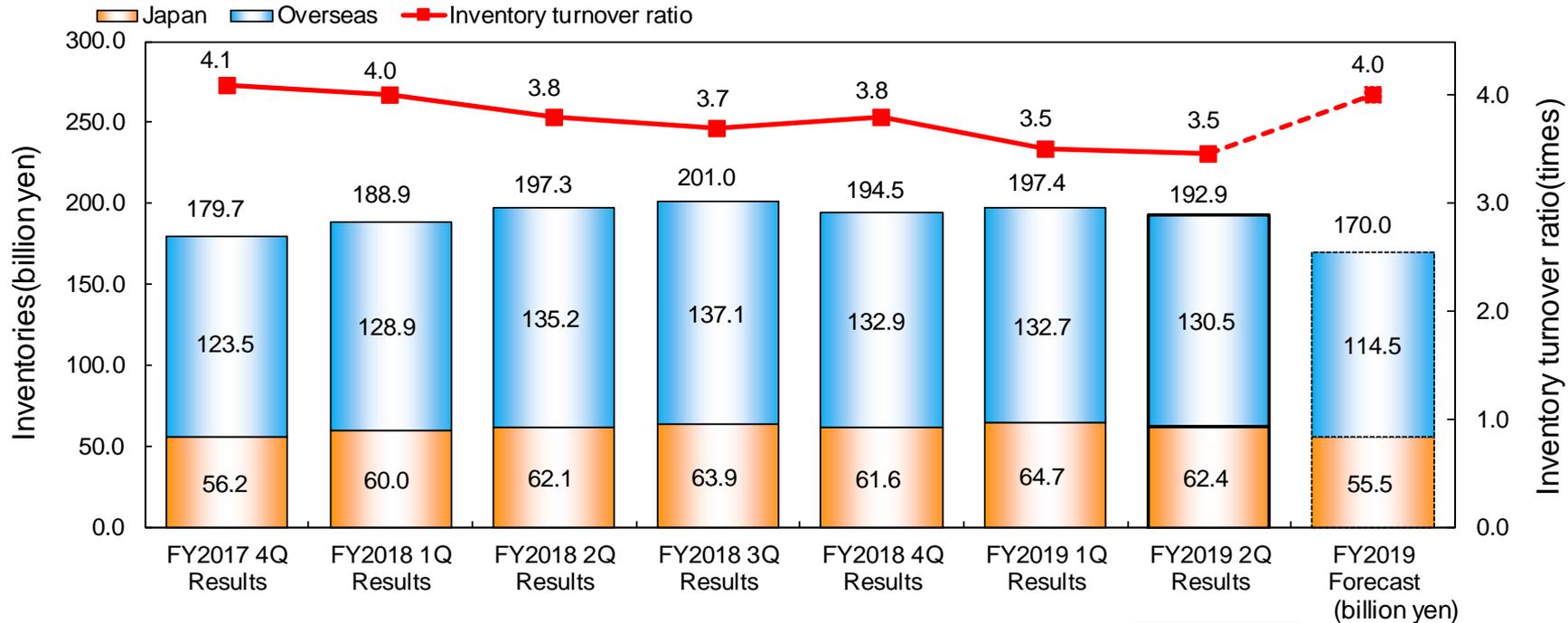
### Operating Income



### Operating Income

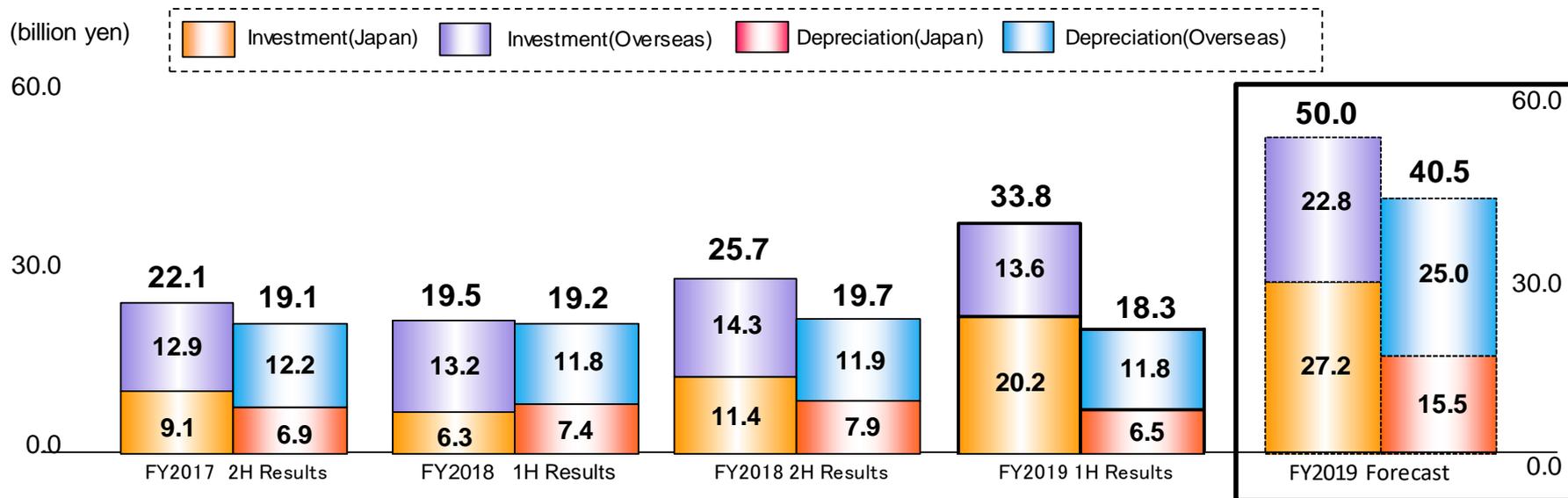


# 7. Inventories



	FY2017 4Q Results	FY2018 1Q Results	FY2018 2Q Results	FY2018 3Q Results	FY2018 4Q Results	FY2019 1Q Results	FY2019 2Q Results	FY2019 Forecast
<b>Inventories</b>	179.7	188.9	197.3	201.0	194.5	197.4	192.9	170.0
(Overseas)	(123.5)	(128.9)	(135.2)	(137.1)	(132.9)	(132.7)	(130.5)	(114.5)
(Japan)	(56.2)	(60.0)	(62.1)	(63.9)	(61.6)	(64.7)	(62.4)	(55.5)
<b>Inventory turnover ratio (times)</b>	4.1	4.0	3.8	3.7	3.8	3.5	3.5	4.0

# 8. Capital Expenditure and Depreciation

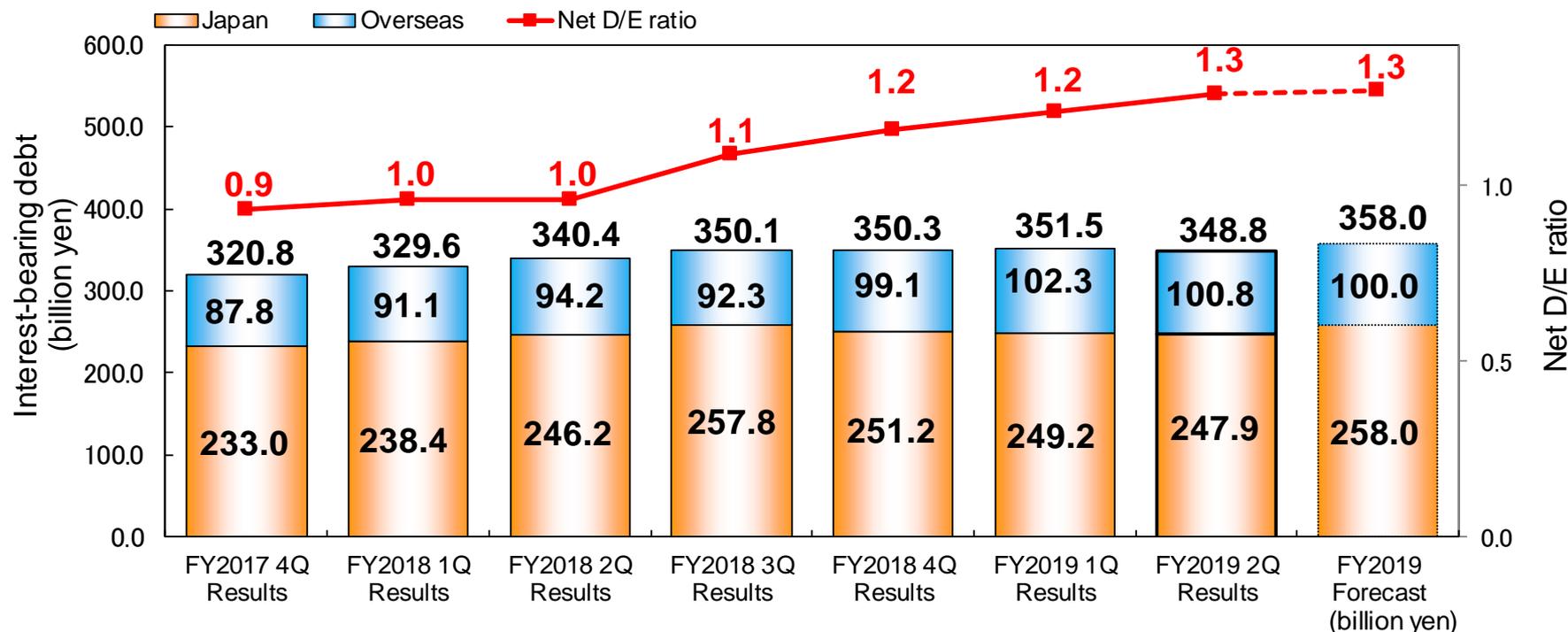


	FY2017 2H Results	FY2018		FY2019		FY2019 Forecast
		1H Results①	2H Results	1H Results②	②-①	
<b>Capital expenditure</b>	22.1	19.5	25.7	※33.8	14.4	50.0
(Overseas)	(12.9)	(13.2)	(14.3)	(13.6)	(0.4)	(22.8)
(Japan)	(9.1)	(6.3)	(11.4)	(20.2)	(14.0)	(27.2)

※In addition, ¥4.7 billion of intangible fixed assets

	FY2017 2H Results	FY2018		FY2019		FY2019 Forecast
		1H Results①	2H Results	1H Results②	②-①	
<b>Depreciation</b>	19.1	19.2	19.7	18.3	-0.9	40.5
(Overseas)	(12.2)	(11.8)	(11.9)	(11.8)	(0.0)	(25.0)
(Japan)	(6.9)	(7.4)	(7.9)	(6.5)	(-0.9)	(15.5)

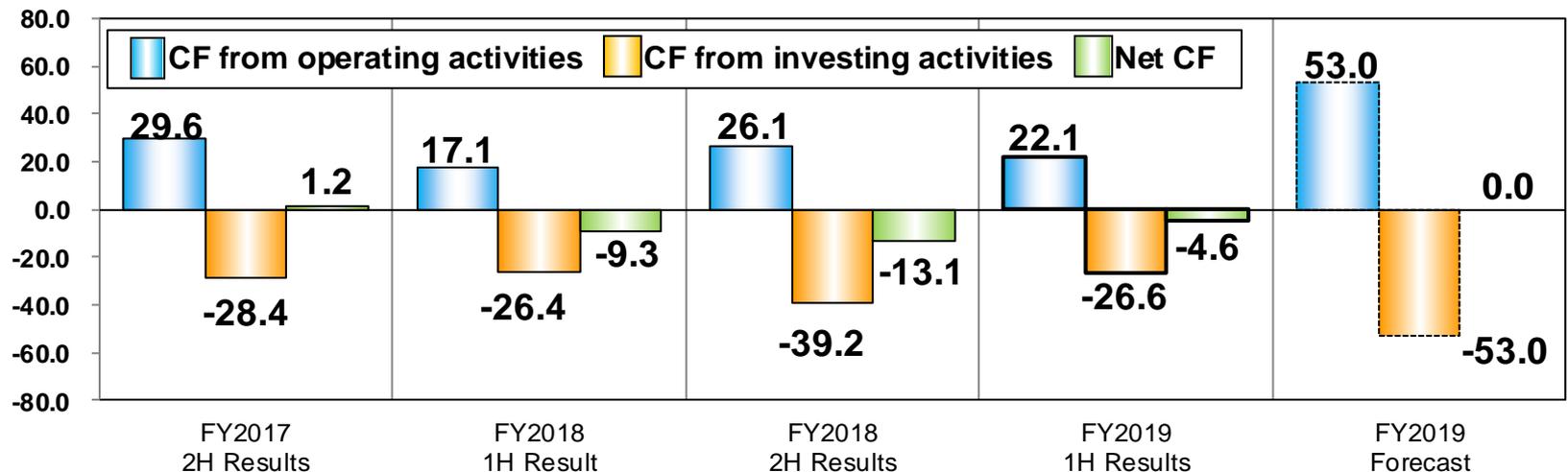
# 9. Interest-Bearing Debt



	FY2017 4Q Results	FY2018 1Q Results	FY2018 2Q Results	FY2018 3Q Results	FY2018 4Q Results	FY2019 1Q Results	FY2019 2Q Results	FY2019 Forecast
Interest-bearing debt	320.8	329.6	340.4	350.1	350.3	351.5	348.8	358.0
(Overseas)	(87.8)	(91.1)	(94.2)	(92.3)	(99.1)	(102.3)	(100.8)	(100.0)
(Japan)	(233.0)	(238.4)	(246.2)	(257.8)	(251.2)	(249.2)	(247.9)	(258.0)
Net Interest-bearing debt	234.7	244.0	252.7	267.0	266.9	268.6	273.2	272.0

# 10. Cash Flows

(billion yen)	FY2017	FY2018		FY2019	FY2019	②-①
	2H Results	1H Results①	2H Results	1H Results②	Forecast	
I . Cash flow from operating activities	29.6	17.1	26.1	22.1	53.0	4.9
II . Cash flow from investing activities	-28.4	-26.4	-39.2	-26.6	-53.0	-0.3
I + II . Net cash flow	1.2	-9.3	-13.1	-4.6	0.0	4.7
III . Cash flow from financing activities	-2.2	11.8	8.9	-2.3	3.3	-14.1
IV . Effect of exchanging rate translation on cash and cash equivalents	0.2	-0.9	-0.0	-1.1	-0.8	-0.2
V . Net increase in cash and cash equivalents	-0.8	1.6	-4.2	-7.9	2.5	-9.5



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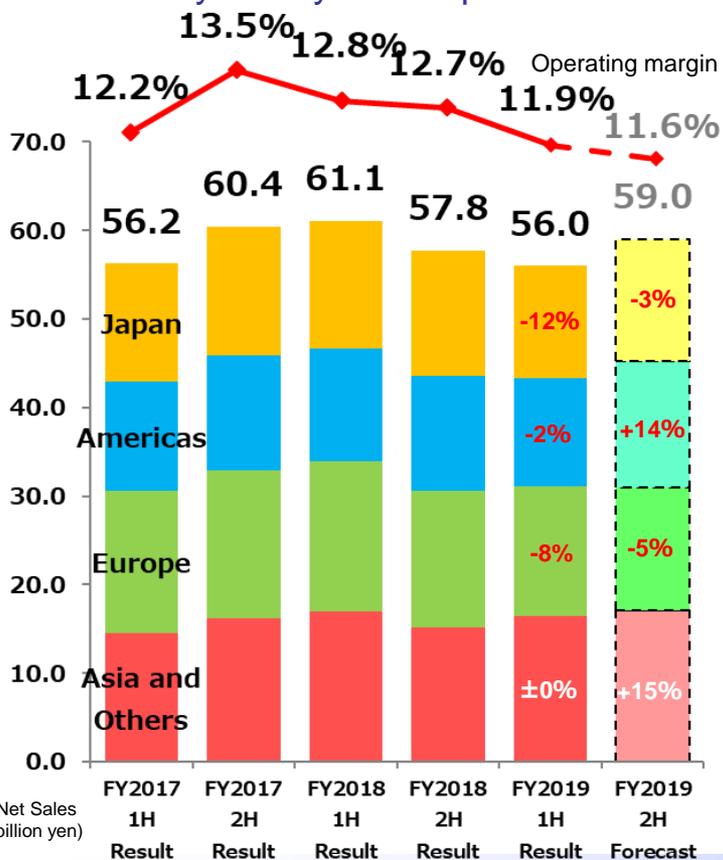
**D**igitalization, **R**esources, **I**nnovation, **V**ariable cost reformation, **E**fficiency improvement  
**N**TN **T**ransformation for **N**ew **100**years

# (Reference) Aftermarket Business : Result for the First Half and Forecast for the Second Half

<Results for FY2019 1st Half (compared with FY2018 1st Half)>

**Net Sales: 56.0 billion yen(-8.3%), Operating income: 6.7 billion yen(-15.2%)**

- Sales decreased in industrial aftermarket due to decline in global economy and sales for distributors decreased except Asia and others
- Sales in automotive aftermarket decreased due to the inventory adjustment of distributors and slowdown in economy mainly in Europe



<Forecast for FY2019 2nd Half (compared with FY2018 2nd Half)>

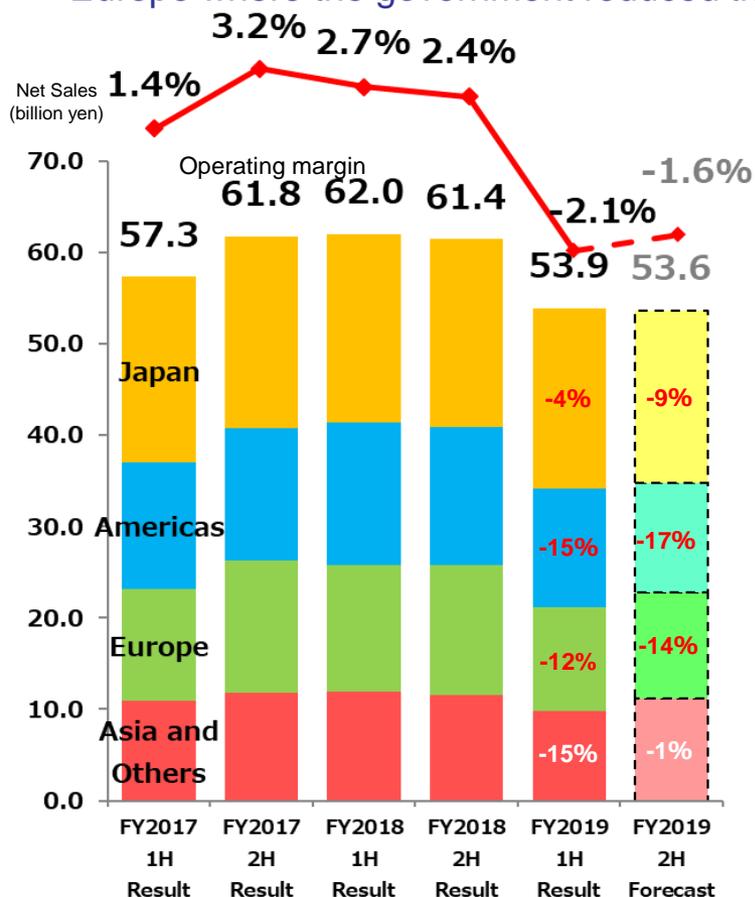
<b>Japan</b>	Demand decreased for repair parts for machine tool bearing. Sales reduced from distributors
<b>Americas</b>	Sales increased due to the system enhancement in Latin America and expanding sales activity for auto parts in distributors network
<b>Europe</b>	Sales decreased due to decrease in industrial machinery, automobile and inventory adjustment for distributors
<b>Asia and others</b>	Sales increased in industrial machinery and automotive application mainly in China due to stable demand

# (Reference) Industrial machinery Business : Result for the First Half and Forecast for the Second Half

<Results for FY2019 1st Half (compared with FY2018 1st Half)>

**Net Sales:53.9 billion yen(-13.0%),Operating income:-1.1 billion yen**

- Due to U.S-China Trade friction, sales decreased for construction machinery and gear boxes
- Sales for wind turbines increased in China but sales decreased in Americas which has uncertainty and in Europe where the government reduced the payout



<Forecast for FY2019 2nd Half (compared with FY2018 2nd Half)>

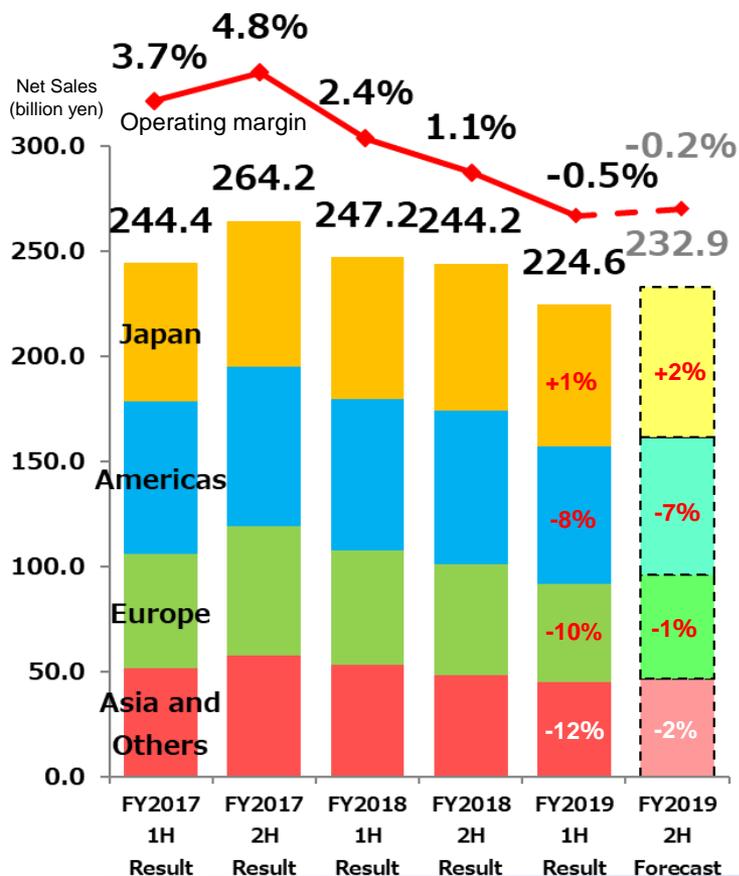
<b>Japan</b>	Although sales increased in railway vehicles or agricultural machinery but sales decreased construction machinery and gearboxes
<b>Americas</b>	Sales decreased due to decreased sales for construction machinery, wind turbine and gearboxes
<b>Europe</b>	Sales increased in aircraft and railway vehicles but sales totally decreased for wind turbines, gearboxes, constructional machinery
<b>Asia and others</b>	Sales increased for wind turbine in China but sales totally decreased for gearboxes and construction machinery

# (Reference) Automotive Business : Result for the First Half and Forecast for the Second Half

<Results for FY2019 1st Half (compared with FY2018 1st Half)>

**Net Sales:224.6 billion yen(-9.1%), Operating income:-1.0 billion yen**

- Sales decreased due to the delayed recovery caused by WLTP in Europe and sanctions against Iran
- Sales decreased in China due to slowdown in economy because of U.S-China trade friction and new emission regulations



<Forecast for FY2019 2nd Half (compared with FY2018 2nd Half)>

## Japan

Automotive production decreased but sales slightly increased because new and existing model sales well

## Americas

SUV & Pick-up truck models sales well but sales totally decreased due to end of main model production and decreased sales of Sedan

## Europe

Sales slightly decreased due to decreased demand caused by uncertainties in European economy and prolonged sanctions against Iran

## Asia and others

Sales slightly decreased due to slowdown of Indian economy, decreased demand of export from ASEAN to Europe, U.S-China trade friction and new emission regulations