

May 16, 2023

## **NTN Corporation Q&A Summary of FY2022 IR Meeting** **(Fiscal year ended March 31, 2023)**

- Q1. In the results for the fiscal year ended March 31, 2023, the aftermarket and industrial machinery businesses are improving, while the automotive business is not improving very well. What is the reason for this?
- A1. First, the aftermarket and industrial machinery businesses have started sales price increase activities earlier than the automotive business, after conducting cost reduction activities including proportional cost to reform their cost structures. Second, there are differences in the products in the businesses. While bearings account for the majority of sales in the aftermarket and industrial machinery businesses, CVJ and hub bearings account for 80% of sales in the automotive business. In addition, the automotive business experienced a delayed recovery in sales in the China region, which had been profitable. We have been conducting very tough price increase negotiations around the world in the automotive business, but as negotiations have been difficult and protracted, additional cost increases have caused profits to decline. We will catch up quickly with cost increases through price increases and other measures to strengthen cost competitiveness and generate appropriate profits in the automotive business.
- Q2. Regarding the automotive business, were you able to raise sales prices as planned? Regarding the higher than expected cost increase, do you plan to raise the price this year?
- A2. Steel and energy price increases that occurred during the fiscal year need to be reflected in the same year, but negotiations are still ongoing at present. For the current fiscal year, we intend to raise prices to cover the cost increases left over from the previous fiscal year as well as cost increases in the current fiscal year. Before the COVID-19 pandemic, our challenge was how to control the extent of price reductions in response to requests for discounts from customers. Now, with higher costs, we have finally been able to start negotiating price increases with our customers. Our sales force, under pressure, worked hard to negotiate a price increase, but we were unable to reach our goal. During the negotiations, we received some harsh words from customers, but there were also customers who wanted to continue doing business with NTN and asked us to tell them if we had any problems. We hope to use this opportunity to further build a relationship of trust with our customers.

- Q3. I believe that the company is conducting sales activities with an emphasis on profitability, but due to the automobile model cycle issue, I assume that it will take some time to see the effects of these activities. When do you expect to see the effects?
- A3. We discuss with automotive customers about projects three years ahead, so we make quotations with prices three years ahead.
- Q4. I would like to ask about the level of inventory and how to hold it in the future.
- A4. Automobile production and sales were expected to rebound significantly in 4Q. However, due to the shortage of semiconductor supplies and other factors, production was continuously reduced from customer forecasts we received on a weekly basis in countries around the world. We cannot predict when the semiconductor supply shortage will be resolved, but it is improving little by little. The enough supply of semiconductors and other electronic components can lead to a sudden surge in demand, so we need to stock up on them. On the other hand, from a management perspective, it is also necessary to improve the inventory turnover ratio, so we will control it while looking at the balance.
- Q5. The CFO was replaced in April, but will there be any changes in policies, etc.?
- A5. There is no change. With regard to NTN's revitalization scenario and plans for the current fiscal year, we will find signs of change in the numbers and quickly respond to management issues, and the executive officers will work together to realize NTN's revitalization.
- Q6. The automotive industry is shifting to EVs. What are NTN's strengths?
- A6. Our CVJ and hub bearings will not disappear even after shifting to EVs. As EVs require larger input torque, larger CVJ and hub bearings are required. NTN has 8-ball type CVJ, lightweight product with a different design from other companies, and the vehicle becomes larger in size, we have the greater weight advantage. We believe that we can demonstrate our superiority in the area where the vehicle weight increases by 150 to 200 kg due to the demand for improved electricity efficiency of EV.