

# Consolidated Financial Results for the First Half of FY2020



November 5, 2020

NTN Corporation

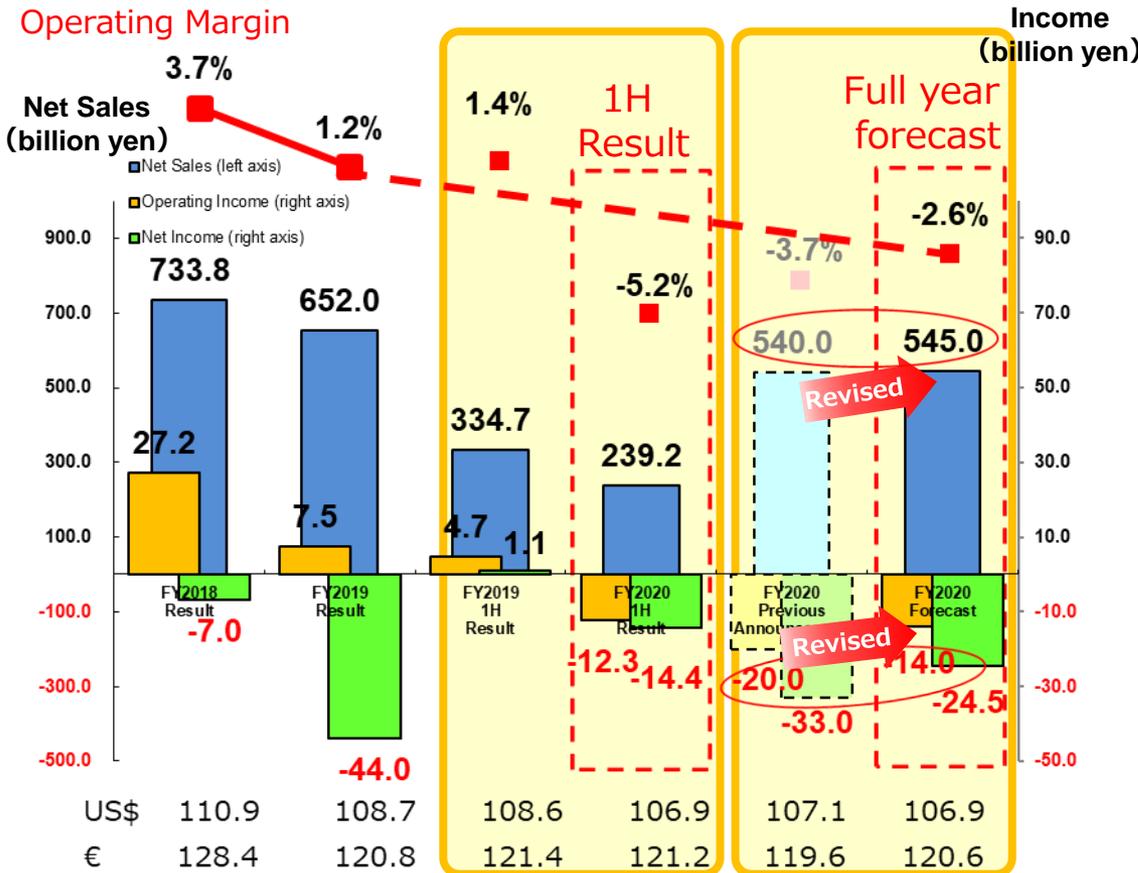
## I . Outline of Financial Results

## II . Financial Results for First Half and Forecast for FY2020

- 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.

# 1. Outline of Financial Result

First half sales: Decreased in all business (year-on-year) due to new coronavirus. By business location, sales decreased except China  
 Profit: Decreased due to the significant decrease (year-on-year) in volume although we conducted fixed cost and variable cost  
 Full year forecast: Settlement of the coronavirus infection is uncertain and we do not change the previous forecast in second half year.  
 We revised upward full-year forecast with the increase in the first half



## FY2020 1H Result

in brackets are FY2019 1H results

Net Sales: **¥239.2 billion** (¥334.7 billion)  
 YoY-28.5%, Excl. exchange rate effect -27.5%

Operating Income: **¥1.1 billion** (¥4.7 billion)  
 YoY-¥17.0 billion,

Net Income: **¥-14.4 billion** (¥1.1 billion)  
 YoY-¥15.5 billion

Interim dividend: **¥0**

## FY2020 Full year Forecast

in brackets are FY2019 full year results

Net Sales: **¥545.0 billion** (¥652.0 billion)  
 YoY-16.4%, Excl. exchange rate effect -15.7%

Operating Income: **¥14.0 billion** (¥7.5 billion)  
 YoY-21.5 billion

Net Income: **¥-24.5 billion** (¥-44.0 billion)  
 Incl. extraordinary loss ¥3.5 billion

Annual dividend: **¥0 \* year-end ¥0(forecast)**

# 2. Summary of Result of 1st Half of FY2020 and Full Year Forecast

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

FY2020 1H Result ( ): Previous forecast in August

Net Sales: **¥239.2 billion** (¥234.0 billion)

YoY: +2.2% Excl. exchange rate effect +2.4%

Operating income: **-¥12.3 billion** (-¥18.0 billion)

YoY: +¥5.7 billion, +31.7%

Operating margin: -5.2% (-7.7%)

Net income: **-¥14.4 billion** (-¥26.5 billion)

### 1. Situation of demand improved since 2Q and sales increased more than expected (+2%)

Aftermarket: Recover in the Americas, Europe and Asia (+3%)

Industrial machinery: demand increased mainly for construction machinery, wind turbine, and agricultural machinery (+2%)

Automobile: demand increased in Japan, Europe and China (+2%)

### 2. Operating income improved by reducing fixed cost and improving valuable cost (+5.7 billion yen)

Saved personnel expenses and cost savings significantly due to sharp decline in demand

Reduced procurement costs in valuable cost, mainly in overseas

## Improved points from 1Q to 2Q

FY2019 1H Result ( ): 1Q result

Net Sales: **¥147.3 billion** (¥91.9 billion)

Operating Income: **-¥2.6 billion** (-¥9.7 billion)

Operating margin: -1.8% (-10.6%)

Net Income: **-¥2.3 billion** (-¥12.1 billion)

Inventory: ¥ 175.0 billion (¥192.8 billion)

(compared with the end of June: -¥17.8 billion)

### 1. Sales volume increased from 1Q to 2Q (+60%)

Significant recovery in demand, mainly for automobile

### 2. Reduce inventory assets (-¥17.8 billion)

Inventory reduction by minimizing increase in production (+20%) when sales increase

Reduced mainly work in process, which increased sharply in 1Q, achieving nearly ¥174 billion at the end of the fiscal year

\*Operating CF improved : -¥11 billion in 1Q to -¥1.5 billion in 2Q

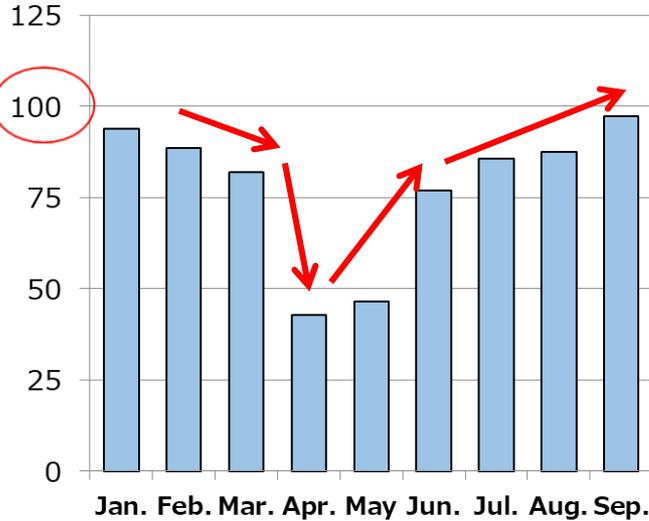
### 3. Restrained increase in fixed cost due to increased sales

Minimizing increases in personnel expenses and expenses when production increases from 1Q to 2Q

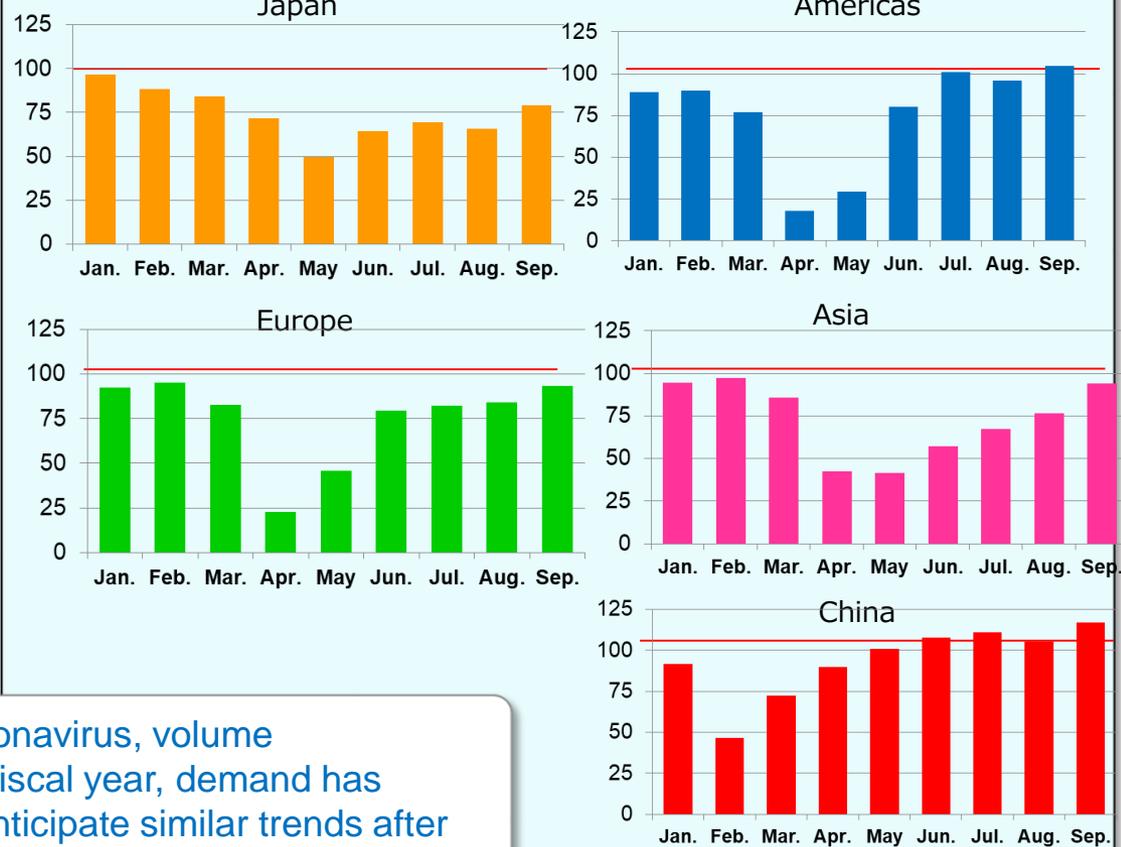
# 3. Demand Trends in Response to Infection of New Coronavirus-1

Sales trends by company location (100 for YoY, excluding exchange-rates)

Global YoY



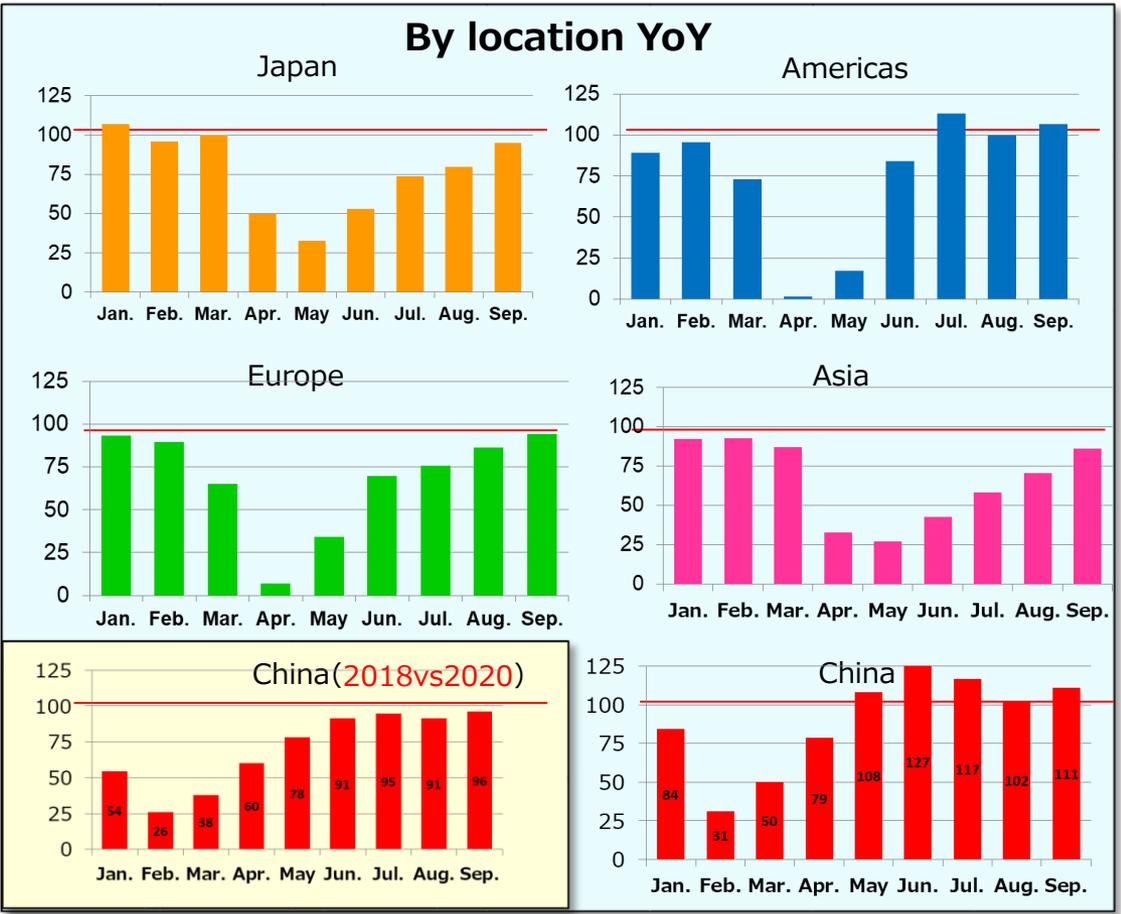
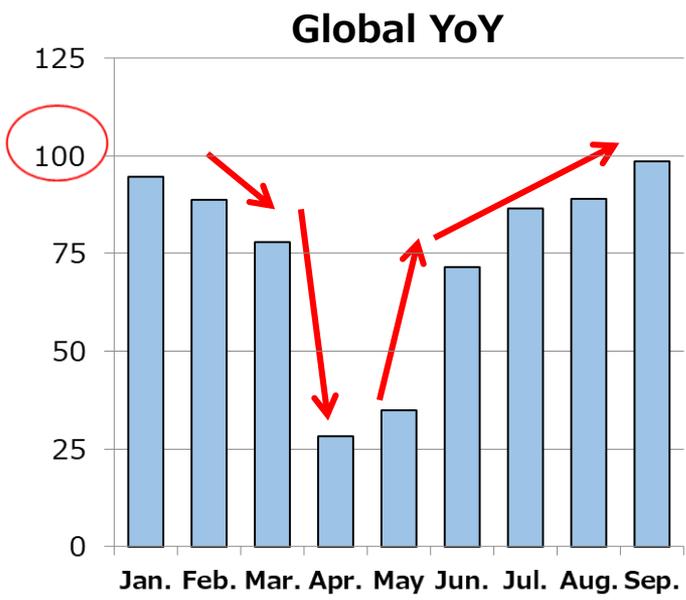
By location YoY



Due to the impact of the expansion of coronavirus, volume significantly reduced in 1Q of the current fiscal year, demand has been recovering since 2Q. Although we anticipate similar trends after 3Q, the coronavirus is infecting again, mainly in Europe, and the outlook is uncertain.

# 3. Demand Trends in Response to Infection of New Coronavirus-2 (Automobile)

Sales trends for automobile application(100 forYoY, excluding exchange-rates)

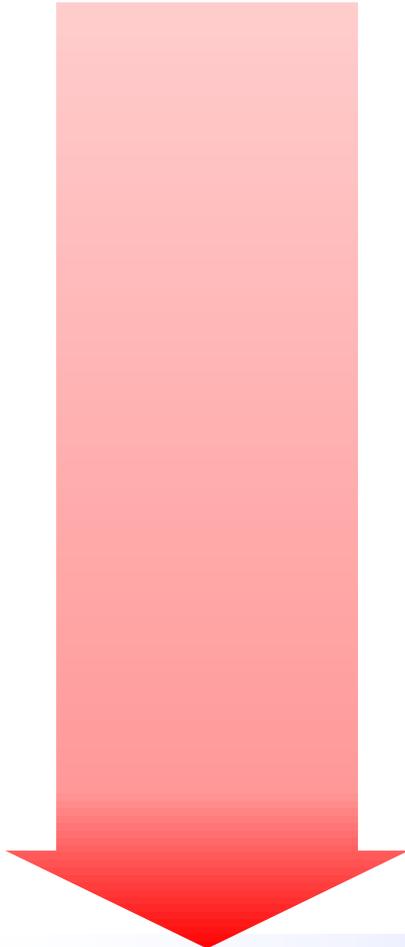


Sales volume significantly decreased due to shutdown of the automobile production except China in this 1Q (April, May). Demand will recover on a full scale from 2Q. In China, demand will recover during the first half due to the policy to stimulate demand

After 3Q, there is a risk related to the re-expansion of new coronavirus mainly in Europe

# 4. Initiatives for FY2020

Under the uncertain environment, we focus on the measures for business continuity and lowering the break-even point during crisis response period



## (1) Recovery in profit in crisis response period

1. Promote controlling of decline in selling prices by strengthening selling price controls and rationalization of selling prices of low-profit products
2. Control of fixed cost and expenses and reduce inventory by responding in production that responds quickly to fluctuations in demand collaborating production side and sales side
3. Reduce cost thoroughly in back office department

## (1) Secure funds and continue business

1. Reduce Inventory  
Reduce stock and achieve the inventory turnover ratio for 3.6
2. Secure funds  
Borrow 40.0 billion yen in this fiscal year within loan 100.0 billion yen including the commitment line
3. Control the investments(reduce by half)  
Control the capital investment for maximum 20.0 billion yen (13.5 billion yen for the 1st half , -20.3 billion yen YoY)

# Results by Business Sector : Aftermarket Business



## First half result and Full year forecast

FY2020 1H Result ( ): FY2019 1H results

Net sales: **¥42.9 billion** (¥56.0 billion)

Operating income: **¥2.3 billion**  
(¥6.7 billion )

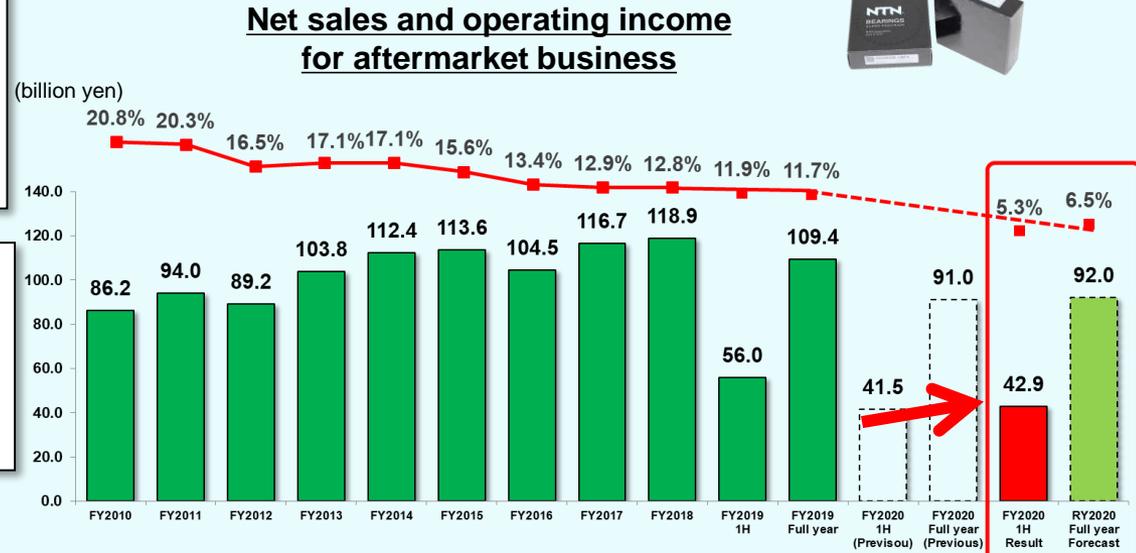
Operating margin: **5.3** (11.9%)

FY2020 full year forecast ( ): FY2019 results

Net sales: **¥92.0 billion** (¥109.4 billion)

Operating income: **¥6.0 billion**  
(¥12.8 billion)

Operating margin: **6.5%** (11.7%)



## Initiatives

### (1) Establish a system for immediate delivery to aftermarket

Expansion of inventory always available globally and securing the production lines for the aftermarket products utilizing new IT core system.

### (2) Maintain and improve profitability for aftermarket products

Promote revision of the price list for sales distributor

### (3) Focus on priority products and profitable products for aftermarket

External procurement of materials and parts,

Promote cost reductions by utilizing consigned production of finished products

### (4) Building a business model that earns throughout the product life cycle

By acrossing boundaries between divisions, we promote retention of sales to OEMs and aftermarket and maximize the profit

# Results by Business Sector : Industrial Machinery Business

## First half result and Full year forecast

FY2020 1H Result ( ): FY2019 1H results

Net sales: **¥46.9 billion** (¥54.0 billion)  
 Operating income: **-¥1.4billion**(-¥1.1 billion)  
 Operating margin: **-2.9%** (-2.0%)

FY2020 full year forecast ( ): FY2019 results

Net sales: **¥94.5 billion** (¥105.2 billion)  
 Operating income: **-¥2.5 billion** (-¥1.9 billion)  
 Operating margin: **-2.6%** (-0.8%)

Net sales and Operating income for industrial machinery business



## Initiatives

### (1) Strengthening industrial machinery businesses focusing on lifetime value

1. Expand sales in growing industries through integrated response to OEM-aftermarket demand
2. Raise prices and withdraw from unprofitable products ⇒ Drastic structural reform

### (2) Reduce costs by procuring materials and parts at optimal locations

1. Variable cost reformation such as the use of China and Indian materials

### (3) Establish a system for new businesses (i-WRIST, Wind Doctor, monitoring services, industrial machinery apps)



「i-WRIST™」



「Wind Doctor」

# Results by Business Sector : Automotive Business



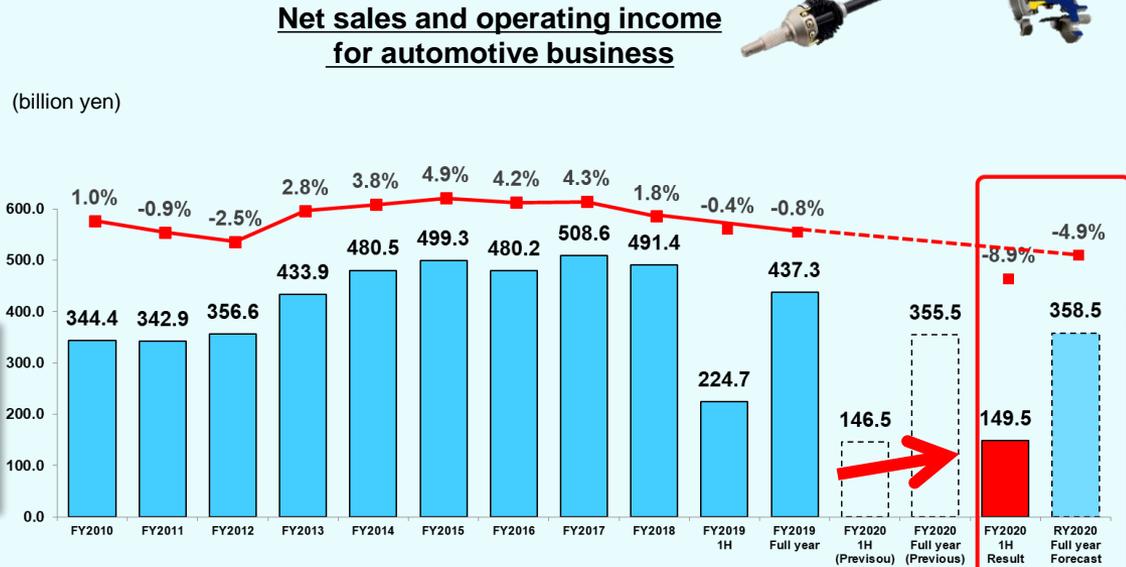
## First half Result and Full year forecast

FY2020 1H Result ():FY2019 1H results

Net Sales: **¥149.5 billion**(¥224.7 billion)  
 Operating income: **-¥13.2billion**(-¥0.9 billion)  
 Operating margin: **-8.9%** (-0.4%)

FY2020 full year forecast (): FY2019 results

Net Sales: **¥358.5 billion** (¥437.3billion)  
 Operating income: **-¥17.5 billion** (-¥3.4 billion)  
 Operating margin: **-4.9%** (-0.8%)



## Initiatives

### (1) Improve profit of by starting up in orders certainly

Strengthen the gate control to solve change points of selling prices and cost at the each timing of development until SOP

### (2) Reduce variable cost from new perspective

Build the structure of cost from designing stage by task force that can across departments and areas, share success stories

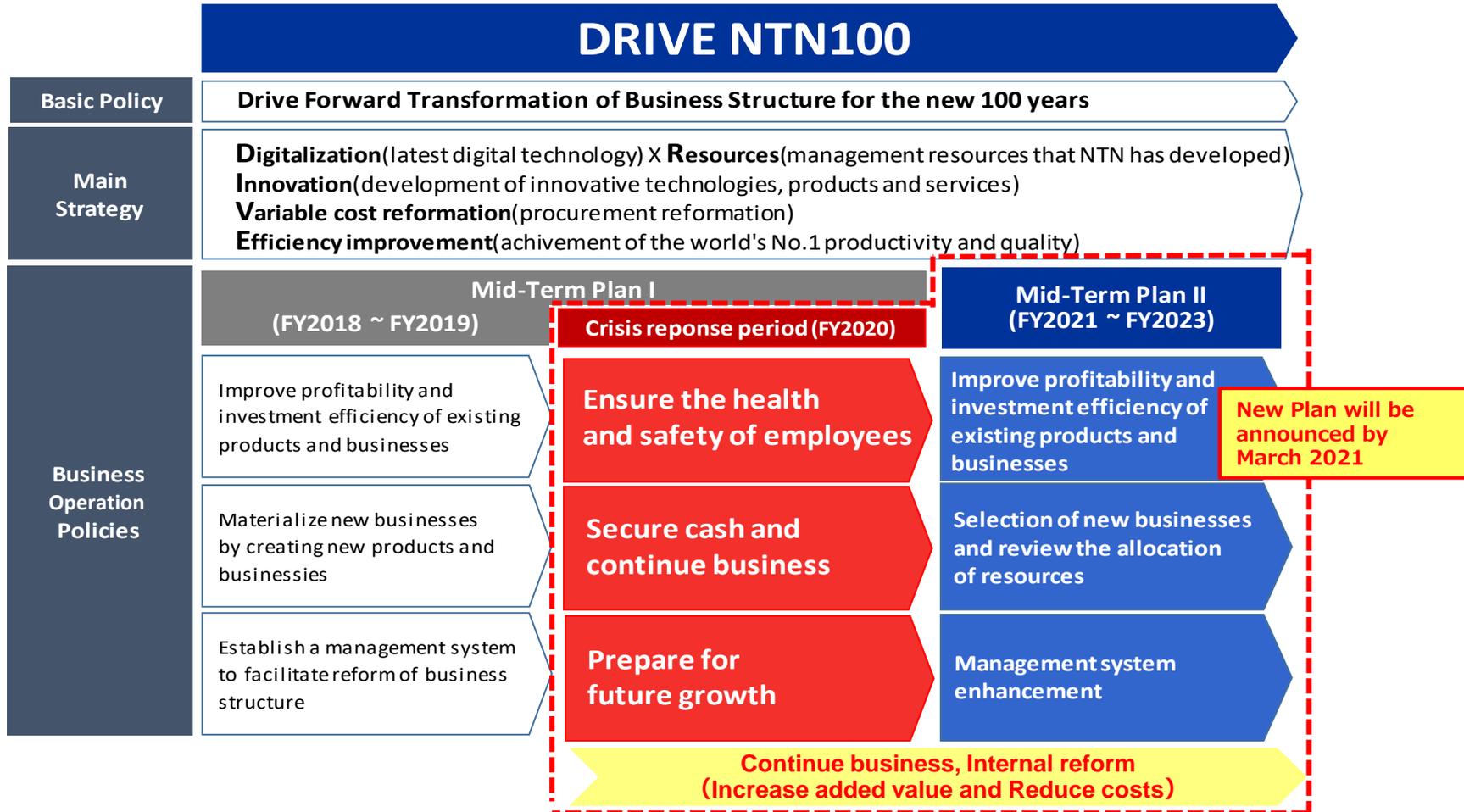
### (3) Optimize customer and product portfolio for sustainable growth

Strategy for customers with forecast of power relationship after the revolution of CASE and decarbonation. Focus on the product and area that can take advantage of NTN strength

# Business Operation Policy for NTN's Revitalization



Set FY2020 as “Crisis response period” and FY2021-FY2023 as “Mid-term Plan II”  
 Dedicate measures aiming at “business continuity” and “break-even point reduction”



# Reference: Details of NTN Revitalization

\*Reference from presentation of Financial Result of FY2019 : <https://www.ntnglobal.com/en/investors/pdf/findata/2020q4irbriefinge.pdf>

**Crisis Response Period**

**(1) Ensure the health and safety of employees**

1. Manage employee health and control the spread of infections
2. Respond to requests from the national and local governments and constructing a global safety support system
3. Promotion of telework for the purpose of 3Cs (Closed spaces, Crowded places, Close-contact settings) prevention and social distancing
4. Maintenance of employees' livelihoods

**Crisis Response Period**

**(2) Secure cash and continue business**

1. Reduce and minimize working capital
2. Secure business funds  
Secure ¥100.0 billion of business funds including conclusion of commitment line contract
3. Suppress capital investment (cut the investment by half)

**Crisis Response Period**

**(3) Prepare for future growth**

1. Freeze investment in capacity expansion and concentrate on investment for efficiency improvement and maintenance
2. Work style reforms centered on indirect departments
3. Withdrawal from unprofitable part numbers and expansion of aftermarket
4. Selection of new business and review the allocation of resources
5. Start and establish new IT core system, and create benefits at an early stage
6. Respond to SDGs

+ New medium-term management plan for three years from FY2021 to FY2023

**(1) Increase added value**

1. Shift to fields (business, area) with high profit margins
2. Expand aftermarket business with collaboration between industrial machinery and aftermarket
3. Increase price or withdraw in unprofitable projects
4. Break away from self-sufficiency

**(2) Reduce costs**

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

**(3) Improve cash flow**

1. Decrease inventories
2. Improve productivity through production reform

**1. Urgent Fixed Cost Reduction (personnel costs)**

1. Personnel downsizing mainly in overseas where labor market has been mobilized (approx. -1,500 persons in FY2019)  
Continue adjustment in FY2020 considering demand environment
2. In Japan, implement production adjustment (temporary layoff) and utilize government bounty, etc.  
Promote production reform in Japan for mid-term

**2. Target**

Improve financial condition to avoid operating loss and achieve surplus of FCF even if net sales are 80% compared to sales before spread of COVID-19 (¥570.0-580.0bn) (lower break-even point)

FY2018 (before COVID-19) Net Sales: ¥733.6bn Operating Income: ¥26.9bn	→	Net Sales: ¥570.0-580.0bn (80% compared to sales before spread of COVID-19) Operating Income: 0 or more FCF: Surplus
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**Crisis Response Period**  
**New Mid-term Management Plan**

**FY2021 to FY2023**  
**"(Second-term) DRIVE NTN100"**

**New Plan will be announced by March 2021**

- 1. Improve profitability and investment efficiency of existing products and businesses**
  - ① Outsource existing products and businesses, concentrate management resources on products and processes where NTN can take advantage of our technological strengths
  - ② Promote improvements in productivity and operational efficiency through cutting-edge digital technologies, such as the new factory (Wakayama) established under the new concept (smart factory), the utilization of the new IT core system, and the introduction of RPA
  - ③ Strengthen financial framework by reducing inventories by shortening production LT through production reforms, etc., thinking in a different way
- 2. Accelerate new business expansion**
  - ① Concentrate management resources on new businesses that are close to be commercialized and develop them into profitable businesses in a short period of time
  - ② Work on natural energy product business that contributes to environmentally friendly society
- 3. Management system enhancement, etc.**
  - ① Establish strategic organization to implement measures that anticipate changes in the business environment
  - ② Strengthen further corporate governance and promote active dialog with stakeholders
  - ③ Aim to achieve a work-life balance of each employee and create better work environment, promote reforms of personnel system to improve engagement
  - ④ Have awareness of Sustainable Development Goals (SDGs) and contribute to solve social issues as a global Company

# Key Management Indicators of “(First)DRIVE NTN100”

NTN withdraw the targets of third year ( FY2020) but continue initiatives. We will announce 3 year target from April, 2021 by March, 2021

	FY2017 Result	DRIVE NTN100			
		FY2018 Result	FY2019 Result	FY2020 Target	
Net Sales	¥744.7 billion	¥733.8 billion	¥652.0 billion	¥545.0 billion	
Operating Income	¥39.9 billion	¥27.2 billion	¥7.5 billion	-¥14.0 billion	
Operating Margin	5.4%	3.7%	1.2%	-2.6%	
Net Income	¥20.4 billion	-¥7.0 billion	-¥44.0 billion	-¥24.5 billion	
Capital expenditure	¥37.6 billion	¥45.2 billion	¥57.7 billion	¥20.0 billion	
FCF	¥13.4 billion	-¥22.4 billion	-¥18.1 billion	-¥31.5 billion	
Inventory turnover ratio	4.1 times	3.8 times	3.6 times	3.1 times	
Net D/E ratio	0.9	1.2	1.9	2.4	
Equity to capital ratio	30.2%	27.4%	20.6%	18.1%	
ROE	8.4%	-2.9%	-22.8%	-16.7%	
NTN-ROI*	5.7%	3.8%	1.1%	-2.1%	
Dividends	¥15.0	¥15.0	¥5.0	¥0.0	
Exchange rates	USD	¥110.8	¥110.9	¥108.7	¥106.9
	Euro	¥129.6	¥128.4	¥120.8	¥120.6

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

# 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

“NTN Micro Hydro Turbine” received “New Energy Foundation Chairman Award” of “New Energy Awards”



“Long Distance Wireless Transmission Experiments between Bases” Conducted with “NTN Green Power Station”



Participated in experiment assuming disaster with 3 units of NTN GPS that generate power with natural energy

## Social

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

Online recruiting and training



Received trainees from Mexico(JICA) in Hokuriku area

2,000 children in Thailand participated in “NTN Rotating School” in Jan.,2020



## Governance

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

Promote global risk management based on “risk management regulations”



Establish BCP/BCM and strengthen system assuming huge earthquake



Woman appointed as a Director (outside)

## Strengthen ESG management

### Start Sustainability Committee

Promote CSR activity to respond expect from society for sustainable society

### Start to identify materiality

Set targets to achieve SDGs and develop in our business



## Adopted in the SRI indices

### Promote the disclosure of ESG information



NTN is selected in the ESG indices adopted by the GPIF

I . Outline of Financial Results

II . Financial Results for First Half and  
Forecast for FY2020

## ★ Financial Results for FY2020 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 FY2020 1H (April, 2020-September, 2020)

- ◇ Net Sales: **¥239.2 billion**
  - Decrease of **-¥ 95.5 billion**, year-on-year  
(Excluding exchange rates: Decrease of **-¥92.0 billion**)
- ◇ Operating Income: **-¥12.3 billion**
  - Decrease of **-¥17.0 billion**, year-on-year  
(Excluding exchange rates : Decrease of **-¥14.9 billion**)
- ◇ Ordinary Income: **-¥13.4 billion**
  - Decrease of **-¥16.3 billion**, year-on-year  
(Excluding exchange rates: Decrease of **-¥14.2 billion**)
- ◇ Net income attributable to shareholder (parent company): **-¥14.4 billion**
  - Decrease of **-¥15.5 billion**, year-on-year  
(Excluding exchange rates: Decrease of **-¥14.1 billion**)
- ◇ Free Cash Flow: **-¥ 27.8 billion**, Increase of **-¥23.2 billion**, year-on-year

## Revised FY2020 Full year forecast

- ◇ Net Sales: **¥545.0 billion**  
Increase of **¥5.0 billion** compared with previous announcement (¥540.0 billion)
- ◇ Operating income: **-¥14.0 billion**  
Increase of **¥6.0 billion** compared with previous announcement (-¥20.0 billion)
- ◇ Extraordinary losses: **-¥3.5 billion**  
Increase of **¥1.5 billion** compared with previous announcement (-¥5.0 billion)
- ◇ Net income attributable to shareholder (parent company): **-¥24.5 billion**  
Increase of **¥8.5 billion** compared with previous announcement (-¥33.0 billion)
- ◇ In regards to dividends, the Company plans **¥0 (No Dividend)** for this fiscal year
- ◇ Exchange-rate form the third quarter:
  - 1USD = **¥107** (previous announcement, ¥107)
  - 1EURO = **¥120** (previous announcement, ¥120)

# 1. Consolidated Statements of Operation

(billion yen)

		FY2019			FY2020		Year on year				
		1H Results	2H Results	Full year Results	1H Results	Full year Forecast	FY2020 1H				
		①			②		②-①				
		Total	Excl.Forex	Forex							
Net sales		334.7	317.3	652.0	239.2	545.0	-95.5	-92.0	-3.4		
Operating income		4.7	2.8	7.5	-12.3	-14.0	-17.0	-14.9	-2.1		
Operating margin		(1.4%)	(0.9%)	(1.2%)	(- 5.2%)	(- 2.6%)	(- 6.6%)				
Ordinary income		2.8	-4.5	-1.7	-13.4	-18.0	-16.3	-14.2	-2.1		
Extraordinary income/loss		-0.7	-31.6	-32.3	0.5	-3.5	1.2	1.2	0.0		
Net income attributable to shareholder		1.1	-45.1	-44.0	-14.4	-24.5	-15.5	-14.1	-1.5		
Exchange rate	US \$	108.6	108.8	108.7	106.8	106.9	-1.8				
	EURO	121.4	120.2	120.8	121.2	120.6	-0.2				

# 2. Net Sales by Region

(billion yen)

	FY2019			FY2020		Year on year		
	1H Results ①	2H Results	Full year Results	1H Results ②	Full year Forecast	FY2020 1H ②-①		
						Total	Excl.Forex	Forex
Japan	100.2	97.9	198.1	69.0	158.5	-31.1	-31.1	-
Americas	90.6	83.7	174.3	60.8	144.5	-29.8	-28.3	-1.5
Europe	72.2	68.6	140.8	48.2	109.5	-24.0	-23.9	-0.1
Asia and others	71.7	67.0	138.7	61.1	132.5	-10.6	-8.7	-1.8
Total	334.7	317.3	652.0	239.2	545.0	-95.5	-92.0	-3.4

# 3. Net Sales and Operating Income by Business Sector

< Net Sales by Business Sector >

(billion yen)

	FY2019			FY2020		Year on year			
	1H Results	2H Results	Full Year Results	1H Results	Full year Forecast	FY2020 1H			
	①			②		②-①			
	Total	Excl.Forex	Forex						
Aftermarket	56.0	53.4	109.4	42.9	92.0	-13.1	-12.6	-0.5	
Industrial machinery	54.0	51.3	105.2	46.9	94.5	-7.1	-6.6	-0.5	
Automotive	224.7	212.6	437.3	149.5	358.5	-75.3	-72.8	-2.5	
Total	334.7	317.3	652.0	239.2	545.0	-95.5	-92.0	-3.4	

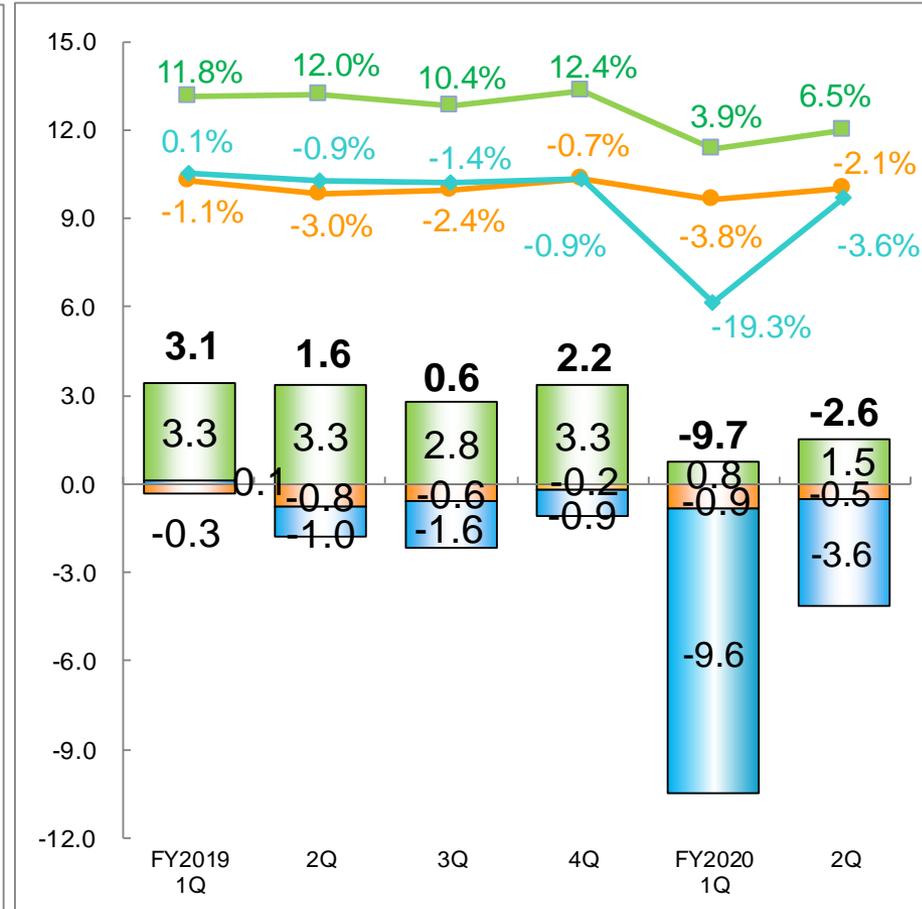
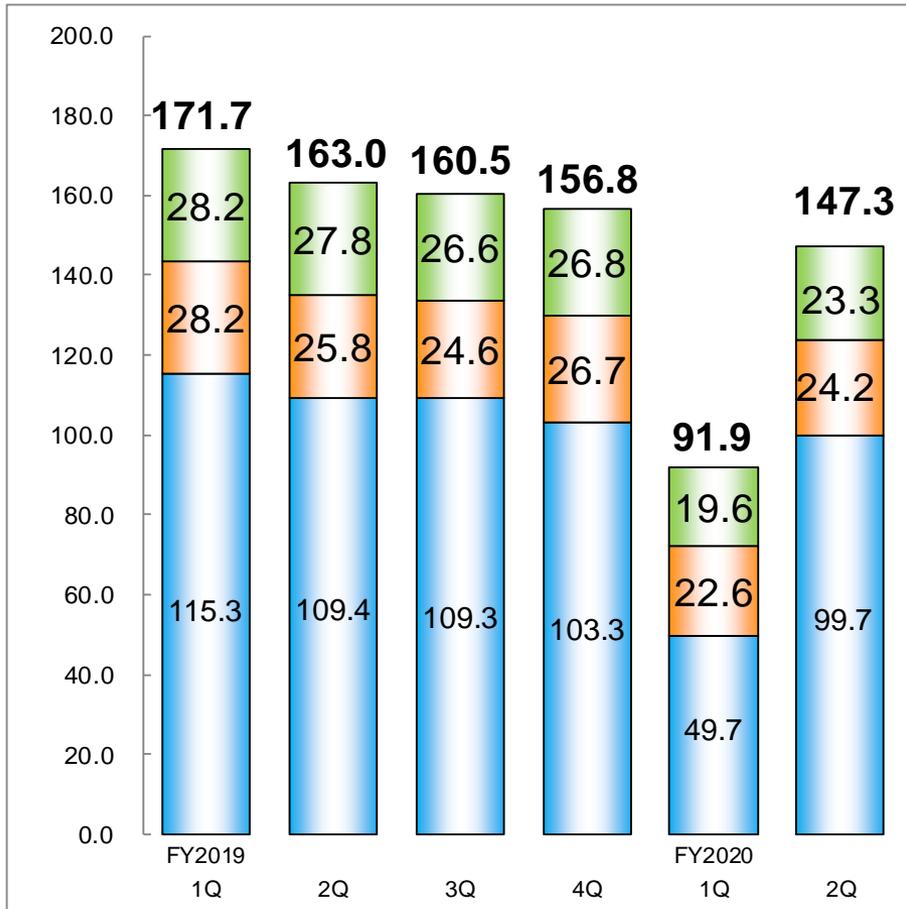
< Operating Income by Business Sector >

	FY2019			FY2020		Year on year
	1H Results	2H Results	Full Year Results	1H Results	Full year Forecast	FY2020 1H
	①			②		②-①
Aftermarket	6.7	6.1	12.8	2.3	6.0	-4.4
Industrial machinery	-1.1	-0.8	-1.9	-1.4	-2.5	-0.3
Automotive	-0.9	-2.5	-3.4	-13.2	-17.5	-12.3
Total	4.7	2.8	7.5	-12.3	-14.0	-17.0

# 4. Results by Business Sector (Quarterly Trend)

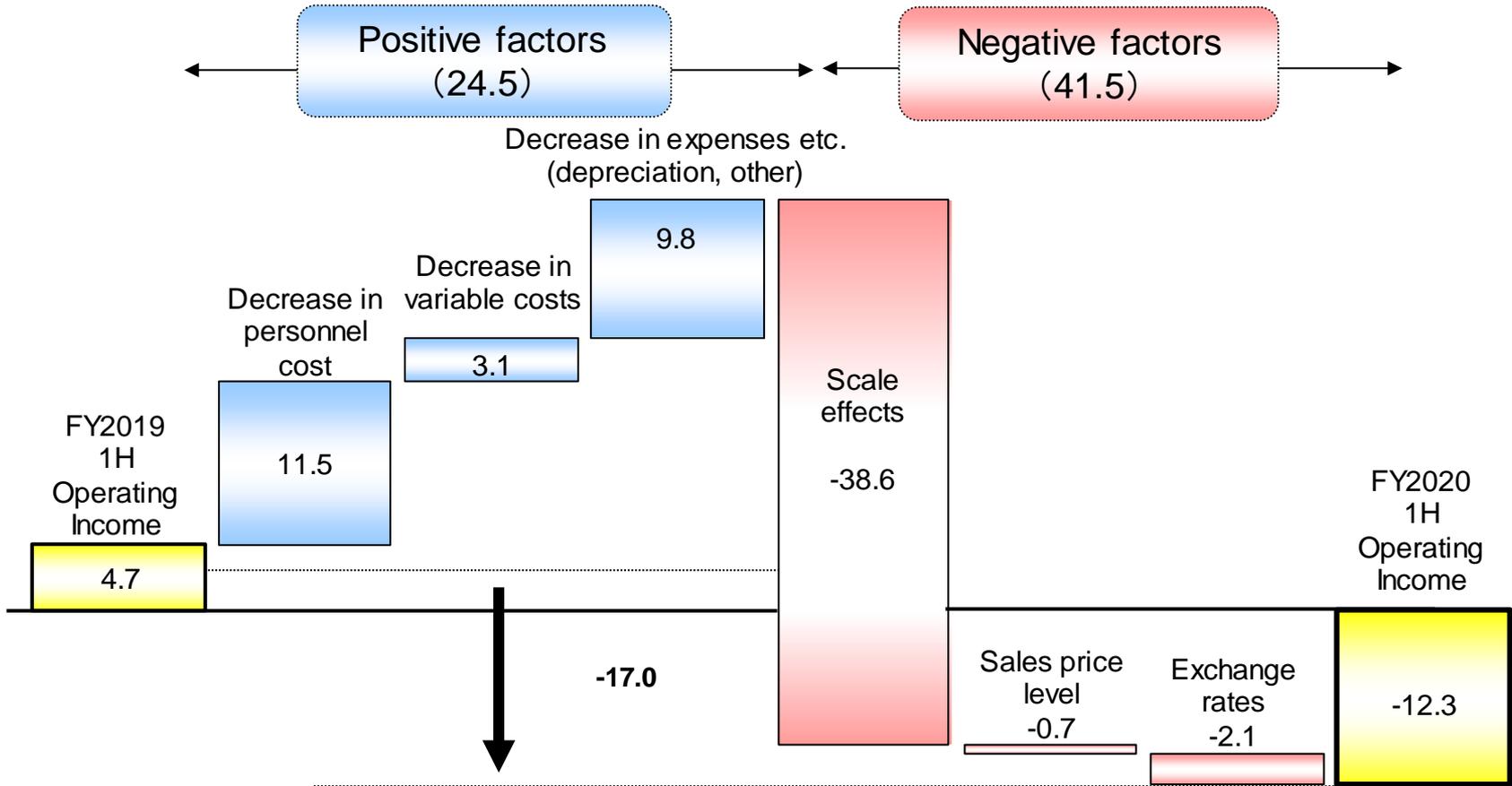
\* All figures in billion yen.

Automotive Industrial machinery Aftermarket



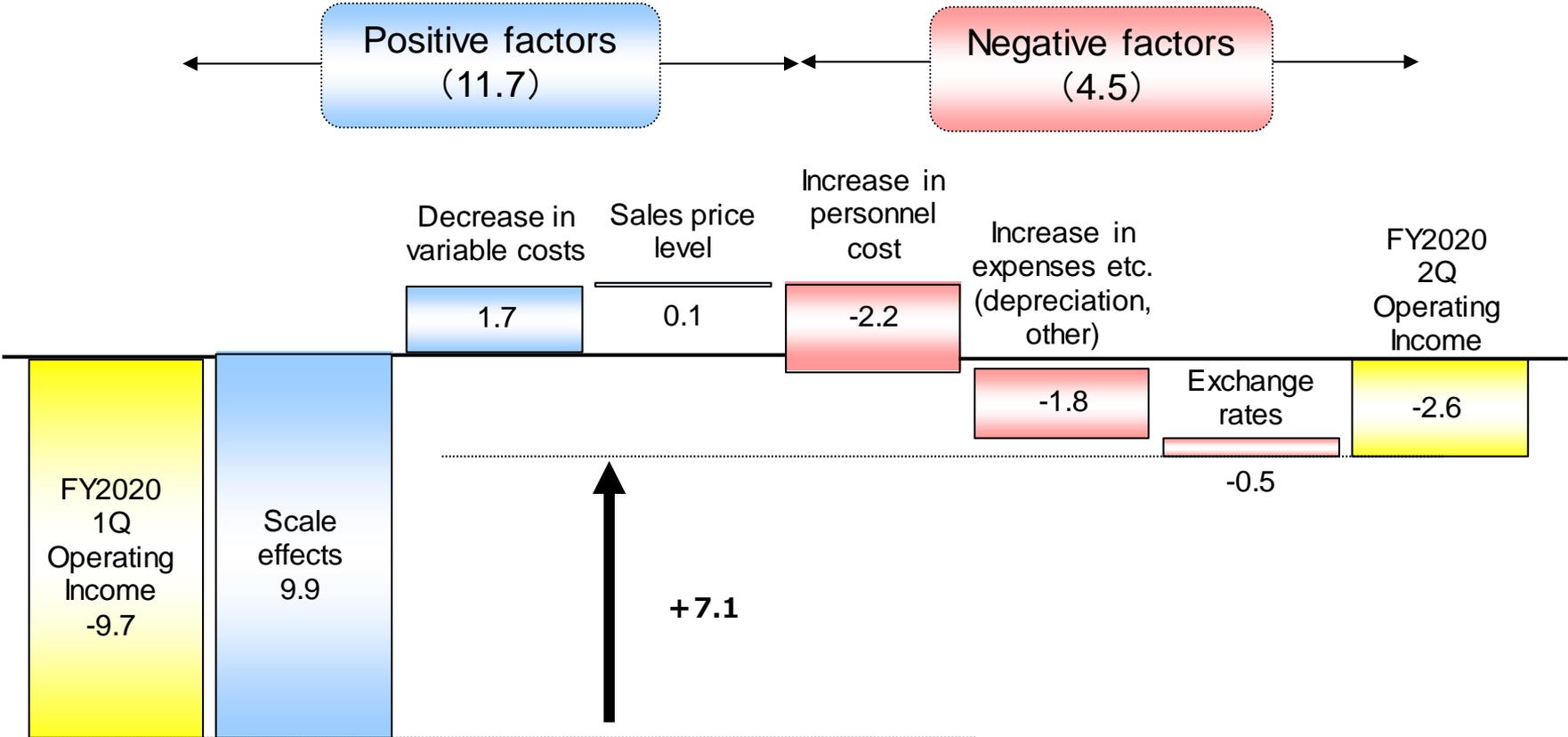
# 5-1. Analysis of Operating Income ( FY2019 1H vs FY2020 1H )

\* All figures in billion yen.



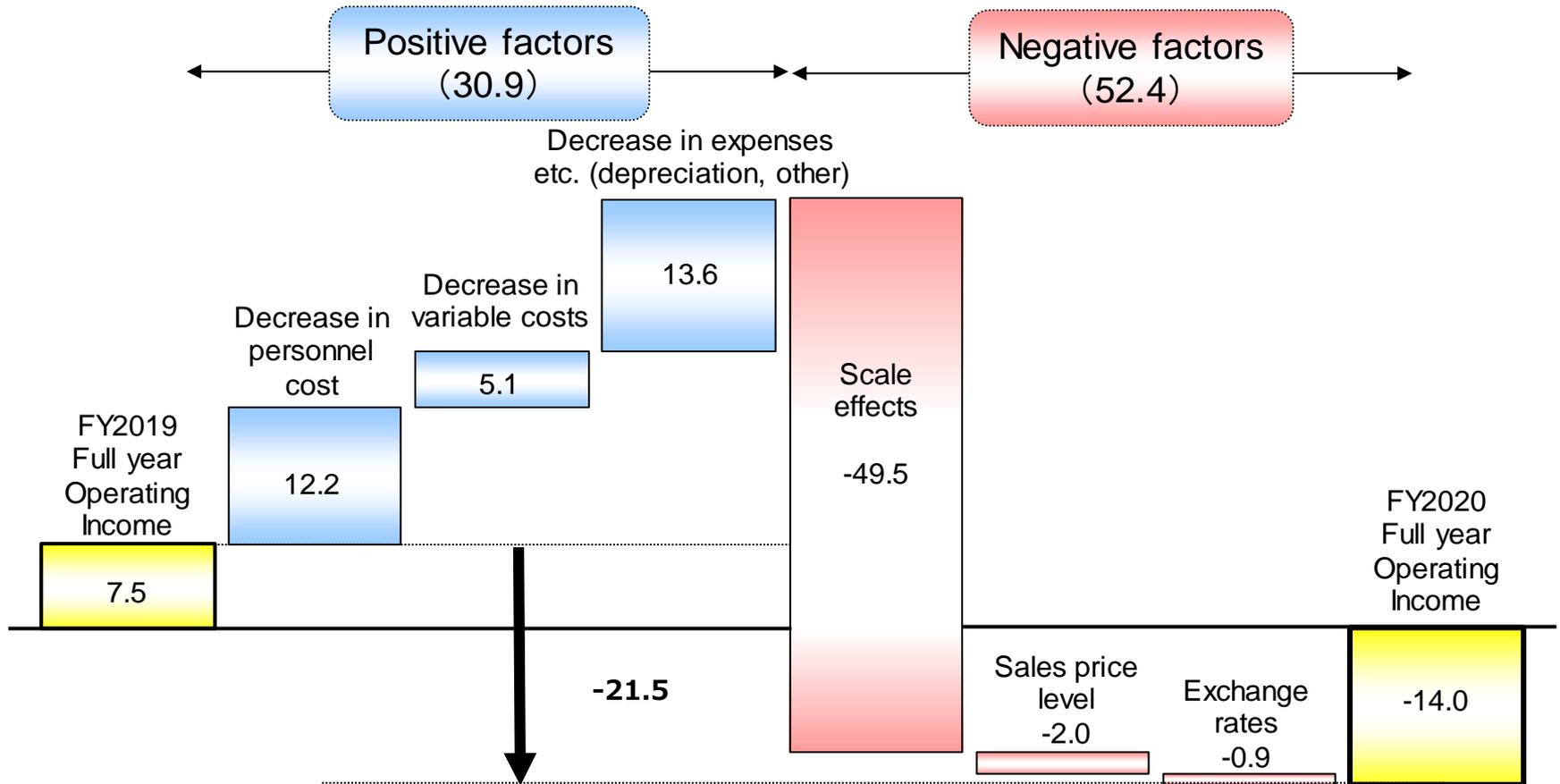
# 5-2. Analysis of Operating Income (FY2020 1Q vs FY2020 2Q) NTN

\* All figures in billion yen.



# 5-3. Analysis of Operating Income ( FY2019 Full year vs FY2020 Full year ) NTN

\* All figures in billion yen.

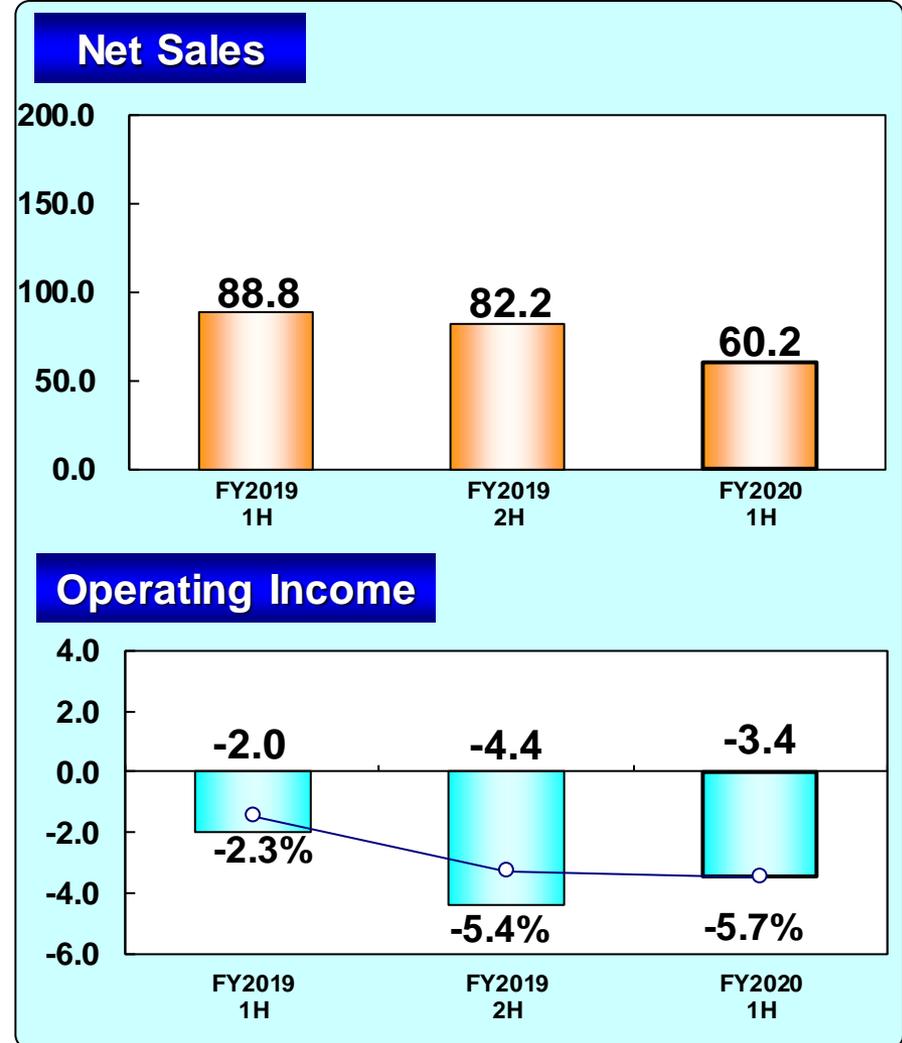
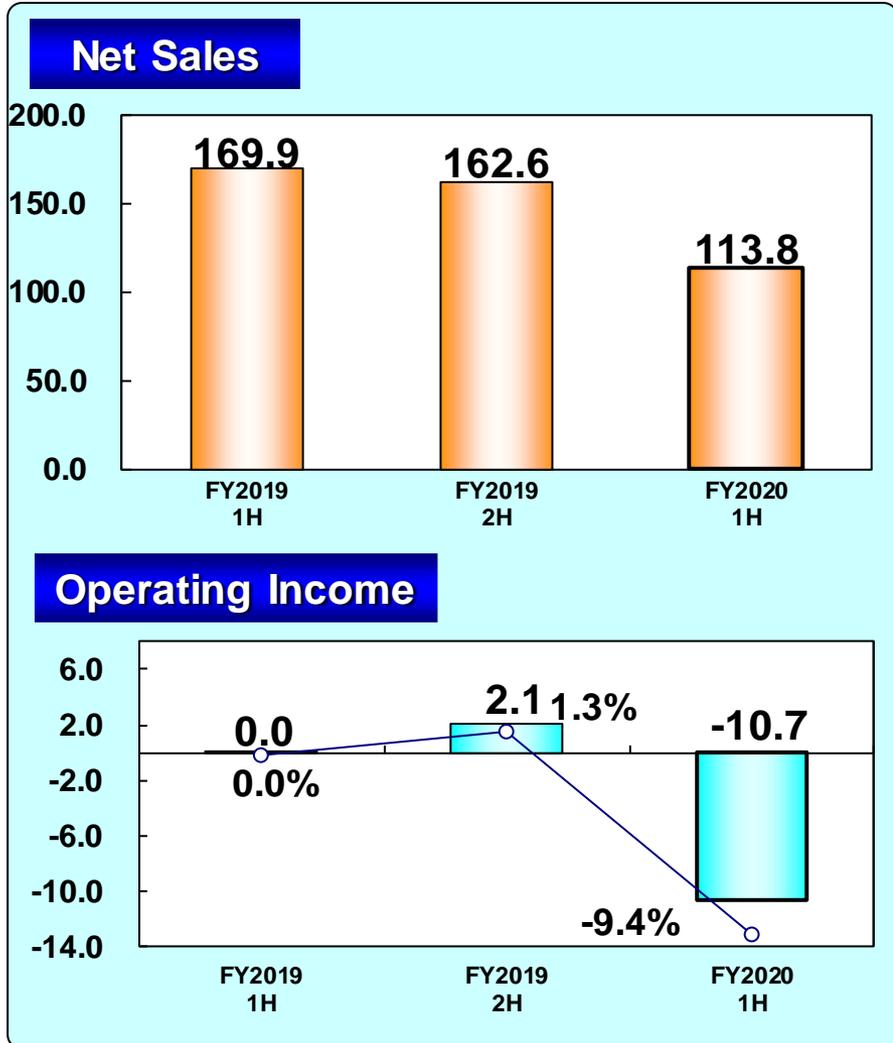


# 6. Net Sales and Operating Income by Company Location

\* All figures in billion yen

## 《 Japan 》

## 《 Americas 》



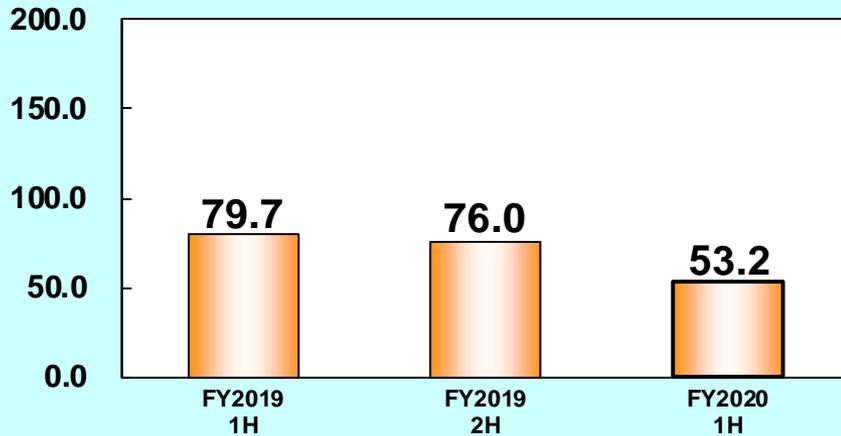
# 6. Net Sales and Operating Income by Company Location

\* All figures in billion yen

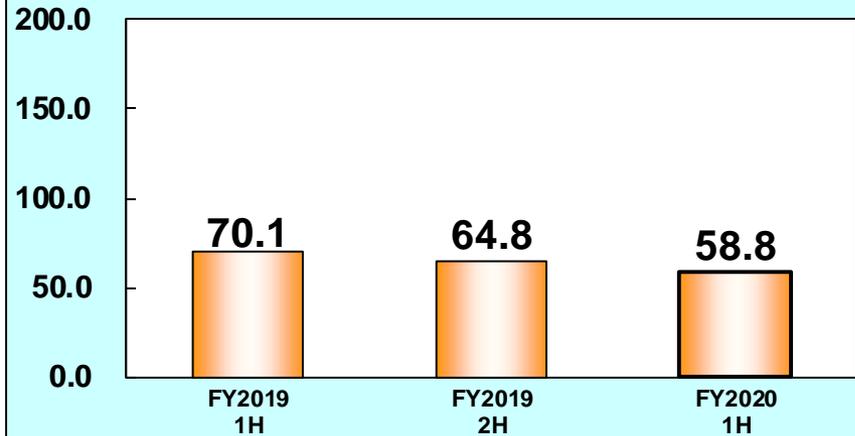
## 《 Europe 》

## 《 Asia and others 》

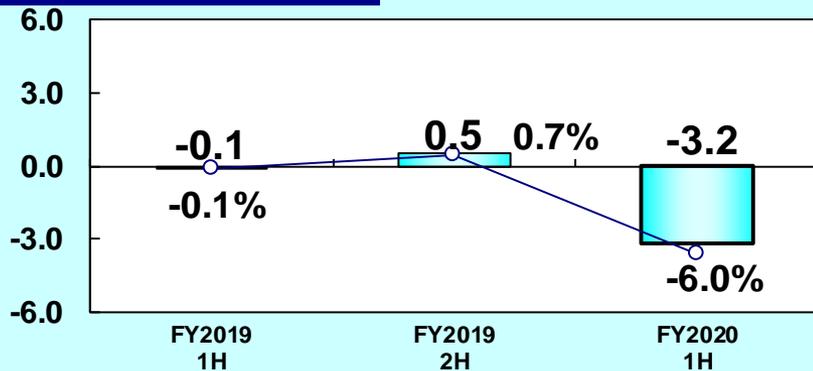
### Net Sales



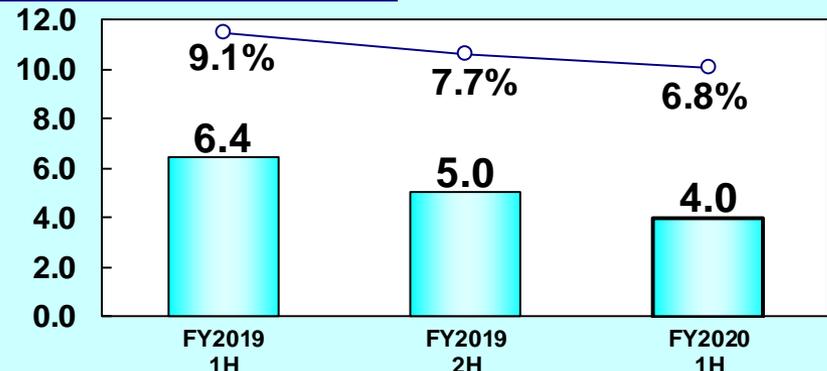
### Net Sales



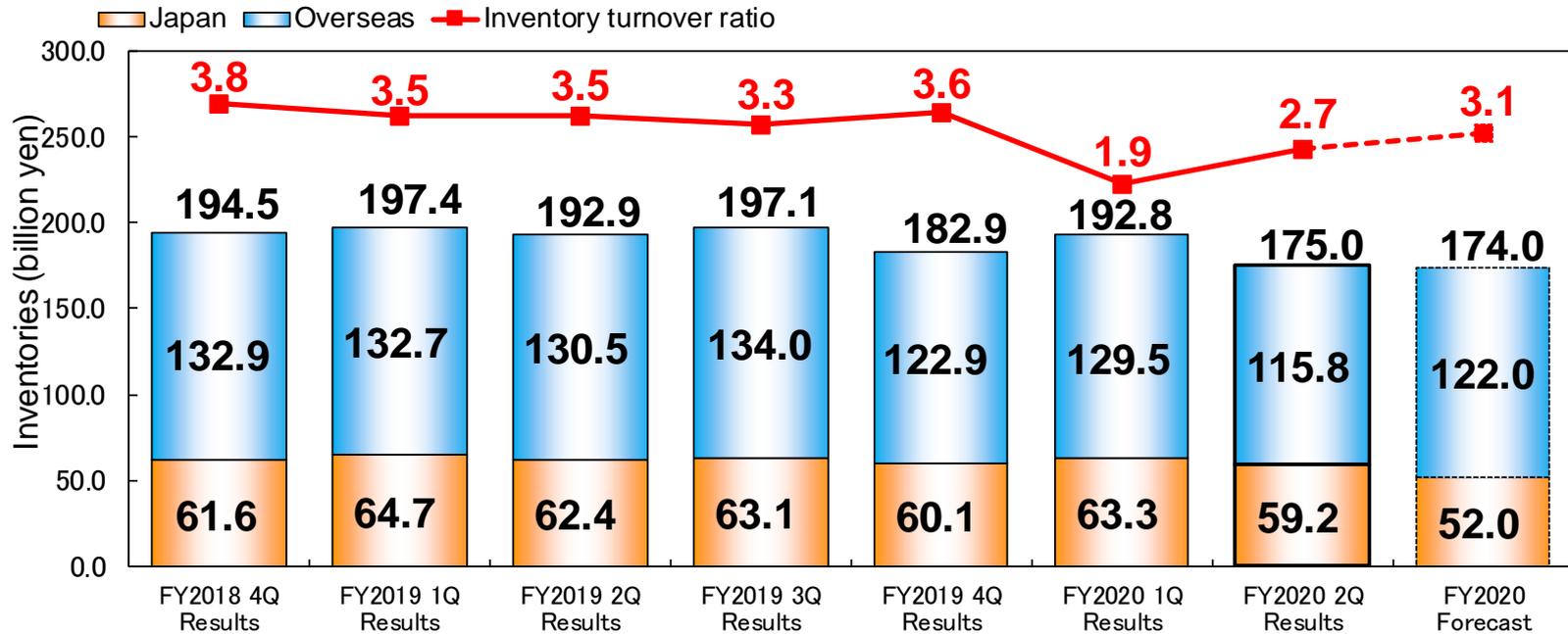
### Operating Income



### Operating Income



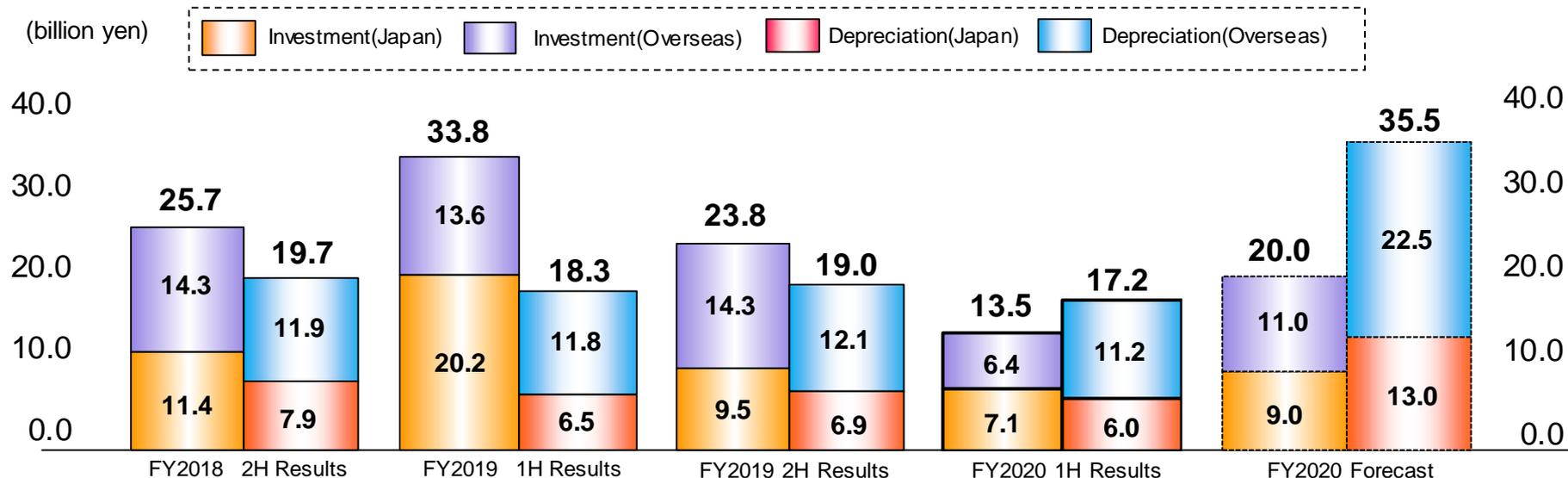
# 7. Inventories



	FY2018 4Q	FY2019 1Q	FY2019 2Q	FY2019 3Q	FY2019 4Q	FY2020 1Q	FY2020 2Q	FY2020
	Results	Forecast						
<b>Inventories</b>	194.5	197.4	192.9	197.1	182.9	192.8	175.0	174.0
(Overseas)	(132.9)	(132.7)	(130.5)	(134.0)	(122.9)	(129.5)	(115.8)	(122.0)
(Japan)	(61.6)	(64.7)	(62.4)	(63.1)	(60.1)	(63.3)	(59.2)	(52.0)
<b>Inventory turnover ratio (times)</b>	3.8	3.5	3.5	3.3	3.6	1.9	2.7	3.1

(billion yen)

# 8. Capital Expenditure and Depreciation

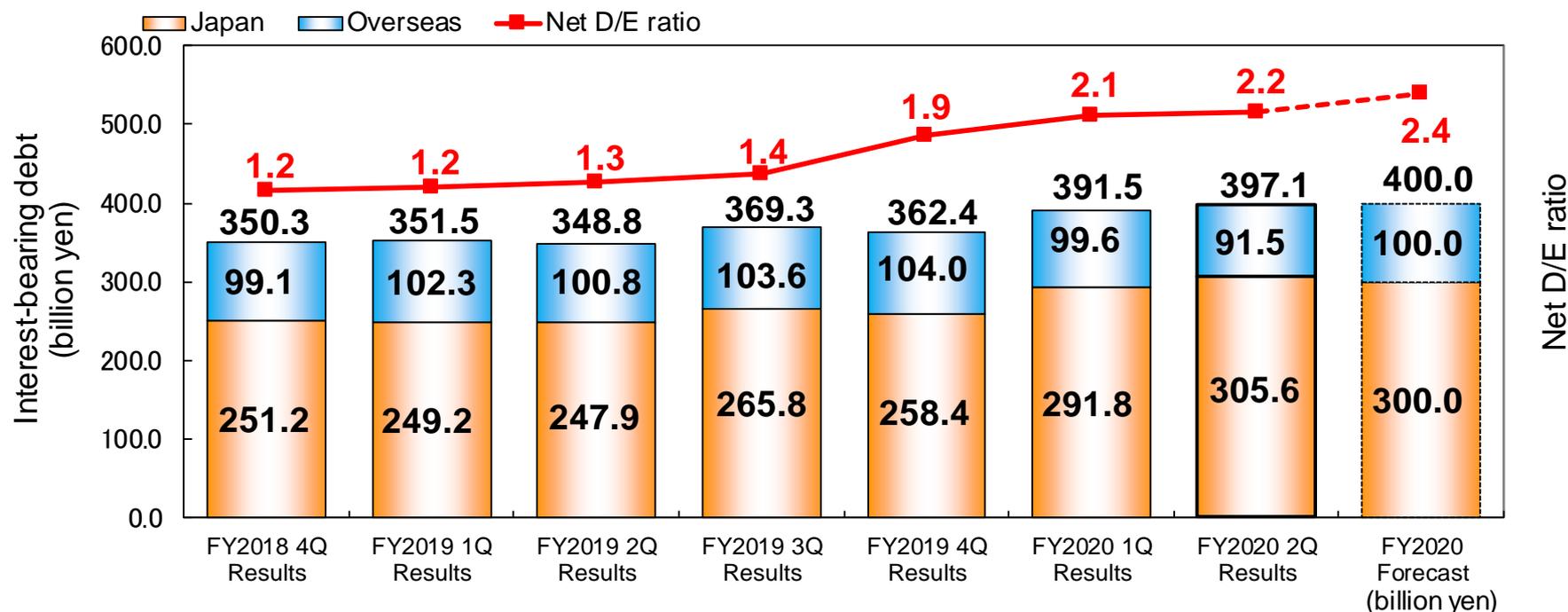


	FY2018	FY2019		FY2020		FY2020 Forecast
	2H Results	1H Results①	2H Results	1H Results②	②-①	
<b>Capital expenditure</b>	25.7	33.8	23.8	* 13.5	-20.3	* 20.0
(Overseas)	(14.3)	(13.6)	(14.3)	(6.4)	(-7.2)	(11.0)
(Japan)	(11.4)	(20.2)	(9.5)	(7.1)	(-13.1)	(9.0)

\* In addition, intangible fixed assets (1H Results: ¥3.9 billion, Full year forecast: 9.0 billion)

	FY2018	FY2019		FY2020		FY2020 Forecast
	2H Results	1H Results①	2H Results	1H Results②	②-①	
<b>Depreciation</b>	19.7	18.3	19.0	17.2	-1.1	35.5
(Overseas)	(11.9)	(11.8)	(12.1)	(11.2)	(-0.6)	(22.5)
(Japan)	(7.9)	(6.5)	(6.9)	(6.0)	(-0.5)	(13.0)

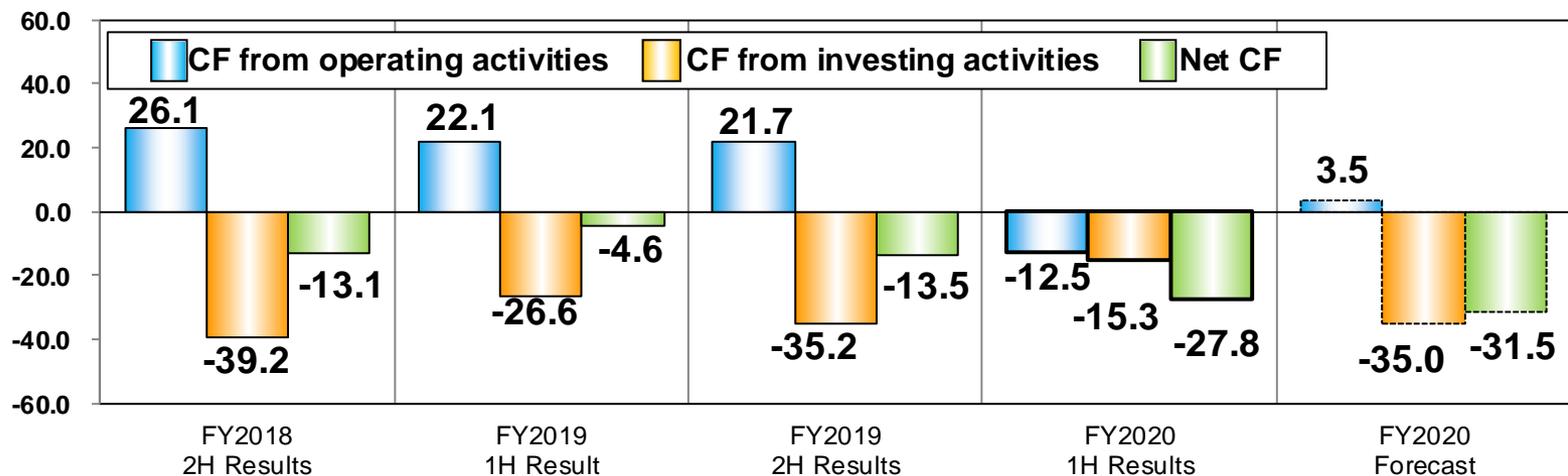
# 9. Interest-Bearing Debt



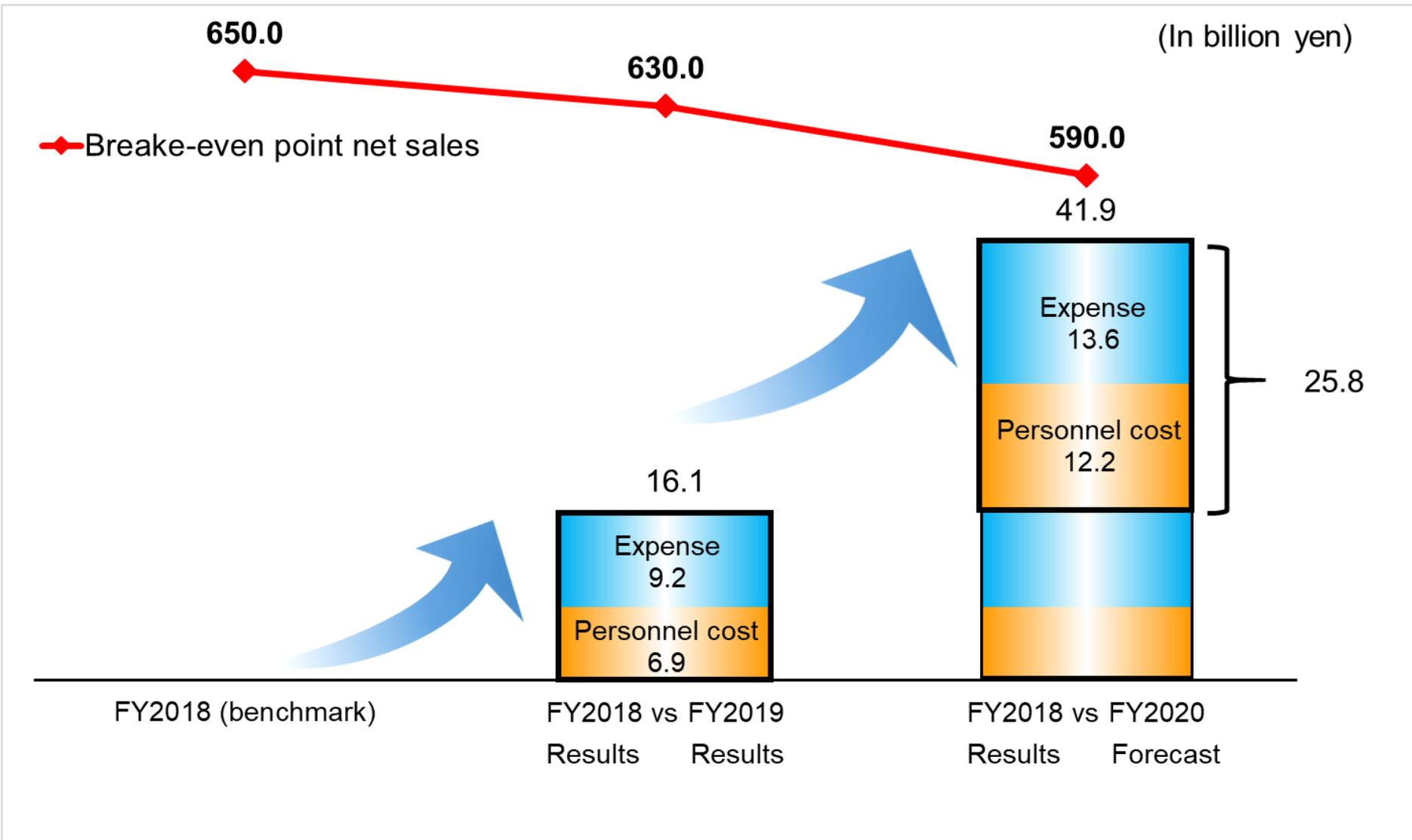
	FY2018 4Q Results	FY2019 1Q Results	FY2019 2Q Results	FY2019 3Q Results	FY2019 4Q Results	FY2020 1Q Results	FY2020 2Q Results	FY2020 Forecast
<b>Interest-bearing debt</b>	350.3	351.5	348.8	369.3	362.4	391.5	397.1	400.0
(Overseas)	(99.1)	(102.3)	(100.8)	(103.6)	(104.0)	(99.6)	(91.5)	(100.0)
(Japan)	(251.2)	(249.2)	(247.9)	(265.8)	(258.4)	(291.8)	(305.6)	(300.0)
<b>Net Interest-bearing debt</b>	266.9	268.6	273.2	297.0	291.3	311.3	317.4	323.5

# 10. Cash Flows

(billion yen)	FY2018	FY2019		FY2020	②-①	FY2020 Forecast
	2H Results	1H Results①	2H Results	1H Results②		
I . Cash flow from operating activities	26.1	22.1	21.7	-12.5	-34.5	3.5
II . Cash flow from investing activities	-39.2	-26.6	-35.2	-15.3	11.3	-35.0
I + II . Net cash flow	-13.1	-4.6	-13.5	-27.8	-23.2	-31.5
III . Cash flow from financing activities	8.9	-2.3	9.7	36.0	38.3	37.0
IV . Effect of exchanging rate translation on cash and cash equivalents	-0.0	-1.1	-0.6	0.3	1.4	-0.2
V . Net increase in cash and cash equivalents	-4.2	-7.9	-4.4	8.5	16.5	5.3



# 11. Trend of Fixed Cost Reduction



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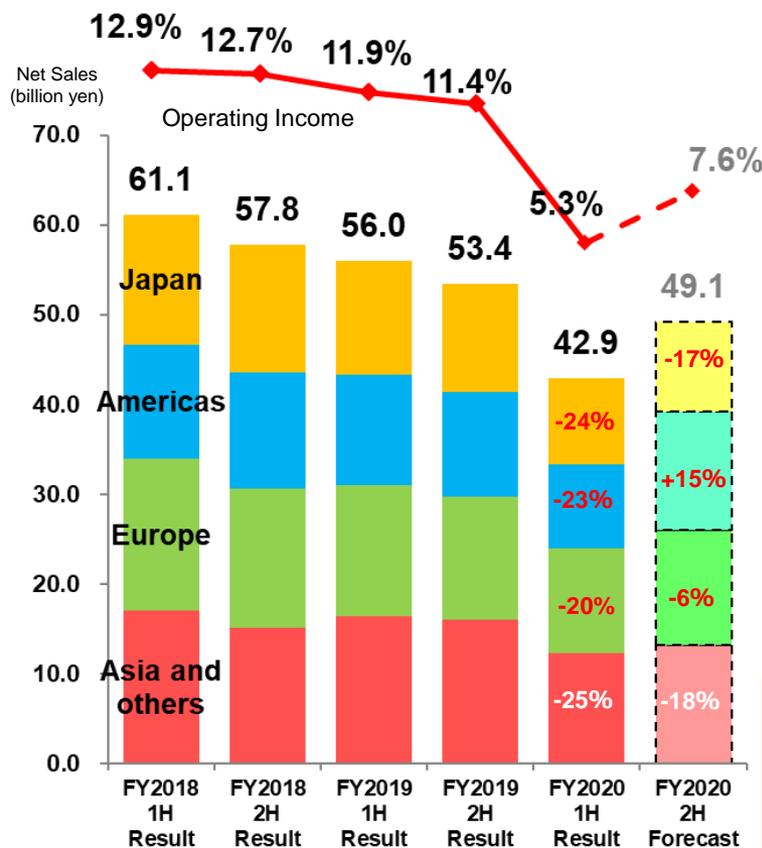
**D**igitalization, **R**esources, **I**nnovation, **V**ariable cost reformation, **E**fficiency improvement  
**N**TN **T**ransformation for **N**ew **100**years

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

<Results for FY2020 1st Half (compared with FY2019 1st Half)>

**Net Sales: ¥42.9billion (-23.5%), Operating income: ¥2.3 billion(-65.9%)**

- Sales of industrial machinery aftermarket to distributor decreased due to decreased demand mainly in Asia and Europe.
- Sales of automotive aftermarket increased in China, but decreased in Europe, Americas, and Japan.



<Forecast for FY2020 2<sup>nd</sup> Half (compared with FY2019 2<sup>nd</sup> Half)>

## Japan

Due to decreased demand of end users, as well as adjustment for distributor inventory, the sales will be lower than the previous year

## Americas

Sales increased due to the increased demand in automotive aftermarket for new projects of OESs sales in the U.S. for auto parts

## Europe

Demand in Italy, France and Germany remained sluggish for the time being, automotive aftermarket also declined in Germany and France

## Asia and others

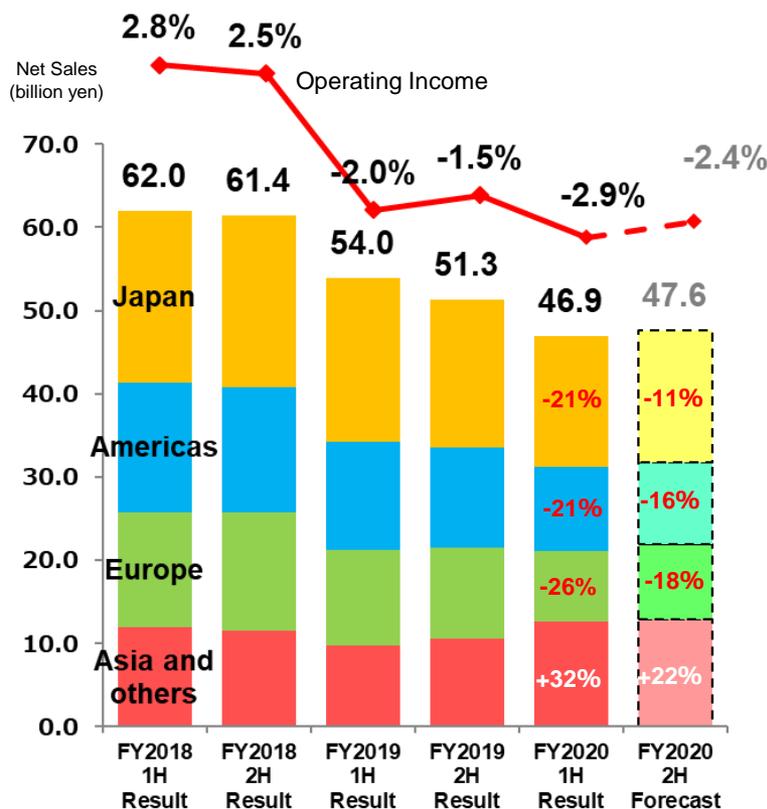
Decrease in sales due to decrease in demand for adjustment in distributor's inventory and automotive and rolling stock aftermarket

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

<Results for FY2020 1st Half (compared with FY2019 1st Half)>

**Net Sales:¥46.9 billion(-13.1%),Operating income: -¥1.4 billion yen**

- Sales for construction machinery decreased significantly, and sales for aircraft and gearboxes also decreased due to a decrease in demand.
- Significant increase in sales for main shaft of wind turbines in the Chinese market



<Forecast for FY2020 2nd Half (compared with FY2019 2nd Half)>

## Japan

Sales decreased due to decline in construction machinery and machine tool, although sales for gearboxes increased

## Americas

Sales decreased due to the decline in construction machinery and wind turbines and aircraft

## Europe

Sales decreased mainly in wind turbines, aircraft, construction machinery and machine tools

## Asia and others

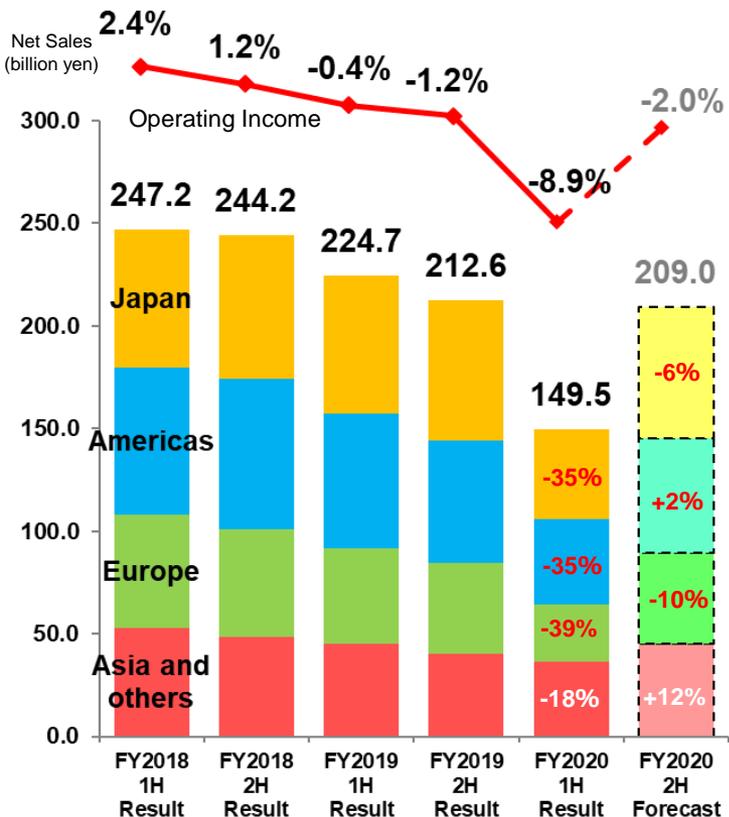
Despite a decline in demand for new rolling stock in China, sales for windturbines significantly increased and total sales will increase

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

<Results for FY2020 1st Half (compared with FY2019 1st Half)>

**Net Sales: ¥149.5 billion yen (-33.5%), Operating income: ¥132 billion**

- Production recovery progresses in Japan, Europe, and the Americas, although there are differences in the degree of recovery among manufacturers.
- The coronavirus pandemic ended early and sales rapidly recovered due to subsidy measures. In Asia as a whole, the impact of coronavirus, such as continued shutdowns, is prolonged.



<Forecast for FY2020 2nd Half (compared with FY2019 2nd Half)>

<b>Japan</b>	Although some manufacturers expect production to be on par with last year's results, sales decreased in some areas due to delayed recovery in production.
<b>Americas</b>	There is a sign of recover due to the dealers' sales measures such as zero interest rates and online sales, sales are on a recovery trend, but overall sales are down.
<b>Europe</b>	There is a sign of recovery due to measures to stimulate demand in major EU countries. It does not include shutdowns of production due to the rapid expansion of coronavirus infections in France and other countries, and there is risk of decline in sales.
<b>Asia and others</b>	Demand is sluggish due to the prolonged effect of new coronavirus and strict loan-screening in ASEAN Sales in China increased YoY because there is a effect of coronavirus from last 4Q due to impact of coronavirus